

# Financial literacy and the gender gap

Commonwealth FinTech Side Event, October 10, 2022

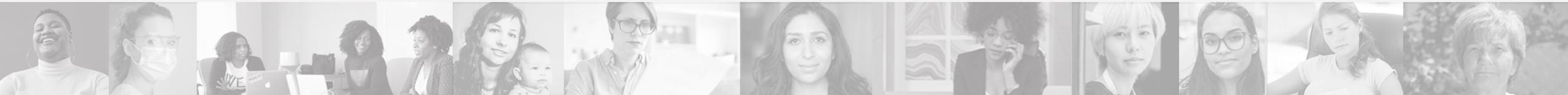
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# Three main messages

- 1 ▶ Gender differences in financial literacy are deep and pervasive**
- 2 ▶ Gender differences matter and have an effect on behavior and financial well-being**
- 3 ▶ Research and data can inform policy and programs**



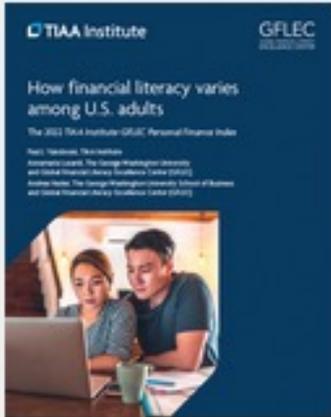
# Measuring personal finance knowledge

- The **TIAA Institute-GFLEC Personal Finance Index (*P-Fin Index*)** is an annual barometer of knowledge and understanding which enable sound financial decision-making and effective management of personal finances among U.S. adults.
- The *P-Fin Index* relates to common financial situations that individuals encounter and can be viewed as a gauge of “working knowledge.”
- In addition to personal finance knowledge it provides information on financial well-being indicators.
- Data is collected on a representative sample of about 3,500 respondents (age 18+) in 2022.
- Data collection started at the end of 2016.



# US data: The *P-Fin Index*

2022



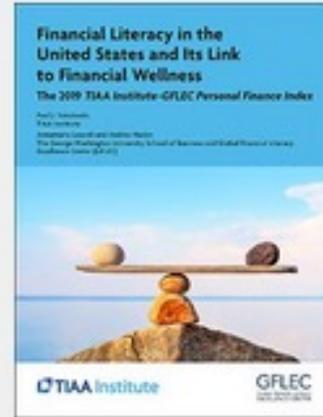
2021



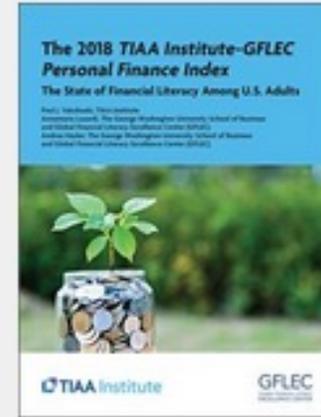
2020



2019



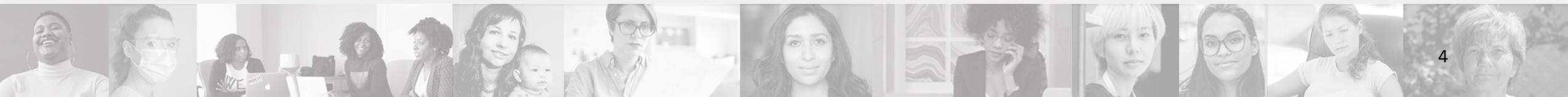
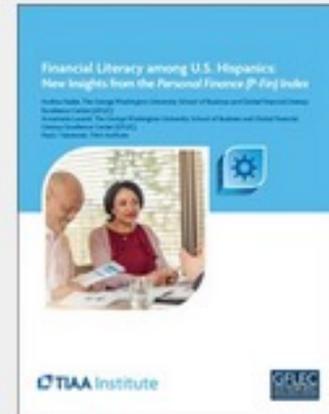
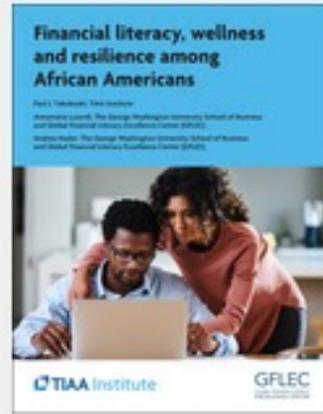
2018



2017



FORTHCOMING

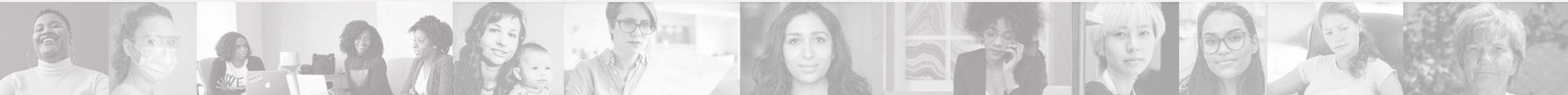


# What is unique: Eight functional areas of personal finance

The index is based on responses to 28 questions, with three or four questions for each of the eight functional areas:

