

## Chapter 28

# Financial Literacy: Gaps Found Between Mexican Public and Private, Middle, and High-School Students

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### ABSTRACT

*Financial literacy is a combination of financial knowledge, attitudes and behaviors, key for making informed decisions and for solving financial problems. This descriptive study explored the applied, conceptual and procedural financial knowledge of 243 Mexican students via three financial knowledge tests. In addition, these students were surveyed about their financial behavior, their attitudes towards money, and their experience with money using a self-report questionnaire. The study aims to identify financial-education needs and gaps between school levels and systems. Therefore, the analysis focuses on the differences and similarities between two subgroups: (1) students in public and in private education, and between (2) middle school (ages 12 to 15) and high school students (ages 15 to 18). Middle school and high school students differed significantly only in their conceptual knowledge and in their financial experience, while public and private students showed statistical significant differences on their financial knowledge, behavior, attitudes and experience.*

### INTRODUCTION

Financial literacy has become an increasingly relevant topic for the population of Mexico. Only one out of five Mexican adults keeps track of their spending, and barely 28% make use of formal credit mechanisms. The majority (67% of all Mexican adults) prefers to borrow from other individuals and 36% opt for pawning some property or asset as collateral. This preference for informal products also occurs in saving mechanisms. More than 40% saves at home or using batches, and only 29% are saving for their

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retirement (SHCP, CNBV & INEGI, 2012). These savings are not enough to ensure that the future senior Mexican population reaches an adequate standard of living (SHCP, CNBV & INEGI, 2012).

Financial literacy goes beyond stock investment and banking issues. The need to manage financial resources rationally is even more important when those resources are limited. In this regard, 70% of the Mexican population receives a monthly wage of less than \$5,000 Mexican pesos (SHCP, CNBV & INEGI, 2012). Low financial literacy has been shown to be negatively related to wealth accumulation, as individuals with lower financial understanding are more likely to acquire higher debts when young (Lusardi, Mitchell & Curto, 2010) and tend not to save enough for their retirement (Lusardi & Mitchell, 2007).

By the time they finish their education, students are expected to have developed the financial competences needed to manage their personal finances successfully and to know how to find additional information when needed (Atkinson & Messy, 2012). Unfortunately, the topic of economics or personal finance is rarely included in the Mexican school curriculum, and “there are currently very few data on the levels of financial literacy amongst young people under the age of 18” (OECD, 2012b, p. 11). A limited number of studies assess financial literacy among high school students outside the U.S. (Cameron et al. 2014). The studies on knowledge, habits, and usages of financial products and services of the Mexican adult population are recent, while studies on the financial literacy of the young Mexican population have been relatively rare (Amezcu, Arroyo & Espinosa, 2014).

The objective of this chapter is to describe the performance of a financial knowledge test of a sample of Mexican middle and high school students, as well as their reported attitudes, behaviors and experience towards money. Furthermore, this chapter also explores whether the student’s financial knowledge, attitudes, behaviors, and experience differ between school levels and school systems.

A difference between students in different school levels could be expected in favor of high school students since the transition from one school level to the next assumes the attainment of certain educational goals. If such difference was found, it could mean a positive financial knowledge growth and accumulation; the opposite would indicate a need for revising why a decrement of financial knowledge could have occurred from one level to the other.

Dissimilarities between school systems could also be expected since Mexico is one of the Latin-American countries with the highest socioeconomic differences among middle school students in the private system and students in the public system (Pereyra, 2008). Several studies have shown that high school students from families with greater financial resources tend to have a higher financial literacy than those from families with fewer resources (Mandell, 2008; Cameron, et al., 2014). Students in different educational sectors have been exposed to different financial contexts and situations and, in consequence, students might have developed different financial understanding, behavior and attitudes. If differences were found in favor of the private school students, it could point to finance educational gaps that could increase the socioeconomic disparities between students learning in different sectors even more. A comparison between private and public education systems is also important due to the role of the public sector in the Mexican educational coverage. Almost 86% of Mexican middle school students and 82% of Mexican high school student receive their education from the public system (Pereyra, 2008; INEGI, 2012). Differences favoring private school students could indicate that a big percentage of the Mexican population is at a disadvantage regarding their financial literacy.

Results can be used as a brief diagnosis of the financial knowledge that Mexican students can apply to solve problems, of the financial concepts they can identify and categorize properly, and of the kind of financial and mathematical procedures that they can perform correctly. The chapter also explores how

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