#126

PISA in Focus

Shaping Students' Financial Literacy: The Role of Parents and Socio-Economic Backgrounds

Programme for International Student Assessment

OECD
BETTER POLICIES FOR BETTER LIVES

Shaping Students' Financial Literacy: The Role of Parents and Socio-Economic Backgrounds

- On average across OECD countries and economies, 18% of students are low performers in financial literacy. This means they have not attained Level 2 proficiency. This is the baseline level where students start to apply their knowledge to financial decisions in contexts that are immediately relevant to them.
- Socio-economically advantaged students scored 87 score points higher than disadvantaged students on average, which is more than one proficiency level (equal to 75 score points). They also reported having more opportunities to learn about money matters than their disadvantaged peers.
- On average across the 20 OECD and other participating countries and economies, at least 75% of students discuss money with their parents at least monthly. This includes talking about money for things they want to buy, shopping on line and their own spending decisions.
- Students who reported that they discuss with their parents about money for things that they want to buy, shopping on line, and their own spending decisions - either weekly or monthly - performed better in financial literacy compared to those who never discuss these topics. This trend holds true on average across OECD countries and economies, even after accounting for differences in student characteristics.
- Most students reported that they could independently decide how to spend their money. These students scored around 30 points higher in the financial literacy assessment than those who did not have such autonomy, after accounting for student characteristics, on average across the OECD and other participating countries and economies.

The daily financial decisions of 15-year-olds are often made by their parents. Students frequently seek their parents' guidance on many aspects of their lives, including money matters. However, as they become adults, they need to be prepared to take full responsibility for increasingly complex financial decisions. This is especially true for those from socio-economically disadvantaged backgrounds and those living on tight budgets and with little margin for error.

PISA 2022 data show that students can improve their financial literacy in many ways, including through education in school, interactions with parents and friends, and personal experiences with money.

This PISA in Focus examines the proportion of students who do not achieve baseline financial literacy and explores the links between socio-economic backgrounds, parental interactions and financial literacy performance.

How many students achieve baseline financial literacy?

PISA defines baseline financial literacy as reaching at least Level 2 in the assessment. Students who score below Level 2 are not yet able to apply their financial knowledge to real-life situations and decisions.

