Data Release: S&P Global FinLit Survey
Gallup, Washington DC, November 18, 2015

Financial Literacy Around the World: Insights from the S&P Global FinLit Survey

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New data on financial literacy around the world

- *The S&P Global FinLit Survey* is the largest, most comprehensive measure of financial literacy.

- Interviewed more than 150,000 adults age 15+ in over 140 countries

- The survey provides key information to policy makers, regulators, the private sector, and academics and empowers them to develop effective financial education policies and programs.

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Measuring financial literacy globally

Five questions and four topics

1. Numeracy/simple interest
2. Interest compounding
   - Asked in two questions
3. Inflation
4. Risk diversification

***Being financially literate*:**

- **How many can answer 3 out of these 4 topics correctly**

Measuring financial literacy

Numeracy/ simple Interest

Suppose you need to borrow $100. Which is the lower amount to pay back: $105 or $100 plus three percent? *[105 US dollars; **100 US dollars plus three percent**; don't know; refuse]*

Interest Compounding

Suppose you put money in the bank for two years and the bank agrees to add 15 percent per year to your account. Will the bank add more money to your account in the second year than it did in the first year, or will it add the same amount of money in both years? [***more**; the same; don't know; refuse*]

Suppose you had $100 in a savings account and the bank adds 10 percent per year to the account. How much money would you have in the account after five years if you did not remove any money from the account? *[**more than 150 US dollars**; exactly 150 US dollars; less than 150 US dollars; don't know; refused*

Measuring financial literacy

Inflation

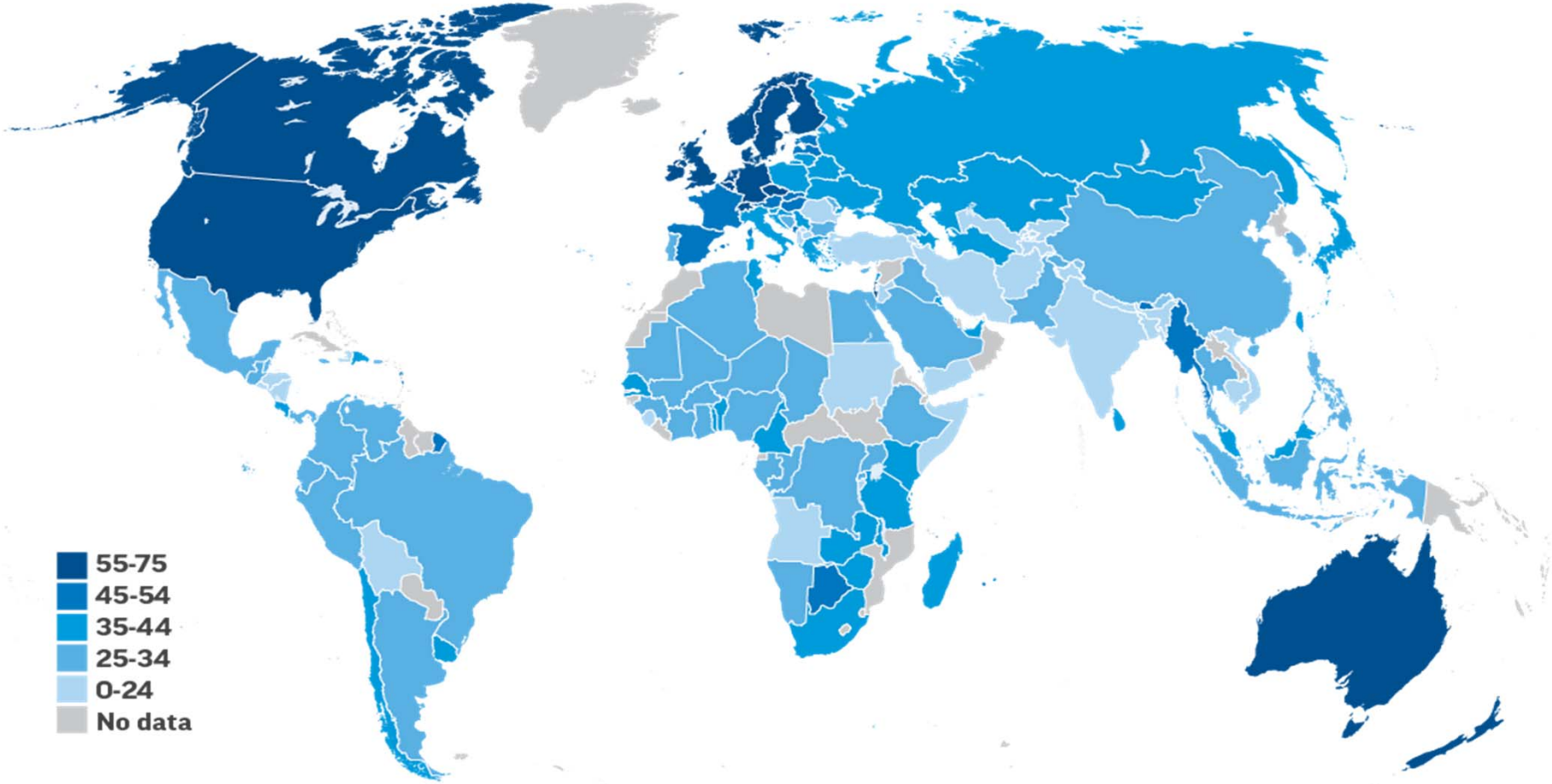
Suppose over the next 10 years the prices of things you buy double. If your income also doubles, will you be able to buy less than you buy today, the same as you can buy today, or more than you can buy today? *[less; **the same**; more; don't know; refuse]*

