

Financial Literacy and Poverty: Early, Targeted Intervention in Underserved Youth Communities

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ABSTRACT

Despite decades of global efforts, poverty continues to be a persistent issue, affecting underserved communities and entire nations alike. Poverty's structure is self-reinforcing, meaning that the cycle of generational poverty continues even with government measures such as direct financial support. However, poverty is also shaped by wages, employment opportunities, housing, healthcare costs, discrimination, family wealth, credit access, school quality, and broader economic policy. This persistence suggests that government intervention alone is not a sufficient solution. In light of this, financial literacy education has been proposed as a complementary approach. Research across 113 countries and over 115,000 individuals has shown that financial literacy education is associated with reductions in poverty. Because of the multifaceted nature of poverty, financial literacy education is a potentially useful component of poverty-reduction efforts rather than a stand-alone solution. This narrative review synthesizes peer-reviewed empirical studies from multiple countries and demographic contexts, while incorporating factors like economics, developmental psychology, and financial sociology to examine the relationship between financial literacy and poverty outcomes, and ultimately focuses on the timing and targeting of educational interventions. This paper makes two main arguments: First, financial literacy is consistently associated with reduced poverty outcomes across income levels, cultural contexts, and demographic groups. Second, these effects may be strongest when financial literacy education is delivered during adolescence, before financial habits, attitudes, and behaviors are fully formed.

Keywords: Financial literacy; poverty reduction; early intervention; adolescent development; financial socialization; underserved youth; generational poverty

INTRODUCTION

In 2022, the World Bank declared that its globally committed goal of erasing extreme poverty is not likely to be achieved by 2030 (1). According to Lang, Tran,

Nguyen, and Vo (2), nearly 3.3 billion people, which is over 40% of the world's population, live below the \$5.50 per day poverty line and the problem is not improving (2). Due to the coronavirus disease 2019 (COVID-19), an estimated 120 million people were pushed into extreme poverty in 2020, and 150 million in 2021 (2), widening the already large wealth gap.

However, one contributing factor perpetuating poverty is inherited financial illiteracy. When young people grow up without being taught how money works, they may carry that illiteracy into adulthood and potentially pass it on to their own children. This

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places low-income children at a higher risk of starting from a disadvantaged position and remaining in a cycle of generational poverty (3, 4, 5). Research shows that financial habits, attitudes, and behaviors begin forming in early childhood and influence adulthood (3, 6), which means young people who miss out on financial education early may carry that disadvantage into adulthood (3, 4, 7). Youth financial literacy education is therefore a possible contributor to reducing the persistence of this cycle, but financial knowledge gaps remain largest among young people from under-resourced communities (5), and institution-based financial literacy programs are often poorly suited to low-income populations (8).

This review examines the literature on the broad effects of financial literacy on poverty and then specifically focuses on how early financial literacy education affects long-term poverty outcomes. It draws on peer-reviewed empirical studies and review articles published between 2008 and 2024, with a focus on youth, low-income, and underserved populations.

This review uses two different types of evidence to build its argument. The first type is studies that directly test financial education programs and measure financial outcomes, including experimental and meta-analytic research on school-based programs for children and adolescents. The second type consists of research on adult financial literacy and poverty, along with literature from developmental psychology and adolescent learning on how conditions during youth shape outcomes in adulthood. This second type of evidence does not directly test youth financial education, but instead uses inferential reasoning. This paper notes where such inferences are being made.

Through a synthesis of peer-reviewed empirical studies and review articles in the relevant fields such as economics, developmental psychology, finance, and sociology, this paper argues the following: financial literacy education is one potentially useful component of poverty-reduction efforts, with some evidence suggesting effects may be strongest among youth in underserved communities, and early targeted intervention may be an effective point of entry, although direct longitudinal evidence testing youth interventions remains limited.

DEFINING THE TERMS

Before looking into the relationship between financial literacy and poverty and its impact on learning early versus later in life, it is important to establish what the relevant terms actually mean.

