

MEASURING FINANCIAL COMPETENCES IN A LARGE SURVEY: The Spanish Survey of Financial Competences

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OUTLINE OF THE PRESENTATION



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Aim of the Spanish Survey of Financial Competences

Measuring Financial Competences

Basic features

2. Contents of the Survey

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Specific features

3. Fieldwork

Interviewer training

Efforts to mitigate non-response

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1. INTRODUCTION: Aim of the survey



Aim: measuring financial competences, quality of decision-making and financial outcomes among the adult population in Spain

Survey on the financial competences of the population 18-79 years of age

Face-to-face survey to a large sample of individuals, questionnaire presented as CAPI

Information about the person chosen at random, but also of financial competences from a household member informed about the household finances

Adapts a questionnaire coordinated by OECD, implemented in several countries

Initiative of the INFE (International Network of Financial Education)

First pilot in 2010, 14 countries participated

Questionnaire revised and the second measurement involves 30 countries

The core of the Spanish questionnaire is broadly based on the one provided by INFE but with special features

General motivation: The strong correlation between the lack of basic financial competences and poor financial outcomes

Lusardi and Mitchell (2008, 11), Alessie, Lusardi and Van Rooij (2011), Stango and Zinman (2009)

1. INTRODUCTION: Measuring Financial Competences

SIMPLE INTEREST RATE: QK4_a) Suppose you put €100 into a savings account with a fixed interest rate of 2% per year. There are no fees and taxes subject to this account. You don't make any further payments into this account and you don't withdraw any money. How much money would be in the account at the end of the first year, once the interest payment is made?

Record response numerically - - -

Don't know

Refuse to answer

COMPOUND INTEREST RATE: QK4_b) Once more, if you don't make any further payments neither withdraw any money, once the interest payment is made, how much money would be in the account at the end of five years [remembering there are no taxes and fees and the payment is made every year]? Would it be:

- a) More than €110
- b) Exactly €110
- c) Less than €110
- d) Or is it impossible to tell from the information given

Don't know

Refuse to answer

RISK DIVERSIFICATION: QK5) I would like to know whether you think the following statement is true or false: It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares.

- a) True
- b) False

Don't know

Refuse to answer

1. INTRODUCTION: Basic features

- **Representative sample of the population of Spanish individuals aged 18-79 living in private households**
It excludes institutionalized population.
- **Representative of each of the 17 regions as, to a large extent, they run the educational system**
Sample of about 21,000 individuals, drawn from the most recent Census
Probability sampling, stratified by region and municipality size
- **Reference period:**
Conducted between end-September 2016 and end-June 2017
Mainly reflects situation in the moment of the interview:
 - *Some questions refer to last 12 months (whether expenses higher than income) and up to the last 2 years (acquisition of financial assets).*
 - *Others to next 12 months (expectations about the value of the main residence in a year's time).*
 - *Some questions refer to previous two years (if acquired some financial product).*

2. CONTENTS OF THE SURVEY: Sections

A. Basic demographics and labor force status

Age, household composition

Employment status, occupation, probability of job loss and of finding job

B. Respondent's portfolio and sources of information

Knows financial products, holds them, acquired them during the last 2 years?

- *Checking and savings accounts, mortgages, pension and mutual funds, stocks, bonds, consumer loans, credit cards, life and health insurance.*

Information on acquisition of financial products

C. Sources of income in old age

Current or expected

D. Attitudes toward saving

E. Financial competences (H. If the informed member is not the sample member)

F. Competences in Economics

I. Main residence

- Tenure, reasons renting/purchasing, subjective expectations about growth of own house price next two years
- If indebted: Mortgage monthly installment and original loan-to-value.

J. Expenses and financial fragility

- Qualitative: whether or not expenses exceed revenues over last 12 months and, if yes, how financed the difference between expenses and revenues.
- Quantitative: expenses in food, education and income (the latter in ranges).
- Entered into loan arrears last year?

