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## TOOLS TO PROMOTE FINANCIAL EDUCATION PROGRESS REPORT TO THE G20<sup>1</sup>

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### BACKGROUND AND FOCUS OF THE PROGRESS NOTE

In June 2012, G20 leaders recognised the importance of financial education for financial inclusion and stability and “endorsed the OECD/International Network on Financial Education International (INFE) High level Principles on National Strategies for Financial Education”. They further call “on the OECD/INFE and the World Bank in co-operation with the GPFJ to deliver further tools to promote financial education with a progress report to the next summit”.

At their February 2013 meeting, G20 Ministers of Finance and Central Bank Governors further specified that they: “welcome the work that the OECD/INFE and the World Bank are undertaking on the development of practical tools for financial literacy measurement and the evaluation of financial education programs and look forward to the progress report on the National strategies for Financial Education.”

The report on National Strategies for Financial Education including the contributions from volunteering G20 and partnering economies on the status of national strategy on financial education is currently being reviewed, compiled and finalized by the OECD in close collaboration with the G20 Russian Presidency. It will be transmitted for review by contributing economies by the end of July, in time for transmission to G20 Leaders in September.

This short progress report thus focuses and introduces the **practical tools for financial literacy measurement and the evaluation of financial education programs developed by the OECD/INFE and the World Bank thanks to the support of the Russian Trust Fund on Financial Literacy and Education.**

### POLICY RELEVANCE OF TOOLS TO PROMOTE FINANCIAL EDUCATION

As detailed in the High-Level Principles on National Strategies for Financial Education and consistent with the above-mentioned G20 call, one of the critical components of effective financial education policies is to establish evidence through national surveys on the level of financial literacy<sup>2</sup>. Such surveys particular allow identifying groups with particular weaknesses (such as young and elderly populations, women and low income groups) and areas of financial literacy that deserve special attention through the development of

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<sup>1</sup> This progress report has been prepared by the OECD and World Bank Group for transmission to G20 Ministers of Finance at their meeting in July 2013.

<sup>2</sup> The OECD/INFE definition of financial literacy contained in the High-level Principles on National Strategies for Financial Education is “a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.

adapted financial education initiatives (e.g. planning for unexpected events or using and choosing financial products). Policymakers may also wish to conduct these surveys at regular intervals to measure progress and the impact of their national policies on the population's financial behaviors. In addition, the collection of cross comparable data on financial literacy enable countries to benchmark themselves with countries with similar circumstances and support the identification of further effective policies and practices.

As important as measuring overall levels of financial literacy is the monitoring and evaluation of the provision of particular financial education programmes and their impact on specific target audiences. Monitoring and evaluation first permit to assess if resources on financial education are well spent. They also help refining and improving the delivery of programmes overtime. More importantly, they are instrumental in enhancing the national and global knowledge on the types of financial education programmes and initiatives that work best for different target audiences in different settings. The design of robust evaluation and their results are therefore essential for the development of new and/or broader programmes and to strengthen the relevance and sustainability of financial education polices on the long term.

## **TOOLS DEVELOPED THROUGH THE RUSSIAN TRUST FUND ON FINANCIAL LITERACY AND EDUCATION**

Measurement and evaluation tools are critically important in the development and implementation of successful national strategies for financial education. However, their elaboration can be relatively complex, challenging and resource-intensive, which can limit their systematic use in countries. The absence of a internationally agreed methodology may have also hindered the possibility to compare available evidence and related policies.

The Russian Trust Fund on Financial Literacy and Education permitted to address these challenges and allowed the development by the OECD/INFE and the WB of two complementary fully fledged methodologies to measure financial literacy/capability (1) ; as well as policy and practical tools to evaluate financial education programmes (2). **These tools are also circulated separately to the Ministers.**

### **1) Tools to Measure Financial Literacy**

Two complementary tools to measure financial literacy/capability have been designed and successfully trialed in a first range of countries : **i) a short core questionnaire and methodology toolkit developed through the OECD/INFE to support countries' comparison and benchmarking;** and **ii) a comprehensive survey tailored to low and middle income countries, prepared by the World Bank.**

#### **i) The OECD/INFE toolkit on measuring financial literacy and inclusion**

The OECD toolkit was designed to provide a flexible tool that could be easily used by countries to measure financial literacy and inclusion nationally and compare their results

with others. The OECD/INFE thus first undertook a detailed review of existing approaches to financial literacy measurement across its membership<sup>3</sup>. 18 out of the 26 financial literacy surveys were identified as relevant and analysed in depth. Based on this review, a relatively short good practice instrument was developed. This instrument draws on existing good practice questions and the input of INFE members, a dedicated INFE expert subgroup, international academics and experts from national statistical offices.