Financial Literacy

Financial literacy refers to the knowledge of formal financial concepts. These concepts include understanding how interest works, what inflation means, how credit operates, how to read a budget, and so on. Engelbrecht (8) adopts a broader definition of financial literacy, originally developed by Schagen and widely used for international consistency, as “the ability to make informed judgments and effective decisions regarding the use and management of money” (p. 255). This definition emphasizes the scope of financial literacy beyond what someone knows about finances versus how effectively they can apply financial knowledge. Lang *et al.* (2) narrow down their definition of financial literacy further for empirical purposes. They measure financial literacy across four fundamental concepts: risk diversification, inflation, basic numeracy, and compound interest. Each of these concepts tests whether a person can reason through a common financial situation, such as recognizing that inflation reduces what money can buy or that interest accumulates over time. This more specific definition is useful for large-scale quantitative research, fitting for studies like Lang *et al.*'s study, while Engelbrecht's is broader and includes not only knowledge but also the capability to apply it. Engelbrecht's definition, which describes financial literacy as the ability to make informed judgments and effective decisions about money, is used in this paper because it addresses financial knowledge, capability, and behavior, while other definitions only focus on financial knowledge alone. Financial knowledge refers to what a person understands about financial concepts, while financial behavior refers to what they actually do with money. These three dimensions are treated separately throughout, since empirical evidence indicates that financial education affects them to different degrees (2, 9).

Poverty

Poverty is generally defined as “the state of one who lacks a sufficient amount of money or material possessions: the state of being poor” (10). Wang, Cao, and Huang (9) categorize poverty into two types: absolute poverty and relative poverty. Absolute poverty is when a household cannot meet basic survival needs like food, shelter, and healthcare, and it is measured against a fixed income line, such as the World Bank's \$2.15 per person per day benchmark for low-income countries (11). Relative poverty works differently because it is defined in comparison to others in the same society and constantly shifts as the average living standard of a society changes. A person in relative poverty might cover their basic

needs, but they still do not have enough to keep up with the standard of living around them. Wang *et al.* (9) use \$3.20 per person per day as their relative poverty line for developing countries. Generational poverty, also called chronic poverty, refers to poverty that persists within a family across multiple generations. It is worth noting that the World Bank updated its International Poverty Line to \$3.00 per person per day in June 2025 (12). In this paper, the \$2.15 threshold is used, as it represents the standard used at the time the primary sources were published.

Underserved Youth as the Focus Population

The working definition of adolescents used in this paper refers to individuals between the ages of 10 and 19, as defined by the World Health Organization (WHO) (13). Low-income or marginalized communities are defined as communities that lack consistent access to financial education, informed adult financial role models, and other relevant resources like banks and credit unions. This group was chosen as the focus of this paper because adolescence has been identified as a period of heightened receptivity to social and environmental input (14, 15). This research concerns social and emotional development rather than financial education, so its application to financial learning is inferential. More directly, Kaiser and Menkhoff (16) found that financial education produced its largest effects on financial knowledge among elementary school students (0.57 standard deviation (SD)), compared with

middle school (0.16 SD) and high school (0.37 SD).

Early Financial Literacy

Early financial literacy is defined as financial education delivered during childhood and adolescence, the stage of life when lasting habits, attitudes, and behaviors, including financial ones, are still forming (15). This is different from general financial literacy education, which is often delivered to adults after said financial habits, behaviors, and attitudes have already been established. This review mainly focuses on adolescence, defined as ages 10 to 19, but some of the evidence reviewed covers children of younger age.

FINANCIAL LITERACY AND POVERTY: THE EMPIRICAL EVIDENCE

This section reviews evidence on financial literacy's relationship to poverty across global and demographic contexts.