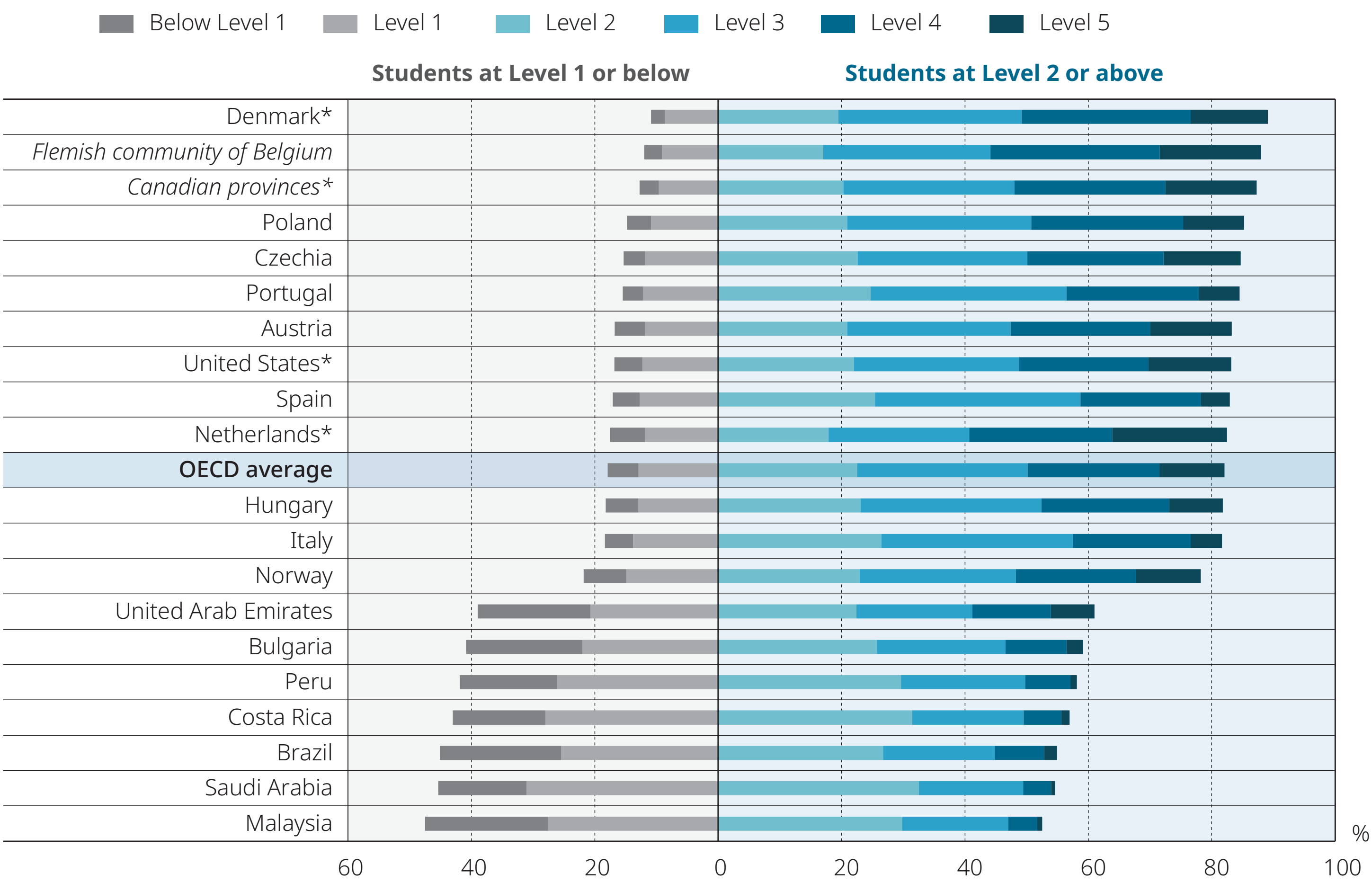
On average across OECD countries and economies, nearly one in five students (18%) did not reach Level 2 proficiency in financial literacy. This figure rises to more than one in four (26%) when considering all countries and economies that participated in the PISA 2022 financial literacy assessment.

Over 85% of students in the *Flemish community of Belgium*, the *Canadian provinces**, Denmark* and Poland achieved at least Level 2 proficiency.
In contrast, only about half (53%) of students in Malaysia reached Level 2 or higher in financial literacy.

Level 2 was the most common proficiency level in Brazil, Bulgaria, Costa Rica, Malaysia, Peru, Saudi Arabia and the Unites Arab Emirates.

Figure 1. Nearly one in five students do not reach the baseline level of financial literacy proficiency in OECD countries and economies

