

# SURVEY OF FINANCIAL COMPETENCES (ECF) 2016: MAIN RESULTS

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- **Brief description of the survey**
- **Main results:**
  1. Financial literacy of the Spanish population aged 18 to 79
  2. Knowledge and holding of financial products (individually or jointly\*)
  3. Acquisition (individually or jointly) of financial products and information sources
  4. Use of financial products:
    - Vehicles used for saving
    - Spending outpacing income and the financing thereof
    - Credit access difficulties
  5. Economic vulnerability of the household
- **International comparison**

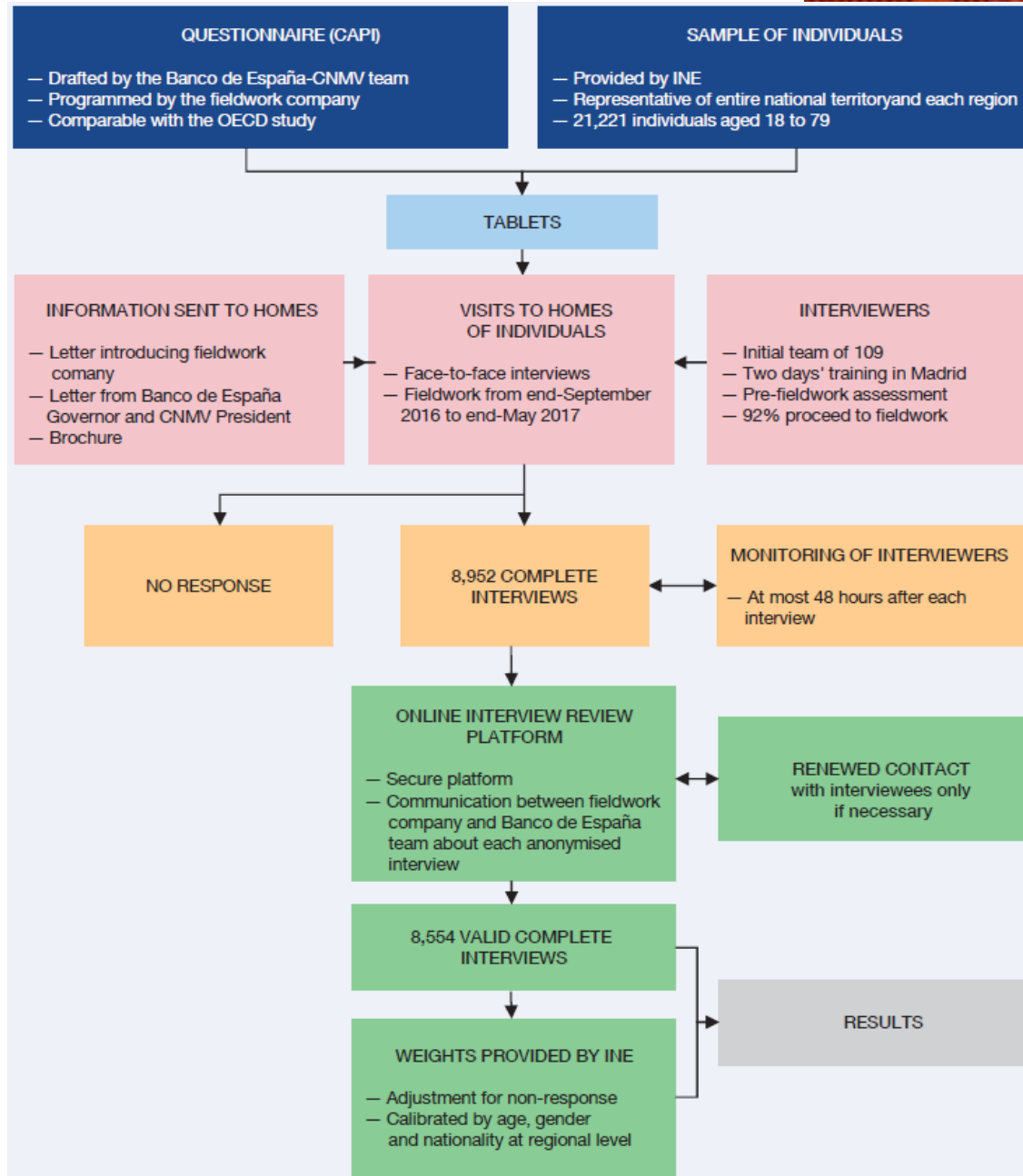
\* The variables of the study generally refer to the **interviewee**, unless otherwise indicated.

## SURVEY DESCRIPTION



- **ECF**: joint initiative of the **BdE** and the **CNMV**, under the **Financial Education Plan** and included in the **National Statistics Plan**.
- Collaboration by **INE** (the National Statistics Institute), which has provided the original sample and the weights.
- The survey measures **knowledge and understanding** of financial concepts by the Spanish population aged 18 to 79, and this age group's holding, acquisition and use of various savings, debt and insurance vehicles.
- The **main features** of the survey are:
  1. It is **representative** of the Spanish territory as a whole and each of its regions. The distribution of the population by demographic characteristics in the ECF is similar to that of other national surveys [Table 1](#)
  2. It is part of an **international project** coordinated by the International Financial Education Network (INFE) of the OECD that measures the financial literacy, attitudes and behaviour of the population of around 30 countries in 2015-16
  3. Besides the questions proposed in the international study, it includes information on the expectations of the interviewees, their numerical or reading ability, the financial literacy of the household, information about their main residence, debts and household expenses

# HOW THE SURVEY UNFOLDS



# 1. FINANCIAL LITERACY



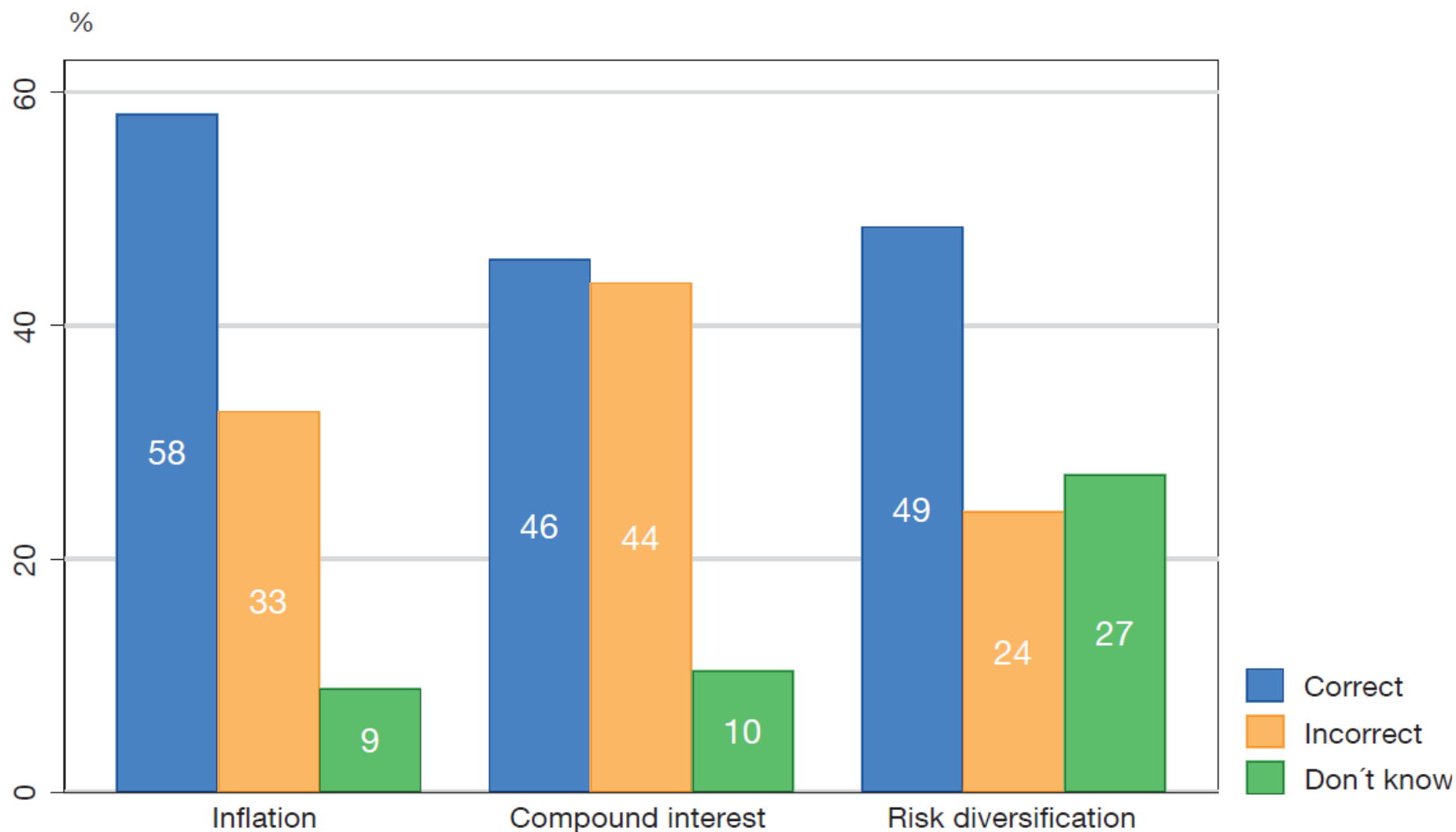
**Financial literacy (Chart 1)** is measured in this report through three questions related to the following general concepts:

- 1. Inflation:** Responding correctly to the this question requires understanding that an amount of money loses purchasing power when prices rise.
- 2. Compound interest:** To answer this question correctly, the interviewee must realise that the changes to an amount saved in an account over five years depend not only on the annual interest rate applied to the amount saved the first year, but also on the interest accrued thereafter.
- 3. Risk diversification:** This question measures whether it is understood that the risk associated with investing in equities diminishes if a broad range of shares is acquired rather than a single type of share.

