

S&P Study Shows Three-Fourth Indian Adults Not Financially Literate

Survey also Identifies Significant Gender Gap in Financial Literacy

MUMBAI, Dec. 15, 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 76 percent of Indian adults do not adequately understand key financial concepts, including risk diversification, inflation and compound interest. This is lower than the worldwide average of financial literacy, but roughly in line with other BRICS and South Asian nations.

The survey results come from interviews of more than 150,000 adults across over 140 countries. Individuals 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 while the analytical support was provided by researchers at the World Bank and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University.

According to the survey, three-quarters of Asian adults and two-thirds of adults worldwide are not financially literate. In comparison, 57 percent of adults in US and 67 percent in UK are financially literate. In Asia, Singapore is home to the highest percentage of financially literate adults (59 percent), followed by Hong Kong and Japan (both at 43 percent). And less than a third of adults in China (28 percent) are financially literate.

The S&P Global FinLit Survey also shows a material gap between men and women in almost every country. Worldwide, there is a five-point gender gap, with 65 percent of men not being financially literate compared with 70 percent of women. In India, the gap was wider with 73 percent of men and 80 percent of women not being financially literate.

In India, S&P's affiliate CRISIL has been running a project named 'Mein Pragati – Empowering women by building their financial capabilities' since January 2015 as a part of CRISIL's Corporate Social Responsibility (CSR) initiatives. This initiative addresses issues of gender gap in financial literacy and inclusion, some of which have also been highlighted in the S&P Global FinLit Survey.

“In its first phase, the project is being implemented in six rural districts of Assam, a state in North Eastern part of India, and aims to cover at least 100,000 women before the end of 2017. Over the past ten months, the Foundation has been instrumental in transforming the lives of 25,000 women by strengthening their knowledge of personal finance, building awareness about relevant financial products and services, and facilitating their linkage with a variety of financial service providers. Over 90 percent of these women will have a bank account in their personal name and 50 percent of the households they represent will have insurance cover of some kind by the end of the year,” explains Ramraj Pai, President, CRISIL Foundation while describing the scale and scope of the project.

A comprehensive overview of the S&P Global FinLit Survey findings can be found at FinLit.MHFI.com.

S&P Global FinLit Survey – India Findings:

Below is a table populated from findings of survey which show data from India along with comparison with other countries:

Responses to the Survey Questions

(% adults answering correctly)

Topic	India	BRICS*	South Asia (excluding India)	World
Risk diversification	14	28	18	35
Inflation	56	46	46	50
Interest	48	48	46	49
Compound Interest	44	44	39	45
Financially literate %	24	28	23	33

*Brazil, Russia, India, China, South Africa

Only 14 percent of Indian adults correctly answered the question on risk diversification. Conversely, 56 percent answered the inflation -question correctly. About 39 percent of adults who have a formal loan are financially literate, while more than a quarter (27 percent) of formal borrowers were found to be not financially literate. Only about half of the participants (51 percent) understood compound interest.

Additional key findings on India from the S&P Global FinLit Survey:

- In India, 26 percent of adults in the richest 60 percent of households are financially literate, compared to 20 percent of adults in the poorest 40 percent of households. Worldwide, 36 percent of adults in relatively richer households and 27 percent of adults in relatively poorer households are financially literate.
- India's income gap deepens when broken down by topic. Poor adults are 21 percentage points less likely than richer adults to correctly answer the compound interest topic correctly. With regard to interest, the gap is 11 percentage points.
- 38 percent of adults with tertiary education are financially literate; compared to 30 percent of adults with secondary education, and 18 percent of adults with primary education.

The survey also uncovered information about consumers' familiarity with the financial products they utilize. 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. Research increasingly shows that saving money is better for development than credit. Yet just 14 percent of adults in India save at a formal financial institution – and their weak financial skills raise questions as to whether they're getting the most out of their money.

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About CRISIL Limited:

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations. CRISIL's majority shareholder is Standard and Poor's (S&P). Standard & Poor's, a part of McGraw Hill Financial, is the world's leading provider of independent credit risk research and benchmarks.

About CRISIL Foundation:

CRISIL Foundation was set up in March 2013, as a public charitable trust, to fulfill the corporate social responsibility of CRISIL Ltd. Our goal is the empowerment of rural women by strengthening their financial capabilities. Our initiatives present a unique and non-transactional proposition to our key stakeholders including bankers, policy-makers and regulators. We also meaningfully engage our young workforce through environment conservation activities. The foundation has an active outreach programme in project communities, and has aligned its strategy with CRISIL's overarching mission – Making markets function better.

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