2. CONTENTS OF THE SURVEY: Special features

- **Survey to individuals, but also aim to collect information about the financial competences of an informed household member**
 - Ask respondent if he or she is familiarized with household's asset and debt holdings, as well as about the reasons for financial choices
 - If sample individual is not, interview a person who is informed about the household portfolio
 - *Household financial competences*
- **Complement INFE questionnaire with information on general competences**
 - Literacy: reading and understanding a (non-financial) text
 - Understanding graphs:
 - *Non-financial: based on PIAAC assessment of numeracy and literacy (evolution of number of births)*
 - *Financial: based on UK Financial Capability Survey (evolution of the value of mutual funds)*
- **Module on housing.**
 - Housing tenure and reasons that led to that choice
 - Subjective expectations about house price growth over the next year
 - If financed house with mortgage: loan to value at purchase and current monthly instalment

3. FIELDWORK: Training of interviewers

- **Two-day training on survey content, protocol, material (cardboards)**

Centralized (118 interviewers)

In mid-September, immediately before the start of fieldwork

All interviewers tested at the end of the two-day training

- **Special training points in a Survey of Financial Competences:**

1. Reading questions exactly as posed in questionnaire
2. Spotting basic inconsistencies and introducing comments

Always important, more so in a survey measuring financial inclusion

E.g. individual does not have a bank account, but reports holding a mortgage

Errors are common among the least financially literate respondents.

3. Imposing discipline in section of financial competences

Importance of other household members not helping in competence questions

3. FIELDWORK: Efforts to mitigate non-response



- **Efforts to mitigate non-response:**

Letter signed by Governor of BdE and President of SEC (CNMV) sent in advance

At least 5 attempts to locate each sample member in person

At least once on weekends.

Webpage and BdE telephone provided to interviewees to reassure on legitimacy of survey and answer questions

3. FIELDWORK: Control

1. After each interview, company phoned back the respondent

Was the interview conducted? Selected responses checked following predefined script

Household composition, housing tenure, compliance with protocols and duration

BdE immediately informed about any inconsistencies

2. Recording durations (11% of the questions)

Neither interviewer nor interviewee knew which ones (except for one on reading ability)

3. Audio recording (5% of the questions)

Interviewee consent needed

Neither interviewer nor interviewee knew which ones

It has methodological interest for some difficult questions

Occupation: respondents describe what they do at their jobs and interviewer assigns ISCO code using an automated search tool provided by Spanish Statistical Institute