## Box 1

# 1. FINANCIAL LITERACY

Chart 1. REPLIES TO FINANCIAL LITERACY QUESTIONS (%)





## OVERALL RESULTS:

1. 58% of interviewees answer the inflation question correctly, less than half (46%) respond correctly to the question on compound interest or to that on risk diversification (49%).
2. 9-10% of individuals respond “don’t know” for the inflation and compound interest questions and 27% to that on risk diversification.

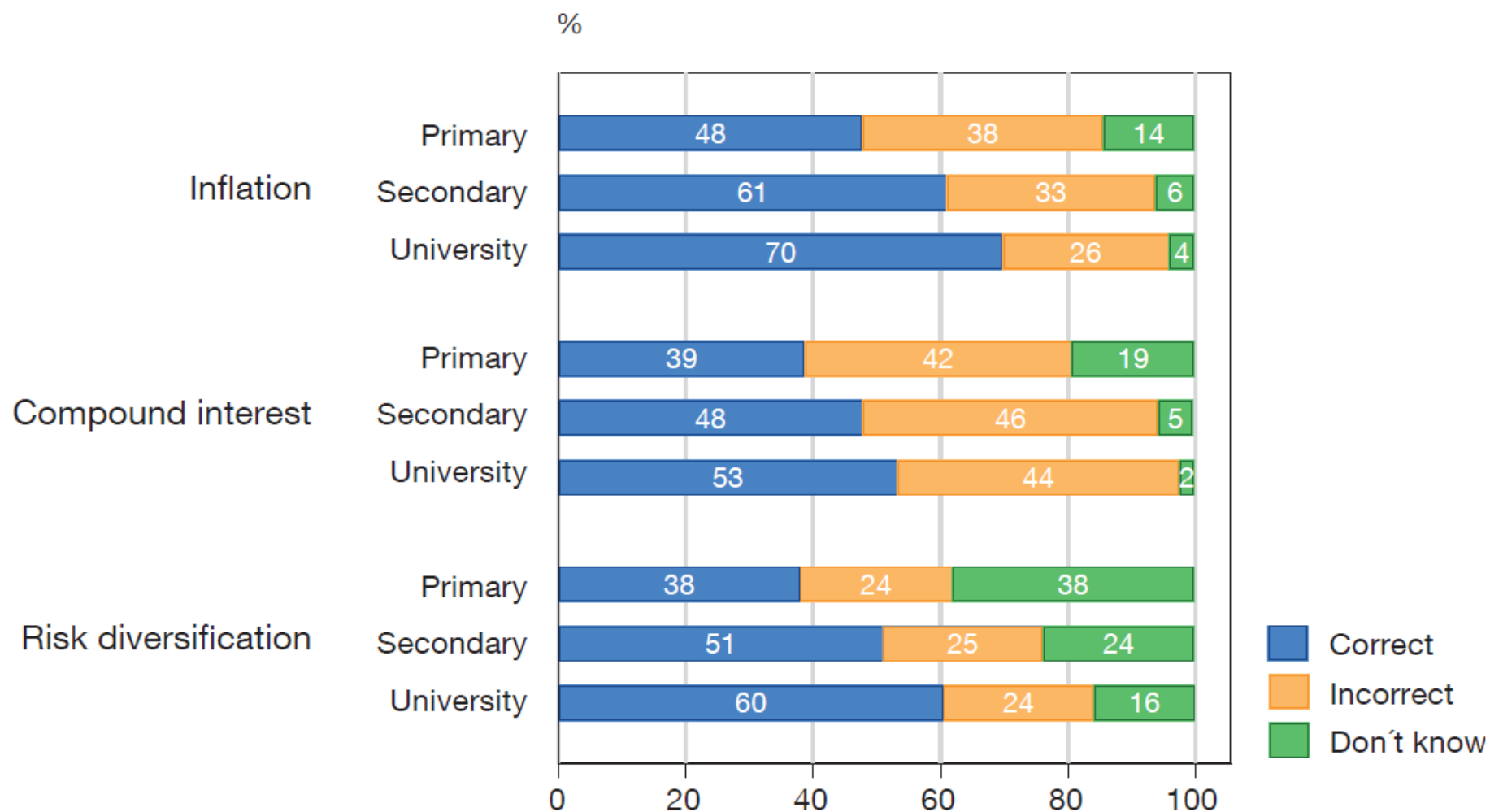
## COMMON PATTERNS BETWEEN ANSWERS:

3. % of correct answers is lower for women. **Box 4**
4. % of correct answers increases with educational level (**Chart 2**) and with level of household income.

# 1. FINANCIAL LITERACY



Chart 2. REPLIES TO FINANCIAL LITERACY QUESTIONS (%), BY EDUCATIONAL LEVEL







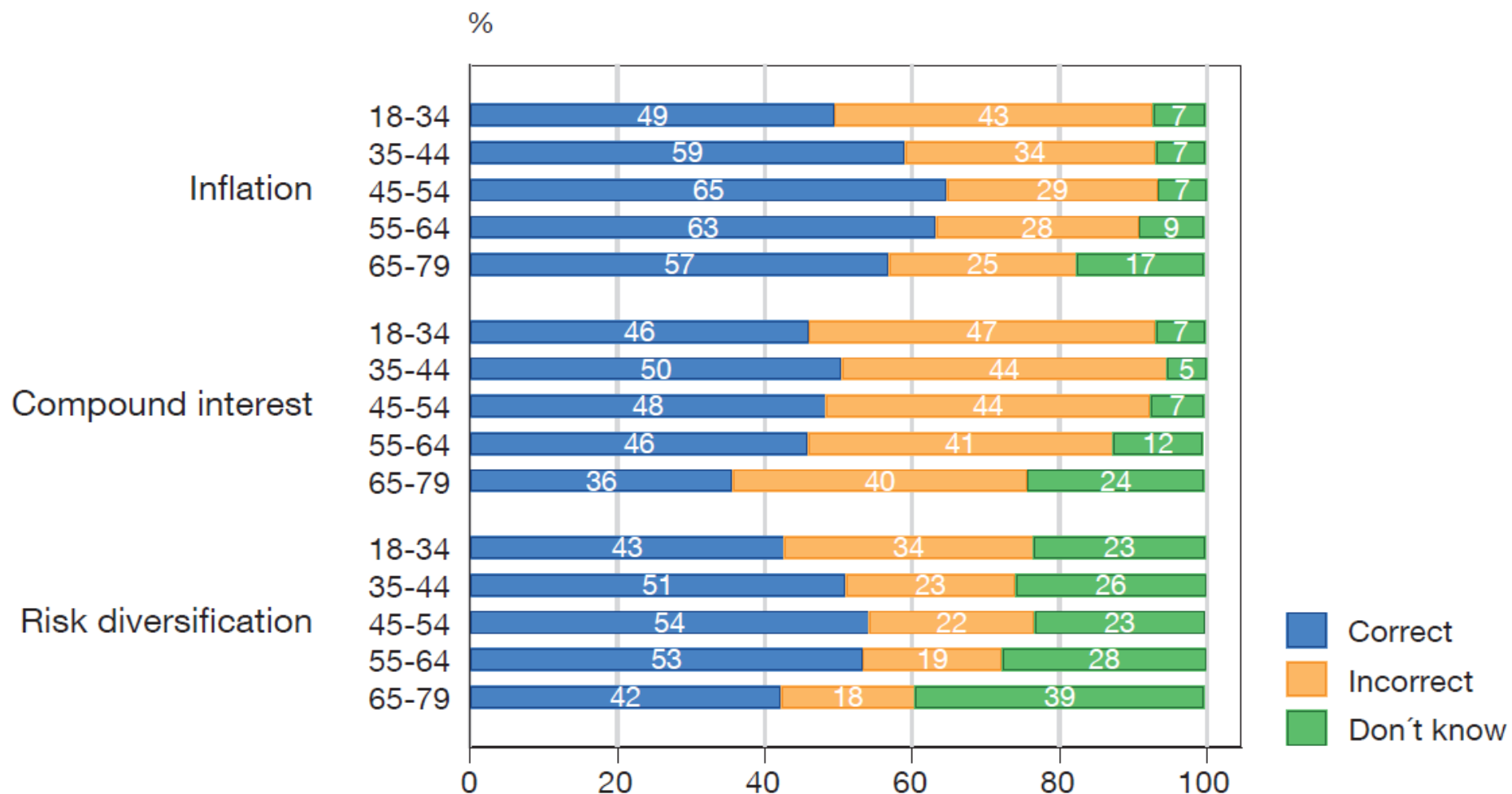
## SPECIFIC PATTERNS BETWEEN ANSWERS:

5. By age, the percentage of correct answers has an inverted-U shape (**Chart 3**):
  - Less pronounced in question on inflation - experiences of high inflation
  - Strong increase in "Don't know" in the older group
6. Differences by household structure:
  - % of correct answers to the questions on inflation and risk diversification is 6-7 p.p. lower among those who live with other adults who are not their partner than in the group of adults who live with their partner
7. Regional differences (**Chart 4**):
  - Even in those regions with higher percentages of correct answers, a substantial share of the population does not know any of these concepts  
In Aragon, 43% does not answer correctly the question on compound interest
  - Part of these differences can be associated with the different demographic composition and the different educational levels across regions

