



Boosting Financial Literacy to Improve Livelihoods and Economic Prosperity

Annamaria Lusardi

The George Washington University School of Business and GFLEC
Italian Financial Education Committee

World Bank, Washington DC, October 19, 2019



Three topics

- 1 > **Financial literacy**
- 2 > **Impact of financial literacy**
- 3 > **Policy and programs**

The S&P Global FinLit Survey (World Bank and GFLEC)

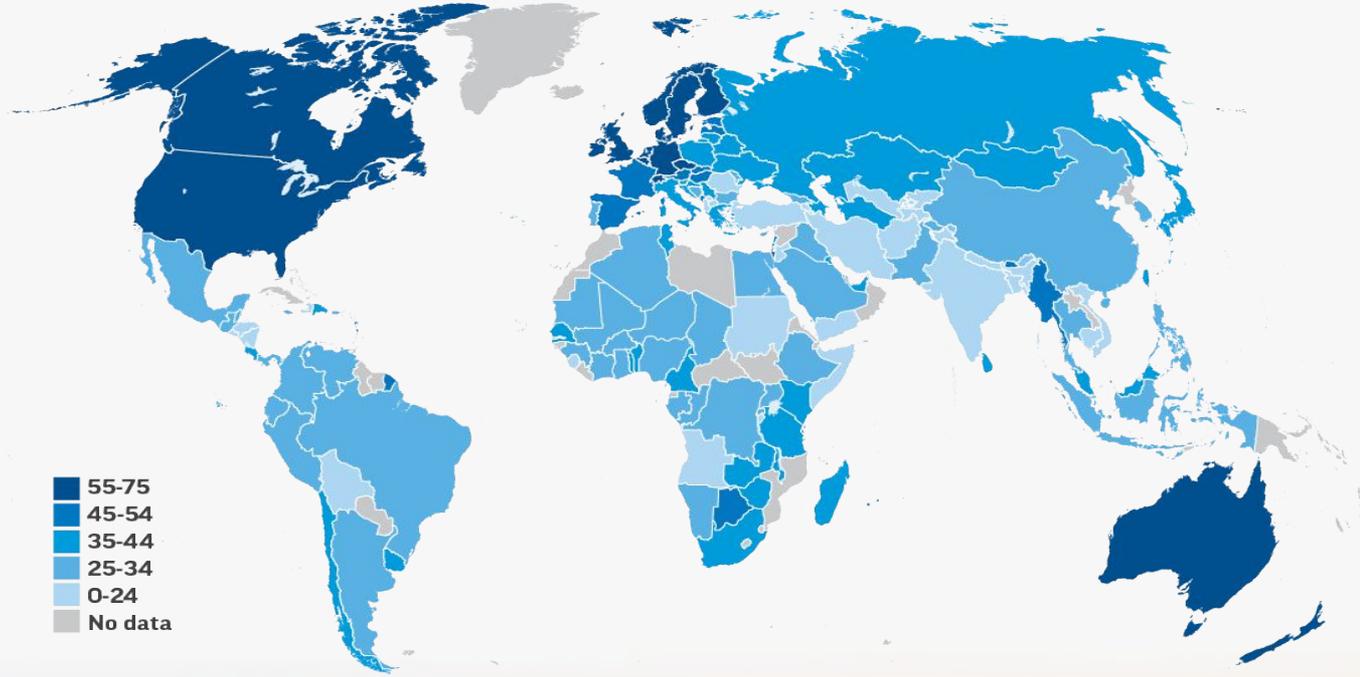
- The largest, most comprehensive, global measure of financial literacy
- Interviewed more than 150,000 adults age 15+ in **more than 140 countries**
- The measure has to be applicable to every country, irrespective of economic structure and financial market development
- The survey covers four topics:
 - Numeracy
 - Interest compounding
 - Inflation
 - Risk diversification



Being financially literate:
Able to answer 3 out of these
4 topics correctly

Financial Literacy Across the Globe

% of financially literate adults



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

How countries score

Norway, Denmark, and Sweden lead the list with 71% of adults being financially literate.