Percentage of students at the different levels of financial literacy proficiency



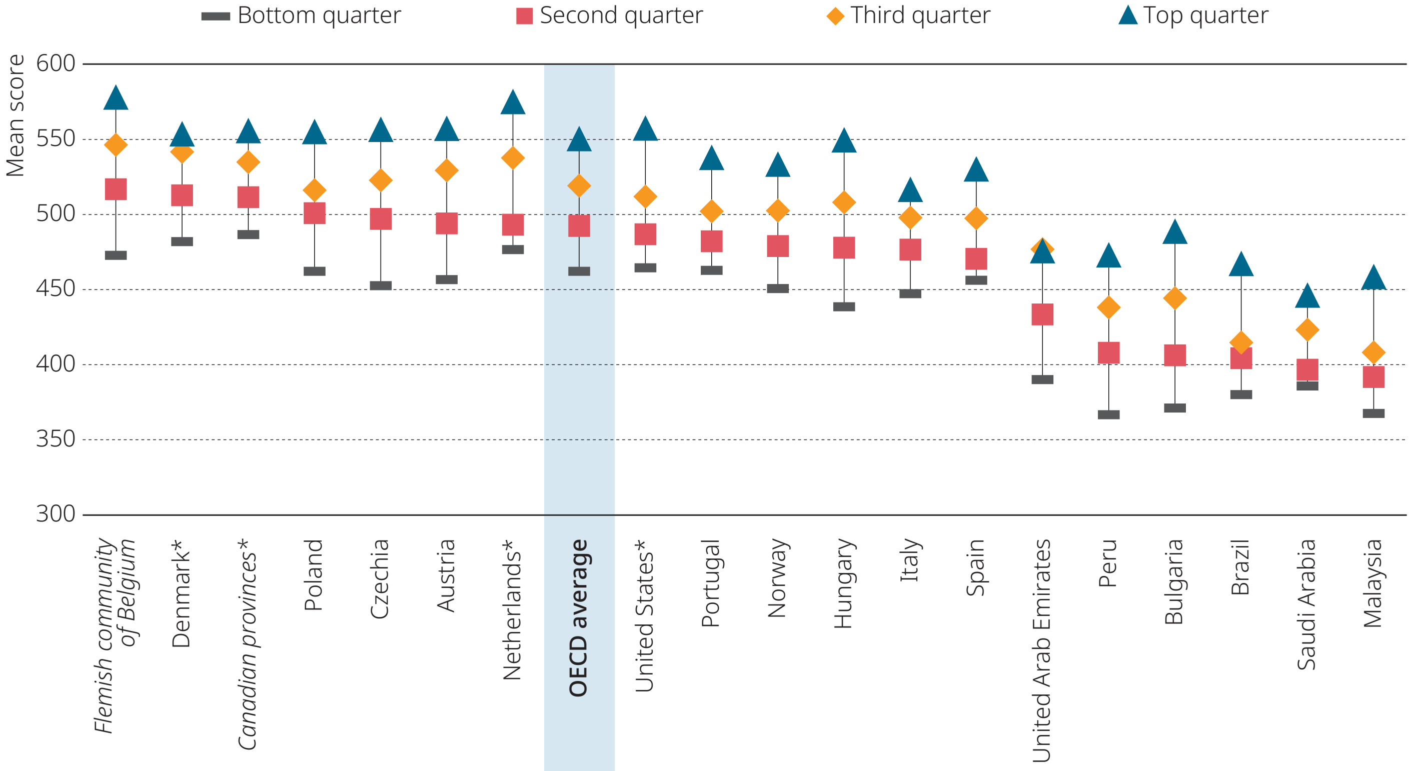
Notes: Countries and economies are ranked in descending order of the percentage of students who perform at or above Level 2.
* Caution is required when interpreting estimates because one or more PISA sampling standards were not met (see Reader's Guide, Annexes A2 and A4).
Source: OECD, PISA 2022 Database, Table IV.B1.2.2.

The relationship between students' socio-economic background and financial literacy performance

In every country and economy that participated in the PISA 2022 financial literacy assessment, advantaged students performed significantly better than their disadvantaged peers. This pattern was also consistent across mathematics, reading and science (OECD, 2023[1]). On average across OECD countries and economies, advantaged students scored 87 score points higher than disadvantaged students, a gap which exceeds one proficiency level (equal to 75 score points). The performance gap between advantaged and disadvantaged students in the *Flemish community of Belgium,* Bulgaria, Czechia, Hungary and Peru was greater than 100 score points, while the gap was less than 75 score points in the *Canadian provinces**, Denmark*, Italy, Portugal, Saudi Arabia and Spain.

