

## The Gender Gap in Financial Literacy: A Global Perspective

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As a population, women face unique financial challenges, making financial knowledge and skills of paramount importance if they are to make savvy financial decisions.

In terms of financial needs and resources, women differ from men in many ways: women tend to live longer, experience lower income during their working lives, and deal with interrupted employment histories. Being financially literate is key if women are to attain financial security before and after retirement. Recent research shows that women with more financial knowledge are more likely to plan for retirement and less likely to carry too much debt close to retirement or be financially fragile.

With data on financial literacy from a survey of more than 150,000 people in 140 economies worldwide, the 2014 Standard & Poor's Ratings Services Global Financial Literacy Survey (S&P Global FinLit Survey) represents the most comprehensive global measure of financial literacy to date. Using this survey, which we have helped design, we provide the first analysis of the gender gap in financial literacy from a global perspective.

We find that financial illiteracy is widespread worldwide. Just one in three adults show an understanding of basic financial concepts. Further, we provide robust evidence of a gender gap in financial literacy around the globe. This gap exists across countries with different economic and institutional systems as well as different social and cultural backgrounds. Women tend to correctly answer fewer financial literacy questions than men, independent of a country's income level. This important finding emphasizes that gender differences in financial knowledge are not limited to just a few countries, but exist worldwide, and there is no evidence that income helps to explain the gender gap.

Furthermore, we see a positive and strong link between women's financial knowledge and the use of formal saving and borrowing instruments, having retirement savings, and the ability to come up with emergency funds. However, our findings also show that women are less likely than men to use formal saving mechanisms and tend to save less for retirement and for unexpected financial hardships. Therefore, women with low levels of financial literacy are particularly prone to financial insecurity.

Even though we find a positive correlation between use of formal saving mechanisms and financial knowledge, a large fraction of the population lacks the financial knowledge that is most relevant to saving decisions. In most G20 countries, around two-thirds of the population is not able to correctly answer the questions about compound interest, and women demonstrate a particularly low level of knowledge.

Additionally, we find that women are more likely to respond to financial literacy questions with “do not know.” Strikingly, this is a finding that holds true in most countries. This feature makes woman an ideal target for financial education programs.

Gender differences in both financial literacy and financial behavior are found to be particularly high in Italy. Moreover, Italy is one of the few countries where gender differences are present at a very early age. Given the correlation between financial literacy of girls and the education of their mothers, if no interventions occur, these gender differences may persist for a long time.

To build financial knowledge in the population at large, and specifically among women, schools seem to be an ideal place to start doing financial education. Making personal finance a required course in high schools, colleges, and universities would equip the young with the skills and knowledge necessary to thrive in today’s financial environment. Further, helping girls acquire financial literacy will prepare them for the individual financial challenges they will encounter. Another important and scalable way to improve financial literacy is in the workplace through employer-provided financial education programs.

In view of the different financial challenges women face, an effective way forward for financial education programs is to target women and men separately and to offer programs that recognize the differences between women and men in terms of financial knowledge, financial behavior, and financial needs.