Risk Diversification

Suppose you have some money. Is it safer to put your money into one business or investment, or to put your money into multiple businesses or investments? *[one business or investment; **multiple businesses or investments**; don't know; refuse to answer*]

Financial literacy globally

% of adults who are financially literate



- **Only 1 in 3 adults worldwide responded correctly to three out of four topics**

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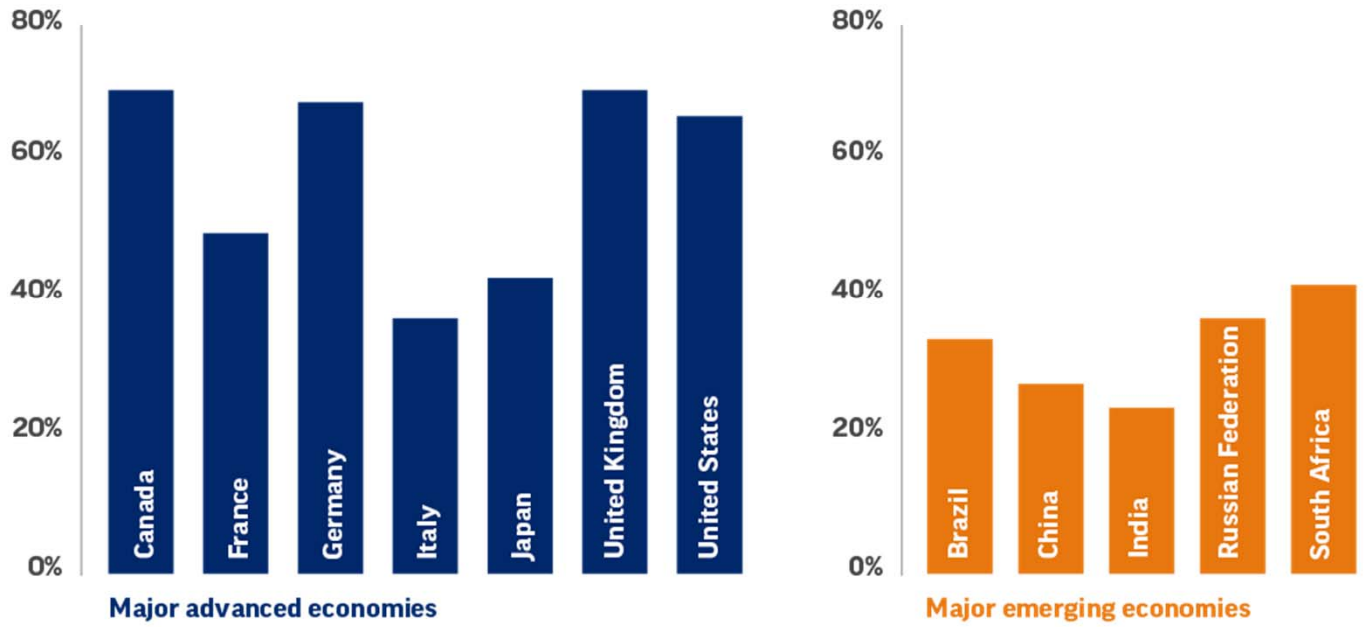
Financial literacy in advanced countries and in emerging economies