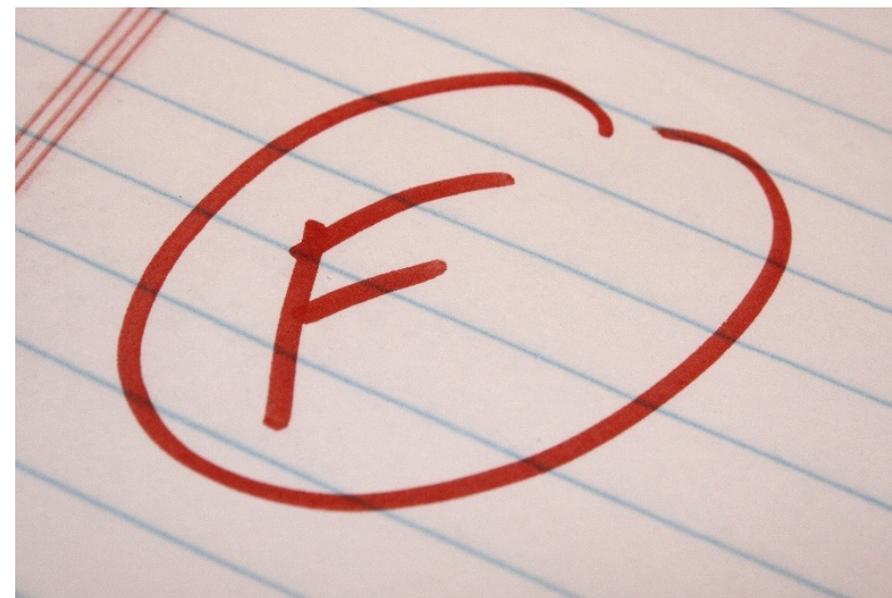
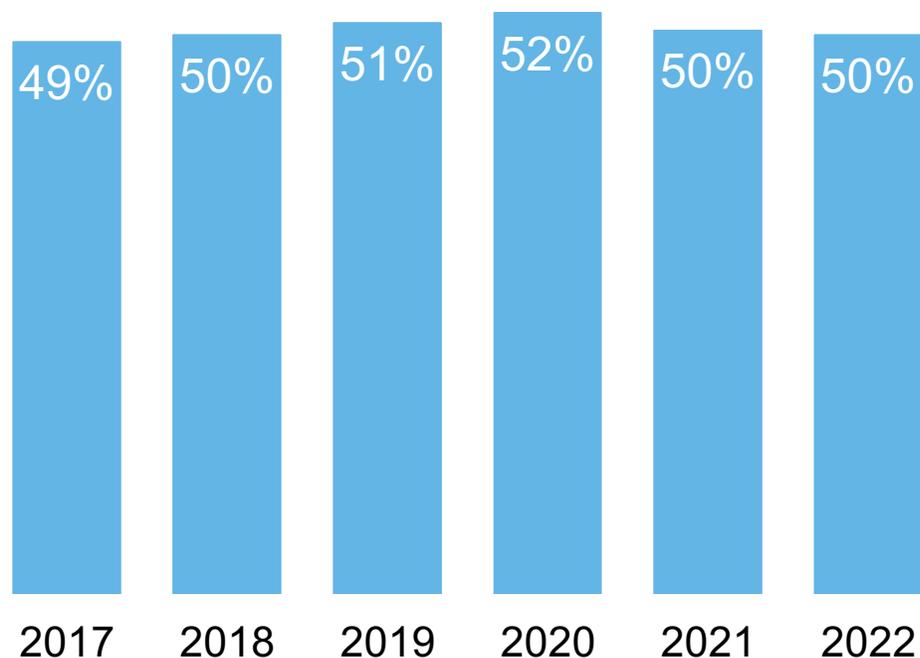
**The *P-Fin Index's* 28 questions cover eight functional areas:**

- 1. Earning**
- 2. Saving**
- 3. Consuming**
- 4. Investing**
- 5. Borrowing**
- 6. Insuring**
- 7. Comprehending risk**
- 8. Go-to information sources**



# Financial (il)literacy is holding steady: 2017-2022

*% of P-Fin Index questions answered correctly*

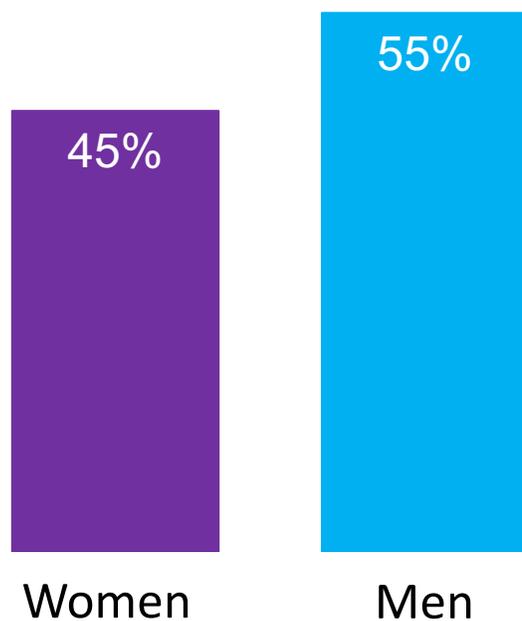


Source: TIAA Institute-GFLEC Personal Finance Index (2017-2022).

