

## ABSTRACT

### The financial literacy of 15-year-olds in South Tyrol

**Mature citizens should understand economic contexts as well as financial products and services at least in their basic features in order to be able to assess associated risks and consequences. This knowledge and skill is generally described by the term financial literacy. But what about the financial education of South Tyrolean 15-year-old students? This study aims to present an up-to-date and, for the first time, comprehensive picture of the financial literacy of South Tyrolean students and also to examine its influencing factors. What role do the lessons at school or the role models in the private environment play? To what extent does gender or social background influence financial literacy? In order to answer these questions, the Evaluation offices for the German, Italian and Ladin education systems, together with the IER – Institute for Economic Research of the Chamber of Commerce of Bolzano/Bozen, have examined the results of the OECD-PISA 2018 assessment of financial literacy in more detail. In addition, the complex relationships between financial education and its influencing factors are shown with the help of a structural equation model.**

In an international comparison, South Tyrol's 15-year-olds rank in the middle of all participating countries in the PISA 2018 assessment of financial literacy. Overall, around 85 % of students in South Tyrol have a level of competence that enables them to cope independently with everyday demands in the areas of finance and economics. However, this result also means that the remaining 15 % of students do not have a basic level of financial literacy.

In South Tyrol's schools, topics from the world of economics and finance are most frequently worked on in mathematics lessons.

In other subject areas or courses, however, these topics play a subordinate role. Students most frequently obtain information on dealing with money from their parents. Other important sources of information are the internet and the teachers.

Compared to their peers in neighbouring regions, South Tyrol's 15-year-olds use fewer strategies to be able to buy a product at a cheaper price: Prices between different shops or internet shops are compared less often, likewise South Tyrolean students wait less often for products to become cheaper. Young people primarily obtain money for their own purchases through gifts from friends or relatives. South Tyrol's students stand out in a national comparison in that they most often receive pocket money, regardless of whether they have to provide something in return.

The results also show that financial literacy is strongly related to socio-demographic and socio-economic factors such as gender, financial and social status of parents and immigrant background. Thus, in South Tyrol, as in other countries participating in the assessment of financial literacy, schoolgirls perform worse on average in financial literacy than their male peers. In addition, it is shown that girls are on average more insecure in dealing with money matters (purchase agreements, account statements, etc.) and in using digital financial services (e.g. transfers at ATMs or with a mobile device) and generally have less interest in financial topics than boys. If we look at the immigrant background of the students, we also see a clear gradation in financial literacy between native students, second-generation students and first-generation students. The same applies to the financial and social status of the family: the lower the educational level and

income of the parents, the lower the financial literacy of their children on average.

With regard to the type of school attended, South Tyrol's students show different results: For example, students in technical secondary schools (Fachoberschulen) achieve the best test result in financial literacy among 15-year-olds. Compared to students at grammar schools (Gymnasien) and vocational schools (Berufsbildende Schulen), they also state on average more frequently that they are more confident in dealing with money matters and in using digital financial services, that they are more price-conscious when making purchases, that they keep track of expenses and their current financial situation, and that they are generally more interested in financial issues.

The multivariate analysis of the factors influencing financial literacy provides further insights: Students' mathematics and reading skills have a strong influence and thus form the cornerstones of financial literacy among South Tyrolean's students. Other factors, such as attending a financial literacy course, involving parents in financial literacy issues or familiarity with complex financial concepts, also show a positive effect on financial literacy, but play a minor role compared to mathematics and reading skills.

Finally, the results of the multivariate analysis confirm the assumption that financial literacy is influenced by socio-demographic and socio-economic factors: Gender, financial and social status as well as immigrant background significantly determine both mathematics and reading skills of students and thus indirectly also financial literacy.

The following conclusions and recommendations for representatives and stakeholders of economic and educational policy, for schools and the local economy can be derived from the results:

> **Promote reading and mathematical skills and financial literacy in a targeted manner from the first grade onwards**

The study clearly shows that reading and mathematical skills are significant influencing factors for the acquisition of adequate financial literacy. The acquisition of solid skills in reading and arithmetic consequently represents a central factor for the development of financial literacy, which needs to be specifically promoted from the first grade of primary school onwards. Special attention should be paid to those students who are at risk of not reaching a basic level of financial literacy.

> **Building financial education in a planned and sustainable way**

The results show that a planned approach to the promotion of financial literacy competences in all school levels is preferable to a selective educational offer. This speaks for a conceptual anchoring of the subject area of financial education in the curricula of all three school levels. On the one hand, an anchoring in the subject curricula is conceivable, on the other hand, however, also within the framework of the interdisciplinary learning area of „social education“ (Gesellschaftliche Bildung).

> **Understand and embed financial literacy as part of curricular teaching and skills acquisition**

In view of the importance of mathematical competence and reading competence, the systematic examination of subject

areas from the fields of economics and finance in these two learning areas appears to be recommendable. Ideally, teachers from different subject areas promote this competence acquisition as a shared concern. The development of financial literacy should not be perceived as an additional task and burden, but as an opportunity.

> **Offer differentiated didactic approaches for students with different learning requirements and focus on basic competences.**

In order to enable students with different learning conditions to acquire basic competences in the field of financial education, it is recommended to focus on basic objectives and to use specific methodological-didactic approaches. In this context, objectives of a preventive nature as well as the imparting of knowledge about support services in the environment appear to be particularly important. With regard to didactic and methodological approaches, low-threshold, playful and action-oriented approaches should be used.

> **Raise awareness of the risks of life for precautionary purposes**

Changes in the world of work, increasing life expectancy and the reorientation of the tasks of the state require citizens to take increasing personal responsibility. This creates new challenges for social and financial security in the event of a longer interruption of employment or after working life. In order to convey a basic understanding of these changes, not only schools but also other institutions in South Tyrol, such as the Pensplan Centrum AG or banks, are called upon.

> **Strengthen consumer protection**

Digitalisation in the financial sector and the increasing availability and complexity of financial services enable low-threshold and broad access for the entire population, but also entail higher risks and dangers. On the one hand, legislators are called upon to intervene, for example by banning financial services that are not very transparent, and on the other hand, consumers need to know when and where they can seek professional help with regard to certain financial decisions, for example from consumer protection organisations.

> **Involve businesses and business and professional associations**

In private and public enterprises, young people entering the world of work for the first time can be taught basic economic knowledge in a particularly practical and vivid way. It is also important to ensure a high level of financial education for entrepreneurs, as they are exposed to a particular economic risk.

> **Use extracurricular activities to teach financial education**

Young people can increase their financial literacy through a variety of sources, including their parents, friends or school. Extracurricular activities offered by private, public and non-profit institutions also play an important role, such as events on money or savings, school visits by employees of financial institutions, stock market games, visits to a money museum or events where students can start their own small business.