% of adults who are financially literate

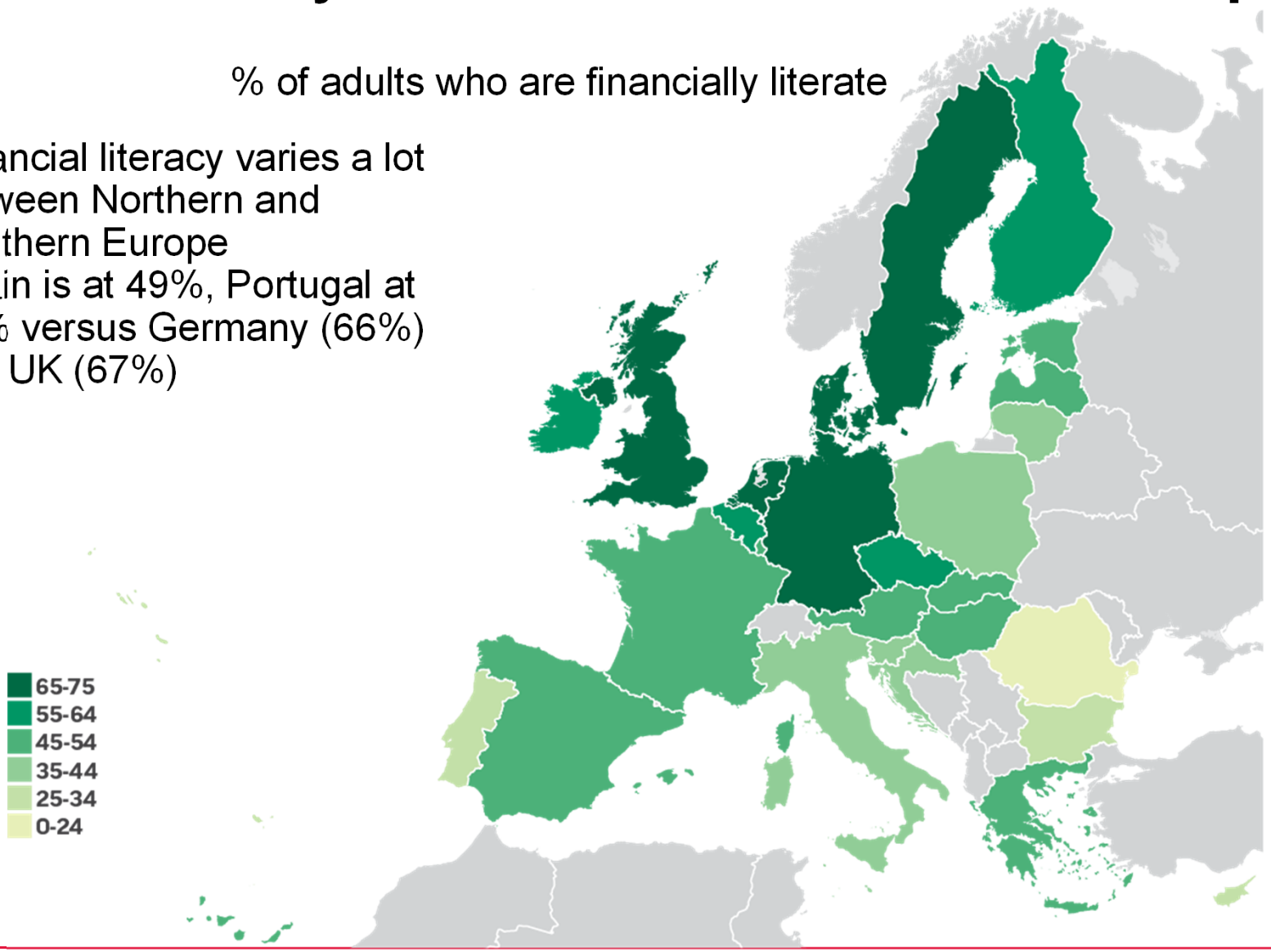


- Financial literacy is low even in advanced countries (e.g. Italy)
- Financial literacy is low in most BRICS countries

Financial literacy in Northern and Southern Europe

% of adults who are financially literate

- Financial literacy varies a lot between Northern and Southern Europe
- Spain is at 49%, Portugal at 26% versus Germany (66%) and UK (67%)



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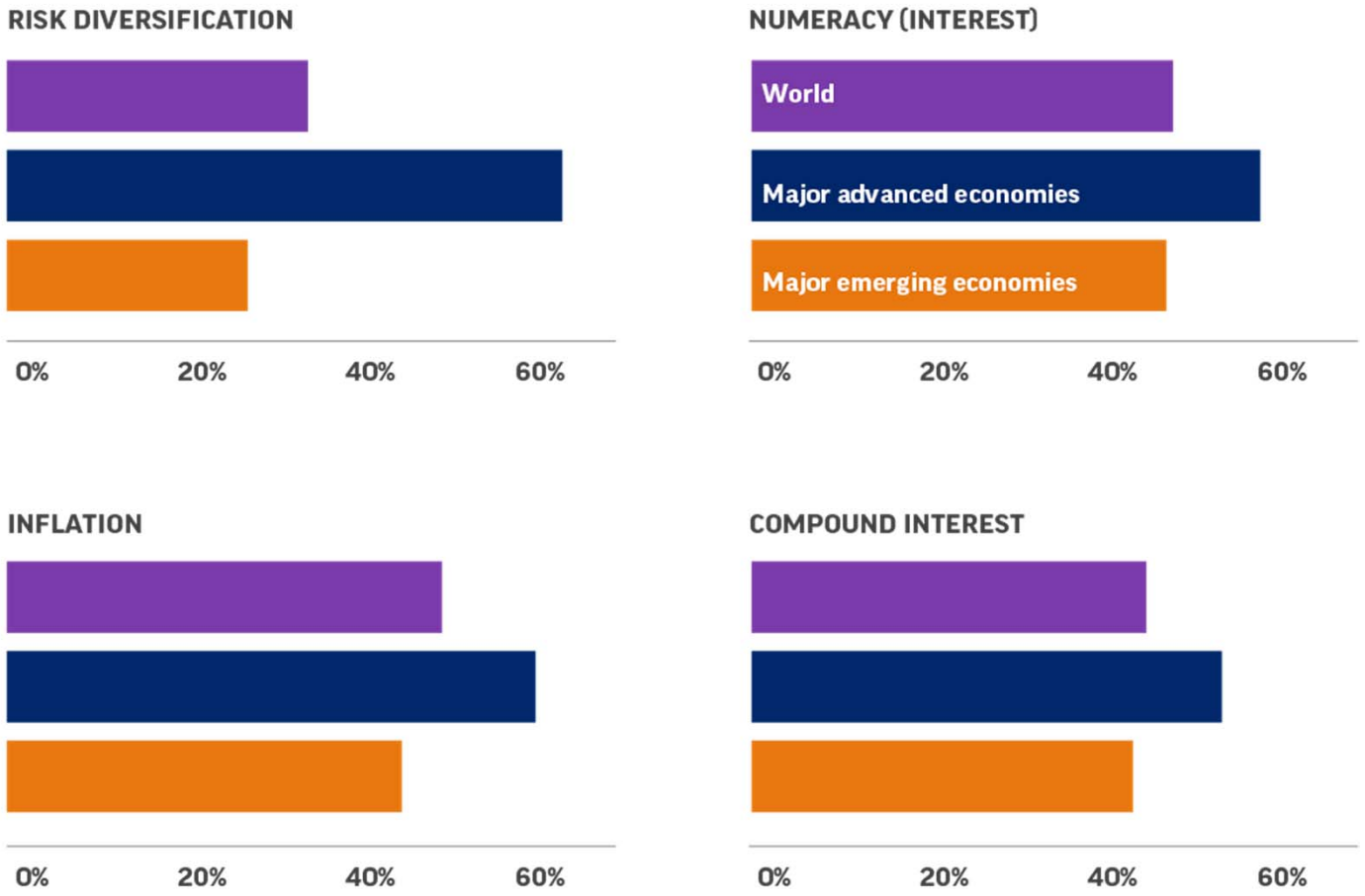
Financial literacy around the world: Which topics do people know?