The Impact of Financial Literacy on Poverty

Table 1 presents the evidence types, main topics, and key findings of the previous studies reviewed. This section examines them in further detail. Ultimately, this paper does not focus on financial literacy's effect on poverty reduction, but instead highlights the conditions and demographics where financial literacy is the most effective.

Table 1. Overview of Primary Literature: Main Topics and Key Findings.

Source	Evidence Type	Main Topics	Key Findings
Lang, Tran, Nguyen, & Vo (2024) (2) <i>Social Indicators Research</i>	Observational: Adult financial literacy	Financial literacy and poverty; 113-country global analysis; causal probit modeling	Each one-unit increase in financial literacy score is associated with reduced poverty probability by 6.2–7.5%. The effect was strongest in low-income countries (32.5% vs. 9.3% in high-income).
Mancone, Tosti, Corrado, Spica, Zanon, & Diotaiuti (2024) (6) <i>Frontiers in Education</i>	Review: Direct youth financial education	Financial literacy programs for youth ages 6–18; program design and delivery; behavioral outcomes	Young people consistently show lower financial literacy than adults. Experiential, sustained programs outperform lecture-based, one-time workshops
Ullah & Yusheng (2020) (3) <i>Frontiers in Psychology</i>	Cross-sectional: Adult recall and financial socialization	Early childhood financial socialization; locus of control; adult financial wellbeing; Pakistan	Early childhood consumer experiences directly predict adult financial wellbeing. Locus of control mediates the relationship between parent and teacher socialization and adult financial wellbeing.

Continued Table 1. Overview of Primary Literature: Main Topics and Key Findings.

Source	Evidence Type	Main Topics	Key Findings
Engelbrecht (2008) (8) <i>Social Work/Maatskaplike Werk</i>	Conceptual: No primary data	Financial literacy as a poverty alleviation tool; program design principles; social work approach	Financial literacy is necessary but not sufficient for poverty eradication. Effective programs must be long-term, customized, culturally sensitive, and community-based.
Wang, Cao, & Huang (2022) (9) <i>Frontiers in Psychology</i>	Observational panel: Adult financial literacy	Household financial literacy and relative poverty; behavioral pathways; poverty psychology; China	Financial literacy is related to reductions in poverty through three pathways: entrepreneurship, commercial insurance, and formal lending. Chronic poverty creates psychological traps that financial literacy helps break. Financial knowledge is a stronger predictor than financial behavior.
Orben, Tomova, & Blakemore (2020) (14) <i>Lancet Child & Adolescent Health</i>	Indirect: Adolescent development	Adolescent development; sensitivity to social stimuli; peer interaction; the socialization window	Adolescence is marked by heightened sensitivity to social stimuli and a strong need for peer interaction. The social input and environment experienced during this window shape development, making adolescence a critical period for socialization.
Moffitt, Arseneault, Belsky, Dickson, Hancox, Harrington, Houts, Poulton, Roberts, Ross, Sears, Thomson, & Caspi (2011) (7) <i>Proceedings of the National Academy of Sciences (PNAS)</i>	Longitudinal, indirect: Developmental psychology	Childhood self-control; longitudinal outcomes; Dunedin Study; developmental psychology	Childhood self-control predicts adult health, wealth, and social outcomes independent of intelligence quotient (IQ) and social class.
Kim & Chatterjee (2013) (4) <i>Journal of Financial Counseling and Planning</i>	Cross-sectional: Adult recall and financial socialization	Childhood financial socialization; adult asset ownership; savings behavior; U.S. national data	Childhood financial socialization (savings accounts, parental monitoring, and financial conversations) positively predicts adult financial asset ownership and positive financial attitudes.
First Focus on Children (2025) (17) <i>Issue Brief</i>	Indirect: Early childhood investment	Early childhood education investment; Heckman Equation; return on investment of early intervention	Early childhood education generates \$2.50 in savings per \$1 invested. Returns are highest earliest. Disadvantaged children benefit most from early intervention.
Cedeño, Lannin, Russell, Yazedjian, Kanter, & Mimnaugh (2021) (18) <i>Citizenship, Social and Economics Education</i>	Single-group pre/post: Direct youth financial education	Financial literacy intervention for low-income youth; intergenerational poverty; curriculum evaluation	Targeted financial literacy and job-readiness interventions produced significant gains in financial knowledge, savings behavior, and job-obtainment self-efficacy among low-income youth (N=111).
Kaiser & Menkhoff (2020) (16) <i>Economics of Education Review</i>	Meta-analysis of 37 (quasi-)experiments: Direct youth financial education	School-based financial education for children and youth; teaching intensity; knowledge versus behavior	Financial education had sizable effects on financial knowledge (+0.33 standard deviation (SD)) but much smaller effects on financial behavior (+0.07 SD). Effects in primary schools were possibly larger than in secondary schools.