# 1. FINANCIAL LITERACY



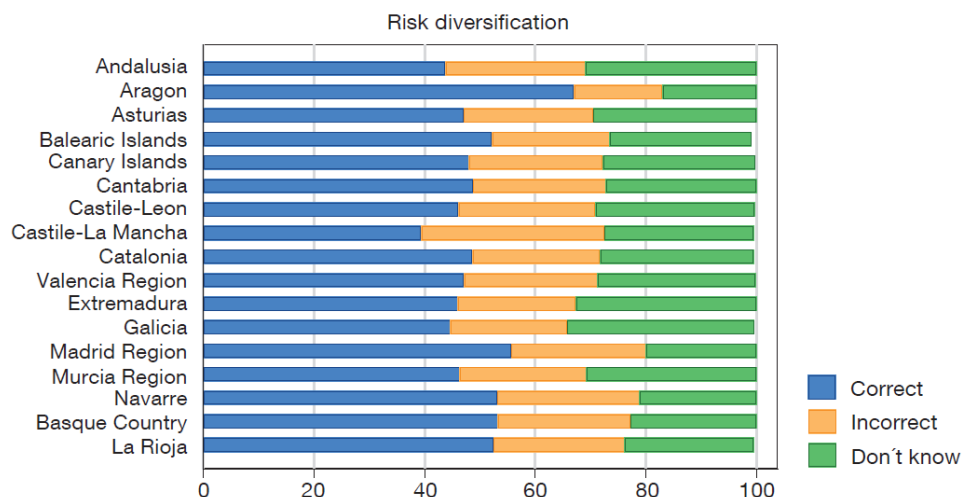
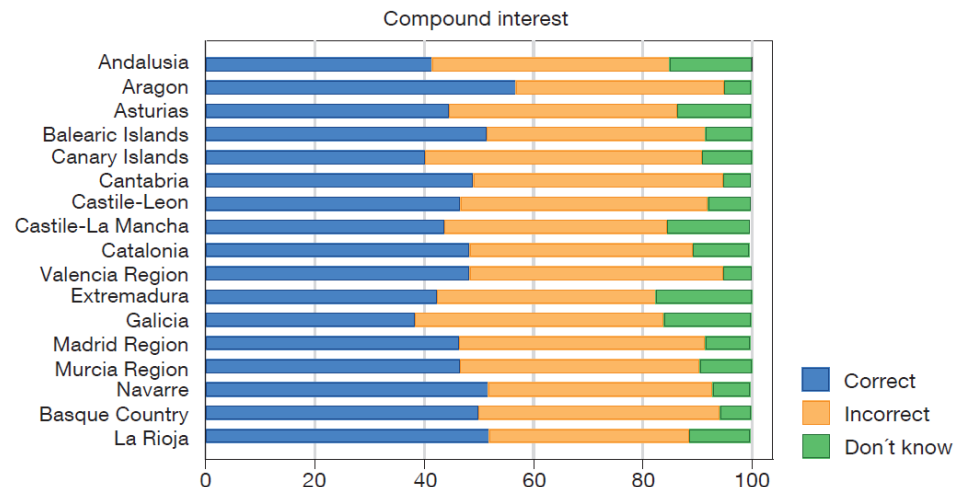
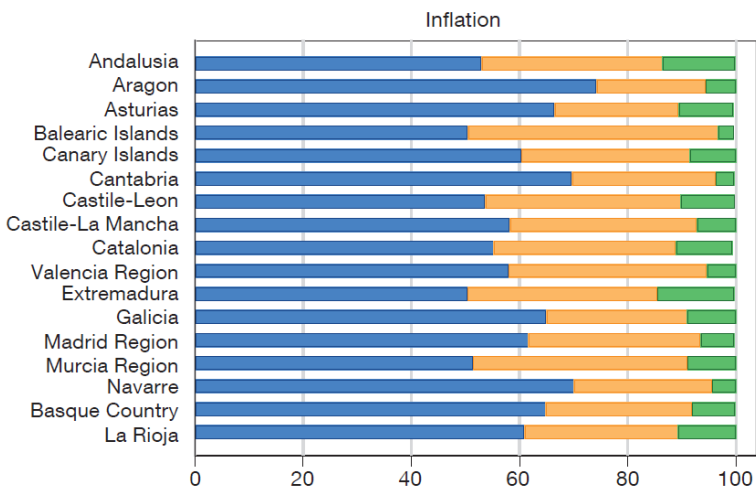
Chart 3. REPLIES TO FINANCIAL LITERACY QUESTIONS (%), BY AGE



# 1. FINANCIAL LITERACY



## Chart 4. REPLIES TO FINANCIAL LITERACY QUESTIONS, BY REGION (%)



## 2. KNOWLEDGE OF FINANCIAL PRODUCTS



1. Less knowledge of savings vehicles than of debt or insurance products:
  - The least known savings vehicles are savings accounts or term deposits (73% know them) and fixed income (78%)
  - Debt or insurance products are well known (above 95%)
2. Knowledge is lower among those under 34 and over 65:
  - No gender differences
3. Large differences by educational level:
  - 24 p.p. between primary education and university for savings accounts, 26 p.p. for fixed-income
4. Also marked differences in terms of household properties.

## 2. HOLDING (INDIVIDUALLY OR JOINTLY) OF FINANCIAL PRODUCTS

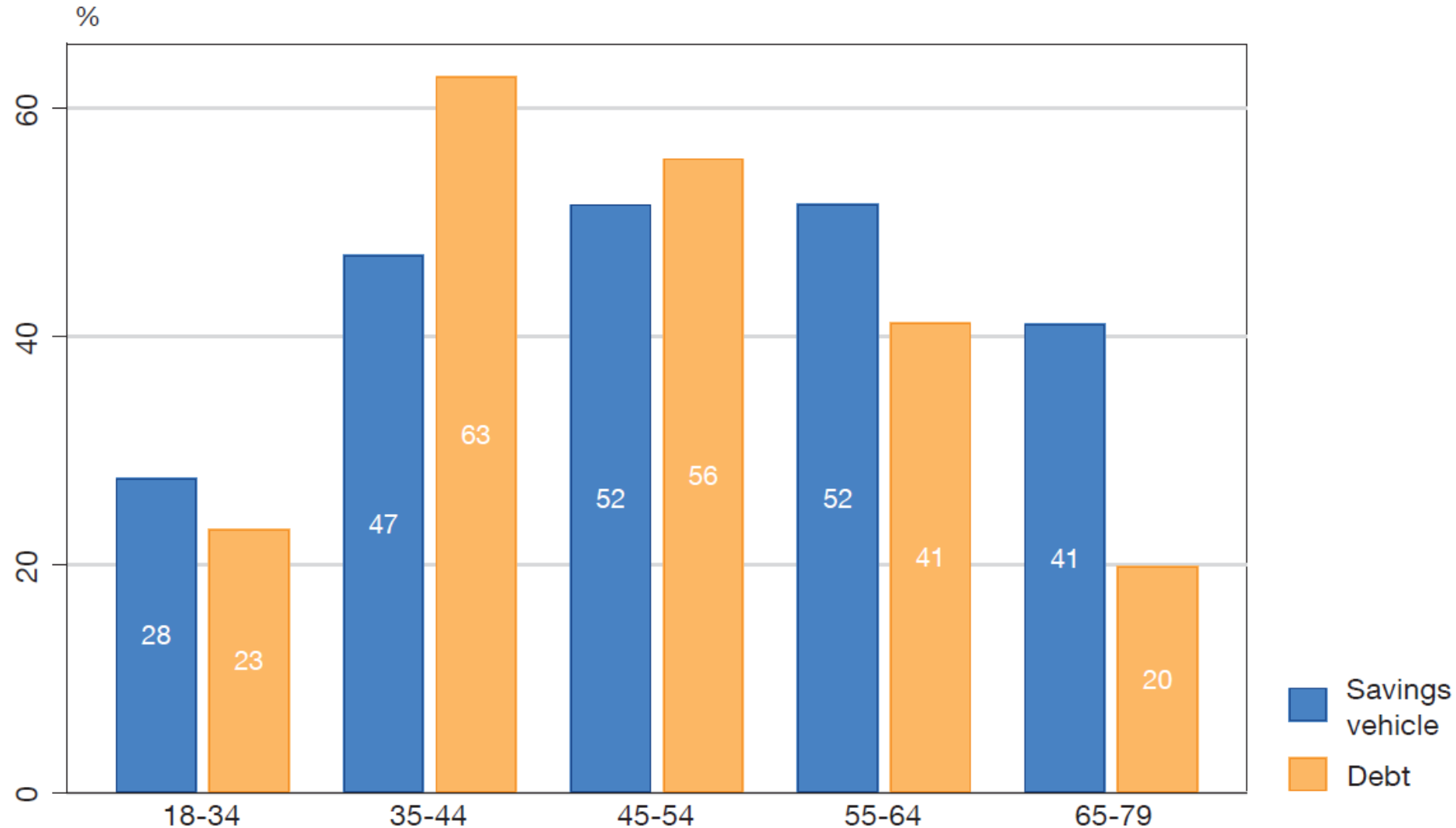


1. The proportion of individuals without a current account is 3%:
  - Concentrated in individuals with primary education (4%), individuals with total household income up to €14,500 (6%) and immigrants (8%) **Box 6**
2. 43% of individuals have some savings product and 41% a debt product:
  - Age profiles differ between savings and debt vehicles (**Chart 8**)
  - The income profiles are more pronounced for savings products
  - The most common savings product is the savings account (26%) - also the least known – followed by pension schemes (21%)
3. Differences in savings and debt holding by household structure:
  - Lower among those who live with other adults who are not their partner
4. Regional differences:
  - At least 50% have a savings vehicle in Aragon, Castile-Leon, Madrid or the Basque Country, compared to 35% in Andalusia, Canary Islands or Extremadura
  - More than 27% in the Basque Country or Navarre have pension schemes compared to 16% in the Canary Islands or Extremadura
  - Regional variation in the proportion of indebted individuals is lower