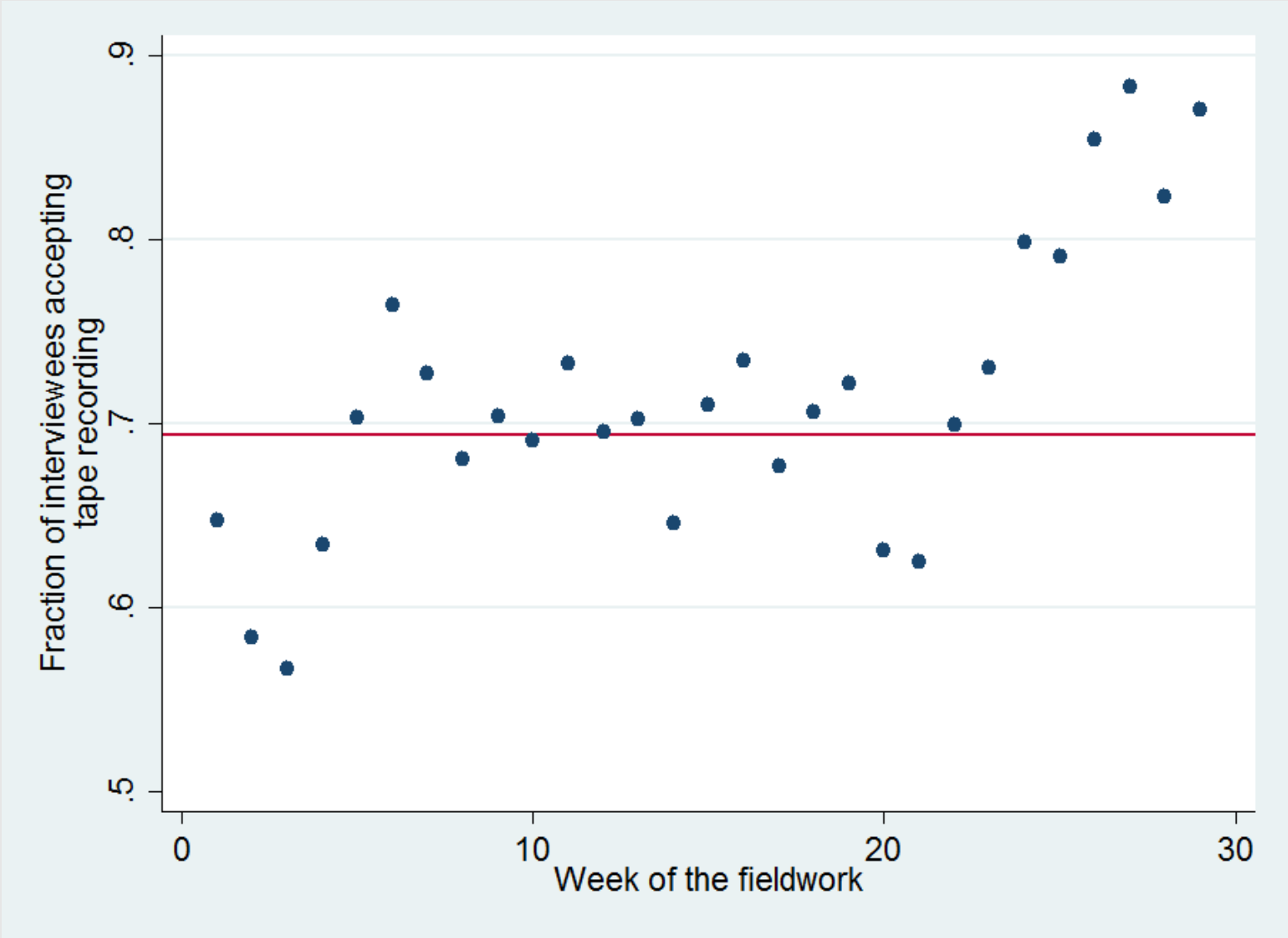
Expected growth of the value of main residence over one year: allocate 10 points to 5 predetermined bins with possible values

Duration and audio recording allow detecting interviewers with anomalous results

Interviewers in similar locations used as a benchmark (statistical control)

Recording also allows monitoring and quick feedback if errors are detected

3. FIELDWORK: Control



3. FIELDWORK: Validation

- **Web-based system to access, review and edit each (anonymised) case**
Reviewers from BdE and fieldwork company could interact on each case
- **Each completed interview was reviewed by the fieldwork company, that make recommendation to the BdE through the platform:**
Editing some variables, re-contacting the respondent, or completely redoing the interview
- **BdE reviews those recommendations, priority cases, and decides about all edits and re-contacts**
- **Doubts about financial inclusion usually led to re-contacting the respondent**
Examples:
 - Respondent does not have a bank account, but reports receiving pension income*
 - Respondent holds a mortgage, but reports no real estate property*Other reasons were doubts about household composition or labor market status
- **Time spent on each question and the audios serve as basic controls**
Help in detecting deviations from protocol (Imprecise wording, non-neutral attitude, etc)
Discipline the interviewer (McGonagle et al. 2015: “*Interviewee consent to be recorded lengthens interviews by 3.5%*”)
- **Reviewed interviews as fieldwork progresses**
Crucial to correct errors early and to provide immediate feedback to interviewers

4. CONCLUSIONS

- **This presentation has described the contents and main characteristics of the Survey of Financial Competences in Spain**
 - Part of a coordinated effort by OECD to measure financial competences in 30 countries
 - Adapted to Spanish environment and including additional relevant features
- **Described the fieldwork**
 - Interviewer training
 - Measures to minimize non-response
 - Control during fieldwork
 - Validation
- **Control and validation processes are always important to achieve data quality**
- **Specially so in a Survey of Financial Competences.**
 - Important to distinguish if an individual does not have a financial product or, alternatively, if she has it but did not understand the wording of the question
 - Control and validation processes are crucial in telling apart both cases