It incorporates 24 core questions designed to capture financial knowledge, behaviour and attitudes as well as indicators of financial inclusion and key socio-economic determinants. It can be used as a standalone tool or within a broader survey such as the one developed by the World Bank (see below). Supplementary questions were also elaborated to allow countries the opportunity to increase the breadth of the questionnaire. The OECD/INFE toolkit<sup>4</sup> includes the core and supplementary questions as well guidance to ensure that the data collected at a national level can be compared internationally.

In 2010/11, 14 INFE countries from four continents<sup>5</sup> used the OECD/INFE survey instrument to capture levels of financial literacy in their country. The resulting data enabled the development of a first international survey of financial knowledge, behaviour and attitudes, as well as studies of financial inclusion and detailed analysis of differences in financial literacy by gender. The results of the first OECD/INFE survey are available in a dedicated publication<sup>6</sup>.

A wide range of additional countries have since undertaken their own national survey using all or parts of the instrument and compared their findings with those from the original study. The OECD/INFE planned to continue to collect and analyse this cross-comparable evidence to develop a global database on financial literacy.

## **ii) The World Bank tool to measure financial capability<sup>7</sup>/literacy**

The World Bank has developed a comprehensive survey instrument, that is tailored to measuring financial capability/literacy in low- and middle income countries, although can also be used in high income countries. Extensive qualitative research techniques were used to develop the survey instrument, including 70 focus groups and more than 200 cognitive interviews in eight countries, such as Colombia, Malawi, Mexico, Namibia, Papua New Guinea, Tanzania, Uruguay, and Zambia.

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<sup>3</sup> The INFE currently comprises 107 countries ( all G20 economies) and 240 public institutions

<sup>4</sup> OECD/INFE Toolkit to Measure Financial Literacy and Inclusion: *Guidance, Core Questionnaire and Supplementary Questions*

<sup>5</sup> Albania, Armenia, British Virgin Islands Czech Republic, Estonia, Germany, Hungary, Ireland, Malaysia, Norway, Peru, Poland, South Africa and the UK.

<sup>6</sup> Financial Literacy and Inclusion: *Results of OECD/INFE Survey Across Countries and by Gender*

<sup>7</sup> Similar to the earlier definition of financial literacy, financial capability is defined as the internal capacity to act in one's best financial interest, given socioeconomic environmental conditions. It therefore encompasses the knowledge, attitudes, skills, and behaviors of consumers with regard to managing their resources and understanding, selecting, and making use of financial services that fit their needs.

Key aspects of financial capability/literacy which emerged from the focus groups included behavior, attitudes, and motivations. The focus group results paralleled many of the findings from lower income groups in higher income countries, such as the United Kingdom and Ireland. For instance, the focus group concepts matched well with the following areas identified in the Financial Capability Study of the UK Financial Services Authority: day-to-day money management and planning for the future. The most notable difference with findings in higher income countries was that in low and middle income countries there was more limited mention of knowledge of financial products (which may be linked with lower levels of financial inclusion) and its relevance in indicating financial capability. It also emerged that psychological characteristics such as impulsivity or action orientation were frequently used when describing financial capability.

As a result of this qualitative research this survey tool measures attitudes, skills, and behavior related to day-to-day money management, planning for the future, choosing financial products and staying informed. In addition, the survey instrument captures underlying motivations and personal characteristics that influence the way people behave, including questions on time preferences, impulsivity and action orientation. To ensure a better understanding of the importance of external factors on financial capability, in 2013 the survey instrument was further enhanced with questions on financial inclusion and financial consumer protection related issues.

To date a total of 21 countries have conducted this Financial Capability Survey, in Eastern Europe, Central Asia, Latin America, Africa, the Middle East, and East Asia. Other countries are also considering using this instrument as diagnostic tool to inform the design of their national strategies in order to improve people's financial capabilities, inclusion, and consumer protection.

## **2) Tools to evaluate programmes**

The Russian Trust Fund on Financial Literacy and Education also permitted to make significant advances on the methodological aspects of evaluation and on the global knowledge on most effective approaches to financial education.