## 2. HOLDING (INDIVIDUALLY OR JOINTLY) OF FINANCIAL PRODUCTS



Chart 8. HOLDING OF FINANCIAL PRODUCTS (%), BY AGE INTERVAL



### 3. ACQUISITION (INDIVIDUALLY OR JOINTLY) OF FINANCIAL PRODUCTS

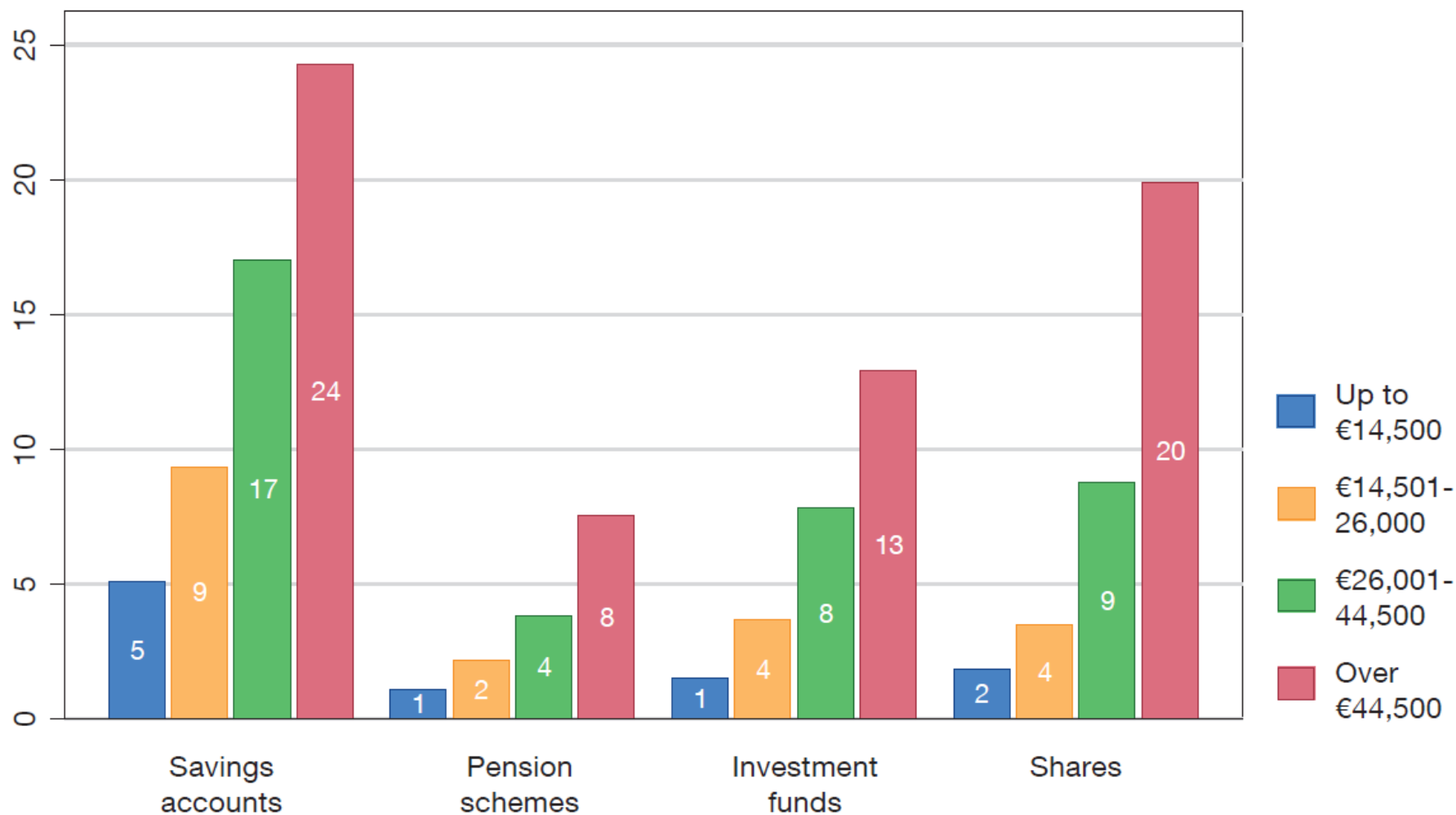


1. The ECF contains information not only on the holding of financial products but also on whether such products have been acquired in the last two years.
2. The proportion of the population that has acquired (individually or jointly) a financial product in the two years prior to the survey is 38%.
3. The most commonly acquired financial product is the credit card (16%), followed by personal loans (14%):
  - Among savings vehicles, 11 % of the population has acquired a savings account in the past two years
4. Strong variation by level of education and income among those who purchase savings products (less pronounced for debt or insurance):
  - Education: 32% of university-educated individuals acquire savings products compared to 8% for primary education
  - Household income: 43% of individuals living in households with income over €44,500 have acquired savings vehicles compared to 8% in households with income up to €14,500 (**Charts 11 and 12**)

### 3. ACQUISITION (INDIVIDUALLY OR JOINTLY) OF FINANCIAL PRODUCTS



Chart 11. PERCENTAGE ACQUIRING SAVINGS VEHICLES IN THE PAST TWO YEARS, BY LEVEL OF HOUSEHOLD INCOME

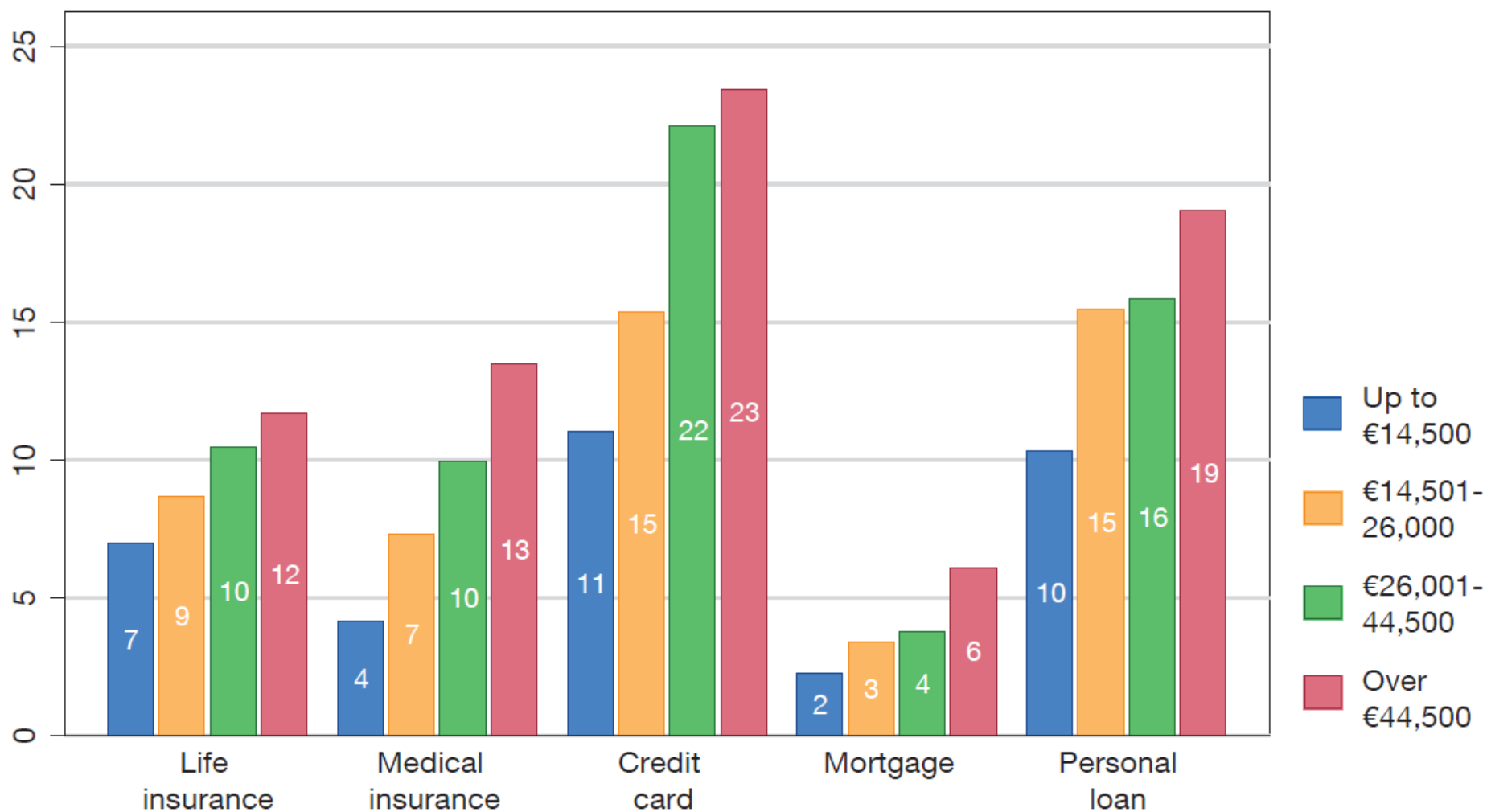




### 3. ACQUISITION (INDIVIDUALLY OR JOINTLY) OF FINANCIAL PRODUCTS



Chart 12. PERCENTAGE ACQUIRING INSURANCE, CREDIT CARDS, DEBT, IN THE PAST TWO YEARS, BY LEVEL OF HOUSEHOLD INCOME



### 3. INFORMATION SOURCES IN THE ACQUISITION OF FINANCIAL PRODUCTS



1. Around two out of three individuals (62%) who have acquired a financial product in the past two years have confined themselves to those offered by a single company or financial institution (**Chart 13**).
2. Product-specific information (67%) is the most important source for the decision to purchase a product (**Chart 14**):
  - this information includes brochures collected at the branch or advice provided by the staff of the company offering the product
  - 12% of individuals say they use product comparers
3. Heterogeneity by product:
  - more comparers are used for shares (27%) than for savings accounts (11%)