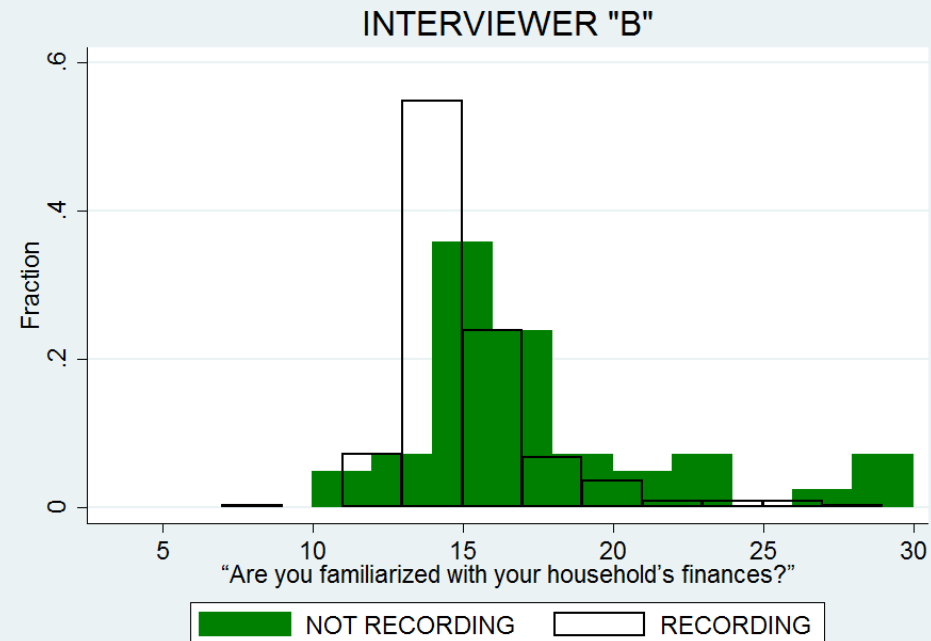
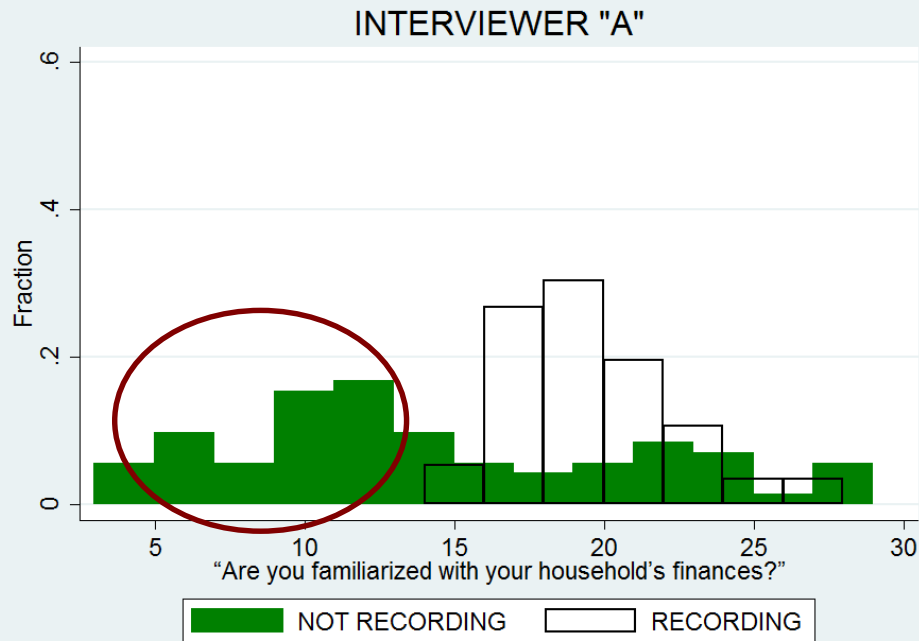


THANKS FOR YOUR ATTENTION!