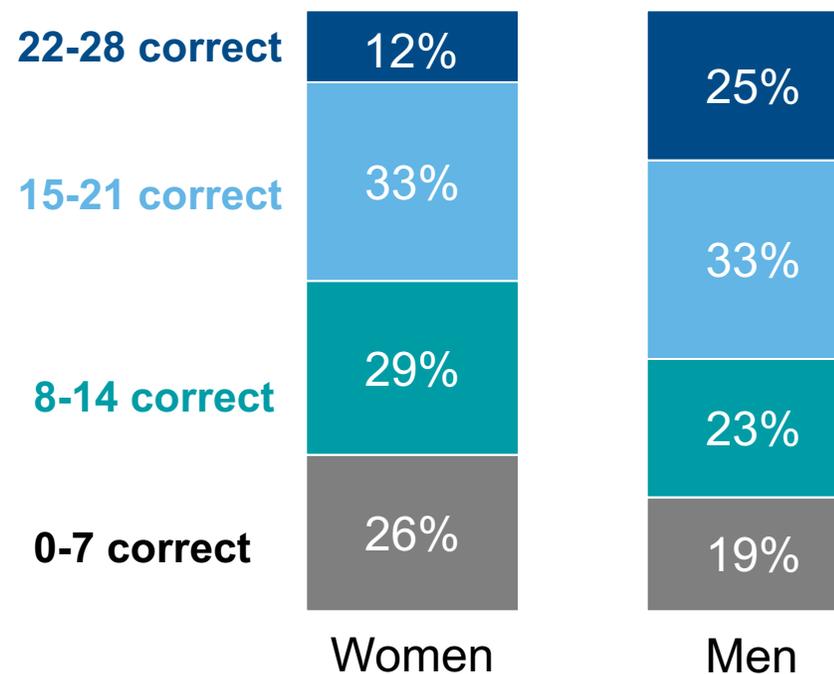


# Unequal financial literacy

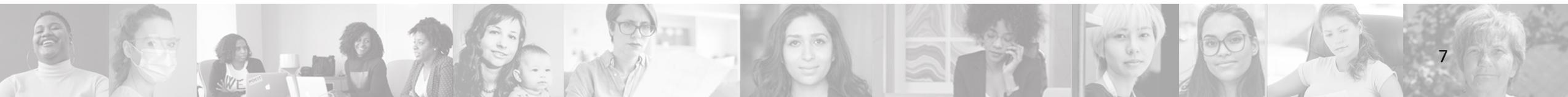
*% of P-Fin questions answered correctly*



*Distribution of correct answers to P-Fin questions*

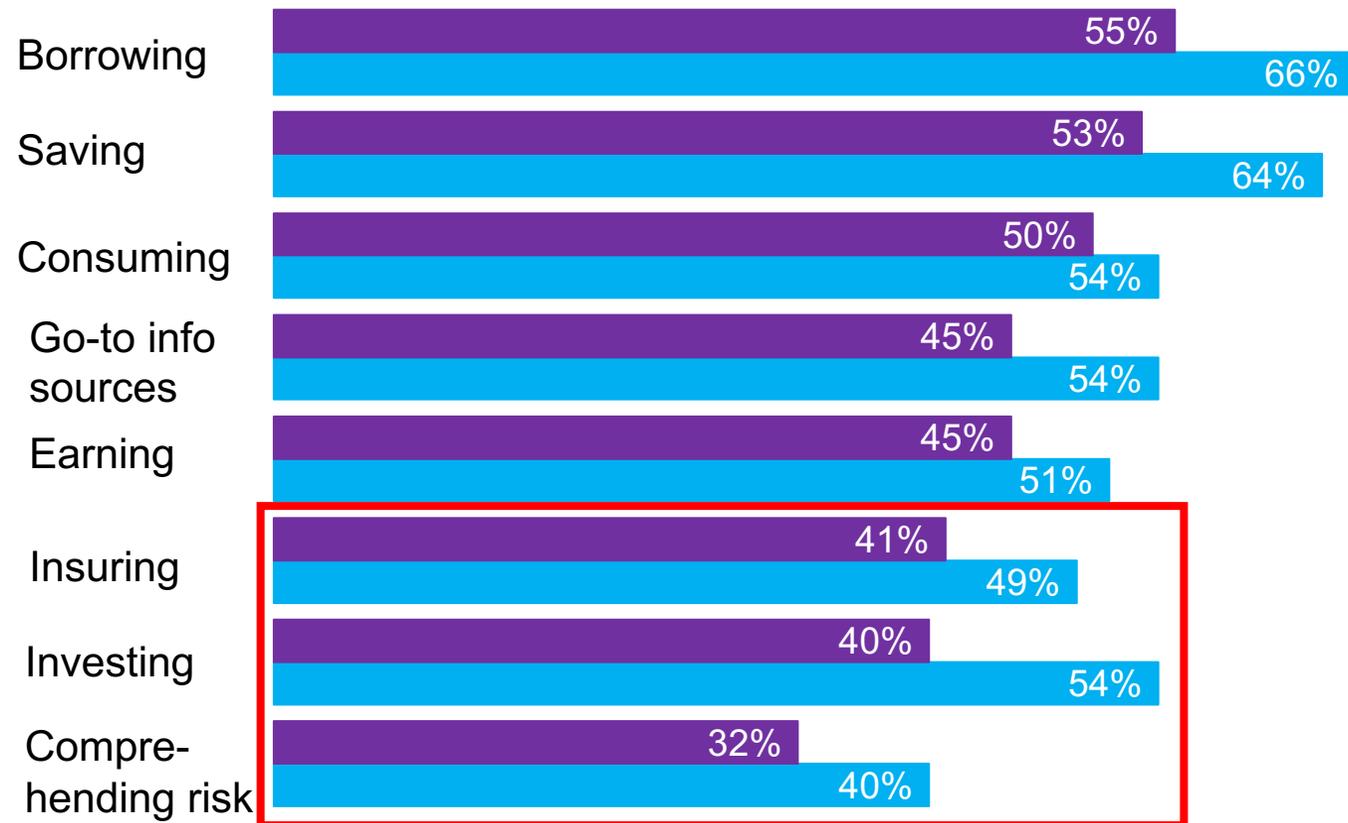


Source: TIAA Institute-GFLEC Personal Finance Index (2022).