% of adults who are financially literate



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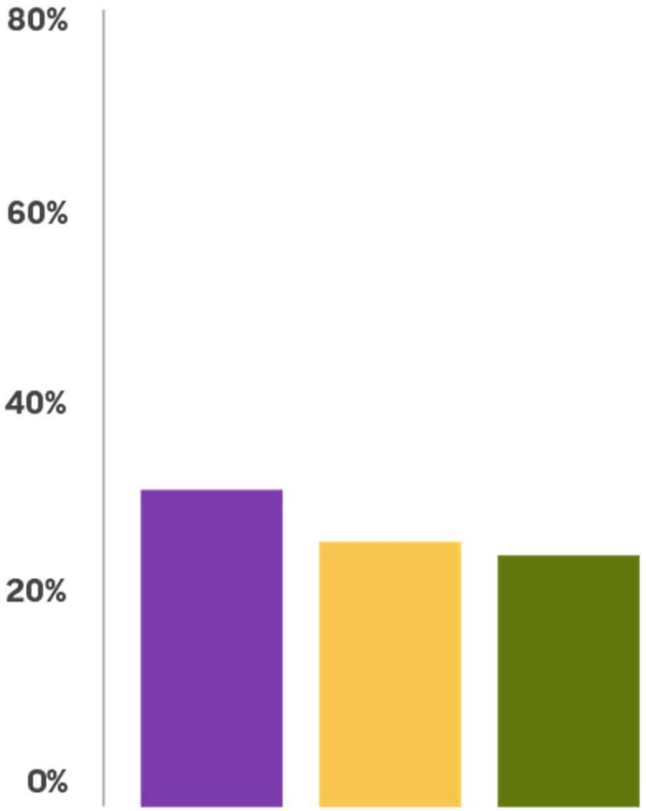
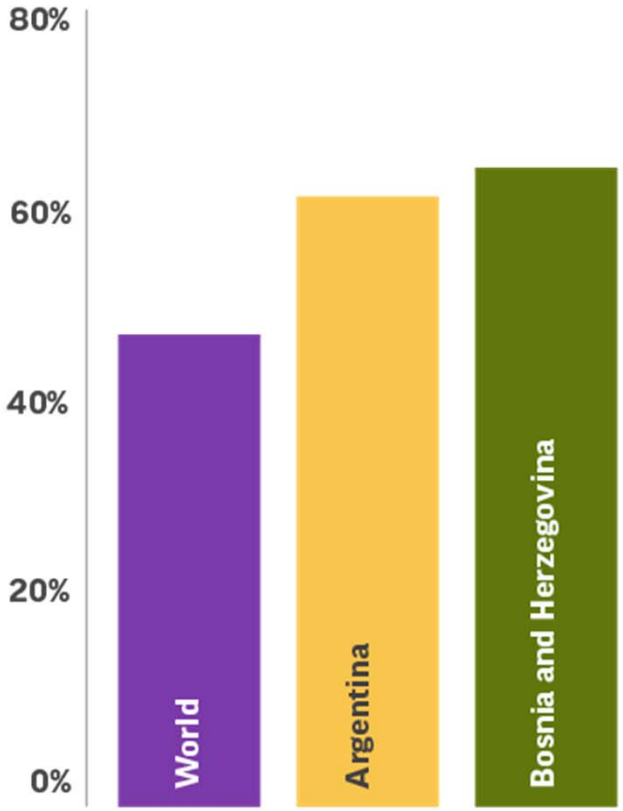
Digging deeper in the financial literacy measure

- **Inflation and simple interest/numeracy is what people know most across countries**
  - There are differences across countries
- **Risk diversification is what people know the least**
  - Largest differences across countries
- **Evidence of learning by experience**
  - Respondents in countries that experience hyperinflation know more about inflation

