Financial Literacy vs Financial Illiteracy: a Case Study for a Population in the Northern of Portugal

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Abstract

The importance of financial literacy has been intensified due to the context of global financial crisis that we live in and to the citizens that need to acquire competences concerning financial issues. As a matter of fact, on the one hand, citizens need to be better informed about the general access to banking products and their increasing diversity and complexity, and on the other hand, due to the need to promote savings and preventing families’ over indebtedness.

This is the framework of this study that aims to have a clear perception of the financial illiteracy of common people on some terms used by financial institutions. For this purpose some ordinary individuals answered a questionnaire about current banking terms which are used every day and influence each other's economies. We also tried to know the opinion of some professionals in the banking sector, concerning the knowledge of the population on this matter. The study was carried out in Northern Portugal, in the region of Vale do Sousa. This region is also a consumer of products and services made available by various financial institutions, and often the only way to know if you are spending too much or too little for the product or service provided, is comparing it with an identical acquired by a neighbor, friend or acquaintance.

The results obtained indicate that the financial literacy index of this population is low. This research is part of the Finlico Project (Financial Literacy Competences for adult learners - 510140-LLP-1-2010-1-PT-GRUNDTVIG-GMP), coordinated by the School of Accountancy and Administration of Porto (ISCAP) and its objective is to teach people how to save.