Continued Table 1. Overview of Primary Literature: Main Topics and Key Findings.

Source	Evidence Type	Main Topics	Key Findings
Bruhn, de Souza Leão, Legovini, Marchetti, & Zia (2016) (19) <i>American Economic Journal: Applied Economics</i>	Randomized controlled trial: Direct youth financial education	High school financial education; Brazil; 892 schools and about 25,000 students; student behavior and parental spillovers	Financial proficiency rose by about 0.25 SD and school failure rates fell 9%. Students saved and budgeted more. However, students also borrowed more, used credit cards and installment plans more often, and fell behind on repayments more.
Frisancho (2023) (20) <i>Journal of Financial Literacy and Wellbeing</i>	Randomized controlled trial: Direct youth financial education	School-based financial education; Peru; spillovers to parents; credit records by household income	Spillover effects on parents were limited overall, but larger in poorer households, where default probability fell 26% and credit scores rose 5%. Debt levels also rose 40%.

Global Evidence: Financial Literacy and Poverty Reduction

In this section, studies conducted in a global context are reviewed as they focus on financial literacy's impact on reducing poverty. The findings from these studies are used to examine financial literacy's relationship to poverty across different demographic contexts.

The strongest global evidence comes from Lang *et al.* (2), whose study looked into the relationship between financial literacy and poverty using data from over 115,000 adults across 113 countries. This comprehensive study found that for each one-unit increase in a person's financial literacy score, which was measured across four dimensions: basic numeracy, inflation, compound interest, and risk diversification, there was a 6.2 to 7.5 percent reduction in the probability of falling into

poverty. Lang *et al.* tested how this relationship works and found that financially literate individuals are more likely to own a bank account and to save formally, and both behaviors are in turn associated with a lower probability of falling into poverty (2). However, their findings also noted the differing impact of financial literacy across different income levels. In other words, financial literacy had its largest poverty-reducing impact in low-income countries, where a one-unit increase in financial literacy corresponded to a 32.5 percent reduction in poverty probability, compared to just 9.3 percent in high-income countries (2). This asymmetry within the impacts of financial literacy is consistent with the hypothesis that financial literacy is more effective for low-income and underserved populations. Table 2 below presents empirical findings that financial literacy's

Table 2. Empirical results from probit models for the demographic groups — Financial literacy index.

	Gender		Age		Marital status	
	Female (1)	Male (2)	Old (60+) (3)	Young (4)	Married (5)	Unmarried (6)
Financial literacy index	−0.170*** (0.032)	−0.132*** (0.027)	−0.142** (0.057)	−0.138*** (0.020)	−0.177*** (0.031)	−0.122*** (0.025)
Shapiro–Wilk test	9.235***	9.116***	9.987***	9.644***	9.296***	8.869***
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	59,445	51,015	15,614	91,040	52,307	56,518
Pseudo R-squared	0.216	0.209	0.192	0.212	0.210	0.199

*Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$. Data taken directly from “An Untapped Instrument in the Fight Against Poverty: The Impacts of Financial Literacy on Poverty,” by Lang *et al.*, 2024, *Social Indicators Research*, 174. Reproduced from an open-access article distributed under the Creative Commons Attribution (CC BY 4.0) license. Table reformatted for presentation purposes.*

poverty-reducing effect is consistent and statistically significant regardless of gender, age, or marital status.

