Financial Education Works: Evidence and Policy Implications

September 17, 2022

Prof. Annamaria Lusardi
Global Financial Literacy Excellence Center (GFLEC)

United Nations | Transforming Education Summit
Financial literacy is an essential skill for young people worldwide to have in the 21st century.
Financial education works
Financial education affects financial knowledge and downstream behaviors

Tim Kaiser, Annamaria Lusardi, Lukas Menkhoff, Carly Urban

Abstract

We study the rapidly growing literature on the causal effects of financial education programs in a meta-analysis of 76 randomized experiments with a total sample size of over 160,000 individuals. Many of these experiments are published in top economics and finance journals. The evidence shows that financial education programs have, on average, positive causal treatment effects on financial knowledge and downstream financial behaviors. Treatment effects are economically meaningful in size, similar to those realized by educational interventions in other domains, and robust to accounting for publication bias in the literature. We also discuss the cost-effectiveness of financial education interventions.
The need for financial education is universal

Financial education affects financial knowledge and downstream behaviors

META-ANALYSIS
33 COUNTRIES
The sample includes many low-income countries. The effects are measured after 30 weeks, on average, and up to more than two years.
Our key findings

- Financial education affects not only knowledge but also behavior
- It works across age groups, and it is particularly important for the young
- It works in low- and high-income countries
- The effects of financial education are similar to the effects in other educational domains, such as math, reading, health, and energy conservation
Some important findings

We found that:

- The estimated effect of financial education is at least three times as large as the effect documented in earlier work.
- Accounting for differences in programs, effects are more than five times as large as the effects reported in previous work.
- We do not find clear evidence of a dramatic decay in the effects of financial education over time. Effects persist up to two years after intervention.
And...

Financial education is cost-effective
Policy implications

- We know how to bring cost-effective, high-impact, and scalable financial education within reach
- The need for financial education is more urgent than ever
- Financial education should be in every school around the world
- We can continue to measure its success and fix what is not working
- Financial education is about building our future
The question is:

Which future do we want to build?