

UK's poorest children likelier to have less understanding of personal finances, study finds

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A new study of 3,745 families from across the UK demonstrates a "sizeable" gap in the financial knowledge of children depending on

which socio-economic group they come from.

The research highlights significant inequalities in young people's financial capabilities, with the results pointing toward disadvantaged [children](#) not developing key financial skills.

In findings published in the *British Journal of Educational Studies*, an expert team from UCL are calling for a greater emphasis on developing financial skills among children starting at primary school, particularly aimed towards those from disadvantaged social backgrounds, with "a particular need to consider how financial education is provided" for this group.

"There has been much concern in the UK about a lack of social mobility and the propensity for educational and social disadvantage to perpetuate across generations. This includes intergenerational cycles of [money](#) problems, poverty, and debt, which may be linked to socio-economic inequalities in the financial capabilities of young people."

"With sizeable socioeconomic gaps emerging, the issue of inequality in financial capabilities needs more public scrutiny and debate," lead author Professor John Jerrim, from the Social Research Institute at UCL, explains.

"What we find in our study is children from more [disadvantaged backgrounds](#) are less likely to report covering money issues during their school lessons, with a particularly large socio-economic status gap in financial education provision towards the end of [primary school](#)."

"The gaps emerge early in life and can often persist into the teenage years. Only part of these gaps can be explained by differences in children's cognitive and socio-emotional skills. It seems that socio-economic differences in financial capabilities may not merely be a

reflection of inequalities in these other areas."

"Our results generally suggest that it may be helpful for young people from disadvantaged backgrounds to be engaged with about money earlier in their lives."

The study used a nationally representative data sample taken from the 2019 Children and Young People's Financial Capability Survey, measuring the financial capabilities and behaviors among British 7 to 17-year-olds. The authors then carried out online and face-to-face parental questionnaires.

Their findings show financial knowledge is far stronger for those children from wealthier backgrounds—with those [young people](#) from affluent background having greater exposure to financial education before secondary school.

Part of the issue, the experts found, is to do with the interactions that children have with their parents. Those from more disadvantaged backgrounds have less frequent money conversations with their parents and are "less likely to be shown how money 'works'" by their caregivers.

"However," adds, co-author Dr. Jake Anders, Deputy Director of the UCL Centre for Education Policy & Equalising Opportunities, "while we find these parental interactions can account for part of the socio-economic gap in money confidence, money management, financial connections, and financial behaviors, these interactions are less important in boosting financial abilities."

The authors state that going forward government and financial providers could, potentially, play a more important role.

"Disadvantaged children are much less likely to have a [bank account](#)

—particularly when they are young—which may mean they are less likely to develop a firm connection with the financial world. To help improve financial connection—particularly aspects of their mindset and skills—more could be done to encourage use of financial services among disadvantaged socio-economic families and their children."

"This might include, for instance, a young person's account linked to the government's Help to Save account available to those with low incomes which effectively pay higher rates of interest and provide rewards for positive saving behaviors."

Limitations of this research include only one parent taking part in the survey. The quality of some of the measures available was also limited, such as the information collected about children's educational achievement and socio-emotional skills.

More information: Socio-economic inequality in young people's financial capabilities, *British Journal of Educational Studies* (2023). [DOI: 10.1080/00071005.2023.2195478](https://doi.org/10.1080/00071005.2023.2195478)

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