### 3. INFORMATION SOURCES IN THE ACQUISITION OF FINANCIAL PRODUCTS



Chart 13. ALTERNATIVES CONSIDERED WHEN ACQUIRING A NEW PRODUCT

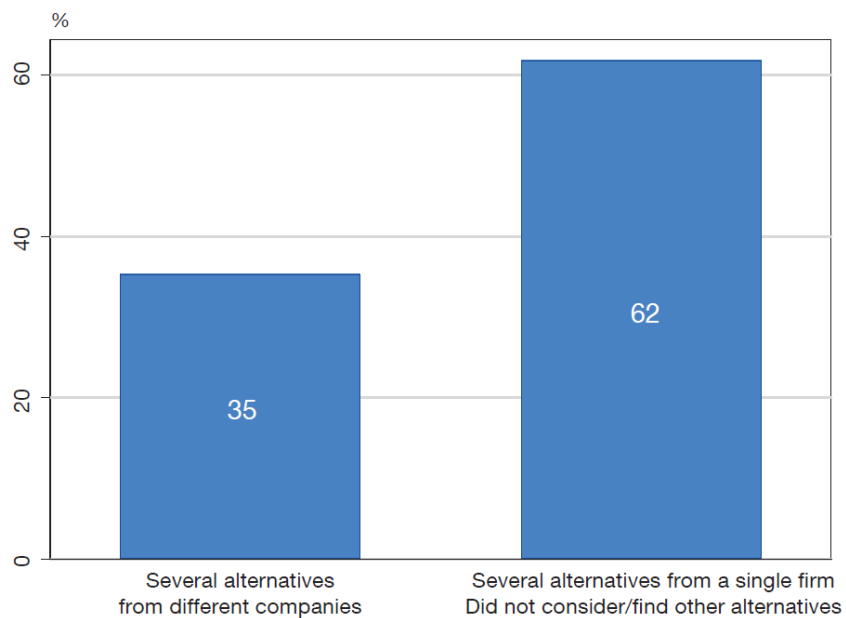
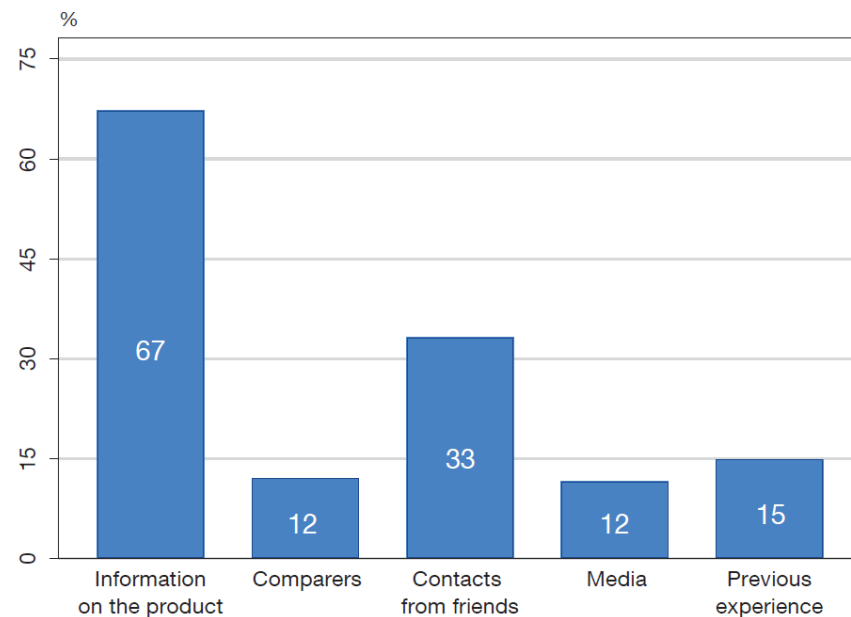


Chart 14. MOST INFLUENTIAL INFORMATION SOURCES WHEN ACQUIRING A NEW PRODUCT



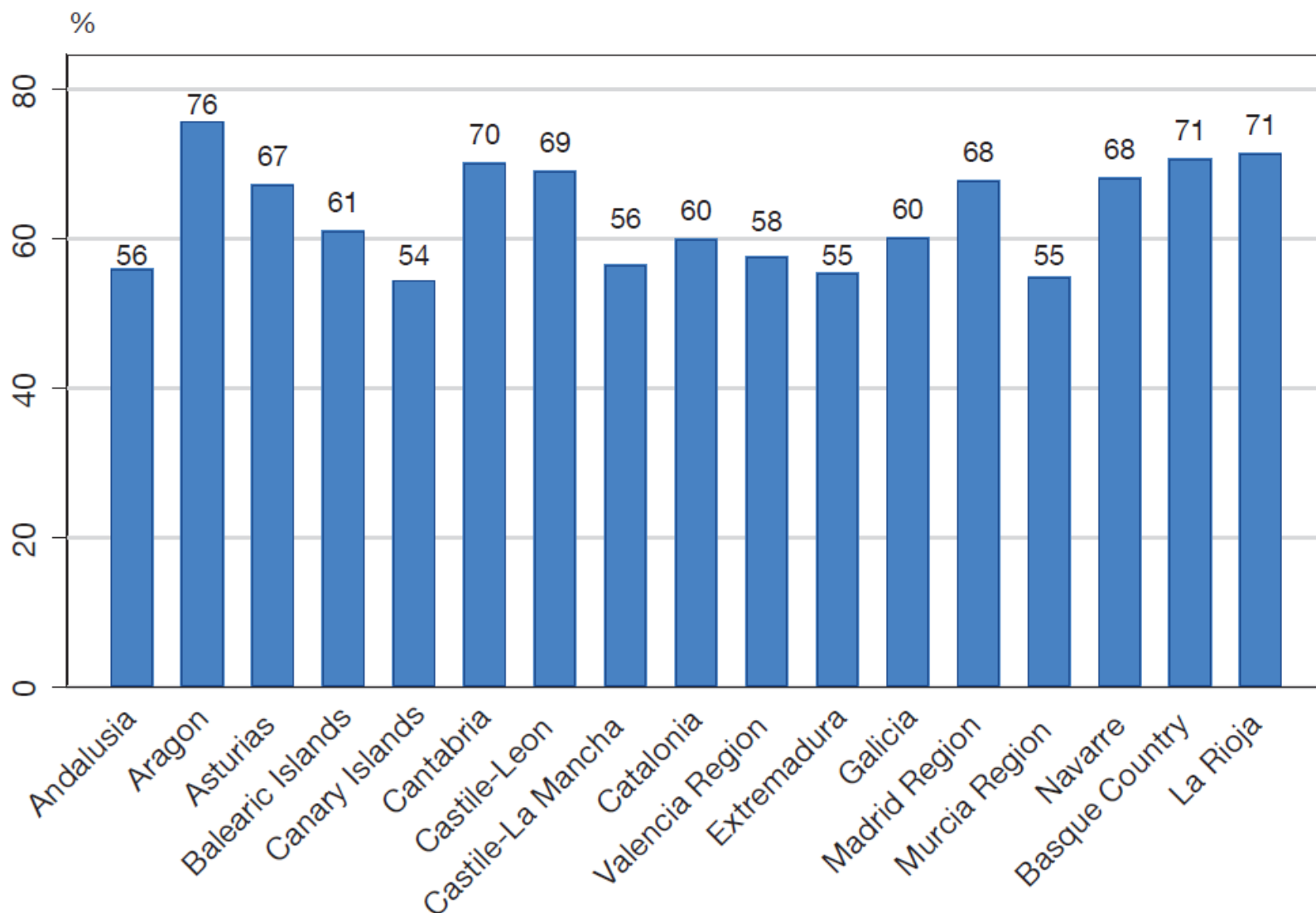
## 4. USES: VEHICLES USED FOR SAVING



1. 61% of individuals have been saving during the last 12 months:
  - The percentage decreases with age (with a differential of 30 p.p between the interval of 18-34 and that of 65-79)
  - It increases with educational level (35 p.p difference between primary and university)
  - It also increases with household income (46 p.p. difference between those up to €14,500 and those over €44,500)
2. The most frequent means of saving is accumulating funds in a current account (63%), but 38% of those who save do so in cash:
  - Savings account (14%) and pension scheme (11%) come next
  - Cash savings are observed even among high-income groups (28%)
3. Regional differences (**Charts 15 and 16**):
  - The proportion saving is around 55% in the Canary Islands, Extremadura and Murcia, while it exceeds 70% in Aragon, the Basque Country and La Rioja
  - 50% of those who save in Andalusia and the Balearic islands accumulate cash, while this proportion is below 30% in Aragon, Catalonia, La Rioja and Navarre

## 4. USES: VEHICLES USED FOR SAVING

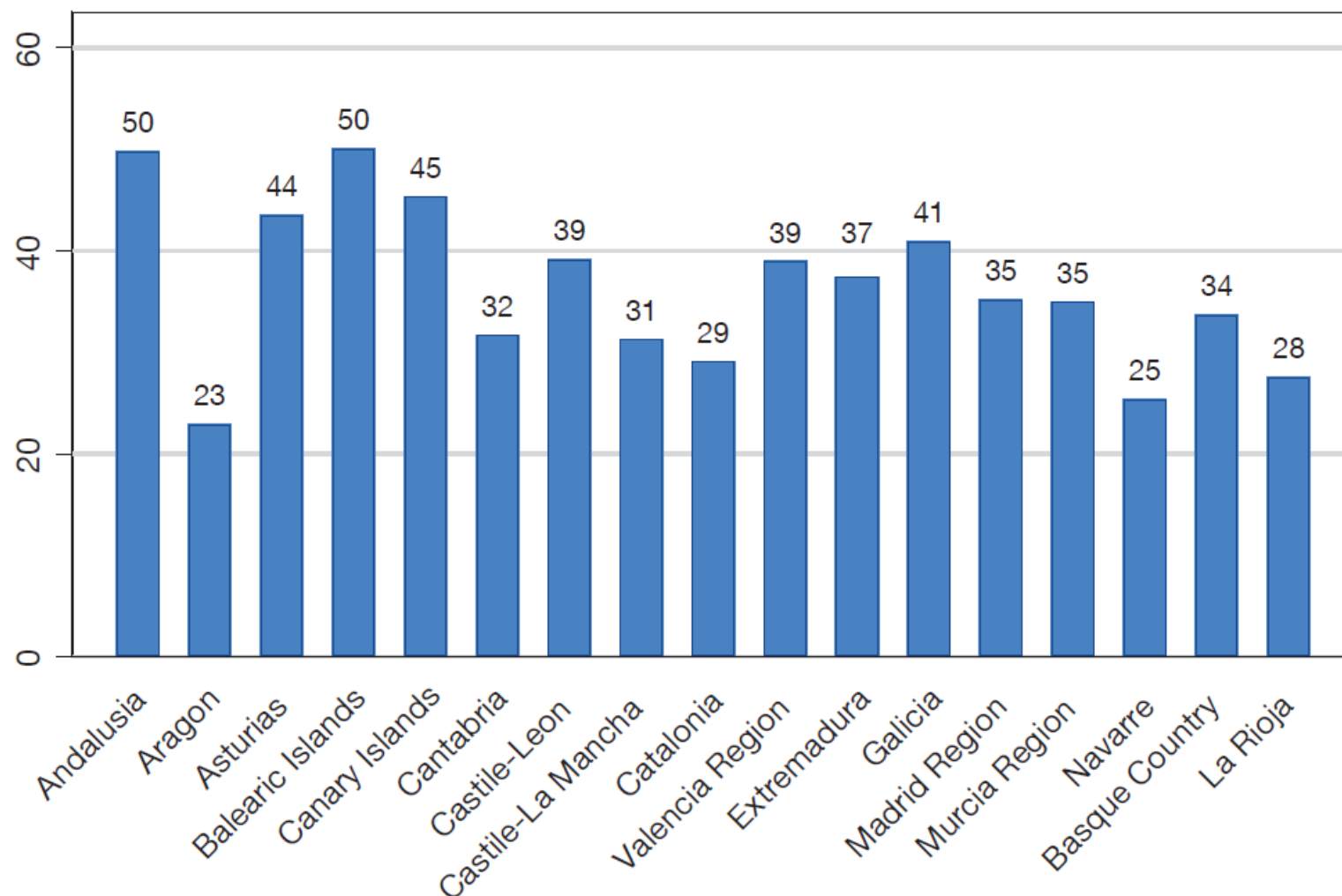
Chart 15. HAVE BEEN SAVING IN PAST 12 MONTHS (%), BY REGION



