

Financial republic, slovenia, spain, united states of

[Business](#), [Management](#)



Financial literacy is necessary to successfully navigate life's complicated financial decisions.

Unfortunately, basic financial skills of budgeting and saving are often never taught to young adults. There have been numerous studies that find that young adults are not being provided a sufficient financial education.

For example, Mandell (1997) examines financial literacy for a sample of high school students and finds that these students are not receiving a sufficient education in financial matters.

Often the tendency to incur excessive debt develops at a very young age. Mae (2005) finds that 76% of undergraduate students have credit cards and 47% have four or more cards. These students had an average credit card debt of \$2,169.

In today's consumer society, the importance of savings and budgeting is critical to financial success. Regardless of income, an individual will eventually go bankrupt if they spend more than they earn. We have seen countless celebrities and athletes who earn millions of dollars go bankrupt due to poor budgeting, inadequate savings and excessive debt. Budgeting, controlling debt and maximizing savings are the keys to financial success. Financial education should begin at a young age so young adults can begin their career making prudent financial decisions that will help them achieve financial success. There is very little data that examines the financial literacy of young adults and the extent that they are provided courses in money management.

In this paper, we use data from a survey conducted in 2012 by the Programme for International Student Assessment (PISA). This organization has been gathering information about 15-year old student's math and science abilities for years however the 2012 survey is the first survey that included questions about money management and financial literacy. The countries that participated in the 2012 PISA Students and Money survey are: Australia, Belgium, Czech Republic, Estonia, France, Israel, Italy, New Zealand, Poland, Slovak Republic, Slovenia, Spain, United States of America, Shanghai-China, Colombia, Croatia, Latvia, and Russian Federation. In this paper, we examine the following research questions. 1.

Is financial literacy for each country correlated with GDP per capita? 2. Is financial literacy for each country correlated with social equality? 3. Is financial literacy correlated with the availability of money management courses? We run a regression model to determine if money management courses impact financial literacy in each country.

We run a cumulative probit model to examine if students who take money management courses are more likely to avoid debt. The following section reviews the pertinent literature on this topic.