Figure 2. Advantaged students score more than one proficiency level higher in financial literacy, on average

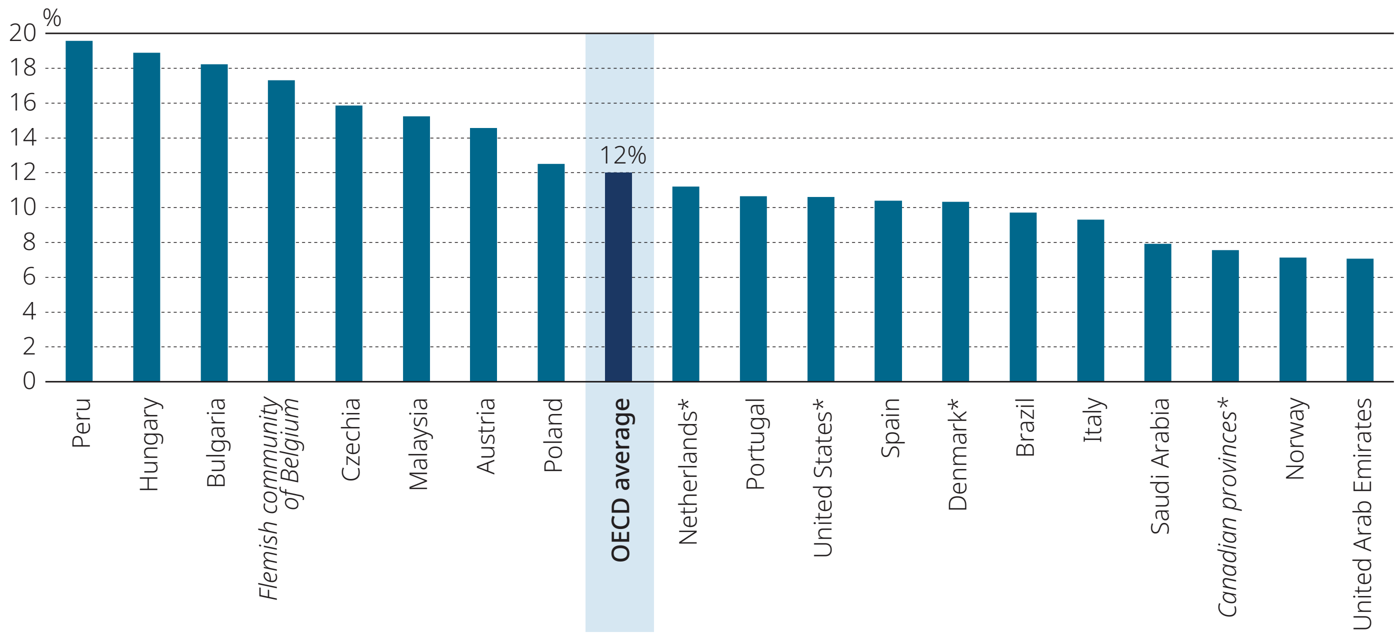
Mean performance in financial literacy, by national quarter of the PISA index of economic, social and cultural status (ESCS)



Notes: Countries and economies are ranked in descending order of financial literacy performance for students in the second quarter of national socio-economic status.
* Caution is required when interpreting estimates because one or more PISA sampling standards were not met (see Reader's Guide, Annexes A2 and A4).
Source: OECD, PISA 2022 Database, Table IV.B1.3.11.

Figure 3. Socio-economic status accounts for 12% of the variation in financial literacy performance in OECD countries and economies

Variation in financial literacy performance explained by variation in students' socio-economic status



Notes: Countries and economies are ranked in descending order of variation in financial literacy performance explained by variation in students' socio-economic status.
* Caution is required when interpreting estimates because one or more PISA sampling standards were not met (see Reader's Guide, Annexes A2 and A4).
Source: OECD, PISA 2022 Database, Table IV.B1.3.12.

On average across OECD countries and economies, 12% of the differences in students' financial literacy performance can be explained by their socio-economic status. In some regions, socio-economic status appeared to account for a larger part of the differences in financial literacy performance: the *Flemish community of Belgium* (17%), Bulgaria (18%), Hungary (18%) and Peru (19%). However, elsewhere, socio-economic status accounted for relatively little of the differences: Norway (7%), the United Arab Emirates (7%), the *Canadian provinces** (7%) and Saudi Arabia (8%).

How much do interactions with parents contribute to students' financial literacy?

