

## **The relationship between financial education, financial literacy, and the effectiveness of consumer protection**

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### **Abstract**

The presented research findings examine the relationship between financial education, financial literacy, and the effectiveness of consumer protection. The analysis is based on original empirical data collected in Poland in 2025 (N = 1,002), supplemented by a behavioral dataset regarding the use of "Buy Now, Pay Later" (BNPL) by young consumers from several EU countries (N = 375).

The results show that financial education is a strong predictor of decision quality, and each additional point in the Financial Education Score significantly increases the likelihood of making sound financial decisions. However, the overall level of financial literacy remains low, and respondents demonstrate significant difficulty applying financial knowledge in more complex contexts. The significant difference between self-reported and actual knowledge indicates a significant overestimation of financial literacy.

The results further demonstrate that the effectiveness of regulatory protection is nonlinear. Although higher levels of perceived protection increase product use, its marginal effects diminish and may reduce consumer caution. Moderation analysis confirms that financial literacy significantly determines regulatory effectiveness: regulatory mechanisms are more effective among financially literate individuals and less effective among those with lower levels of literacy.

These results suggest that consumer protection is conditional, not universal. Improving financial literacy improves both the quality of decisions and the effectiveness of regulatory frameworks, pointing to significant limitations of regulation-based policy approaches.