Financial literacy globally: knowledge of inflation



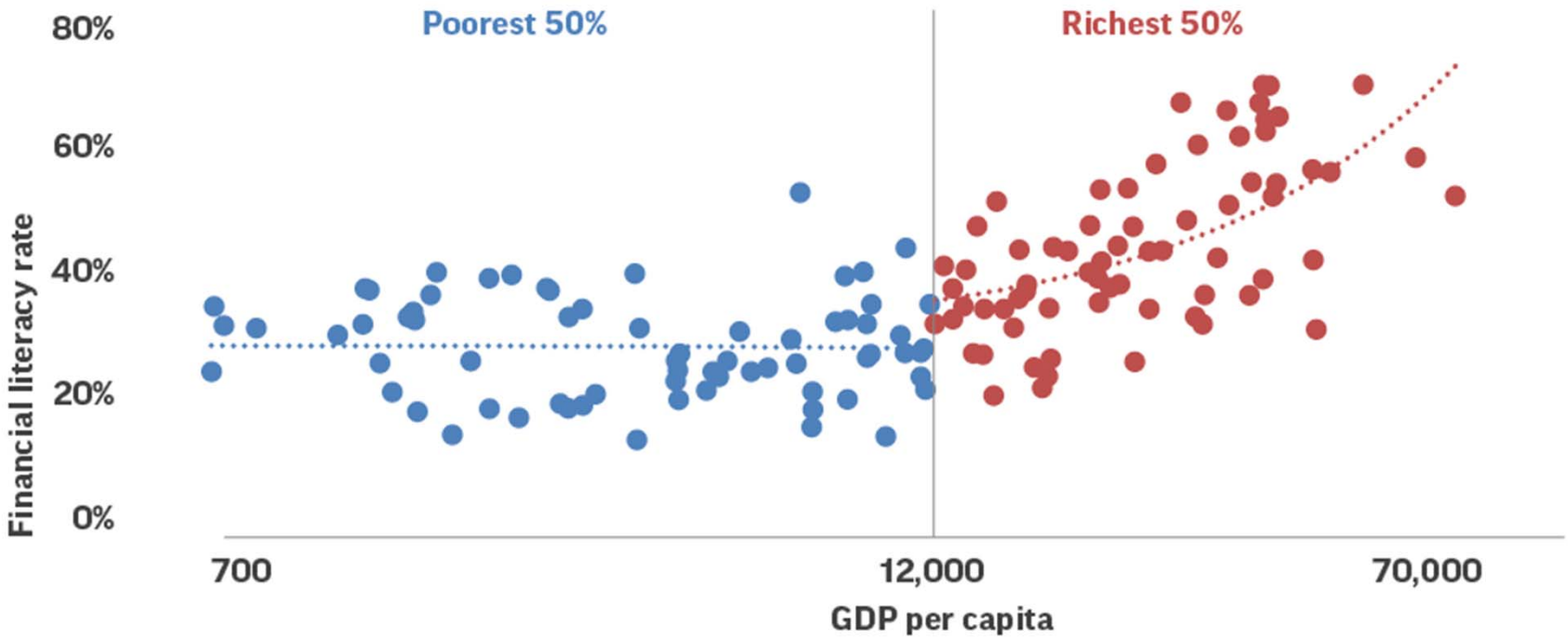
3 out of 4 topics correct



Inflation topic correct

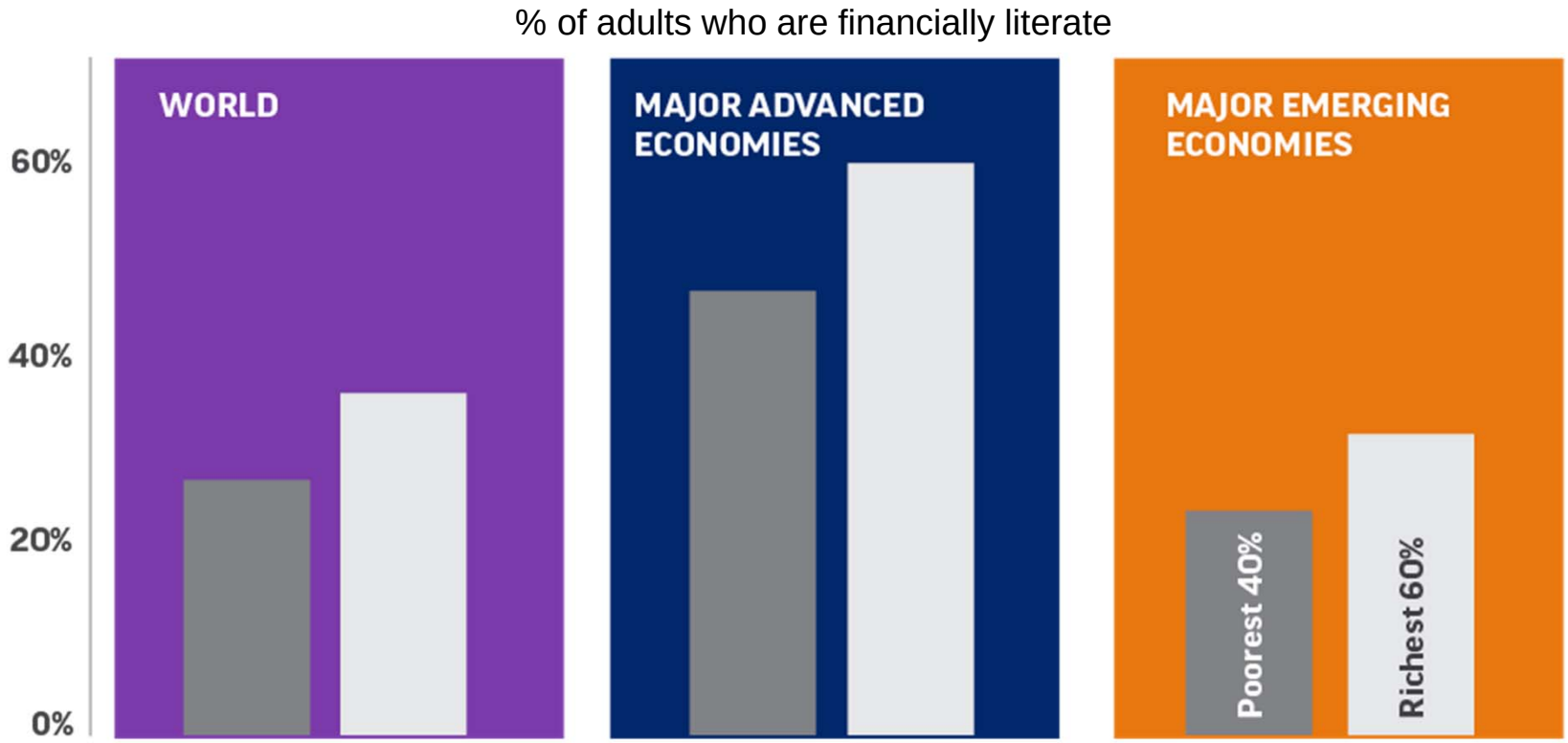
- Respondents in countries that experienced high inflation are more likely to know about it