# Unequal financial literacy in critical areas

*% of P-Fin questions answered correctly*



Women  
Men

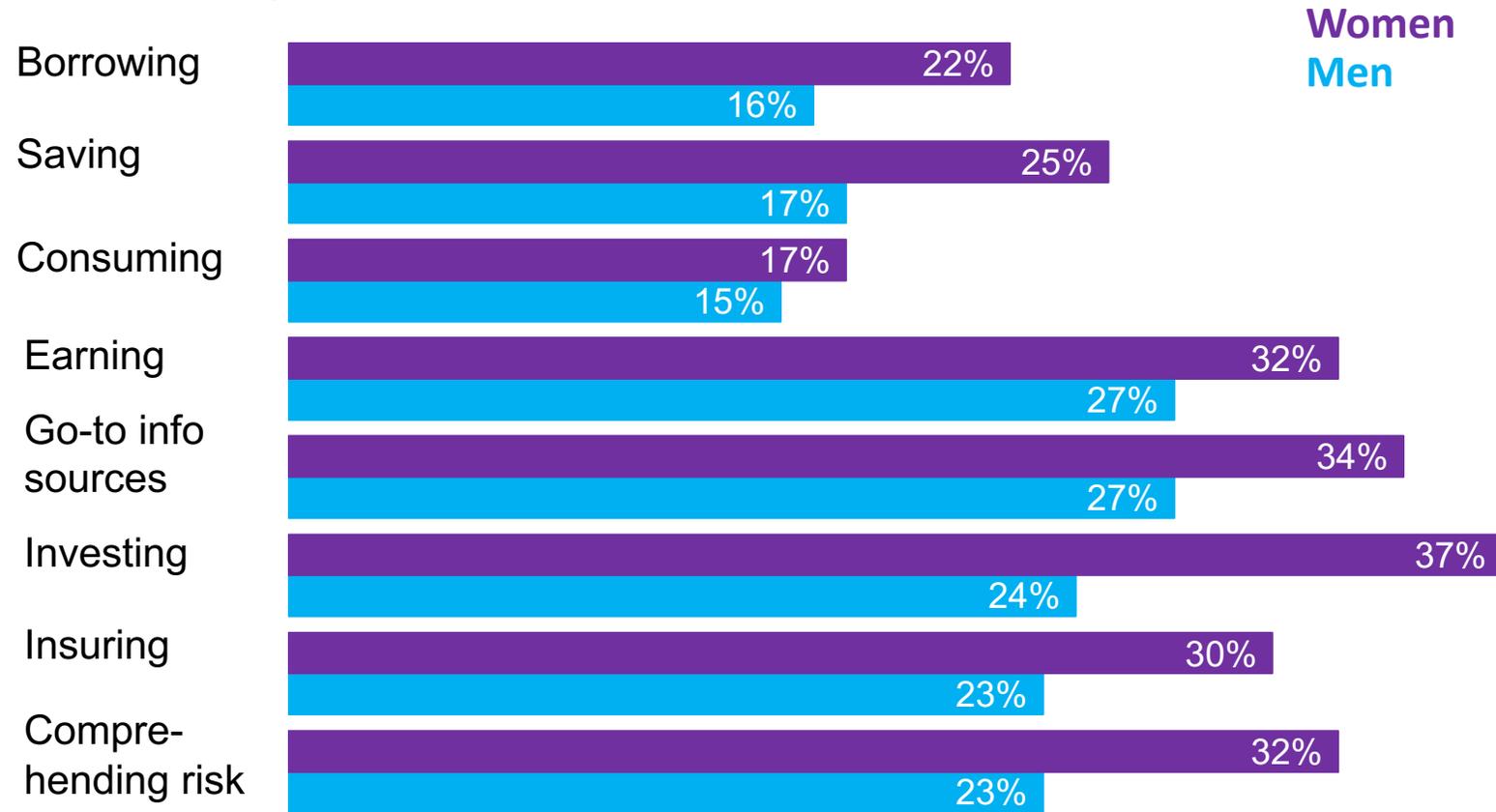
**Women's financial literacy tends to lag that of men across all functional areas.**

Source: TIAA Institute-GFLEC Personal Finance Index (2022).



