

CNMV WORKING PAPER ON FINANCIAL EDUCATION AND SAVINGS AND INVESTMENT DECISIONS: AN ANALYSIS OF THE FINANCIAL COMPETENCES SURVEY (ECF)

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The Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) has published the working paper "[Financial education and savings and investment decisions: an analysis of the Financial Competences Survey \(ECF\)](#)". The document was written by Anna Ispierto, Irma Martínez and Gloria Ruiz from the Research and Statistics Department of the CNMV's Policy and International Affairs Directorate-General.

The working paper is based on the results of the Financial Competences Survey (ECF) carried out as part of the Financial Education Plan 2013-2017 of the Bank of Spain and the CNMV, in collaboration with the Spanish National Statistics Institute (INE), and pursues several objectives:

- quantify the financial literacy of individuals;
- relate them to their socio-economic characteristics;
- study the determining factors in their financial decisions.

The results reveal that the average score obtained in the evaluation of the financial literacy of the sample is 6 out of 10, with 70% of the individuals showing medium or high literacy levels and 25% displaying low or very low literacy level. The age group with the lowest financial literacy level is, according to the ECF, that of older people. There is also a gender gap in the financial literacy level of the employed sample population.

In the case of training, the results point to the importance of the early stages of training in learning, as well as a positive relationship between an individual's perceived income and his or her level of financial literacy. The analysis of the individual's savings behaviour shows that, in general, the respondents give very high importance to saving, although almost 40% of them state that they have not done so in the last year. Savers generally choose a very small number of financial assets, rarely more than two. These results are intended to help improve the design of policies and programmes that seek to enhance financial literacy among different target audiences.

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After a previous descriptive analysis, the paper analyses the effect of financial education on savings and investment decisions for a wide range of financial assets and adopts a methodology that reduces the estimation problems detected in previous studies. On the one hand, to measure the financial literacy of the population, estimation techniques previously used in high-impact academic journals have been employed. On the other hand, the models have been applied considering the endogeneity of financial education as a variable in the model. In other words, the direct effect of financial education on investment decision-making has been captured by trying to isolate the improvement in financial skills that individuals may experience by the mere fact of participating in financial markets. For this purpose, the relevance and exogeneity of the instruments used have been empirically tested.

The results highlight the importance of financial education in investment decision-making, although they differ from previous studies. While other studies point out the importance of financial education in the acquisition of financial products, including the subscription of pension schemes and other products designed to save in anticipation of a future contingency, this study shows that it plays a particularly relevant role in the decision to acquire other financial assets such as fixed-income and equity securities, either directly or by participating in an investment fund. In other words, financial education determines investment decisions in which the assessment of profitability, risk and investment term predominate, and not savings decisions or the acquisition of products with marked hedging connotations.

The CNMV will hold a webinar on this document in the coming weeks in which its authors will explain its content and conclusions.

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