GDP per capita and financial literacy



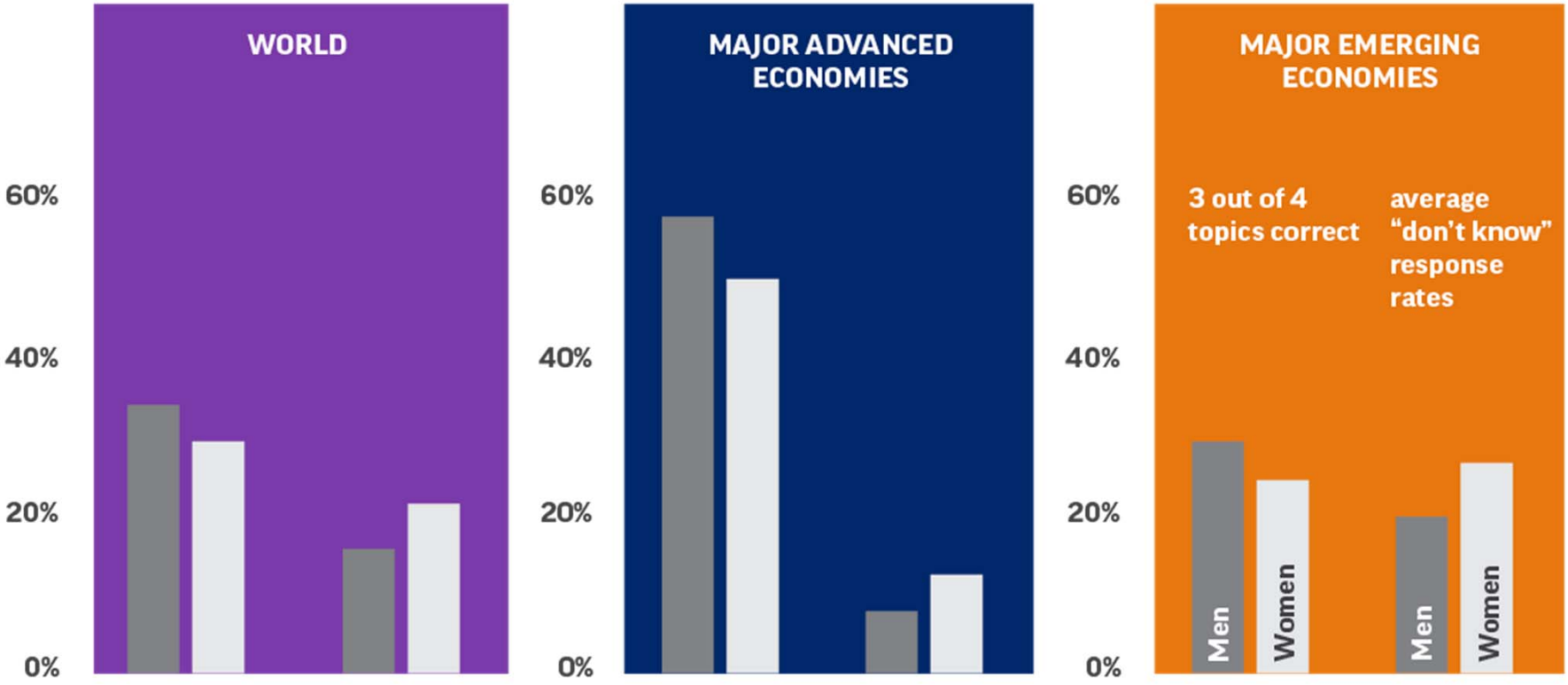
- Among the richest 50% of economies, GDP per capita is positively associated with financial literacy rates
- However, among the poorest 50% of economies there is no evidence that income is associated with financial literacy