## 4. USES: VEHICLES USED FOR SAVING



Chart 16. HAVE BEEN SAVING IN CASH (% OF THOSE WHO HAVE SAVED), BY REGION



## 4. USES: SPENDING OUTPACING INCOME AND THE FINANCING THEREOF



1. 28% of individuals live in households whose expenditure has exceeded their income in the 12 months prior to the survey:
  - Little variation across age groups (except for the interval 65-79)
  - Most marked differences by income, education and region
2. 51% of the households whose expenditure exceeded their income financed the difference by resorting to savings, without necessarily excluding other methods; 35% asked for credit from friends or family members:
  - 13% extended existing credit lines (e.g. credit cards to obtain cash, credit line, they extended their mortgage, etc.) and 9% took out new loans
  - the resort to credit from friends or family is more common among lower-income households
3. 15% postponed payments or ran a non-authorised overdraft on their credit card. Higher incidence among groups with:
  - Household income up to €14,500 (19%)
  - Those who do not own their main residence (20%)
  - Primary education (17%)

## 4. USES: CREDIT ACCESS DIFFICULTIES



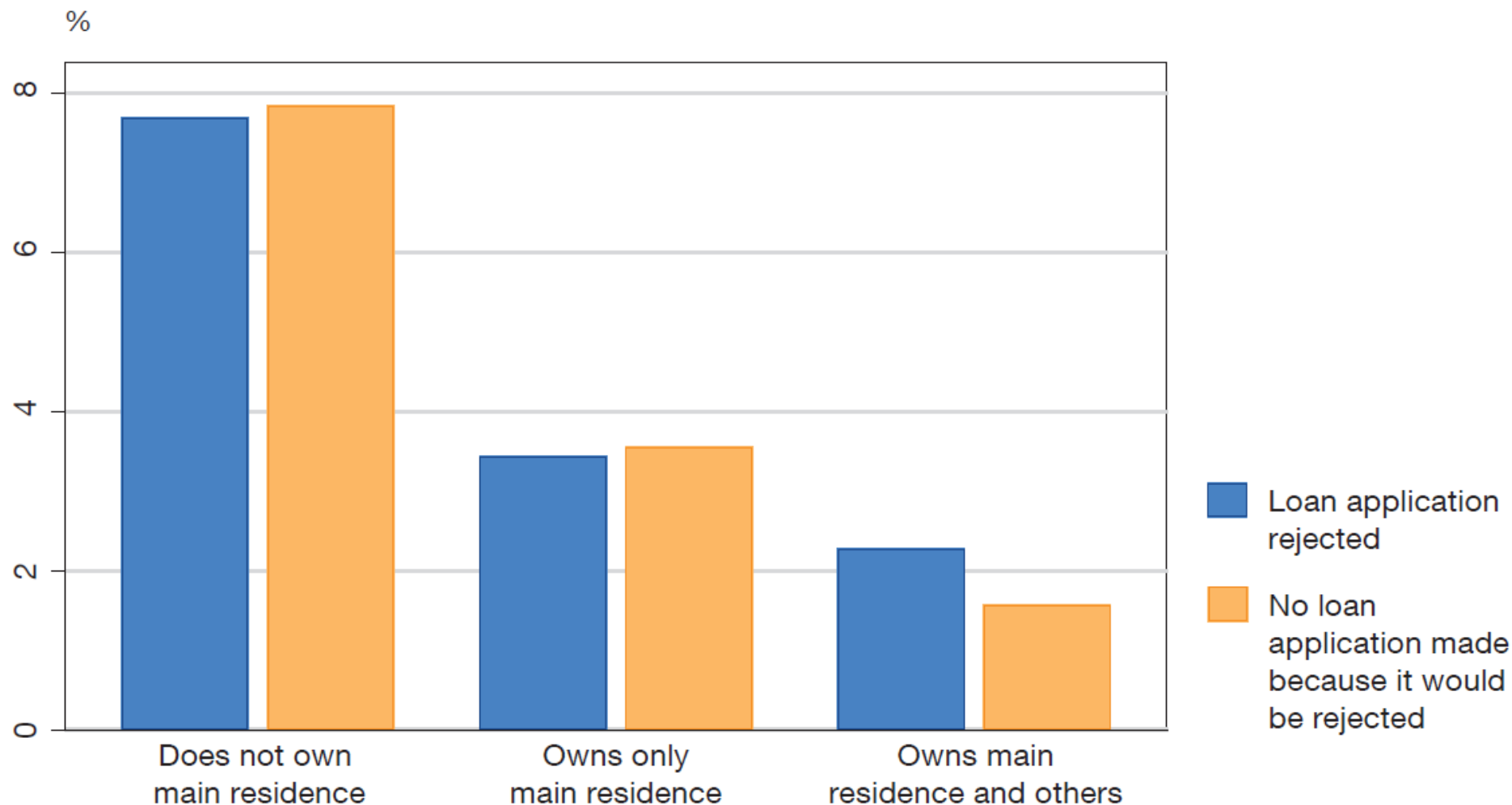
1. Not having debts may reflect lack of financial inclusion but also preferences (if, for example, the individual prefers not to borrow):
  - Useful to analyse partial loan application rejections by financial institutions:
    - that have actually occurred (credit partially or totally rejected)
    - that are perceived subjectively (did not apply for a loan because of fears of being rejected)
2. 8% of individuals reside in households that have had some type of difficulty in gaining access to credit in the past two years:
  - 4% of individuals have requested a loan and have been rejected totally or partially
  - 4% did not apply for a loan because they feared their request would be rejected:
    - most common among groups with lower income levels (up to €14,500 euros) and among those who do not have collateral (**Chart 20**)



