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Second Financial Education Day

Banco de España/CNMV

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Governor

Good morning

I would like to begin by saying how pleased I am to be participating in this celebration of the Financial Education Day. The purpose of this event is to raise society's awareness of the importance of improving and broadening financial and, more generally, economic knowledge, helping people take decisions that affect many aspects of our lives.

At times like the present, characterised by the constant evolution and development of saving and borrowing instruments, the ability to correctly assess the risk and profitability of different financial products is particularly important. Indeed, different products may be more or less appropriate depending on an individual's risk exposure profile, age and income. The role of experience when choosing products is limited, since we are frequently faced with new products or products with features that are not well known.

I would like to stress that the main purpose of financial education is not to train experts in how to understand complex products, but to help ordinary people with their spending, saving and investment decisions.

Particular prominence is given in financial education to aspects such as preparing a household budget, prudence when taking decisions, the assumption that higher returns are generally associated with higher risks, and, no less importantly, the time profile of economic decisions, and, specifically, preparation for retirement, which is obviously very important given current demographic trends and the challenges of population ageing.

Background and current situation of the Financial Education Plan

The gestation and promotion of financial education started in 2008 with a project initiated by the National Securities Market Commission and the Banco de España, joined subsequently by the Ministry of Economic Affairs and Competitiveness. After its renewal in June 2013, a plan of activities was drawn up for the period 2013-2017, demonstrating a clear intention of continuity.

The plan addresses two closely related aspects: the assessment and measurement of the financial literacy of young people and of adults.

Activities in the education system

Financial literacy consists of knowledge and skills that enable individuals to take informed decisions.

One indication of the level of competence relates to young people (15-16 years old), and was obtained in 2012 within the framework of the PISA study of financial literacy. From this test, which reflects skills related to the use of means of payment and the understanding of risk, a number of conclusions were drawn, two of which I wish to highlight:

- In every country for which information is available, the financial literacy of the youngest generation is not significantly better than that of the rest of the population.
- Spain is the country with the lowest proportion of students who receive some basic financial education at school.

With the aim of promoting financial education in schools, the National Securities Market Commission and the Banco de España signed a collaboration agreement with the Ministry of Education in September 2009 to implement the Financial Education Plan. Since then, high quality educational materials have been provided free of charge under this programme, to enable teachers to include the basic principles of budgeting, means of payment, saving and borrowing in compulsory secondary education.

In the 2014-2015 academic year an initiative was launched to evaluate the extent to which the Financial Education Plan is achieving its objectives. This was based on the valuable collaboration of the teaching staff, administrators and students of 77 schools in 12 regions, which taught the content of the programme to their students in steps, as established by the Banco de España.

The results indicate that the programme has increased students' financial knowledge, in particular with regard to the use of means of payment provided by banks, and also – which is no mean feat – their readiness to save.

Activities relating to adults

Can the results for young people be extrapolated to the adult population? Unfortunately, we know little about the level of financial knowledge of the adult Spanish population. It is generally thought that Spanish people are not well informed, but much of the evidence for this is based on unrepresentative information.

Accordingly, as part of a highly ambitious project, the Banco de España and the National Securities Market Commission are preparing one of the most extensive surveys undertaken at international level: the financial competence survey, which forms part of the National Statistical Plan.

This study, which we expect to be completed by the end of 2017, will include various original aspects to address the special characteristics of the Spanish case.

First, educational skills are decentralised. Given the nature of financial competence, which varies significantly according to the level of education of the individual concerned, the project will use representative samples of the different levels in the various regions.

Second, the financial knowledge of each individual may not reflect that of the persons who actually take household decisions. For example, in Spain, important financial decisions regarding house purchase and mortgage borrowing are taken at different ages than they are in other European countries, as a high proportion of young people live with their parents. As a result, information is sometimes needed on the financial competence of those members of the household who take saving and borrowing decisions affecting the whole household.

Apart from its financial knowledge, we have little evidence regarding the general economic knowledge of the Spanish population. Given this situation, questions have been included in the financial competence survey that aim to measure, inter-alia, knowledge of certain key concepts, such as inflation and money.

In 2018 we will have the results of the survey, which will enable us to analyse on a sound basis the financial knowledge of the adult population in Spain and to identify those areas on which the Financial Education Plan needs to focus. Future activities will be based on this information.

To conclude, I should like to join the Chairman of the National Securities Market Commission in expressing my sincere and deep gratitude for the work and effort over the past eight years of all those persons and institutions who have collaborated directly or indirectly on the Financial Education Plan.

Thank you very much your attention and I hope you will enjoy this event.