A study by Wang, Cao, and Huang (9) adds an important perspective on how household and environmental psychological factors affect poverty. By using household panel data from nearly 11,000 Chinese families, their research concluded that higher household financial literacy significantly reduces relative poverty by encouraging entrepreneurship and participation in formal financial services such as commercial insurance and formal lending, which in turn reduces the chances of falling into poverty and financial struggle. Although the study found that this poverty-reducing effect is most pronounced among financially sophisticated and lower-debt households, the study also shows that the environments in which people are raised play a crucial role in shaping behaviors and attitudes and stigmas towards money. Table 3 below further shows that when financial knowledge and financial behavior are separated, financial knowledge is clearly the stronger predictor of poverty reduction across every model tested.

Wang *et al.* (9) also introduced the concept of the psychological trap of poverty. They argue that chronic poverty, also known as generational poverty, does not just deprive people of money but also creates psychological and mindset barriers that actively suppress their engagement with financial systems. Wang *et al.* identify three in particular: dependence on existing conditions, unusually conservative risk preferences, and information barriers about how credit markets and loan processes work. Together these produce what they describe as

a self-inhibiting effect on market participation. By this framework of chronic poverty, financial literacy works by potentially breaking these psychological barriers, therefore increasing economic engagement and decreasing poverty levels. This psychological dimension is often overlooked in research literature, but may be particularly important when focusing on the financial literacy education for adolescents.

Direct Evidence from Youth Financial Education Programs

The studies above looked at evidence on adults, so applying them to youth is inference rather than direct evidence. This subsection will explore the smaller set of studies that test financial education on children and adolescents directly.

Kaiser and Menkhoff (16) reviewed 37 experimental studies of school financial education programs, most involving roughly 20 to 40 hours of classroom instruction. They found solid gains in what students knew about money (+0.33 standard deviations, or SD), but much smaller gains in what they actually did with it (+0.07 SD). Across the 18 randomized studies alone, the knowledge gain dropped to 0.15 SD. They also found effects were possibly larger in primary schools than in secondary schools, which offers some direct support for earlier delivery.

Bruhn *et al.* (19) ran the largest study examining effects on adolescents, a randomized trial across 892 Brazilian high schools and about 25,000 students. The program ran 17 months and was built into regular

Table 3. Distinguishing different dimensions: the impact of household financial literacy on relative poverty.

	Poverty			Vulnerability		
	(1)	(2)	(3)	(4)	(5)	(6)
Financial knowledge	-0.0937*** (0.0175)		-0.0918** (0.0153)	-0.2750*** (0.0238)		-0.2428*** (0.0217)
Financial behavior		0.0076 (0.0185)	-0.0048 (0.0116)		0.0726* (0.0372)	-0.0635 (0.0329)
Control variable	Yes	Yes	Yes	Yes	Yes	Yes
Province fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Observations	10,846	10,846	10,846	10,846	10,846	10,846

*, **, and *** denote significant at 10, 5, and 1 levels, respectively. The standard errors are reported in parentheses. *Data taken directly from "The Impact of Financial Literacy on Relative Poverty," by Wang, Cao, & Huang, 2022, Frontiers in Psychology, 13, 898486. Reproduced from an open-access article distributed under the Creative Commons Attribution (CC BY) license. Table reformatted for presentation purposes.*

subjects like mathematics and geography rather than taught separately, using 72 learning frameworks with in-school and take-home exercises. Financial proficiency, measured by a standardized test of financial knowledge scored from 0 to 100, rose about 0.25 SD and failure rates dropped 9 percent, meaning that the program did not come at the cost of regular schoolwork. Students saved and budgeted more, and their parents saved 7 percent more. However, those same students also borrowed more, used credit cards and installment plans more often, and fell behind on repayments more frequently, leading to outcomes contrary to the program's goals. The authors point out that the curriculum told students clearly to save and budget, but never clearly warned them off expensive credit, indicating that curriculum design may shape which behaviors actually change from financial literacy programs.

