

# A REPORT ON THE SELF-ASSESSMENT TOOL FOR FINANCIAL LITERACY OF FLY (R2)



**Fly**  Financial literacy for inclusion

[fly-project.eu](http://fly-project.eu)



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## A report on the self-assessment tool for financial literacy of FLY (R2)

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#### **1. *What it is and what is the function of the self-assessment tool within the FLY project.***

The self-assessment tool for financial literacy (SAT) is one of the strategic outcomes of the FLY project and represents a fundamental part in the experience of use and interaction of users with the FLY OER platform.

Indeed, the SAT developed by FLY aims to provide the users with a simple and quick tool to assess their skills level in the field of financial literacy and to direct them, based on the results of the test, to one or more of the courses developed within the project.

At the same time, the SAT represents an important moment of the learning experience designed by FLY: through the reflection triggered in the users through the questions and the immediate feedbacks provided to the user, together with a brief explanation of the topic proposed by the question, users are enabled to acquire or reinforce instantly and effortlessly their financial skills.

#### **2. *The theoretical references based on which the self-assessment tool has been developed***

The theoretical references based on which the FLY self-assessment test has been developed are mainly derived from the document "European Union/OECD (2022), *Financial competence framework for adults in the European Union*"<sup>1</sup>, promoted by the European Commission and implemented in collaboration with the OCSE -INFE (International Network for Financial Educations). The framework document aims to provide a basis for a shared understanding of the issue of financial education and related skills; therefore, it represents an essential reference at all levels for the design of interventions aimed at increasing financial literacy in European citizens.

The main merit of this framework document is that it has identified and described 364 specific

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<sup>1</sup> [https://finance.ec.europa.eu/publications/commission-and-oecd-infe-publish-joint-framework-adults-improve-individuals-financial-skills\\_en](https://finance.ec.europa.eu/publications/commission-and-oecd-infe-publish-joint-framework-adults-improve-individuals-financial-skills_en)



skills which are needed to manage financial aspects with awareness and effectiveness in today's society. For each competence three cognitive dimensions are considered: 1) *awareness / knowledge / understanding*; 2) *skills / behavior*; 3) *self-confidence/motivation/attitude*.

The identified skills are also divided into 4 different content categories: *Money and Transactions, Financial Planning and Management, Risk and Return, Financial Landscape*.

Finally, the transversal dimensions of all skills are highlighted: those involving *digital aspects, sustainable finance, financial resilience* and those considered *essential*.

### **3. The Methodology and criteria considered for the development of the self-assessment tool**

In the development of the FLY financial skills self-assessment tool, the characteristics and needs of the project's target group were taken into account, i.e. mainly adults over 50 with a medium-low level of education.

For this purpose, a careful selection of financial skills considered *basic and essential* to make informed financial decisions and achieve a satisfactory level of well-being has been carried out.

To filter the skills relevant to the target group it was very helpful using the official Excel version of the EU/OECD-INFE framework document. In fact, thanks to the labels applied to the different skills, it has been possible to narrow down the number of skills to those particularly relevant to i) daily life and / or well-being (ii) the majority of the adult population.

Those core competencies were found to fall mainly into the content areas related to *Money and Transactions* and *Financial Planning and Management*. To a lesser extent, they relate to the *Risk and Return* and the *Financial Landscape* categories.

Priority was also given to some skills related to ethical and sustainability aspects, also filtered through the appropriate label made available by the EU/OECD-INFE framework.

This preliminary operation of selecting the skills to be assessed through the self-assessment tool, is fundamental not only to be able to intervene through the FLY courses on skills considered essential but also to develop a lean, effective and rapid self-assessment tool.

In this sense, to make sure that the SAT developed by FLY is functional and easy to use, a mapping activity of similar tools already existing in the national financial education landscape in Belgium, France, Italy, Spain and Turkey was carried out by all project partners.



The result of this mapping activity was the creation of a repository complementary to the SAT, available in a dedicated section of the OER platform. Each of these references comes along with a brief description and the link to the source website.

Therefore, the users of the FLY platform will also be able to access other self-assessment tools already available in their country and language.

The mapping activity was also very useful to make comparisons among the several self-assessment tools for financial skills already available online and to collect information such as the most used format, the average number of questions, the way to provide the feedback, the most addressed topics, the scoring and evaluation system.