## 4. USES: CREDIT ACCESS DIFFICULTIES



Chart 20. DIFFICULTIES GAINING ACCESS TO CREDIT (%), BY HOUSEHOLD PROPERTY



## 5. ECONOMIC VULNERABILITY OF THE HOUSEHOLD

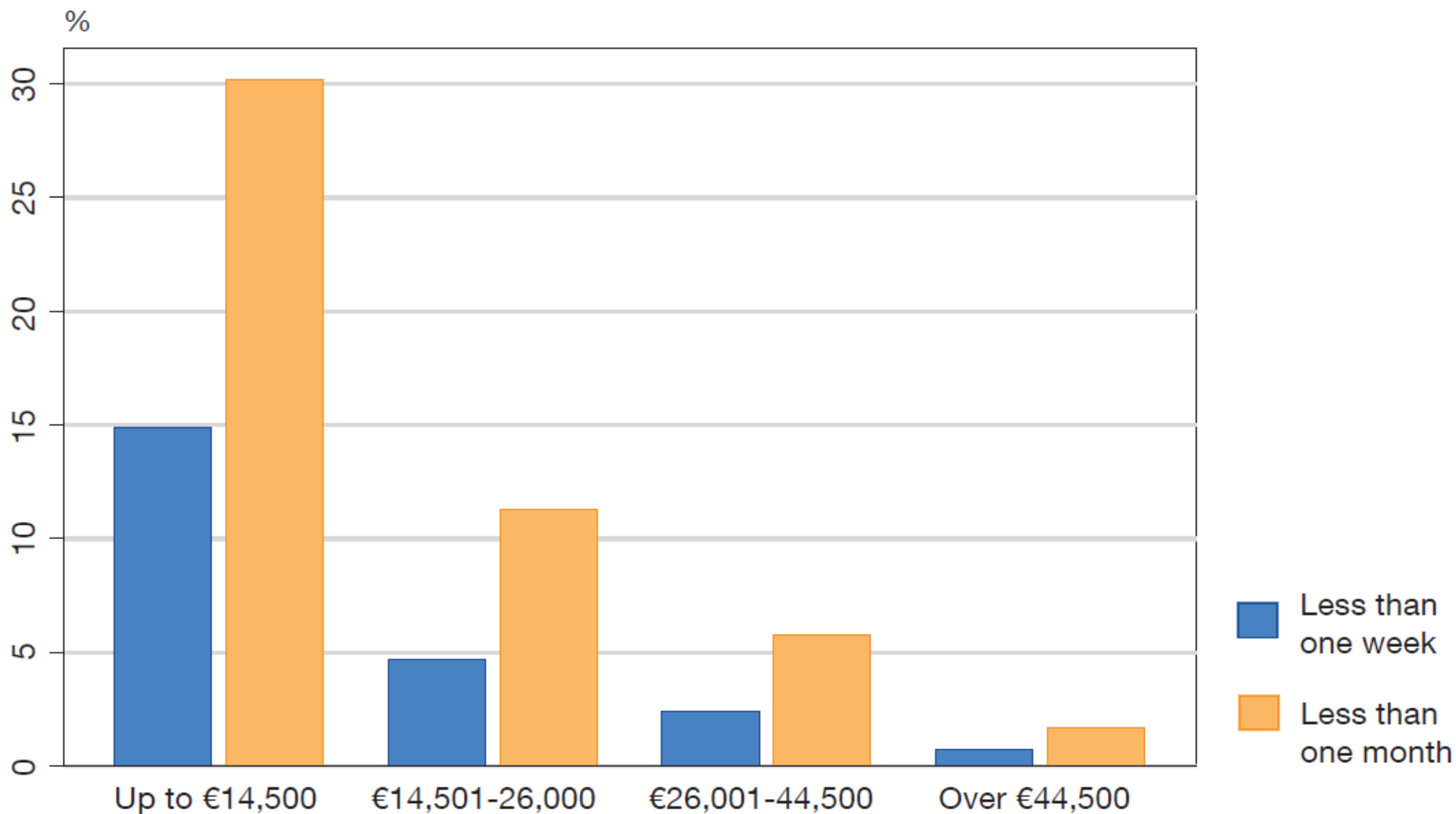


1. The ECF measures vulnerability by asking individuals how long their household could maintain its current level of spending without borrowing or moving house if it were to lose its main source of income:
  - A usual measure of vulnerability is being able only to maintain current spending for “less than 1 month”
2. Most interviewees (52%) reside in households that could maintain their spending for at least 6 months, 29% could for more than 1 month but less than 6 months and 15% could for less than 1 month.
  - 7% could for only less than one week
3. Heterogeneity by demographic characteristics:
  - 23% (11%) “less than 1 month (week)” among primary education
  - 28% (15%) “less than 1 month (week)” among unemployed
  - 21% (10%) “less than 1 month (week)” among other inactive
  - By income level (**Chart 21**) and household properties (**Chart 22**)

## 5. ECONOMIC VULNERABILITY OF THE HOUSEHOLD



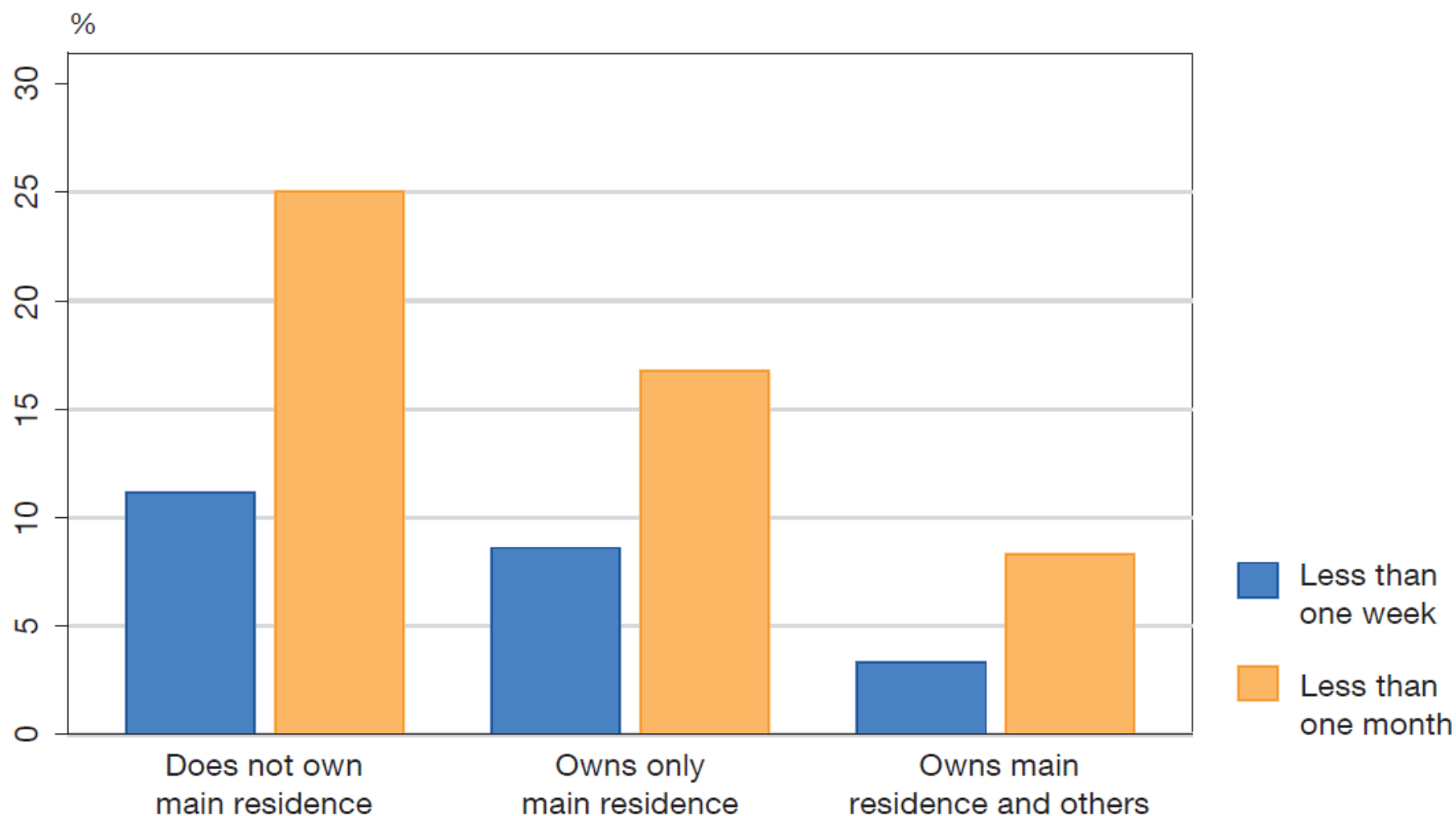
Chart 21. IF YOU CEASED NOW TO RECEIVE YOUR MAIN SOURCE OF HOUSEHOLD INCOME, FOR HOW LONG COULD YOU MEET YOUR EXPENSES? BY LEVEL OF HOUSEHOLD INCOME



## 5. ECONOMIC VULNERABILITY OF THE HOUSEHOLD



Chart 22. IF YOU CEASED NOW TO RECEIVE YOUR MAIN SOURCE OF HOUSEHOLD INCOME, FOR HOW LONG COULD YOU MEET YOUR EXPENSES? BY HOUSEHOLD PROPERTY





Comparison of Spain with respect to the averages of (i) all countries with available information, (ii) OECD countries and (iii) EU countries based on 3 aspects:

## 1. Financial literacy:

- Similar % of correct answers in Spain relative to those means. The % is only clearly below for the concept of risk diversification

## 2. Holding and acquisition of financial products:

- Holding of means of payment (current account) is generalised (97%) in Spain and higher than the average for EU (89%) or OECD (87%) countries, and well above the average for all countries (72 %)
- Holding of savings products and life insurance (55%) is slightly below the three averages (61% for all countries, 66% OECD and 60% EU)
- 38% of individuals have acquired some financial product in the last 2 years, below the average for EU countries (50%) or for the OECD (54%), and well below the total average (61%)

## 3. Expenditure exceeding income and the financing thereof:

- Spain is close to the OECD average and slightly above the average for EU countries

## INTERNATIONAL COMPARISON



% of the population	Spain	Average for all countries*	Average OECD countries*	Average EU countries*
Inflation	58	60	65	66
Compound interest	46	42	47	44
Risk diversification	49	60	60	62
Has a current account	97	72	87	89
Has a savings vehicle (including life insurance)	55	61	66	60
Recently acquired a financial product	38	61	54	50
Expenditure has exceeded income in the past 12 months	28	35	28	27
Expenditure exceeding income has been financed by credit**	17	21	15	14

\* Countries with available information. \*\* Includes credit from friends and family.



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# Table 1. DEMOGRAPHIC COMPOSITION OF THE SAMPLE (total and by region)

Percentage of the population	TOTAL (a)	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castile- Leon	Castile- La Mancha	Catalonia	Valencia Region	Extremadura	Galicia	Madrid Region	Murcia Region	Navarre	Basque Country	La Rioja
Relative weight of each region	100	18	3	2	3	5	1	5	4	16	11	2	6	14	3	1	5	1
AGE																		
18-34	24	26	23	20	27	26	21	22	26	24	24	26	21	25	27	24	21	23
35-44	22	22	21	20	24	22	22	19	22	23	22	19	21	23	23	22	21	22
45-54	21	21	21	20	20	22	21	21	21	20	20	21	20	21	21	21	21	21
55-64	16	16	17	20	15	15	19	19	16	16	16	17	18	16	15	17	18	17
65-79	17	16	18	20	14	14	18	20	16	17	18	17	21	16	15	17	19	17
GENDER																		
Male	49	50	50	49	50	50	49	50	51	49	50	50	49	48	50	50	49	50
Female	51	50	50	51	50	50	51	50	49	51	50	50	51	52	50	50	51	50
EDUCATION																		
Primary	44	50	39	42	53	46	35	50	48	42	43	56	47	31	51	38	34	43
Secondary	23	19	26	20	25	23	24	22	23	25	23	19	22	25	20	21	22	25
University	34	30	35	38	22	32	41	28	29	33	35	25	31	44	28	41	43	31
LABOUR MARKET STATUS																		
Self-employed	11	11	10	12	10	13	10	15	10	10	11	11	13	9	12	12	12	13
Employee	42	34	46	32	47	38	44	39	44	47	42	37	39	48	45	50	45	45
Unemployed	14	18	12	16	16	20	11	12	16	11	15	17	14	12	15	9	9	13
Retired	16	15	16	21	15	14	17	17	13	17	16	14	19	15	14	16	18	15
Other inactive	17	21	16	18	12	16	17	17	17	16	15	21	15	16	15	14	15	14
HOUSEHOLD STRUCTURE																		
Lives with partner	65	63	65	64	66	63	66	68	65	65	65	65	67	65	69	68	67	65
Lives with other adults, no partner	24	25	22	23	23	28	24	22	24	24	24	25	24	25	22	23	21	22
Does not live with other adults	11	12	12	13	11	10	10	10	11	12	11	10	10	10	9	9	12	13
TOTAL HOUSEHOLD INCOME																		
Up to €14,500	37	48	25	34	42	57	28	37	40	29	45	47	34	26	43	27	21	26
From €14,501 to €26,000	28	26	31	29	28	20	29	29	29	34	24	27	32	26	31	29	29	31
From €26,001 to €44,500	21	18	28	23	17	14	32	23	22	22	20	19	22	25	17	24	28	27
Over €44,500	13	8	16	15	12	10	11	12	9	15	10	8	12	23	9	19	22	16
HOUSEHOLD PROPERTIES																		
Does not own main residence	22	18	19	25	34	23	18	14	21	29	19	17	20	28	18	14	14	20
Owns only main residence	45	49	39	38	40	53	49	42	37	51	43	45	33	39	53	49	49	33
Owns main residence and others	33	33	42	37	26	24	33	45	42	20	38	38	47	32	29	37	37	46

(a) The classifications based on the individual characteristics of educational level, labour market status, household structure and properties exclude the observations in which the interviewee does not answer this question. These same observations with no answer are excluded in the related classifications of the remaining tables in this report.