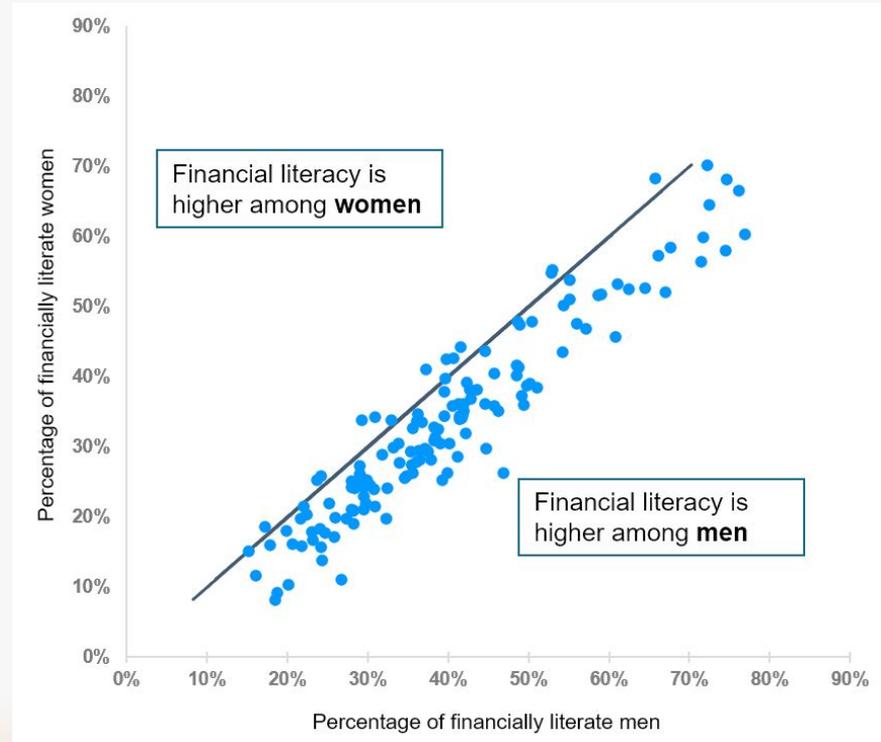
In the US, 57% of adults are financially literate

In the Russian Federation, 38% of adults are financially literate

Country	% who are financially literate
Norway	71%
-----	-----
Australia	64%
-----	-----
USA	57%
-----	-----
Russian Fed.	38%
-----	-----
Italy	37%
-----	-----
Philippines	25%
-----	-----
Vietnam	24%

Gender gap in financial literacy around the world

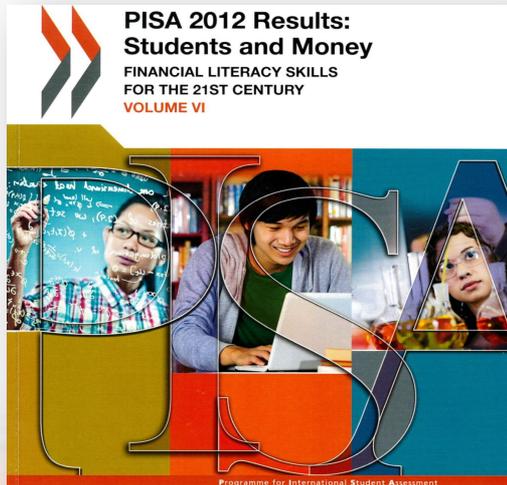
In most economies around the world, men have a better understanding of basic financial concepts than women



Source: Global FinLit Survey

Turning to the young: OECD Programme for International Student Assessment (PISA)

Are students well prepared for future challenges?
Can they analyze, reason and communicate effectively? Do they have the capacity to continue learning throughout life?



Since 2000, every three years the OECD Programme for International Student Assessment (PISA) answers these questions and more. **It assesses to what extent students near the end of compulsory education have acquired some of the knowledge and skills essential for full participation in society.**

Average performance of 15-year-olds in financial literacy (2012 PISA)