#### **4. The main features of the self-assessment tool**

The FLY self-assessment tool consists of a total of 15 multiple choice questions. The user has the possibility to choose between 3 alternative answers or to answer "I don't know".

The questions are provided one at a time, with a smooth animation that accompanies the user through the test's progress from the beginning to the end. At any given time, the user can check how the progress is going and how many questions are left.

The user taking the self-assessment test receives feedback at the same time as he or she confirms his or her answer by selecting one of the possible answers. The feedback consists of a brief explanation of the specific topic raised by the question and is provided both in case of correct answer and in case of wrong answer. This allows the user to reinforce or refine the competence being assessed already while taking the test.

At the end of the test, the user is given a quantitative evaluation in the form of a percentage of correct answers out of the total number of questions, accompanied by star icons to make the result more attractive to them. For the test to be considered successfully completed, the user must achieve a minimum percentage of 70% correct answers. In any case, he or she is directed to the most suitable course to continue improving his or her financial skills.

The test is dynamic, meaning that questions and answers can be easily added and updated. The user input is stored in the database. The test is loaded via PHP and moved with the help of JavaScript.

The skills being assessed are mainly those identified as essential within the EU/OECD-INFE framework document and which are of great use in everyday life for the majority of the adult population.

The questions cover topics such as: inflation, simple and compound interest rates and how to calculate them, budgeting and how to make a budget, gross and net income, payment methods and their features, the concept of cost-opportunity, comparing quotations,

investments, equities, ethical finance.