The percentage of "don't know/no answer" (DK/NA) in the question on education is 0.02%, that for labour market status is 0.01%, that for household composition is 0.04% and that for ownership of main residence or other properties is 0.5% (unweighted). 9.7% of the individuals in the sample did not answer the question on their household income and, for this sub-group, the variable has been imputed using multiple imputation techniques.



## BOX 1: QUESTIONS ON FINANCIAL LITERACY

### Inflation

After an initial question, namely IMAGINE THAT FIVE BROTHERS RECEIVE A GIFT OF €1,000. IF THEY DIVIDE UP THE MONEY EQUALLY, HOW MUCH WILL EACH RECEIVE?, the following question is posed: NOW IMAGINE THAT THE FIVE BROTHERS HAD TO WAIT A YEAR TO OBTAIN THEIR SHARE OF THE €1,000, AND THAT INFLATION FOR THAT YEAR WAS 1%. WITHIN ONE YEAR THEY WILL BE CAPABLE OF PURCHASING:

- 1 More than they could buy today with their share of the money
- 2 The same amount
- 3 Less than they could buy today

### Risk diversification

Lastly, the concept of risk diversification is evaluated asking the interviewee whether the following statement is true or false: GENERALLY, IT IS POSSIBLE TO REDUCE THE RISK OF INVESTING IN THE STOCK MARKET BY PURCHASING A WIDE VARIETY OF SHARES.

### Compound interest

To measure knowledge on the concept of simple interest, the following question is asked: LET US SUPPOSE YOU DEPOSIT €100 IN A SAVINGS ACCOUNT WITH FIXED INTEREST OF 2% PER ANNUM. NO COMMISSION OR TAX IS CHARGED ON THIS ACCOUNT. IF YOU MAKE NO OTHER DEPOSIT IN OR WITHDRAWAL FROM THIS ACCOUNT, HOW MUCH MONEY WILL THERE BE IN THE ACCOUNT AT THE END OF THE FIRST YEAR, ONCE YOU ARE PAID THE INTEREST?

Next, there is a question to measure the concept of compound interest: ONCE AGAIN, IF YOU DEPOSIT OR WITHDRAW NO MONEY, ONCE THE INTEREST IS PAID HOW MUCH MONEY WILL THERE BE IN THE ACCOUNT AFTER FIVE YEARS: MORE THAN €110, EXACTLY €110, LESS THAN €110 OR IT IS IMPOSSIBLE TO SAY WITH THE INFORMATION PROVIDED?

[Back](#)

## BOX 4: GENDER DIFFERENCES IN FINANCIAL LITERACY

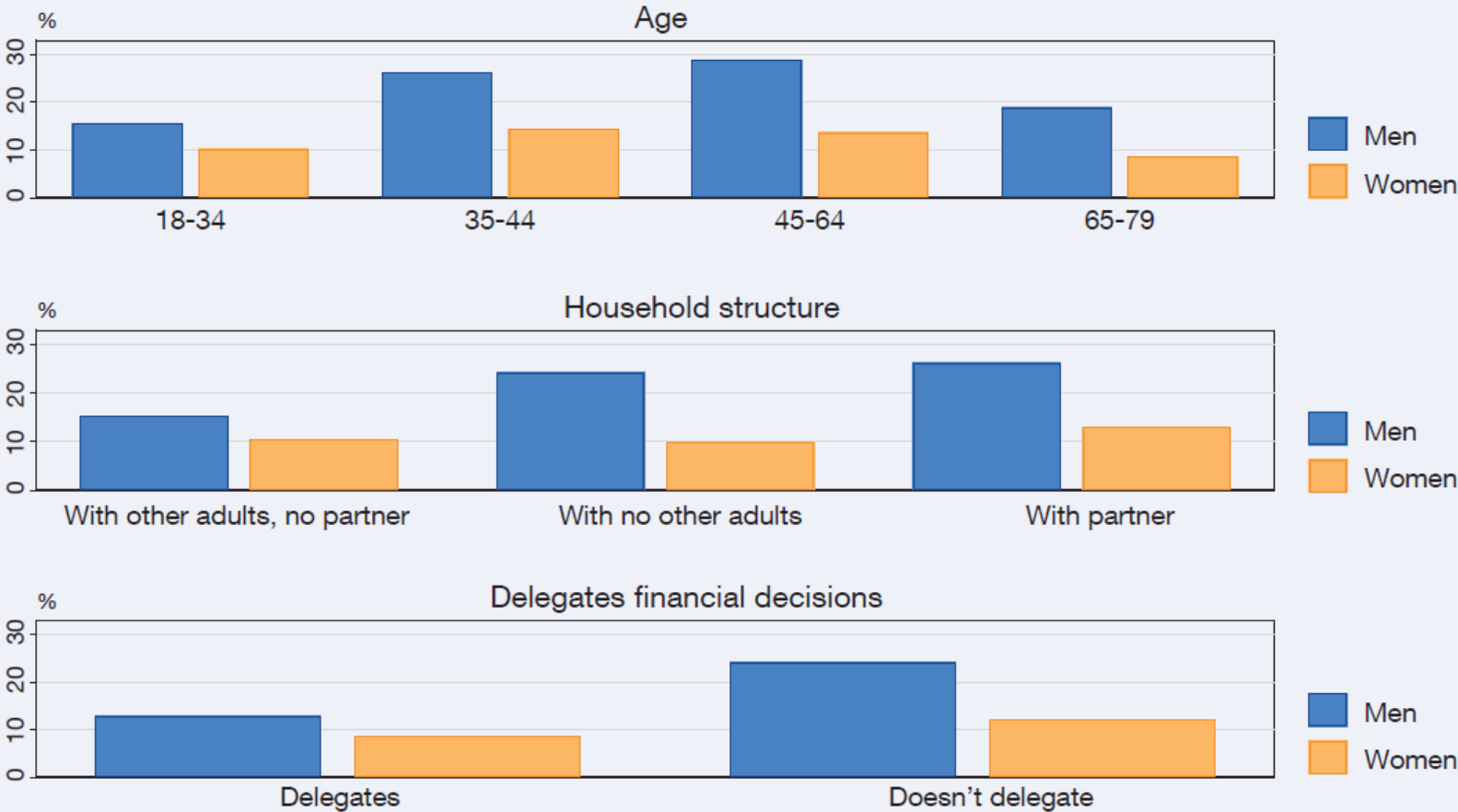


1. There is a significant gender difference in financial knowledge:
  - in the US, the difference between men and women in the probability of correctly answering the 3 questions considered is 16 p.p.
  - in Germany the gap is 12 p.p., very similar to Spain (11 p.p.)
2. For men and women with similar demographic characteristics, the gap narrows, especially among:
  - the youngest
  - those individuals who live in households with other adults, but without a partner
3. This group is associated with the concept of **delegation**:
  - An individual delegates when in the survey he/she answers “No” to the question: *“We wish to know whether you are familiarised with your household finances. We refer not only to whether you are aware of the properties, financial products and debts of your household as a whole, but also the reasons behind decisions on expenditure and investment”*
  - Among individuals who live in households with other adults, but without a partner, the percentage of those who delegate is 20% while for the rest it is 2%
  - Financial literacy is lower among those who delegate (11% correctly answer the 3 questions) and the gender gap in this group is 4 p.p.
  - In summary, gender differences in financial literacy are virtually non-existent among those who do not face financial decisions.

# BOX 4: GENDER DIFFERENCES IN FINANCIAL LITERACY



Chart B4.1. PERCENTAGE WITH THREE CORRECT REPLIES TO THE FINANCIAL LITERACY QUESTIONS (%), BY GENDER



Note: we consider individuals to be delegating when they have responded “No” in the survey to the question “We wish to know whether you are familiarised with your household finances. We refer not only to whether you are aware of the properties, financial products and debts of your household as a whole, but also of the reasons behind decisions on expenditure and investment”.



1. Holding of financial products of savings and indebtedness differs between those born in Spain and abroad:
  - 8% of immigrants do not have a current account vs. 2% for natives
  - 26% of immigrants have some savings vehicle vs. 45% of natives
  - Debts or means of payment holdings are also lower among immigrants
2. Differences in savings vehicles are mitigated to a large extent when comparing individuals with similar ages and income; while differences in holdings of current accounts, debts or means of payment persist.
3. In the last two years, 10% of immigrants have had a total or partial denial of a loan application vs. 3% for those born in Spain:
  - In the group with comparable characteristics, the figures are 11% and 6%, respectively
4. 8% of those born abroad do not apply for loans because they perceive that they would be rejected, while among natives the percentage is 3%:
  - In the group with comparable characteristics, the figures are 12% and 8%, respectively

## BOX 6: FINANCIAL INCLUSION OF IMMIGRANTS



Chart B6.1. DIFFERENCE IN HOLDING OF FINANCIAL PRODUCTS BETWEEN THOSE BORN IN AND THOSE BORN OUTSIDE SPAIN