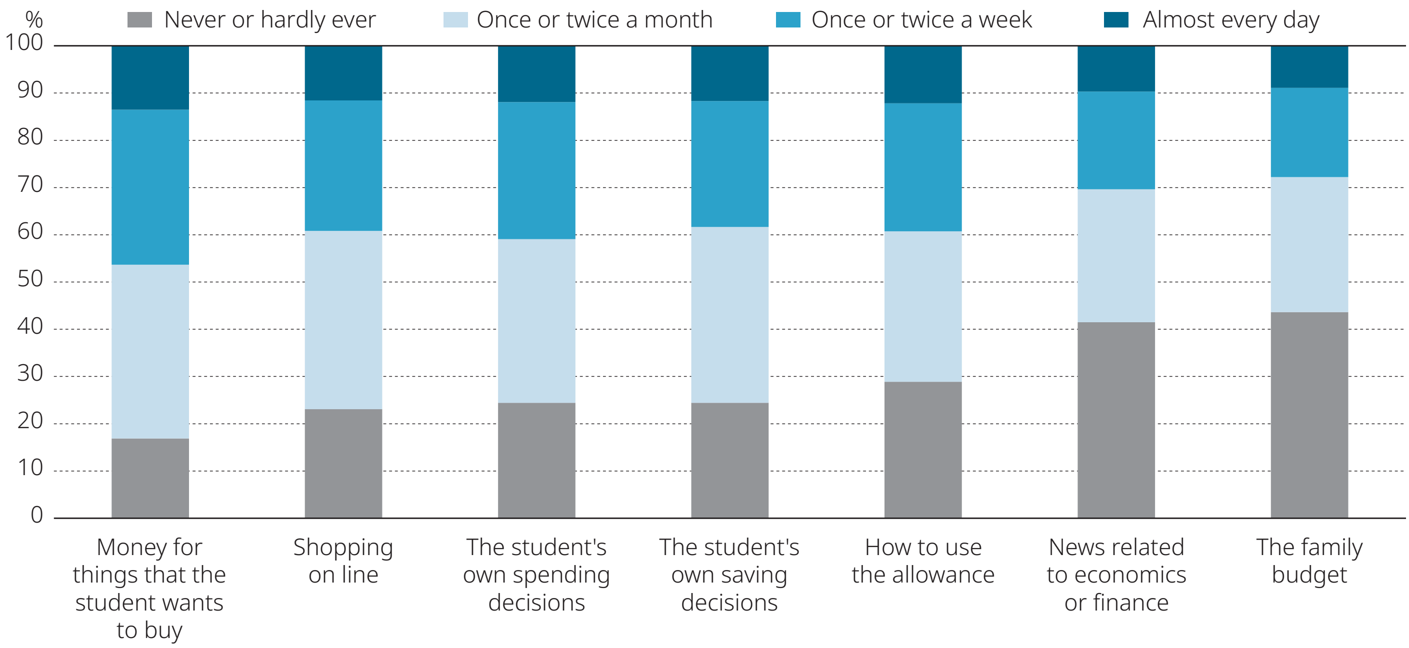
Beyond students' socio-economic status, PISA 2022 examined how students interact with their parents about money matters.[1]

On average across OECD countries and economies, 83% of students reported talking to their parents at least once a month about money for things they want to buy, and 76% about their own spending decisions. Other common topics included students' saving decisions and shopping on line. Relatively fewer students reported discussing news related to economics or finance, and the family budget.

On average across OECD and all participating countries and economies, students who reported that they discuss with their parents weekly or monthly about money for things that they want to buy, shopping online and their own spending decisions, performed better in financial literacy than students who reported never discussing these topics. In particular, students who reported discussing with their parents weekly or monthly about their own spending decisions performed 12 points higher in financial literacy than students who reported never discussing this topic, on average across OECD countries and economies, after accounting for students' characteristics including gender, socio-economic status and immigrant background. While PISA data do not allow to identify causal relationships, this result suggests that discussing spending-related topics with parents sometimes can be associated with higher financial literacy, or that high performing students may initiate discussions with their parents about how to spend their money more than low performing students.