Financial literacy and income inequality



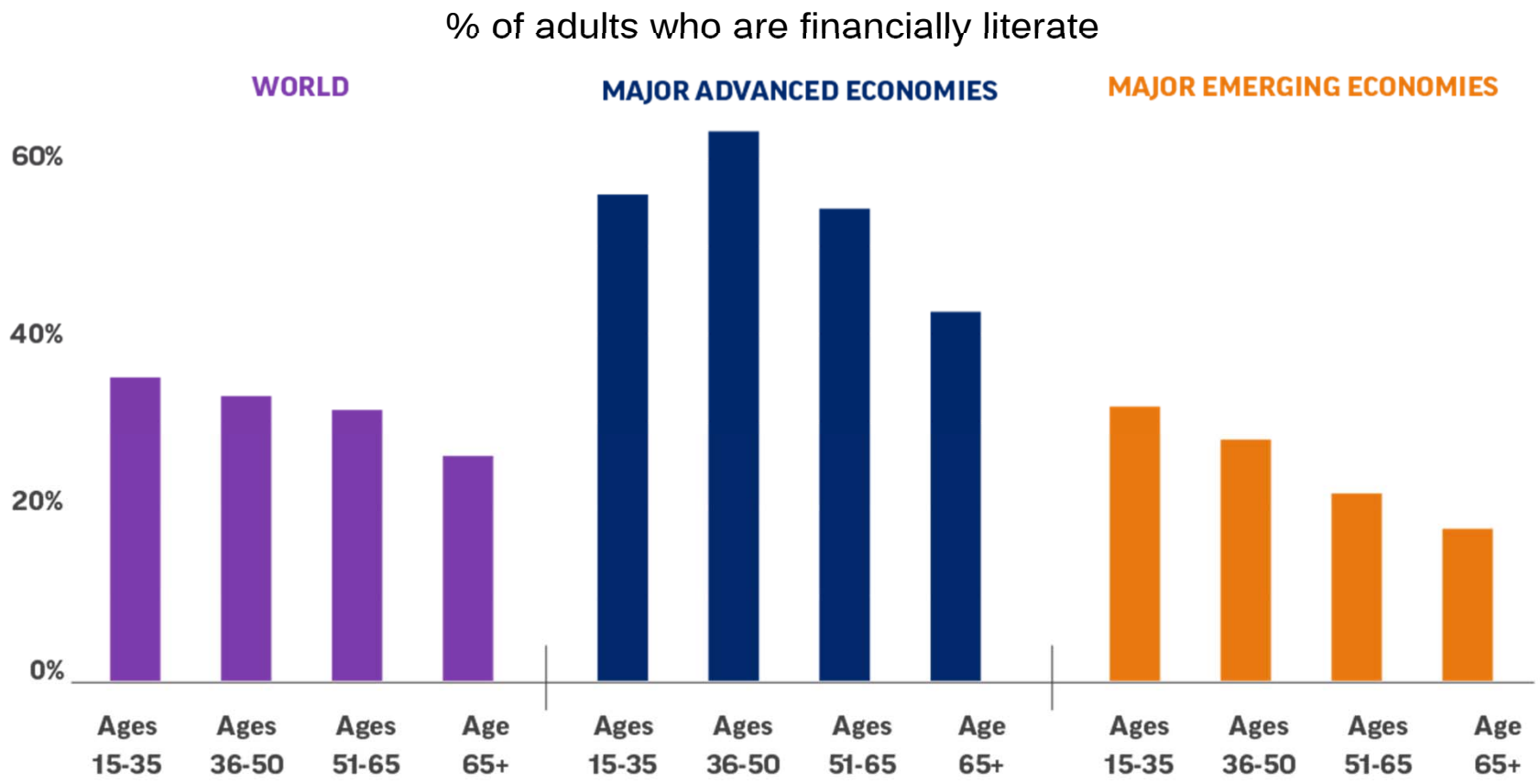
- Of adults living in the richest 60% of households in the major emerging economies, 31% are financially literate, against 23% of adults who live in the poorest 40% of households.