# Lack of confidence

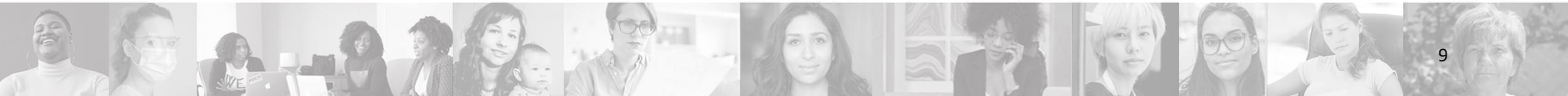
*% of P-Fin questions answered with “don’t know”*



**Women are more likely than men to answer “don’t know” across all functional areas.**

**In another paper, we took away the option to answer with “I do not know.” We found that women know more than they think they know.**

Source: TIAA Institute-GFLEC Personal Finance Index (2022).



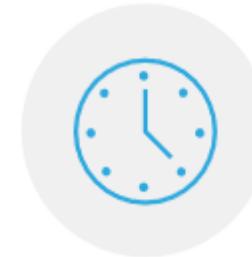
# Financial knowledge matters (women sample)

Women with very low financial literacy are:  
(compared to women with very high financial literacy)



5x

more likely to have  
difficulty making ends  
meet



5x

more likely to spend  
10 or more hours per  
week on issues  
related to personal  
finances



3x

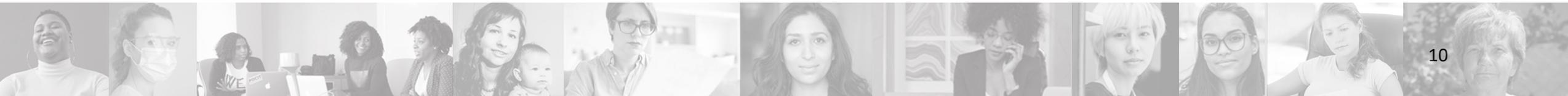
more likely to be  
unable to cope with a  
\$2,000 financial shock



3x

more likely to be  
debt constrained

Source: TIAA Institute-  
GFLEC Personal Finance  
Index (2022).



# Global data: The S&P Global FinLit Survey

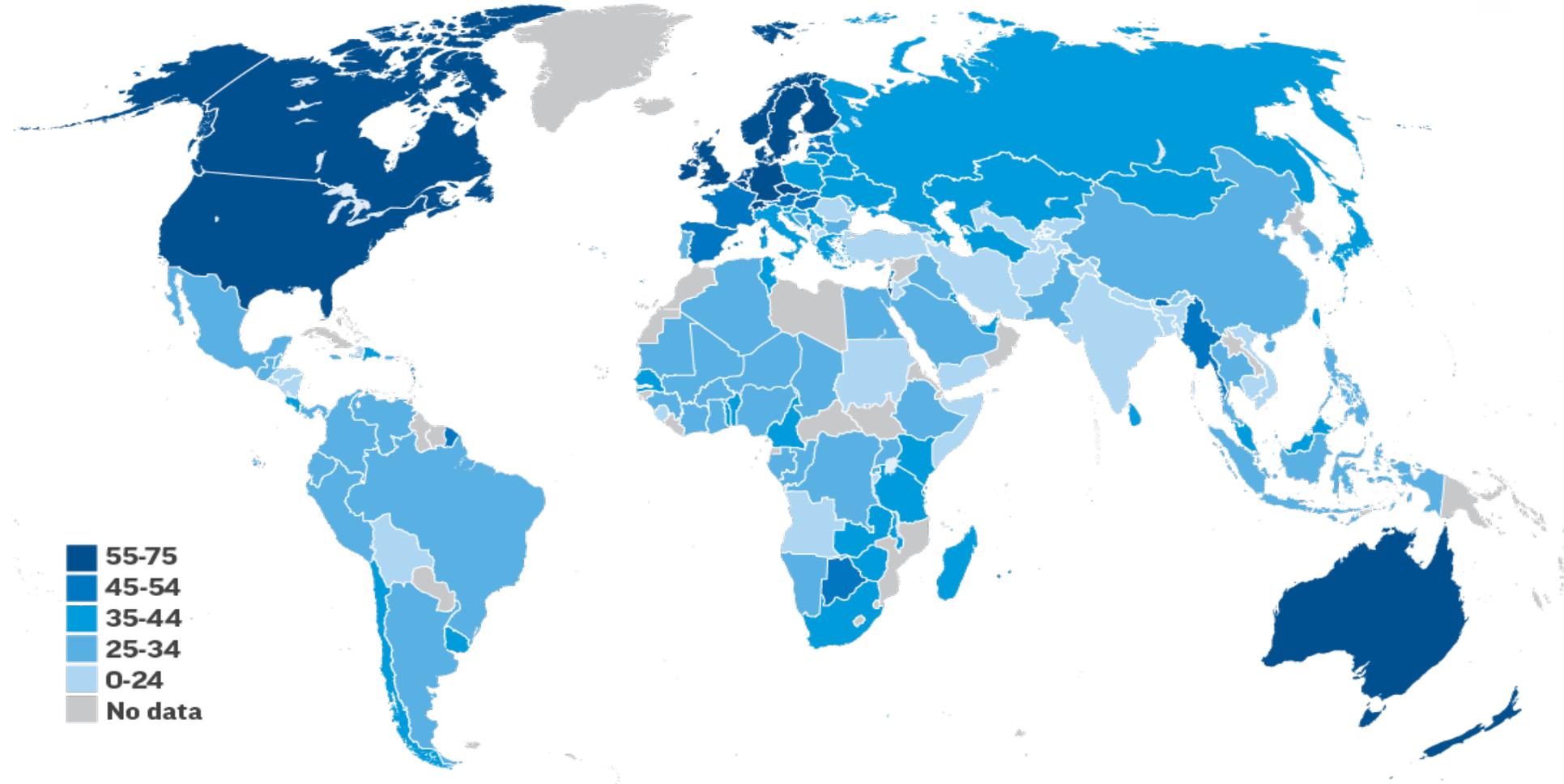
- The largest, most comprehensive, global measure of financial literacy
- Interviewed more than 150,000 adults age 15+ in 148 countries
- S&P Global partnered with Gallup, GFLEC, and the World Bank
- The measure has to be applicable to every country, irrespective of economic structure and financial market development
- The survey covers four topics with five questions:
  - Numeracy
  - Interest compounding
  - Inflation
  - Risk diversification