Figure 4. Most students talk to their parents about their spending on a regular basis

Percentage of students who reported discussing about money matters with parents; OECD average



Note: Items are ranked in ascending order of students reporting never or hardly ever discussing each topic.
Source: OECD, PISA 2022 Database, Table IV.B1.4.1.

Is students' autonomy in spending decisions related to their financial literacy?

On average across OECD countries and economies, over four in five students (83%) agreed or strongly agreed that they could decide independently how to spend their money. However, this autonomy in spending ranged from less than 70% of students in Brazil, Peru and Portugal to more than 85% of students in Austria, the *Canadian provinces*,* Czechia, Denmark*, Hungary, the Netherlands*, Norway and the United States*.

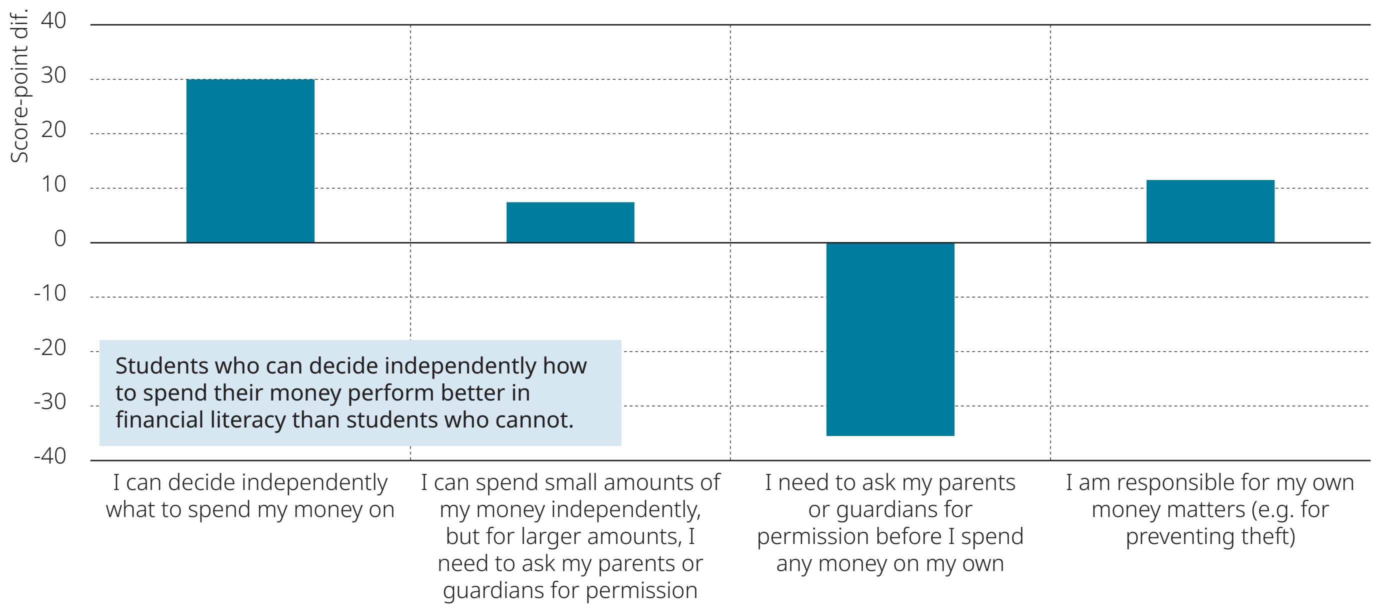
Over two in three students (70%) agreed or strongly agreed that they could spend small amounts of money independently, but needed parental permission to spend larger amounts. One in three students (33%) agreed or strongly agreed that they need to ask their parents for permission before spending any money.

Some 77% of students agreed or strongly agreed that they are responsible for their own money matters, such as for preventing theft, while 68% agreed or strongly agreed that young people should make their own spending decisions.

