# Borradores de Economía - Financial literacy and Financial Wellbeing: evidence from Colombia in a high inflation environment

Download Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Rodríguez-Pinilla, Diego A. Castellanos-Rodríguez, Luis Eduardo López-Rodríguez, Andrea Esguerra Umaña, María del Pilar
The series *Borradores de Economía* (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date: Thursday, 29 of February 2024 Abstract
This study, based on a nationally representative survey in Colombia, reveals that only 16.4% of the Colombian population can correctly answer the 3 key questions designed to assess individuals' financial knowledge, with significant variations among different demographic groups. The inflation's question, however, is answered correctly by 79% of respondents, making it the second country with the highest knowledge of this phenomenon among those studied recently on these topics. Furthermore, the data indicate that experience and having lived through inflationary episodes increase the probability of being more familiar with the concept of inflation. On the other hand, as expected, the collected information reflects that a higher level of education or socioeconomic status correlates positively with a better understanding of financial concepts. Likewise, it is evident that better performance in financial knowledge questions increases the accuracy with which individuals estimate future inflation, presumably enabling them to make more suitable consumption decisions for their well-being. However, despite individuals with better knowledge reducing their consumption in high inflation contexts, this is not reflected in an increased use of investment products that would allow them to protect themselves from the loss of purchasing power due to rising prices. The research concludes the importance and urgency of developing policies aimed at increasing economic and financial education, particularly in vulnerable groups, allowing people to save, invest, incur less debt, secure their assets, and thus ensure less poverty and greater equality, contributing to the overall well-being of the population throughout different life cycles.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/borradores-economia-financial-literacy-and-financial-wellbeing-evidence-colombia-high-inflation