Strong performance in financial literacy

Average performance of 15-year-olds in financial literacy in 2012 PISA

Low performance in financial literacy

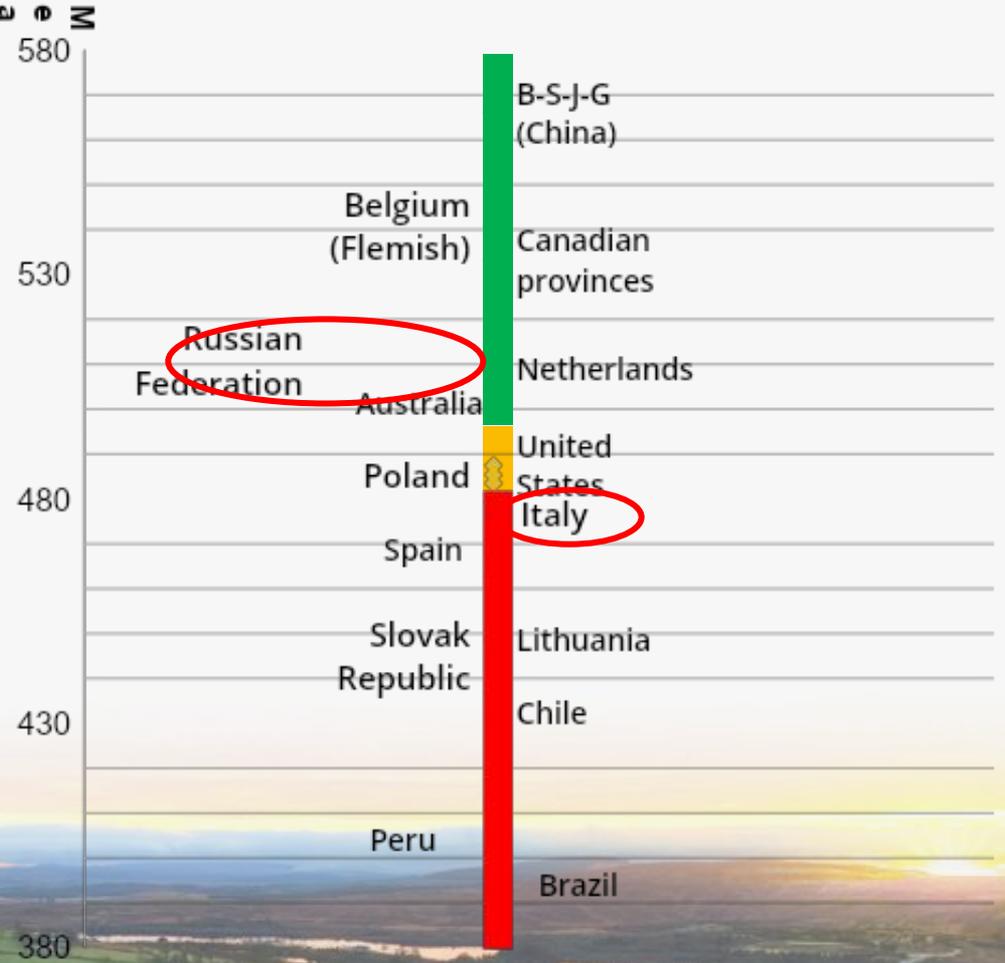


Average performance of 15-year-olds in financial literacy (2015 PISA)

Strong performance in financial literacy

Average performance of 15-year-olds in financial literacy in 2015 PISA

Low performance in financial literacy



Looking deeper into financial literacy

20%

One in five students are at level 1, they have no/insufficient financial knowledge

- Financial knowledge strongly related to the socio-economic background of their family
- Gender differences start early in life, e.g. Italy