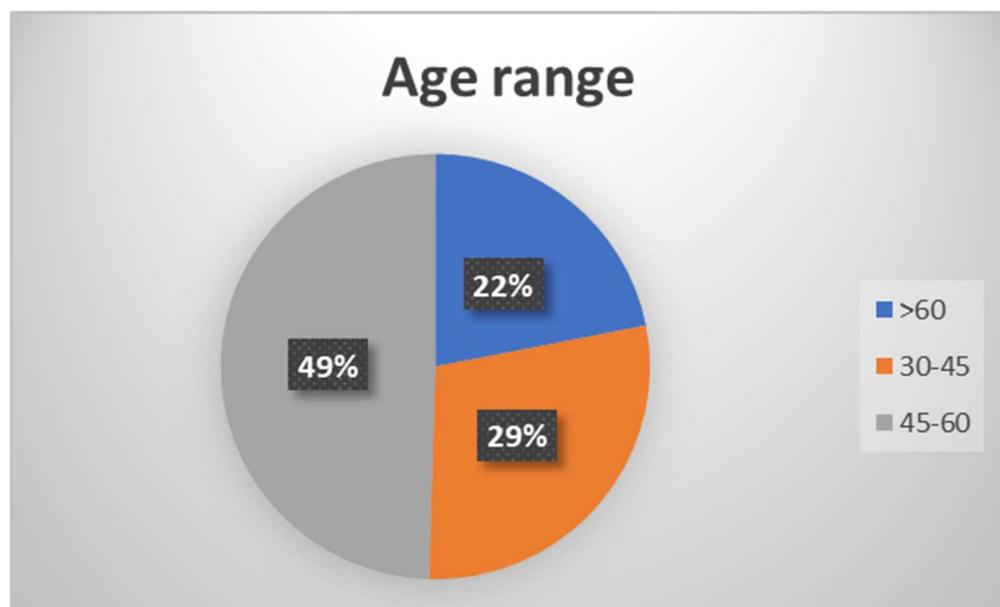
### 5. Testing & Validation results

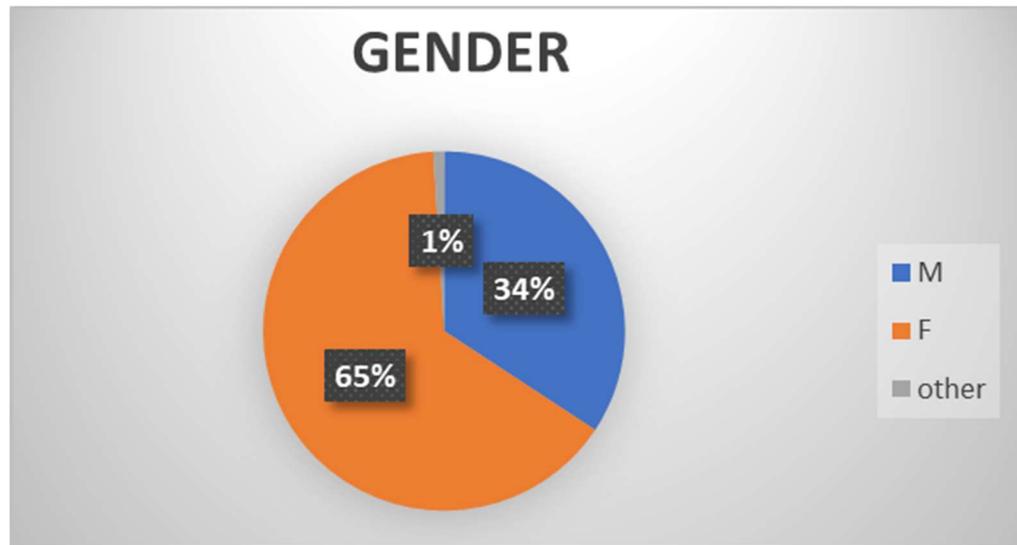
The last phase of the SAT creation process was testing and validation.

An initial version of the questionnaire was proposed and shared in English: however, once ready and approved by all the partners, mother tongues translated it into each partner's respective language and administered it from July 2022 to September 2022 (deadline extended to grant more balanced samples among countries). Data collected by the different

countries were then back translated in English, properly coded, and merged together allowing us to evaluate the overall knowledge of Financial Literacy. The following section illustrates the general results emerged from the SAT administration.

Specifically, we tested the SAT on a subset of the target population. All the partners committed to collecting data. According to the project planning, the minimum threshold for the sample size would have been 100 participants. The final sample instead includes 105 subjects. The graphs below show the distribution by age and gender:





As we can see from the plots, an effort was made to involve mainly the Project's main target group. i.e. people over 30 years of age with a female majority. Regarding the scores obtained, the table below summarizes the statistics of scores divided by gender and country.

COUNTRY	MEAN	FEMALE	MALE
ITALY	44/75	41/75	55/75
TURKEY	42/75	41/75	44/75
SPAIN	46/75	47/75	43/75
FRANCE	53/75	55/75	50/75
EUROPE	38/75	40/75	45/75

In general, this result confirms the initial assumptions that women are less well prepared than men, with the exception of France, and that southern European countries in general are less well prepared than northern European countries.

Another aspect we would like to highlight is to see the questions that created the most difficulty among the respondents.

Specifically below its possible to see questions with frequently incorrect answers i.e.



questions with a correct answer rate of less than 50%:

- *What is a share?*
- *Imagine you have to open a bank account, which of these aspects helps you to understand whether a bank operates ethically?*
- *After 5 years with the annual interest rate at 2%, how much will your account balance amount to if you make no withdrawals or deposits, and without taking the management fees into account?*
- *Imagine you have a second house which you don't use and that you keep closed. How much money are you losing monthly?*
- *Which of the following statements about gross and net income is incorrect?*
- *Which of the following is NOT a characteristic of credit cards?*

This analysis shows that many basic concepts are not clear among the project's target group. Many respondents in fact showed difficulty in understanding the difference between shares and bonds.

Poor knowledge and skills are also evident in the following aspects:

- calculation of interest rates;
- difficulty understanding the difference between net and gross;
- difference between debit and credit cards.

The last aspect that emerged from the analysis concerns the lack of 2 important skills:

- The Opportunity Cost Skill: more than 70% of the respondents answered incorrectly to the question on opportunity cost competence. Opportunity cost is the profit lost when one alternative is selected over another. The concept is useful simply as a reminder to examine all reasonable alternatives before making a decision.
- The ethical Finance choice skill: more than 90% of the respondents answered incorrectly to the question on ethical choice competence: profitability must be strived for in conjunction with other value-driven like social and environmental impact.

The SAT will therefore be extremely useful as a self-assessment tool and to orient the user towards the most suitable FLY course to acquire new skills in Financial Literacy.