Frisancho (20) studied a similar program in Peru and checked parents' credit records three years later. This study covered around 300 public high schools and 20,000 students in grades 9 through 11. Rather than relying on surveys, this study measured outcomes through administrative credit data, including default probability and credit scores. Effects were small on average, but much larger in poorer households, where default rates fell 26 percent and credit scores rose 5 percent.

Taken together, these studies demonstrate that financial education has a direct effect on improving adolescent financial knowledge in comparison to the research on adults. However, there is still uncertainty about the financial decisions these adolescents make after financial literacy courses, and none of these studies measured poverty directly.

ADOLESCENCE AS A CRITICAL WINDOW: PSYCHOLOGICAL AND DEVELOPMENTAL EVIDENCE

This section focuses on different psychological and financial literacy studies to examine the claim that financial literacy is most effective when delivered to youth and adolescents.

According to Orben, Tomova, and Blakemore (14), adolescence is a period defined by heightened sensitivity to social stimuli and an increased need for peer interaction and environmental input, making it a stage when young people are especially open to socialization: the process by which individuals acquire the skills, beliefs, values, and behaviors necessary to function effectively in society or within a particular group (21).

If this openness extends to money, adolescence may be when financial attitudes and habits are most shaped by the adults around them.

Although this study does not examine financial education and is inferential, a study by Moffitt, Arseneault, Belsky, Dickson, Hancox, Harrington, Houts, Poulton, Roberts, Ross, Sears, Thomson, and Caspi (7) followed over 1,000 New Zealanders from birth to age 32 and found that childhood self-control predicted adult wealth, health, and social outcomes. These findings were independent of intelligence quotient (IQ) and social class. This study showed that self-control, not intelligence or family income alone, was a major predictor of adult financial success. A related concept appears in research by Ullah and Yusheng (3), which identifies the psychological mechanism behind childhood self-control's lasting effects through the concept of locus of control. Locus of control refers to the degree to which individuals believe they have control over the outcomes and events in their own lives (22). An internal locus of control refers to the state in which a person believes their outcomes are the result of their own actions and decisions, and an external locus of control is the state in which a person believes their outcomes are determined by outside forces beyond their control (22). Their research found that children who received financial socialization – which is the informal learning about money that happens through interaction with parents, teachers, and other people around them – developed an internal locus of control, which was a strong predictor for better financial wellbeing in adulthood. Kim and Chatterjee (4) report related findings from a financial socialization angle. With nationally normed data, they found that childhood financial experiences, including having a savings account, parental spending monitoring, and financial conversations at home, were strong predictors of adult financial asset ownership and positive financial attitudes. These studies point to the pattern that financial habits, beliefs, and behaviors formed in childhood have long-term effects. However, both studies rely on adults recalling their childhood experiences rather than following young people over time, so they describe associations rather than measured effects of financial education.

Mancone *et al.* (6) synthesized 80 studies on financial literacy programs for children and adolescents aged from 6 to 18, finding that young people consistently showed lower financial literacy than adults. According to their analysis, this gap has serious consequences for their financial decision-making and long-term outcomes

and generational poverty cycles. Their review also revealed that financial literacy programs that rely solely on delivering knowledge consistently underperform the programs that use real-world application and sustained engagement over time. This finding was also confirmed by Kaiser and Menkhoff (16), who found the same pattern in financial education specifically, reporting that more intensive teaching increased effectiveness, though with declining marginal returns. Lusardi, Mitchell, and Curto (5) also found that less than one third of young adults in the U.S. possess basic knowledge of interest rates, inflation and risk diversification. This gap is even larger amongst young adults in under-resourced communities, widening existing gaps in wealth and financial access.