Students with more financial independence performed better in the assessment. For instance, students who agreed or strongly agreed that they could decide independently how to spend their money scored 30 points higher, on average across OECD countries and economies, than students who disagreed or strongly disagreed with this statement, after accounting for student characteristics.

Figure 5. Students who are autonomous in their spending decisions score 30 points higher than those who are not, on average

Score-point difference between students who agree with and those who do not agree with each statement, after accounting for students' gender, immigrant background and socio-economic profile; OECD average



Note: The socio-economic profile is measured by the PISA index of economic, social and cultural status (ESCS). All score-point differences are statistically significant (see Annex A3).
Source: OECD, PISA 2022 Database, Table IV.B1.4.10.

How do students’ financial experiences, attitudes and behaviours differ according to their socio-economic background?

Socio-economically disadvantaged students not only score lower in financial literacy but also appear to have fewer opportunities to learn about money matters compared to their advantaged peers.

First, socio-economically disadvantaged students reported discussing money matters with their parents, holding financial products and making autonomous financial decisions less frequently than advantaged students. For example, on average across OECD countries and economies:

- 7 percentage points fewer disadvantaged students declared discussing their spending decisions with their parents weekly or monthly.
- 17 percentage points fewer disadvantaged students held a bank account.
- 7 percentage points more disadvantaged students reported needing parental permission before spending money.

Second, disadvantaged students reported less favourable financial attitudes associated with financial literacy than their advantaged peers. In particular, 6 percentage points fewer disadvantaged students reported that they enjoy discussing money matters; and 5 percentage points fewer were confident in managing their money.

Third, students from disadvantaged backgrounds reported earning money from work activities more frequently than their advantaged peers, potentially impacting school attendance and school work. For example, on average across OECD countries and economies, 7 percentage points more disadvantaged students reported earning money from working for a family business; and 5 percentage points more worked outside school hours.

Finally, fewer disadvantaged students reported responsible financial behaviours and long-term attitudes than advantaged students, such as:

- 5 percentage points fewer disadvantaged students reported checking that they were given the right change when buying something.
- 4 percentage points fewer checked how much money they had.
- 10 percentage points fewer compared prices between physical shops and 8 percentage points fewer with online shops.
- 10 percentage points fewer reported planning their spending considering their current financial situation.
- 5 percentage points more reported buying things based on how they felt in the moment.
- 10 percentage points fewer worked towards long-term goals.
- 3 percentage points fewer made saving goals for things they wanted to buy or do.

Overall, the data suggest that socio-economically disadvantaged students face significant barriers in developing financial literacy compared to their advantaged peers.

The bottom line

The PISA 2022 findings reveal that many 15-year-old students need better preparation for their financial future, especially those from socio-economically disadvantaged backgrounds.

Parents play an important role in helping students improve their financial literacy, not only by influencing the economic, social and cultural background students live in, but also by discussing money matters and giving their children some autonomy in spending decisions.

Governments should ensure that all students, especially socio-economically disadvantaged ones, have access to opportunities to acquire financial literacy. Tackling socio-economic inequalities in financial skills and behaviours early on can help students from making poor financial decisions in later life. National financial literacy strategies are essential to meet the financial literacy needs of both students and adults effectively.

Notes

* Caution is required when interpreting estimates because one or more PISA sampling standards were not met (see Reader's Guide, Annexes A2 and A4 of the PISA 2022 Vol. IV report).

1. Students' socio-economic status described above is measured by the PISA index of economic, social and cultural status (ESCS). ESCS is a composite index that combines information on parents' education and occupational status, and on home possessions, as a proxy for family wealth.

For more information

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See:

OECD (2023), *PISA 2022 Results (Volume I): The State of Learning and Equity in Education,* PISA, OECD Publishing, Paris, https://doi.org/10.1787/53f23881-en. [1]

PISA collects reliable and comparable data from participating countries and territories. Following OECD data regulations, a visual separation between countries and territories has been used in all charts to reduce the risk of data misinterpretation.