Concerning the methodological aspects:

- The World Bank designed a comprehensive and didactic toolkit to evaluate financial capability in low and middle income countries. This toolkit is aimed at guiding policymakers in monitoring the delivery and evaluating the impact of their financial education initiatives. This methodology has been used to carry out new impact evaluations of 17 programmes in 14 low and middle income countries.
- The OECD/INFE surveyed existing evaluation of programmes and developed through a dedicated subgroup of official and academic experts a policy framework, INFE High-level Principles for the Evaluation of Financial Education Programmes and two short trialed guides aimed at promoting and facilitating the systematic evaluation of financial education programmes.

Based notably on the policy and practical work on evaluation of the OECD/INFE and the World Bank, the OECD/INFE engaged in a global collection of evaluated and effective practices on financial education. This inventory of effective practices is available on its website<sup>8</sup> and also presented in regional reports on financial education (e.g. in Latin America and Africa) as well as in audience-specific projects<sup>9</sup> (i.e. women, youth and vulnerable groups). This ongoing inventory carried out through the OECD/INFE membership will allow developing regular regional reports (including in Asia and the Pacific and Europe) and supporting the design of further effective approaches and good practices.

## AVAILABLE TOOLS

### On measurement of financial literacy/capability

- OECD/INFE Toolkit to Measure Financial Literacy and Inclusion: *Guidance, Core Questionnaire and Supplementary Questions*
- Financial Literacy and Inclusion: *Results of OECD/INFE Survey Across Countries and by Gender*
- A report on the World Bank's Financial Capability Research Program: *Financial Capability in Low- and Middle-income countries: Measurement and Evaluation*
- The World Bank's Financial Capability Survey Instrument: *Measuring Financial Capability: A New Instrument and Results from Low- and Middle-income Countries*
- The World Bank's review of existing approaches to measure financial literacy, financial capability, financial inclusion, and financial consumer protection: *Making Sense of Financial Capability Surveys around the World*
- The World Bank's questionnaire and implementation guide: *Measuring Financial Capability: Questionnaires and Implementation Guidance for Low- and Middle-income Countries*

### On Evaluation of financial education programmes

- The World Bank's evaluation toolkit: A toolkit for the evaluation of financial capability programs in low- and middle-income countries
- The World Bank's set of 17 impact assessment projects:
  - *Australia and New Zealand: Evaluating the Effects of Education in Changing the Use of Financial Instruments Used for Making Remittance Payments*
  - *Brazil: Financial Education for School Children and Parents*
  - *Brazil: From Shop to Stock: Understanding and Improving Household Investment Behavior*
  - *Dominican Republic: Increasing the Impact of CCTs through Financial Literacy in the Dominican Republic*
  - *India: Use of Bank Cards and Financial Education Mentoring*

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<sup>8</sup> see global database of programmes at [www.financial-education.org](http://www.financial-education.org)

<sup>9</sup> See individual report at <http://www.oecd.org/daf/fin/financial-education/russiaoecdworldbankfinancialliteracyprogramme.htm>

- *Role of Financial Access, Knowledge and Service Delivery in Savings Behavior and Welfare*
  - *India and Kenya: Measuring the Effects of Financial Literacy and Training on the Use of Index Base Insurance*
  - *Kenya: Comic FX: Can Cartoons Improve the Effectiveness of Financial Education?*
  - *Malawi: Financial Development and the Psychology of Savings: Field Experiments in rural Malawi*
  - *Mexico: Evaluating the Effectiveness of Mexico's Loan Disclosure Reforms on Consumer Understanding and Financial Decision-making*
  - *Mexico: Measuring the Impact of Financial Literacy on Savings and Responsible Credit Card Use*
  - *Nigeria: Financial Education in a Feature Film*
  - *Nigeria: Using Media to Encourage Savings through Learning-By-Doing*
  - *South Africa: Television Delivered "Edutainment" for Debt Management*
  - *South Africa: Old Mutual Financial Education Study*
  - *Uganda: Financial Education in Rural Uganda: Insights from Financial Diaries and In-Depth Interviews*
  - *Uganda: Network Effects in SME Clusters*
- Evaluating financial education programmes : OECD/INFE Survey, evidence policy instruments and guidance.
  - OECD initial regional review of evaluated programmes
    - OECD/INFE peer review and regional reports; Financial education in Africa and Latin America

**SEE ALSO :**

Trust Fund Website : [www.finlitedu.org](http://www.finlitedu.org)

OECD/INFE website on Financial education : [www.financial-education.org](http://www.financial-education.org)

World Bank Group website on financial consumer protection and financial capability:  
<http://responsiblefinance.worldbank.org>