

## **Three-Quarters of Asian Adults Are Not Financially Literate, According to Standard & Poor's Study**

*S&P Survey Identifies Low Levels of Financial Literacy, Mismatch between Financial Skills and Credit Usage in Asia*

HONG KONG, Dec 2, 2015 – In one of the most extensive measurements of global financial literacy to date, the Standard & Poor's Ratings Services Global Financial Literacy Survey (S&P Global FinLit Survey) finds that 73 percent of adults in Asia do not adequately understand key monetary ideas, including risk diversification, inflation and compound interest. While the survey established regional differences in knowledge between East Asia, South Asia, and Southeast Asia, the percentage of financially literate adults across the continent was lower than the global average. Two-thirds of adults worldwide are financially illiterate, according to the survey.

The survey results come from interviews conducted with more than 150,000 adults in more than 140 countries who were tested on their knowledge of four basic financial concepts: numeracy, risk diversification, inflation, compound interest (saving and debt.) The data were collected in 2014 by Gallup as part of the Gallup World Poll and analytical support was provided by researchers at the World Bank and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University.

Singapore is home to the highest percentage of financially literate adults (59 percent) in Asia, while only 18 percent of Cambodian and Nepalese adults were able to correctly answer the questions on basic financial concepts. The survey also uncovered information about varying levels of consumer knowledge about of financial products. In China, 63 percent of adults who own a credit card are financially illiterate. Overall, 28 percent of Chinese adults were financially competent.

Significantly, the survey found younger Asians more likely to be financially adept than older respondents. In Hong Kong, 58 percent of residents between the ages of 15 and 34 are financially literate, compared to 31 percent of residents over 55. In Taiwan, the 15-34 age cohort were almost twice as likely to be financially literate as the over-55 group.

"We are committed to creating stronger financial markets all over the world," said Courtney Geduldig, Executive Vice President of Public Affairs at McGraw Hill Financial, parent of S&P Ratings. "We believe there are correlations between financial literacy, financial access, and the strength of markets. Addressing financial literacy is a key strategy in building stronger, more accessible and sustainable markets around the globe."

"Understanding concepts like interest, inflation and the importance of savings are at the core of economic development," said Matthew Bosrock, Executive Managing Director and Head of Asia-Pacific for Standard & Poor's Ratings Services. "A lack of basic financial understanding is one of the factors obstructing faster growth in Asia. This survey gives policymakers the tools to identify the gaps in education and also a chance to improve access to financial products."

Excluding China, 40 percent of East Asian adults were sufficiently familiar with the financial concepts tested by the survey. The East Asian results are higher than the global average of financially literate adults (33 percent), while Southeast Asia's scores were closer the global average at 31 percent. Less than a quarter of South Asians correctly identified the concepts posed by pollsters, a significantly lower percentage than the global average.

The survey defines East Asia as China, Hong Kong SAR, Japan, South Korea, Mongolia and Taiwan. South Asia comprises Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka, while Southeast Asia includes Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

While the array of financial products available in Asia continues to grow rapidly, S&P's FinLit Survey suggests that most consumers lack a general understanding of credit, compound interest and other key concepts. In China, credit card ownership has nearly doubled since 2011, yet less than half of the respondents could not correctly answer the survey questions on interest.

Financial inclusion presents both a challenge and an opportunity in other Asian markets as well. About 47 percent of adults in India – 415 million adults – lack a bank account. Roughly 80 percent of those without bank accounts have weak financial skills, according to the survey.

Additional major findings from the S&P Global FinLit Survey include:

- 61 percent of adults in China do not save for old age. About 72 percent of those non-savers have low financial literacy scores, according to the survey findings.
- Six out of 10 Chinese adults do not have formal savings, and about 20 percent of the adult population is unbanked. Only about one-third of formal savers in China are financially literate and just 52 percent of them understand interest.
- 73 percent of Indian men—and 80 percent of Indian women—are financially illiterate. Combined, only 24 percent of Indian adults are financially literate, the lowest score among the BRICS (Brazil, Russia, India, China, South Africa) club of nations.
- 38 percent of Indian adults with a tertiary education are financially literate; compared to 30 percent of adults with a secondary education, and 18 percent of adults with a primary education.

A comprehensive overview of the survey findings can be found at [FinLit.MHFI.com](http://FinLit.MHFI.com).

**NOTE TO EDITORS:**

Top 30 countries for financial literacy		Bottom 30 countries for financial literacy	
Country	Adults who are financially literate (%)	Country	Adults who are financially literate (%)
Denmark	71	Yemen, Rep.	13
Norway	71	Albania	14
Sweden	71	Afghanistan	14
Canada	68	Somalia	15
Israel	68	Angola	15
United Kingdom	67	Tajikistan	17
Germany	66	Haiti	18
The Netherlands	66	Armenia	18
Australia	64	Nepal	18
Finland	63	Cambodia	18
New Zealand	61	Kyrgyz Republic	19
Singapore	59	Bangladesh	19
Czech Republic	58	Nicaragua	20
United States	57	Kosovo	20
Switzerland	57	Iran, Islamic Rep.	20
Belgium	55	Sudan	21
Ireland	55	Sierra Leone	21
Estonia	54	El Salvador	21
Hungary	54	Uzbekistan	21
Bhutan	54	Macedonia, FYR	21
Luxembourg	53	Romania	22
Austria	53	Honduras	23
Botswana	52	Jordan	24
Myanmar	52	India	24
France	52	Turkey	24
Spain	49	Bolivia	24
Latvia	48	Vietnam	24
Montenegro	48	Burundi	24
Slovak Republic	48	West Bank and Gaza	25
Greece	45	Philippines	25

**Source: S&P Global FinLit Survey**

### About the survey

The survey is based on interviews with more than 150,000 adults across 148 countries.

Data collection began in March 2014 by Gallup as part of the Gallup World Poll and was analyzed by researchers from the World Bank and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University.

The interviews were conducted face-to-face in economies where telephone coverage represents less than 80 percent of the population or is the customary methodology. In most economies the fieldwork was completed in two to four weeks. The surveys were conducted in the countries' native language. The sample in each country was around 1,000 adults.

## Survey questions

The S&P Global FinLit Survey covers fundamental concepts for financial decision making, such as basic numeracy, compound interest, inflation and risk diversification. The literacy questions that measure these four topics are as follows (list of answers in brackets with the correct answer in bold):

- ***Risk Diversification***

Suppose you have some money. Is it safer to put your money into one business or investment, or to put your money into multiple businesses or investments? [one business or investment; **multiple businesses or investments**; don't know; refused to answer]

- ***Inflation***

Suppose of the next 10 years the prices of the things you buy double. If your income also doubles, will you be able to buy less than you can buy today, the same as you can buy today, or more than you can buy today? [less; **the same**; more; don't know; refused to answer]

- ***Numeracy (Interest)***

Suppose you need to borrow 100 dollars. Which is the lower amount to pay back: 105 dollars or 100 dollars plus three percent? [105 dollars; **100 dollars plus three percent**; don't know; refused to answer]

- ***Compound Interest***

Suppose you put money in the bank for two years and the bank agrees to add 15 percent per year to your account. Will the bank add more money to your account the second year than it 3 did the first year, or will it add the same amount of money both years? [**more**; the same; don't know; refused to answer]

Suppose you had 100 US dollars in a savings account and the bank adds 10 percent per year to the account. How much money would you have in the account after five years if you did not remove any money from the account? [**more than 150 dollars**; exactly 150 dollars; less than 150 dollars; don't know; refused to answer]

A person is defined as financially literate when he or she correctly answers at least three out of the four basic financial concepts described above.

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