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



# Financial (il)literacy across the globe



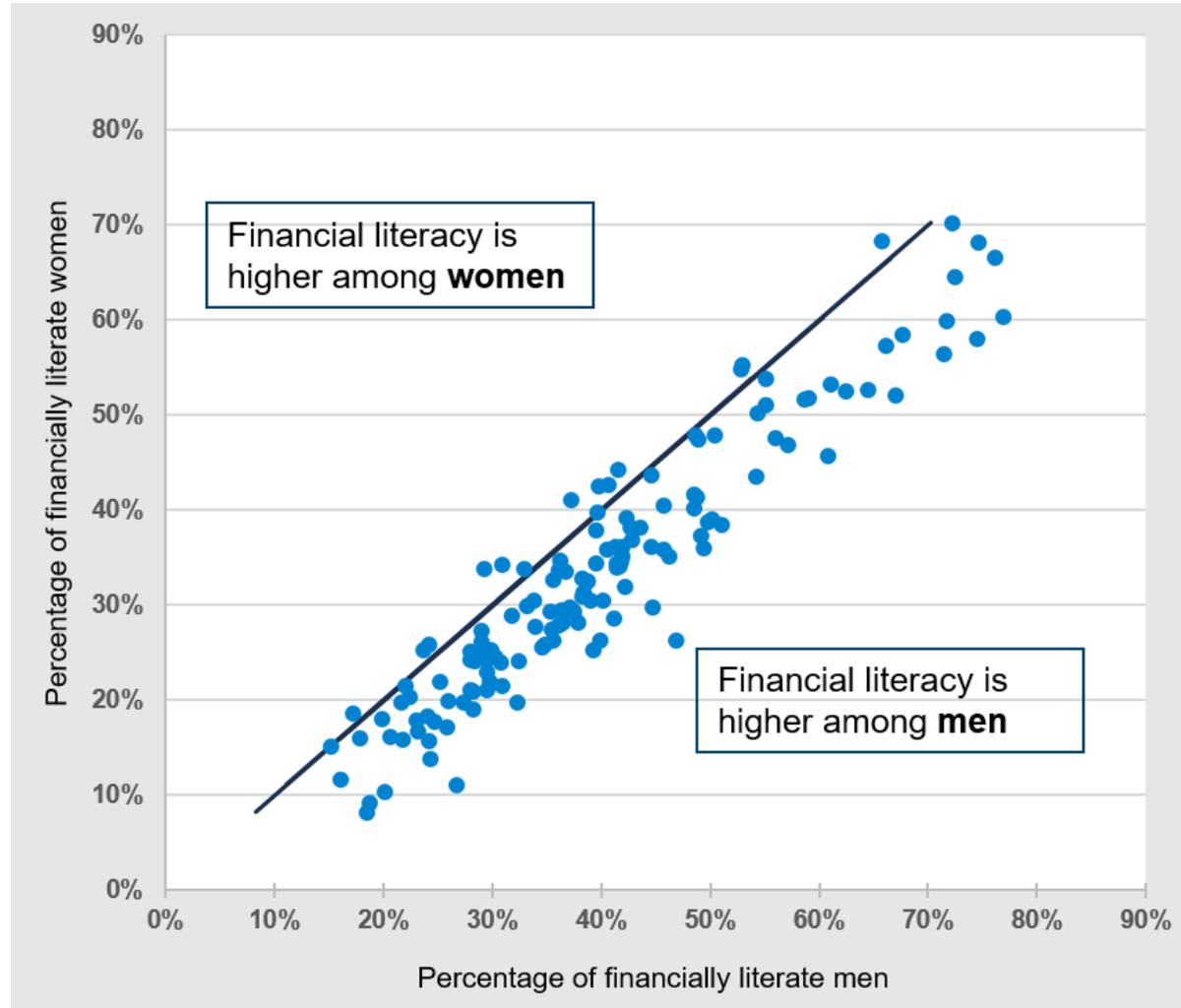
**Only 1 in 3 adults worldwide are financially literate**

Source: S&P GFLS

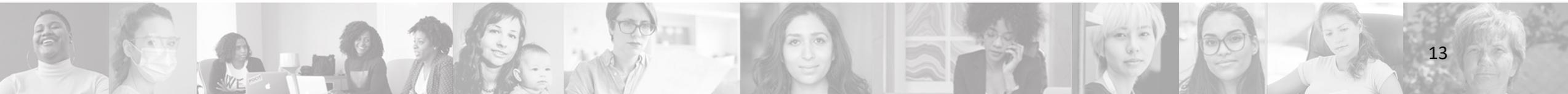


# Gender gap in financial literacy around the world

In most (if not all) countries around the world, men display higher financial literacy than women