Large diff.
among
students

A lot has been achieved but more is needed

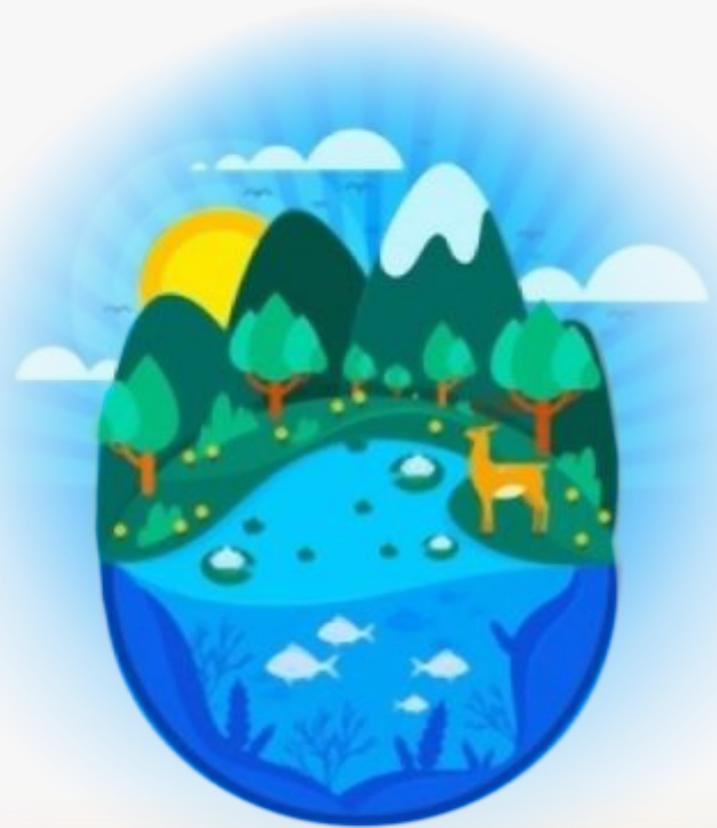
These numbers are not our destiny

- Continue to change the statistics
- Building our future
- The ecosystem

Building an ecosystem

We need many components

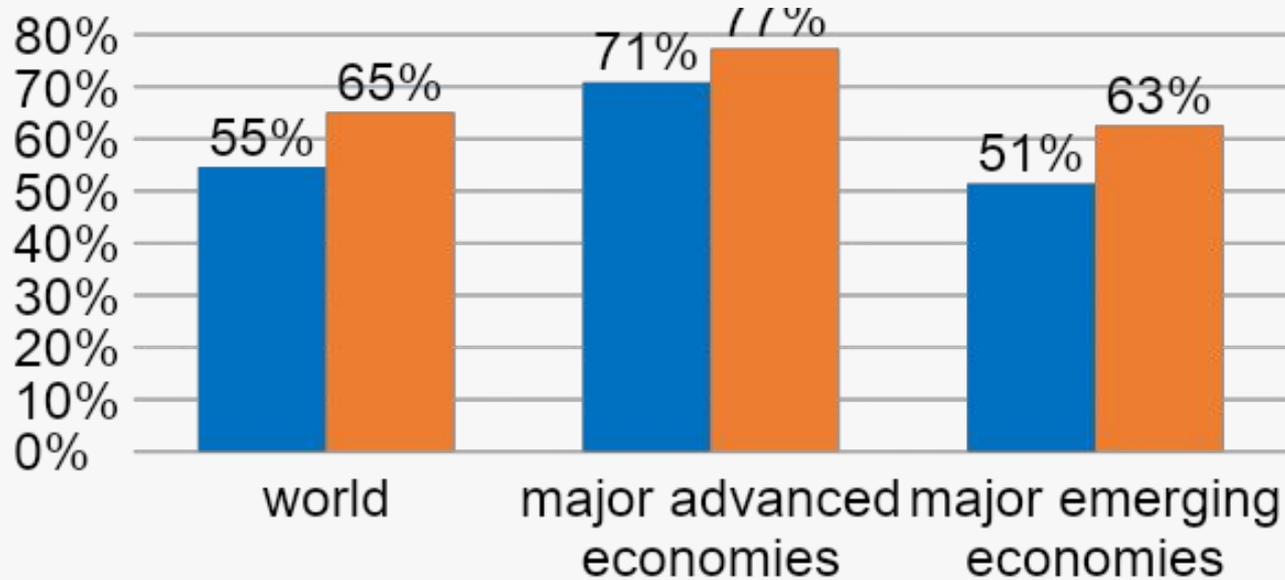
- Financial literacy is an essential one
- It is the foundation (like water)
- Financial inclusion and financial regulation work better with financial literacy



