Chapter 12
Evaluating Financial and Fiscal Knowledge for an Inclusive Society

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ABSTRACT

Financial education and fiscal awareness are considered two fundamental branches of knowledge in the training of citizens from the first stages of learning. Thus, it is necessary to teach them in order to know the different savings products that can be acquired in a bank, to understand the basic information related to savings and the means of payment, or to differentiate between investment and risk. This work seeks to analyze the factors that determine the degree of financial knowledge and also fiscal knowledge of the current population. As a case study, the authors have selected a small sample of young people between 9 and 19 years at middle schools in the region of A Coruña (Spain). Findings reveal the low level of both financial and fiscal knowledge of the youngest population.

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INTRODUCTION

Financial inclusion is defined as the access to various financial products and services, both for individuals and businesses, useful and affordable that meet their needs (transactions, payments, savings, credit and insurance) provided in a responsible and sustainable way to improve the wealth generation and, essentially, social welfare.

According to the most recent data of the World Bank (2019), the level of financial inclusion in Spain reaches 98% of the population. An efficient and competitive banking sector is essential to explain this high financial inclusion. In comparative terms, it is the second highest percentage among the main countries of the euro zone, below 99% of Germany but by over 97% of France and 87% estimated for Italy. According to data from the Spanish Banking Association (in Spanish, Asociación Española de Banca, AEB), 75% of the Spanish population resides in municipalities with six or more credit institutions, and more than 92% of the population lives in villages with two or more different banks. This offers the customer the possibility to choose between them and therefore to benefit from healthy competition.

In addition, the density of bank offices in Spain is also one of the highest in Europe. According to the data from ECB, in Spain there is a bank branch for every 1,493 inhabitants compared to 2,170 inhabitants on average in the euro zone. The banks belonging to the AEB have extensive networks of offices that guarantee access to financial services to a significant majority of the population. In addition, they have been developing digital banking for years, accompanying the client in his demand for new digital services that complement the personal relationship through the traditional office. In the specific case of payments, using data from the Bank of Spain, the volume of card payments increased in 2017 by 10.75% compared to the previous year and cash withdrawals from ATMs by 3%. The number of ATMs grew 0.2% in 2016, while the number of payment terminals increased 4.1%. Therefore, digitalization is an unstoppable process as is the emergence of alternatives regarding payments methods.

However, despite this easy access to the banking system and even though consumers are engaged in financial market transactions daily, knowledge of the current financial sector is very limited among families as well as the consequences of these transactions when making financial decisions (Cardaci, 2018; Atkinson and Morelli, 2011). The enormous complexity of the current financial system and the low levels of financial information are the two fundamental causes of this lack of financial knowledge (Stiglitz, 2012). Thus, in developed countries it is observed that consumers do not know how to diversify risk and do not invest in those alternatives that would allow them to obtain a higher return (Lusardi, 2008). For example, in Japan, a recent study by the University of Osaka revealed that 71% of respondents lacked knowledge about bonds and stocks, about financial products in general (57%)
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