The gender gap in financial literacy



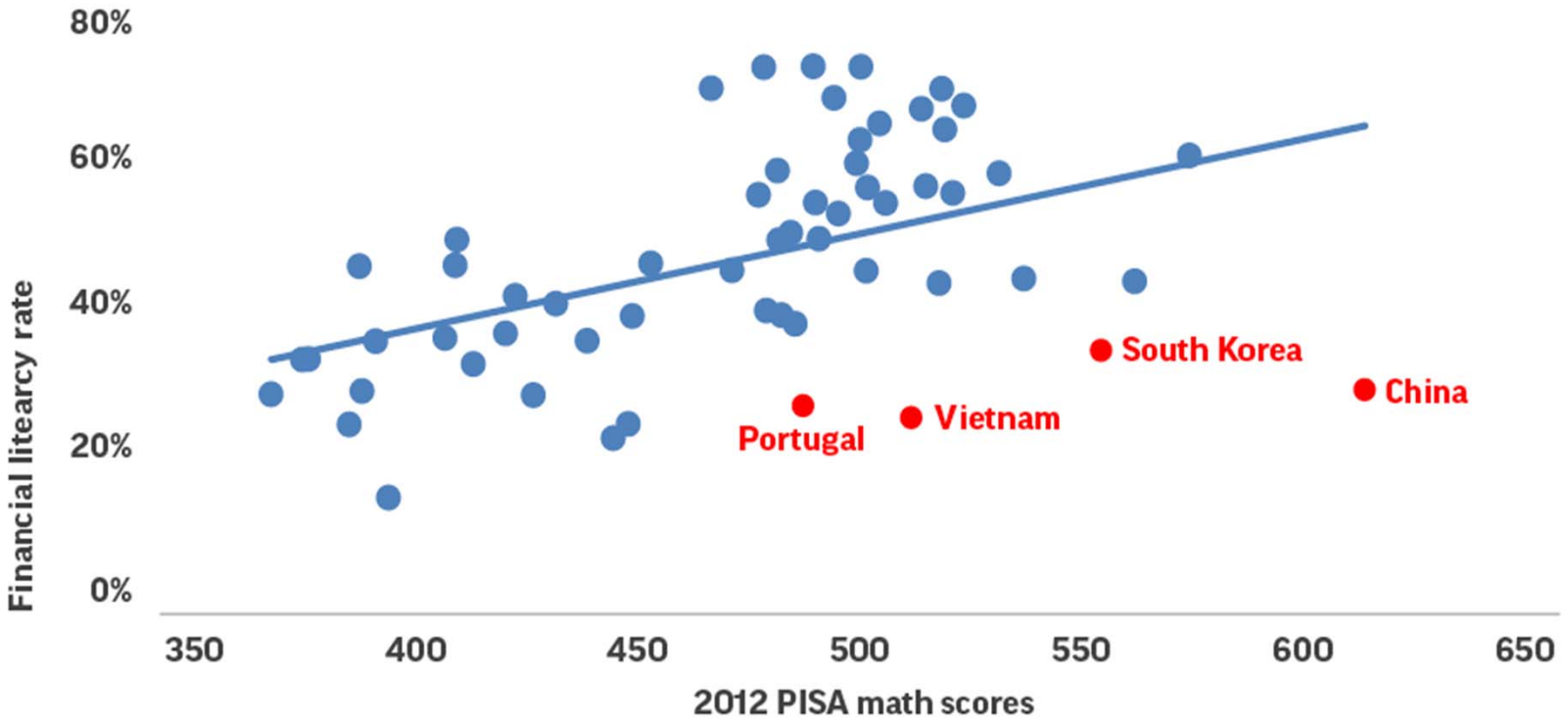
- The average gender gap in financial literacy is 5pps
- The gender gap in financial literacy is present in most countries
- Women are more likely to answer "I do not know"

Financial literacy over the life cycle



- Different life cycle profiles of financial literacy across countries
- Young adults in major emerging countries are more financially literate than older respondents

Combining data from PISA (math) & Gallup Survey



- Positive relationship between knowledge of the young and the general population
- The young are doing well in some countries

Beijing Financial Literacy Manifesto

"… the International Federation of Finance Museums is committed to promoting financial literacy globally, raising awareness that every individual in every country is in need of financial literacy."

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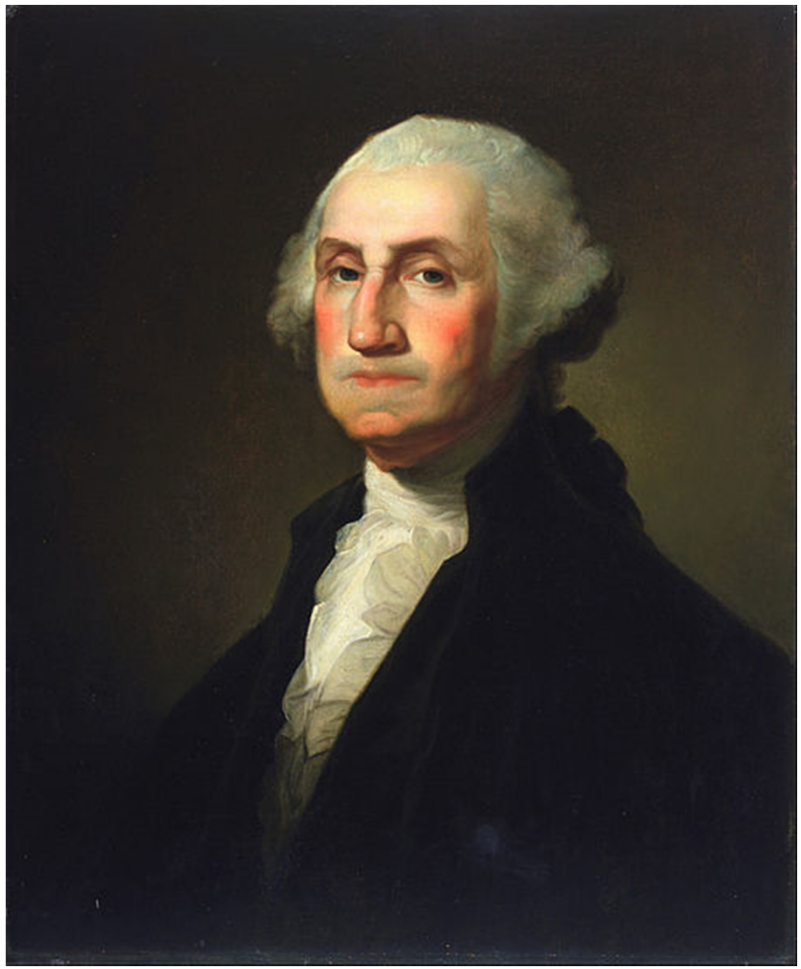
“Knowledge is in every country the surest basis of public happiness.”

-George Washington