Topic 2

Financial literacy and financial inclusion

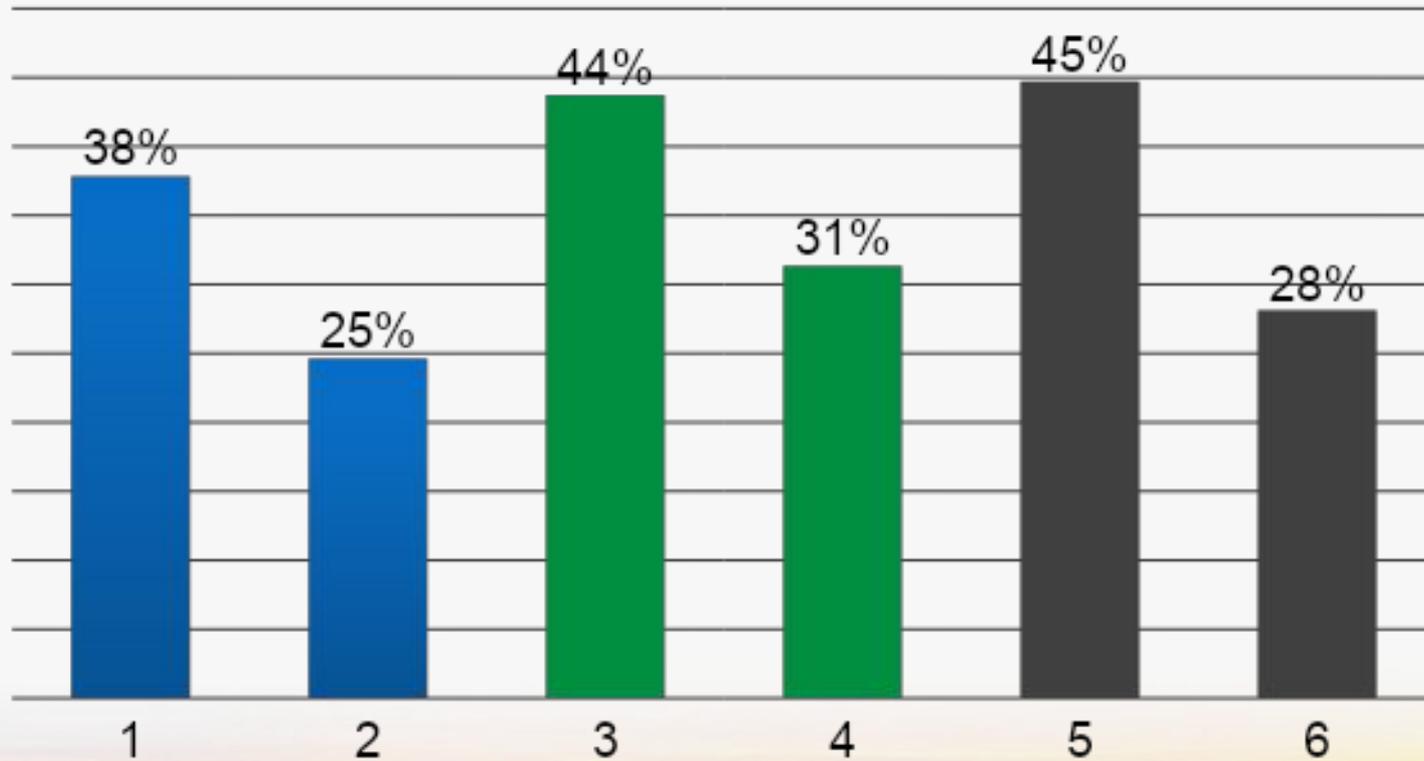
Account use among account holders who save: Global Survey



- No understanding of compound interest
- Understanding of compound interest

Source: GFLE & Global Findex database

Financial literacy and financial inclusion (Global Survey)



The link with financial literacy



Who is financially literate:

- is less likely to have too much debt
- is less likely to be financially fragile
- is less likely to use informal forms of borrowing and saving

Topic 3

Using evidence to build programs and advise policy

Where to focus

Large and scalable programs

- Financial education in school
- Financial wellness programs in the workplace
- Financial education in the community (libraries, museums, theaters, other places where people go to learn)



Advice for public policy : Toward a new ecosystem

Building a financial resilient society

- Add financial literacy among indicators for policy
- Toward a more inclusive society



Financial education

With financial education, we are forming the next generation of customers, workers, and citizens

Keep a long-term view

Policy question

Short definition of financial literacy: **A vision for the future**

The question is: **Which future do we want to build?**



Public policy: A quote from one of the U.S. Founding Fathers

“An investment in knowledge pays the best interest.”

Benjamin Franklin

Thank you!

