OECD: Financial Literacy Measurement Pilot

Koid Swee Lian
Consumer and Market Conduct Department
Bank Negara Malaysia
Background of Measurement Pilot


- OECD commissioned the Personal Finance Research Centre (PFRC) to-
  - Gather data on existing national financial literacy surveys
  - Elaborate a set of good practice guidelines for the design of national financial literacy surveys
  - Design a core set of good practice questions for national surveys

- Pilot aims to obtain robust, comparable data that can be used to measure the levels of financial literacy in each participating country
Pilot Questionnaire

Core Questions – identify a behaviour, an attitude or an aspect of knowledge that indicates good financial literacy skills

Socio-demographic Questions – allow for analysis by groups of interest such as young people, women or the unemployed

Supplementary Questions – not essential across all countries but provide additional details about financial literacy. {Not to feed into international comparative measures/ analysis of financial literacy. To add context & depth to national surveys}

Source: OECD
Core Questions

Developed to collect data to-

- Measure financial literacy and provide national benchmarks
- Describe levels of financial literacy in terms of socio-demographic groups & explanatory variables & identify needs & gaps
- Compare levels of financial literacy across countries
- Provide policymakers with a practical tool to establish regular surveys of financial literacy in their country

Source: OECD’s Discussion Paper on Financial Literacy Measurement Questions & Socio-Demographics, 8 June 2010
Core Questions

**Selection Criteria**

- Questions that meet best practice for question design generally
- Questions that are common & relevant across a range of countries
- Questions that are equally applicable across all sections of the population
- Questions strongly correlated with the concept being measured

Source: OECD Paper on Measuring Levels of Financial Literacy at an International Level: An Overview of Questionnaires
Country responsible for own fieldwork & data preparation - identify reputable survey agency to interview by telephone or make personal call. Interviewer to describe the survey to potential participant & encourage them to take part.

Interviewers ask questions & record responses - Participants not pressured to answer.

Hold participants raw data for the pilot in software package, e.g. Excel.

Survey agency cleans data for analysis (i.e. values entered correctly) & make sure sample represents population in terms of socio-demographic characteristics.

Survey Participation Criteria

Individuals 18 years & above

- Personal interviews undertaken by telephone or face-to-face (no Internet or paper surveys)
- Complete survey fieldwork by 31 December 2010
- Minimum size of 1,000 participants – original sample of 1,700 persons from which to draw participants
- Questions are translated to retain the same meaning. Translators should understand idiosyncratic phrases such as “keeping an eye on” or “making ends meet”
- Raw data must be cleaned & saved in a data processing package, e.g. Excel or SPSS before sending to the OECD for analysis

Source: OECD Paper on Measuring Levels of Financial Literacy at an International Level: An Overview of Questionnaires
Core Questions of Measurement Pilot

**Best Practice in Financial Literacy Measurement -**

- **Day-to-day money management**
  - financial control (budgeting & keeping track of finances) & making ends meet

- **Financial Planning**
  - savings/insurance, saving for a rainy day & retirement

- **Choosing appropriate products**
  - comparison shopping & product suitability

- **Financial knowledge & understanding**
  - knowledge of products & key concepts, consumer rights, & use and choice of advisers

Source: OECD Paper on Measuring Levels of Financial Literacy at an International Level: An Overview of Questionnaires
EXAMPLES OF CORE QUESTIONS :-

- Who is responsible for day to day money management in your household?
- Do you have a household budget?
- In the last two years, which of the following types of financial products have you purchased (whether or not you still hold them)
- Which of the following statements best describes how you last chose a financial product.....
- Which source of information do you feel most influenced your decision about which product to take out?
- In the past 12 months have you been saving money in any of the following ways?
- If a person takes home $1,400 & 50% of this goes to rent, how much is their monthly rent?
NEXT STEPS :-

i. INFE agreed with proposed method and core questions 14 June 2010

ii. Countries commit to participate in Pilot and, if necessary, make final comments on core questions 21 June 2010

iii. OECD to develop additional financial literacy questions September 2010

iv. OECD to provide necessary guidance and advice in implementation phases July-December 2010

v. Fieldwork completed in participating countries 31 December 2010

vi. Countries to transmit to INFE Secretariat (OECD) data for analysis 31 March 2011

vii. Present preliminary findings at INFE meeting in June 2011

viii. Provide 1st draft of comparative study to subgroup & volunteering countries September 2011

ix. Prepare draft comparative study for INFE meeting October 2011
Thank you