The Urgency of Early Intervention for Underserved Youth

The evidence reviewed here is consistent with the argument that financial literacy education may be more effective when delivered earlier and the returns may be highest for those in poverty, though this conclusion rests on a limited body of direct evidence and mixed findings on which subset of individuals benefit most. Research on early childhood investment shows that early investments in children build the foundation for financial knowledge and behavior, stressing the importance of early intervention. This research also shows that disadvantaged children benefit the most from early intervention precisely because they have the fewest alternative resources to fall back on (17). This research concerns early childhood education broadly rather than financial education specifically, so its application here is inferential rather than demonstrated. Early childhood education programs have been associated with an estimated \$2.50 in savings for every \$1 invested (17). More directly, Kaiser and Menkhoff's meta-analysis of 37 school-based financial education experiments found that effect sizes reported in primary schools were statistically significant and possibly larger than those in secondary schools, offering tentative support for earlier delivery (16).

For underserved youth, the case for early financial literacy education rests largely on limited access to alternatives. Young people in low-income communities often have fewer informed adult financial role models and less exposure to formal financial institutions, which means school-based programs may be one of the few structured opportunities they have to build financial knowledge (2, 6). As cited in Cedeño, Lannin, Russell, Yazedjian, Kanter, and Mimnaugh, children born into

poverty are six times more likely to remain in poverty as adults compared to children born into wealthier families (18). This does not mean, however, that financial education alone determines their outcomes. Poverty persists across generations for reasons that extend well beyond financial knowledge, including labor market conditions, housing and healthcare costs, differences in school funding, and unequal access to credit.

LIMITATIONS

Limitations of the Research Literature

One limitation noted from the review of the previous research studies is the focus on adults, not adolescents. Lang *et al.* (2) and Wang *et al.* (9) both acknowledged that their data, drawn from adult populations, makes it difficult to determine how financial literacy education during childhood shapes long-term poverty outcomes. This means that the current research literature has difficulty supporting strong youth-specific claims about the effects of early financial literacy education, largely because longitudinal studies are scarce. Due to this problem, this paper also has a limitation of making inferences about youth outcomes from adult data. A similar problem exists for studies by Wang *et al.* (9) and Ullah and Yusheng (3) as they both conducted their studies with the populations in specific countries and regions, making the generalizability of the claims difficult. For instance, Wang *et al.* (9) used data exclusively from China, and Ullah and Yusheng (3) worked from a Pakistani sample. Future research should examine cross-cultural differences in values and attitudes toward money, as well as the financial rules and structures that vary from country to country.

Another limitation that makes generalization difficult is the lack of longitudinal evidence and long-term follow-up of the youth participants in the studies. Mancone *et al.* (6) note this limitation in their review of 80 studies when they said, "limitations in current research often involve a lack of longitudinal studies to measure the long-term impact of financial literacy programs" (p. 13). Cedeño *et al.* (18) similarly measure changes across a single program cycle. Long-term evidence remains scarce, though Frisncho (20) measured parental credit outcomes more than three years after the program.

Definitional inconsistency also remains a limitation in this literature. There is no standardized definition of financial literacy across the literature. For example, Engelbrecht (8) defines financial literacy as the ability to apply financial knowledge, not the ability to possess

it. Researchers also differ in the way financial literacy is measured: Lang *et al.* (2) measured it through survey-based questions on interest, inflation, and risk diversification, whereas Wang *et al.* (9) measured it through financial behavior and market participation.

Limits of Financial Education as an Intervention

Beyond gaps in the research, the evidence itself suggests limits to what financial education can accomplish. Kaiser and Menkhoff (16) found that effects on financial behavior were consistently small and dropped further in randomized studies, and they note that some researchers question the effectiveness of financial education in fundamental ways. Wang *et al.* (9) found that financial knowledge predicted lower poverty while financial behavior did not, indicating that knowing more about money does not reliably translate into acting differently with it.

