A GLOBAL PERSPECTIVE ON FINANCIAL LITERACY

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Financial Literacy: The best line of defense

“Well-informed consumers, who can serve as their own advocates, are one of the best lines of defense against the proliferation of financial products and services that are unsuitable, unnecessarily costly, or abusive.”

—Ben Bernanke, Former Fed Chairman
New data on financial literacy around the world

The data, designed in collaboration with the World Bank and GFLEC, will be released on November 18, 2015.
The Global Financial Literacy Survey (GFLS)

In 2014, Gallup interviewed adults (age 15 and older) in more than 140 countries around the world about their level of financial literacy.

The survey covers four topics:
- Numeracy
- Interest compounding
- Inflation
- Risk diversification
• 1 in 3 adults worldwide responded correctly to three topics out of four topics
Norway, Denmark, and Sweden lead the world with 71% of adults answering three out of four topics correctly.

In the US, 57% answer three out of four topics correctly. Twelve countries have higher rates.
Financial literacy in advanced countries and in emerging economies

Financial literacy is low even in advanced countries (e.g. Italy)
Financial literacy is low in most BRICS countries and Mexico
Financial literacy globally: knowledge of inflation

Respondents in countries that experienced high inflation are more likely to know about it.
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%)
Financial literacy around the world (summary)

Very rich data

- Only 33% of adults worldwide are financially literate
  - Around 3.5 billion adults globally lack an understanding of basic financial concepts, most of them living in developing economies

- Global figures conceal deep disparities across countries around the world
  - Differences between advanced and emerging economies
  - Differences are sharp even within Europe

- Emerging countries have a long way to go

These findings are consistent with data from other surveys
The gender gap in financial literacy

- The average gender gap in financial literacy is 5 percentage points
- The gender gap in financial literacy is present in most countries
Financial literacy over the life cycle: By gender

- Knowledge of women is low across the life cycle & across countries
- Different life cycle profiles of financial literacy across countries
Financial literacy among the young in selected countries

% of adults who are financially literate

- Financial literacy is relatively high among the young in these countries. These countries may be do well in the future
Financial literacy among the young and GDP per capita in selected countries

GDP per capita explains only 16% of the country level variation in financial literacy.
Financial literacy and financial inclusion

% of adults who are financially literate

<table>
<thead>
<tr>
<th>Financial literacy</th>
<th>banked</th>
<th>unbanked</th>
<th>formal credit</th>
<th>no formal credit</th>
<th>formal savings</th>
<th>no formal savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>38%</td>
<td>25%</td>
<td>44%</td>
<td>31%</td>
<td>45%</td>
<td>28%</td>
</tr>
</tbody>
</table>
Financial literacy and bank accounts

% of adults who are financially literate

- Positive links between financial literacy and financial inclusion
Account use among account holders who save

- Potential to link data at the individual level with other datasets
- Well-being measures (Gallup World Poll)
- Food security measures (Voices of the Hungry)
- Financial inclusion measures (Global Findex)

Source: GFLS & Global Findex database

No understanding of compound interest
Understanding of compound interest

- World: 55% No understanding, 65% Understanding
- Major advanced economies: 71% No understanding, 77% Understanding
- Major emerging economies: 51% No understanding, 63% Understanding
The role of the International Federation of Finance Museums (IFFM)

Stepping up the effort for financial literacy

- We need to step up, financial literacy is at a crisis level!

- Museums are a place where to learn and they are the best ambassador and promoters of financial literacy

- Working with individuals and institutions, in particular Central Banks
Final thoughts

Shifting paradigm

- **Financial literacy is like being able to read and write**
  - As it was not possible in the past to participate in society without being able to read and write, so it is not possible to thrive in today’s society without being financially literate

- **Building human capital for the 21st century**
  - Everyone deals with finance
“Knowledge is in every country the surest basis of public happiness.”

George Washington, First President of the United States (1789–97)
“(Financial) knowledge is in every country the surest basis of public happiness.”

George Washington, First President of the United States (1789–97)
“This world is indeed a living being endowed with a soul and intelligence”

From Milan Expo
“This world is indeed a living being endowed with a soul and intelligence and financial literacy”

From IFFM
Contact and further information

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