Measuring Financial Literacy: A Global Perspective

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We need to measure growth and success.
We can measure financial literacy with only **3 or 5 questions**

- We have **global data** about financial literacy
- We can **gauge changes** over time

THE BIG THREE QUESTIONS

Test your financial literacy knowledge!
The first global financial literacy survey

- The largest, most comprehensive, global measure of financial literacy
- Interviewed more than 150,000 adults age 15+ in more than 140 countries
- GFLEC partnered with the World Bank, Gallup, and S&P Global
- The data was collected in 2014
The S&P Global FinLit Survey

The survey covers the universal and fundamental topics at the basis of financial decision-making:

- Numeracy
- Interest compounding
- Inflation
- Risk diversification

**Being financially literate:**
Able to answer 3 out of these 4 topics correctly
An initial measure: financial literacy across the globe

Only 1 in 3 adults worldwide are financially literate

% of financially literate adults
Financial literacy by topic

% of adults answering correctly

**RISK DIVERSIFICATION**

- World
- Major advanced economies
- Major emerging economies

0% 20% 40% 60%

**NUMERACY (INTEREST)**

- World
- Major advanced economies
- Major emerging economies

0% 20% 40% 60%

**INFLATION**

0% 20% 40% 60%

**COMPOUND INTEREST**

0% 20% 40% 60%

Inflation and simple interest/numeracy are what people know most across countries.

Risk diversification is what people know the least.
Financial literacy over the life cycle

Percentage of financially literate adults

[Bar chart showing financial literacy rates across different age groups and economic regions.]
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 the knowledge and skills essential for full participation in society.

Are students well prepared for future challenges? Can they analyze, reason, and communicate effectively? Do they have the capacity to continue learning throughout life?
Average performance of 15-year-olds in financial literacy (2018 PISA)

Strong performance in financial literacy

Average performance of 15-year-olds in financial literacy in 2018 PISA

Low performance in financial literacy
What the measurement says

• Financial literacy is very low around the globe

• Risk diversification is what people know the least

• Financial literacy is unequally distributed
Leveraging the findings

- To inform policy focused on transforming education
- To define priorities in national strategies
- To promote universal access to financial education
- To efficiently focus financial education investment on vulnerable groups
Financial literacy is like reading and writing

- It is an essential skill for the 21st century
- 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
- Everyone deals with finance, and finance is sufficiently complex that we cannot leave it to individuals to learn by themselves.