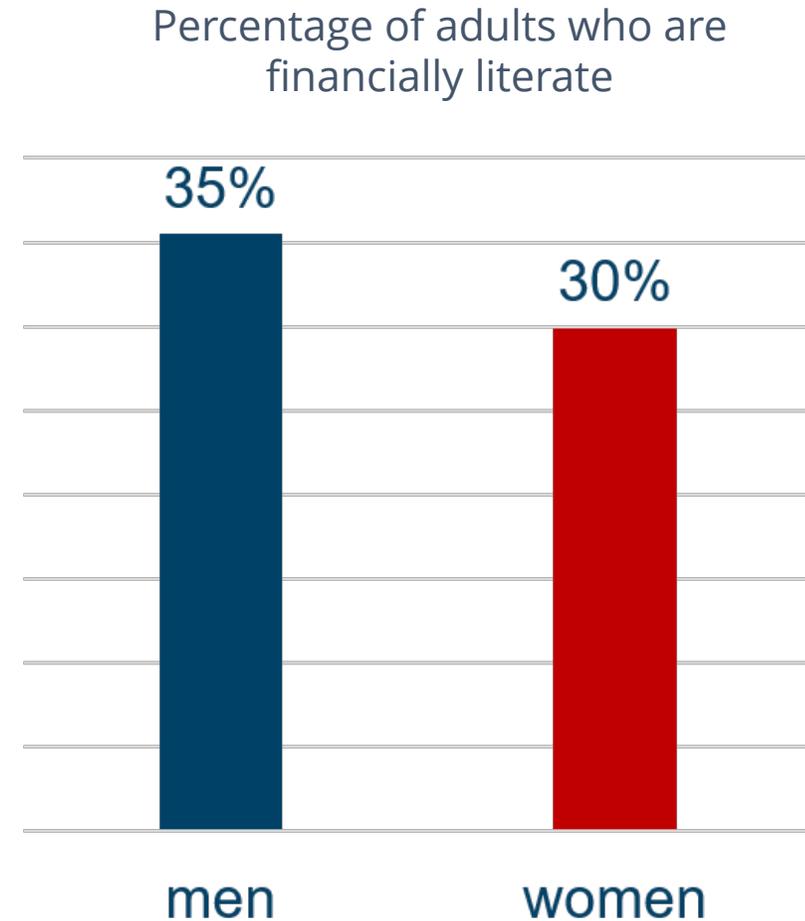


Source: S&P GFLS



# Gender gap in financial literacy is pervasive

- Lower financial literacy rates among women for the great majority of countries
- Worldwide, 35% of men are financially literate, compared with 30% of women
- Gender gap is found in both advanced economies as well as emerging economies
- The gap is, on average, 8% for the G7 countries



Source: S&P GFLS



# Financial literacy can be linked to financial inclusion

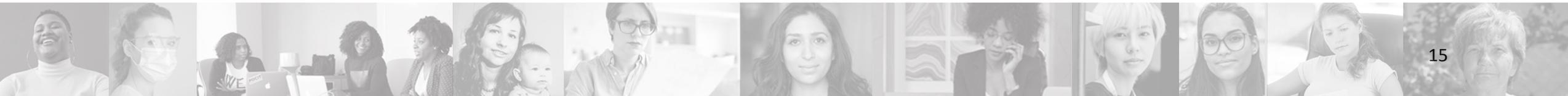


## *Fearless Woman: Financial Literacy and Stock Market Participation*

In a new paper, we shows that both financial literacy and confidence can be linked to stock market participation.

Those who have less financial literacy and less confidence are less likely to invest in the stock market.

Women need to be ...more fearless.



# Financial educations works: Our world-wide meta-analysis of financial education programs



Journal of Financial Economics

Available online 3 October 2021

In Press, Corrected Proof



## Financial education affects financial knowledge and downstream behaviors

Tim Kaiser <sup>a</sup>, Annamaria Lusardi <sup>b</sup>, Lukas Menkhoff <sup>c</sup>, Carly Urban <sup>d</sup>