A. APPENDIX: Examples on usefulness of monitoring



Time durations of a particular question (whether or not individual is informed about household finances) classified by whether she gave consent to record:



Interviewer "A" makes the question much faster when not recorded ("B" does not)

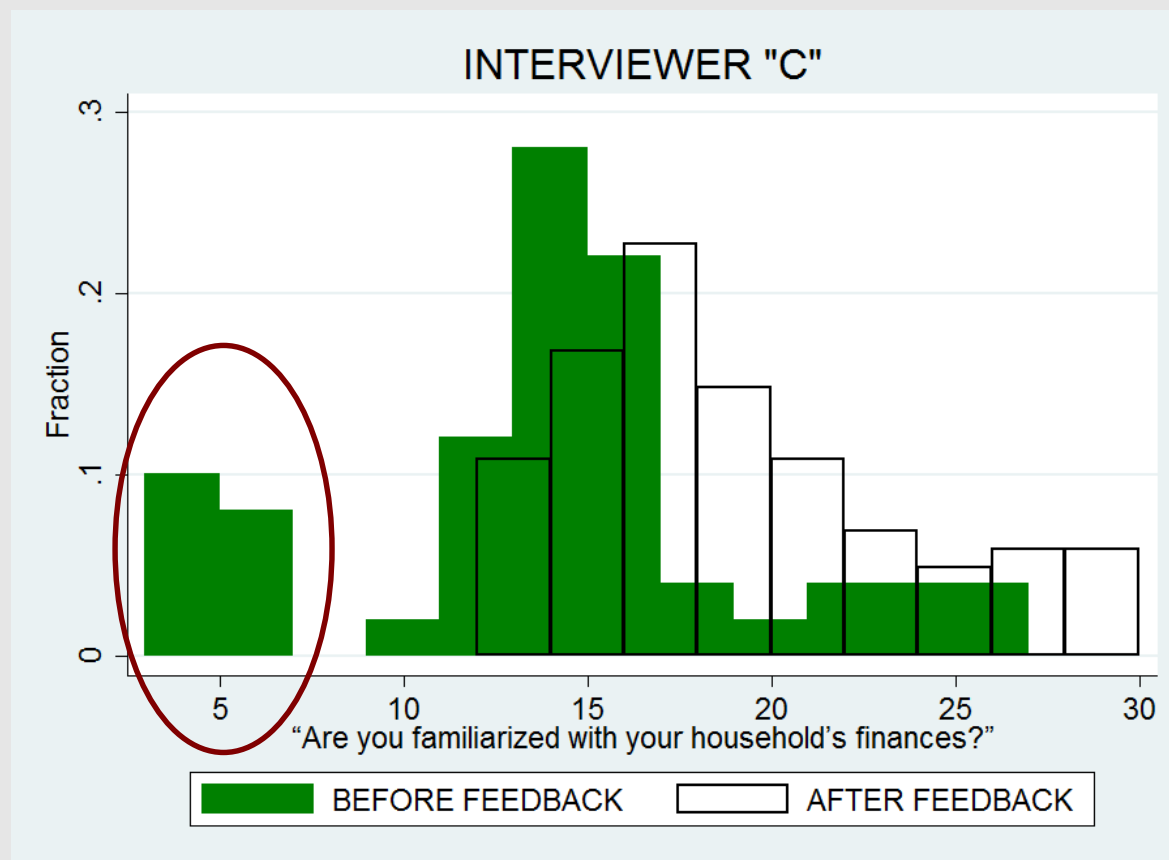
Short durations, coupled with other information, led to:

1. Immediate warning to interviewer
2. In some cases, re-visiting the household to elicit info from an informed individual

A. APPENDIX: Examples on usefulness of monitoring



Time durations of the same question before and after warning provided to the interviewer (*“Please, read the question as it is written in the questionnaire”*)



Unusually short durations for a complex question less common after warning was provided