Bruhn *et al.* (19) offer the clearest example. Their 17-month school-based program in Brazil raised financial proficiency and improved saving and budgeting, but treated students also used credit cards and installment plans more often and fell behind on repayments more. The authors attribute this to a curriculum that gave clear direction on saving but not on borrowing, showing that program design can produce outcomes opposite to what was intended.

There are also factors impacting poverty that education cannot address. Engelbrecht (8) argues that financial literacy is necessary but not sufficient for poverty alleviation, and that institution-based programs are often poorly suited to low-income populations. Where income is scarce and financial services are limited, knowing what to do with money could matter less than having money to manage or access to institutions that would make those decisions possible.

CONCLUSION

Financial literacy is consistently associated with lower poverty across countries, income levels, and cultural contexts, though most of this evidence is observational and drawn from adult populations. However, there are many crucial, but often overlooked factors that influence the impact of financial literacy education, including the age at which the education is received, household and sociocultural attitudes toward money, teacher and program quality, and more. The developmental evidence suggests that what young people learn about money during childhood follows them into adulthood (3, 4,

6, 7, 14, 17). For underserved youth who have fewer alternative pathways to financial knowledge, the design and reach of financial literacy programs are important (6, 8, 18).

Expanding access would require coordination across schools, districts, and community organizations. Financial literacy education should be required in school curricula beginning in primary school, following a consistent progression in which each stage builds on the knowledge and skills developed in the previous one. This goal can be achieved without adding new courses or disrupting existing schedules. For instance, Gwinnett County Public Schools (GCPS) has already embedded financial literacy topics into Social Studies courses from Kindergarten through 12th grade through its Academic Knowledge and Skills standards (23). Community-based organizations have also shown that reaching underserved youth outside of traditional educational systems is possible. Cedeño *et al.* (18) evaluated *Road to Success*, a ten-week program delivered through partner high schools that combined financial literacy with job-readiness training, and found gains in financial knowledge, savings behavior, and job-obtainment self-efficacy, though the evaluation was small and lacked a control group. Programs need to be sustained, culturally relevant, and designed to bring families into the conversation, because financial socialization begins at home (3, 4, 8).

The effectiveness of financial literacy programs should also be prioritized. Kaiser and Menkhoff (16) found that more intensive programs were more beneficial. However, these effects had diminishing returns, which suggests that consistent attendance of these programs is needed for long-term benefits. Bruhn *et al.* (19) found that the content of these courses should be holistic. A class that only focuses on savings may improve long-term saving in its attendees but may also increase credit use because of its lack of teachings related to borrowing. Mancone *et al.* (6) found that programs focused only on financial knowledge underperform ones built around real-world application, and that teacher preparation and parental involvement affect financial knowledge that is retained. Age-appropriate materials and built-in evaluation are important, since without measurement it is hard to evaluate whether a program is working. These recommendations are not equally supported. Experimental evidence demonstrates that sustained applied programs are more beneficial than knowledge-only classes. Ultimately, the conclusion that financial literacy classes should be required in schools for young children is a policy position that has not been tested

directly, but is supported by evidence from previous studies.

While escaping poverty is a complex process with a multitude of factors, providing the youth from underserved communities access to quality financial education equips them with a tool to navigate financial systems more effectively in the future and provides these individuals with an opportunity to escape the cycles of poverty affecting families globally.

CONFLICT OF INTEREST

The author declares no conflicts of interest related to this work.

AI DISCLOSURE STATEMENT

During the preparation of this work, the author used Claude (Anthropic) for language editing, literature searches, and research organization. Following the use of this tool or service, the author carefully reviewed, verified, and edited the content as necessary and takes full responsibility for the accuracy, originality, and integrity of the published work.

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