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### Abstract

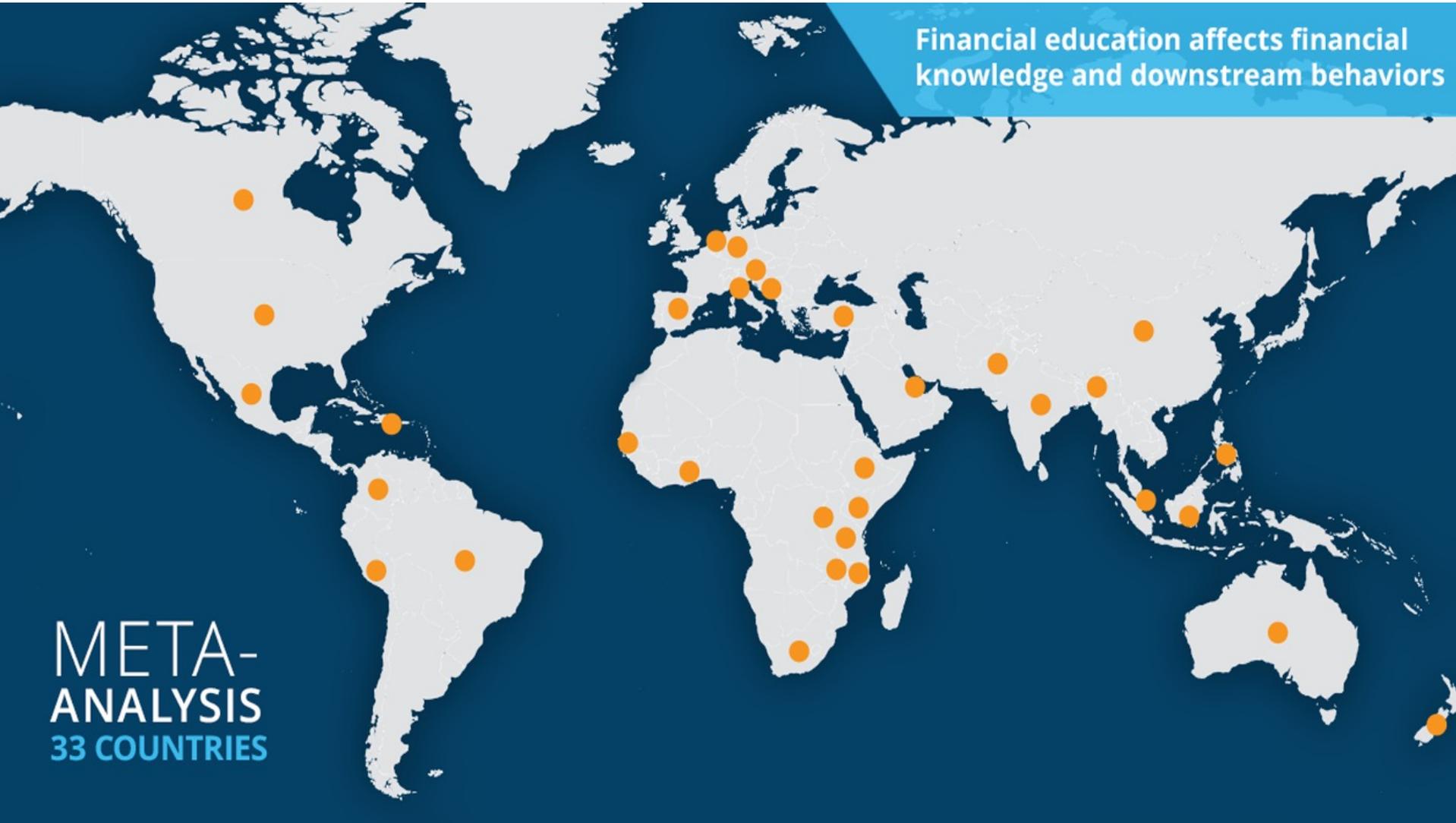
We study the rapidly growing literature on the causal effects of financial education programs in a meta-analysis of 76 randomized experiments with a total sample size of over 160,000 individuals. Many of these experiments are published in top economics and finance journals. The evidence shows that financial education programs have, on average, positive causal treatment effects on financial knowledge and downstream financial behaviors. Treatment effects are economically meaningful in size, similar to those realized by educational interventions in other domains, and robust to accounting for publication bias in the literature. We also discuss the cost-effectiveness of financial education interventions.



Link to our meta-analysis



# The need for financial education is universal



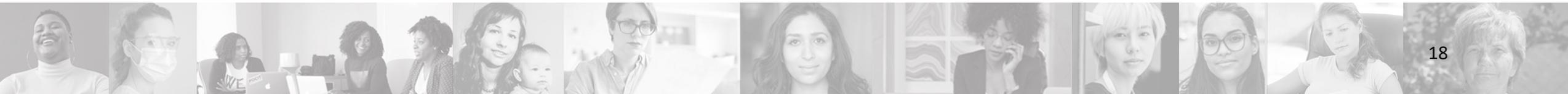
Several findings:

- Fin educ works in both low- and high-income countries
- It works across demographic groups
- It is cost-effective



# Implications for policy and programs: closing the gap

- We need policies and programs directed to address the gap. Among them:
  - Promote digital and financial literacy to foster financial inclusion – FinTech can play a role
  - Make financial education mandatory in school
  - Foster financial education in the workplace
  - Design programs targeting women. It is essential to boost both knowledge and confidence
  - Rely on rigorous data and measurement and measure progress



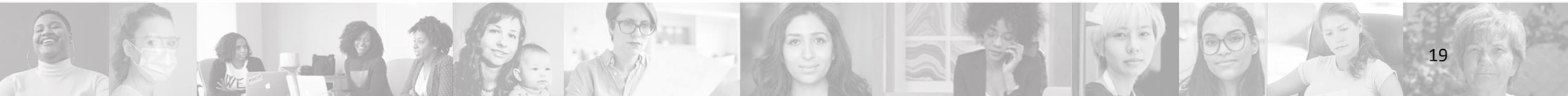
# National strategies can make a difference



The new strategy of the Italian Committee for Financial Education that I chair is particularly focused on women and the young.

Our policy work is based on data and research.

Focusing on vulnerable groups and investing in financial education will help recovering from the pandemic.



# Investing in women helps everybody

***“If women lowered their arms,  
the sky would fall”***

African proverb



# Thank you!

[www.gflec.org](http://www.gflec.org)

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