



REPUBLIC OF ESTONIA
MINISTRY OF EDUCATION
AND RESEARCH



Estonian students come first in the PISA 2018 financial literacy assessment

Financial literacy is an essential life skill, especially in the context of financial crisis caused by the COVID-19 as the income and savings of many people are most directly affected. How resilient are people during crisis? The new release of data by the OECD on knowledge, skills and attitudes towards financial topics of 15-year-olds in 20 countries are of special interest in the current situation.

Estonian students participated in the optional financial literacy assessment as part of PISA 2018 and **showed the highest mean score of 547 points among all participating countries** (OECD mean 505 points). Estonians were followed by students from Finland (537 points) and Canadian provinces (532 points). From the neighbouring countries, Latvia (501 points), Lithuania (498 points) and Russia (495 points) also took part in the financial literacy assessment.

The survey examined how well young people know and understand financial questions and how they can apply their knowledge and skills in real life situations. It also explored where young people get their financial knowledge from, how familiar they are with different financial terms, products, and if they are active users of financial services.

This was the second time Estonia participated in the PISA financial literacy assessment (first in PISA 2012). The results from both surveys provide comparisons and trends. In 2012, Estonian students ranked third among 18 countries with a mean score of 529. This means that **between 2012 and 2018, Estonian students' skills in financial literacy have increased by 18 points and Estonia is the only country where such significant increase has been observed.**

Apart from the mean scores, PISA also measures students according to levels of proficiency, level 1 being the lowest and level 5 the highest. The higher the level, the more complex tasks students can solve. In 2018 there was a significant increase in the proportion of students who scored at level 5 (increase by 7 score points) compared to 2012. **19% of students in Estonia can solve the most complicated tasks of the PISA financial literacy test** (OECD mean 10.5).

In PISA, great attention is paid to the equity factor of education. In most countries, students from disadvantaged family backgrounds perform worse than their peers from wealthier families. While 10% of the variance among the OECD countries is explained by socio-economic background, in Estonia it is 6.1% which is the lowest among participating countries. There is no significant gender difference; also, students from urban and rural areas perform similarly in the financial literacy test.

However, there is a difference in performance between schools with Estonian as the language of instruction and schools with Russian as the language of instruction. Both have improved compared to the PISA 2012, but the difference remains. Basic school students with Estonian

as the language of instruction scored 560 points while those with Russian as the language of instruction scored 514 points in 2018. In 2012, the scores were 540 for and 498, respectively.

Where do Estonian students learn about money and finances?

Test results in financial literacy strongly correlate with scores in mathematics and reading literacy (0.87 and 0.83) in all countries. 68.3 % of Estonian students claim that they learn about financial topics in their mathematics lessons. Students who have learned about financial matters from math lessons score the highest in financial literacy test.

The main source of information about money come from the family. 95% of students claim that this is where they have learned about financial issues. Next most important source for information is the Internet (83%), followed by teachers (51%).

Although families play crucial role in teaching about financial matters, the Estonian parents are not too keen to talk about this topic with their children. Around 40% of parents never discuss their family budget or financial news with their children. They might take up the topic about savings and talk about plans when making a bigger purchase. It is interesting that frequent discussions on the financial matters result in lower test scores in Estonia.

87% of Estonian students say that they have the freedom to decide how they spend their money. However, 64% of students have to ask for permission from their parents before making a bigger purchase. 82% say that they are responsible for their own money. Independence and confidence in monetary affairs result in better test results. Students who can confidently manage their finances score 51 points higher than those who cannot do so. This means that a personal experience plays a positive role in mastering financial skills.

Where do young people get money? For Estonian students the main source of income is in the form of gifts from their family and friends (88%). In addition, Estonian parents seem to be giving pocket money generously without asking anything in return. 77% of young people get money without a need to do chores or work in return (OECD mean 48%). Around 51% of students report that they have a job outside school lessons. Students who get money as gifts or just get pocket money from parents have the best results. Apparently, working additional hours leave less time to devote to studies.

A considerable share, 64% of Estonian students say that over the past 12 months they have bought something that has been more expensive than initially planned.

Young people are active users of financial products. Compared to 2012, there has been a substantial increase of students using a bankcard. While in 2012 there were only 29% of students using one, in 2018 there were 75% of students using bankcards. 75% claim to buy things online and 40% use mobile applications for online shopping. Students are confident in checking the balance of their bank account and seem confident in performing those operations.

In conclusion, Estonian students show excellent results in the PISA 2018 financial literacy assessment, which means they have a good understanding of how to solve financial problems

presented to them in a test form. Applying the knowledge and skills in financial behaviour is the biggest challenge so that it would foster financial well-being in their lives in the future.

Implementation of the PISA 2018 financial literacy assessment in Estonia was a joint effort by Ministry of Education and Research, Ministry of Finance and Foundation Innove.

Snapshot of performance in financial literacy. Source: OECD

	Mean score in PISA 2018	"Share of low achievers (below Level 2)"	"Share of top performers (Level 5)"
	Mean score	%	%
OECD average	505	14.7	10.5
Estonia	547	5.3	19.0
Finland	537	9.9	19.9
Canadian provinces	532	8.8	16.7
Poland	520	9.5	11.8
Australia	511	15.6	14.1
United States	506	16.0	12.4
Portugal	505	14.0	8.3
Latvia	501	10.6	6.1
Lithuania	498	14.2	7.7
Russia	495	14.4	6.3
Spain	492	15.0	5.7
Slovak Republic	481	21.2	7.2
Italy	476	20.9	4.5
Chile	451	30.2	3.0
Serbia	444	33.2	2.5
Bulgaria	432	38.5	2.4
Brazil	420	43.6	1.9
Peru	411	46.4	1.4
Georgia	403	49.8	0.7
Indonesia	388	57.4	0.3

- Mean score statistically significantly above the OECD average
- Mean score not statistically significantly different from the OECD average
- Mean score statistically significantly below the OECD average