

CULTURAL FACTORS INFLUENCING FEMALE FINANCIAL LITERACY AND MODERN INVESTMENT DECISIONS

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Abstract. This paper examines how cultural factors shape the gender gap in financial literacy and how the gap carries over into women's choices among modern investment instruments. Drawing on international surveys, household studies and experimental evidence, it shows that the gap is global but uneven, is only partly explained by education, income and marital status, and is linked to confidence, household roles and risk attitudes. The paper identifies two testable cultural channels, gender-role norms about financial authority and the socialization of confidence and risk attitudes, and proposes how to test them on data that cover digital investment products.

Keywords: female financial literacy, culture, gender gap, investment decisions, risk preferences, stock market participation, financial education.

Introduction

Financial knowledge is a form of human capital that shapes economic decision-making, from saving and borrowing to investing [A.Lusardi, O.Mitchell 2014: 5]. Women, however, consistently hold less of it. In the S&P Global FinLit Survey, which tested knowledge of interest rates, compounding, inflation and risk diversification, 35% of men worldwide were financially literate against 30% of women, and in the United States the gap reached 10 percentage points (62% versus 52%) [L.Klapper et al. 2015].

The gap is not confined to low-income or low-education settings. Austria, which ranks among the top-scoring countries in the 2023 OECD/INFE survey round, still shows young women with lower financial knowledge than young men and women in general reporting lower financial well-being [V.Voith, M.Zieser 2024]. That survey

programme now also measures digital financial literacy [OECD 2023], a promising data source for questions about modern, digitally accessed investment products.

Women's lower scores are not only a matter of knowledge. Across countries, women are less likely than men to answer financial questions correctly, more likely to say that they do not know the answer, and rate their own knowledge lower; the pattern holds for young and old women, for widows and single women, and for women in favorable economic conditions [T.Bucher-Koenen et al. 2017: 255]. Because women live longer than men and are likely to spend time in widowhood, closing this gap is key to their retirement security [T.Bucher-Koenen et al. 2017: 255].

A literacy gap turns into an investment gap through participation. Dutch household data show that people with low financial literacy are significantly less likely to invest in stocks [M.van Rooij et al. 2011: 449]. In a representative Swedish sample of 1,300 individuals, the gender gap in stock market participation diminished once basic financial literacy was controlled for, but a gender gap in risk taking remained significant [J.Almenberg, A.Dreber 2015: 140].

Here theory and observed facts diverge. Human-capital theory treats financial knowledge as an investment, so differences in knowledge should follow differences in education, income and household roles [A.Lusardi, O.Mitchell 2014: 5]. In US panel data, however, education, income and marital status reduced the gender gap by only around 25%; the great majority of the gap reflected how literacy is produced rather than differences in the characteristics of men and women, and there was no strong support for gender specialization in financial decisions within couples [R.Fonseca et al. 2012: 90]. Culture is a candidate for the unexplained part.

Culture can enter such analysis in a testable way. Guiso, Sapienza and Zingales narrow culture to beliefs and preferences that groups pass on, for example through religion or ethnic background, and relate them to economic outcomes including saving

[L.Guiso et al. 2006: 23]. At the national level, a study of 92 countries found that financial literacy is lower where power distance is high and higher where individualism is strong, while masculinity had no significant effect [M.Ahunov, L.Van Hove 2020: 2261]. These results concern overall literacy, not the gender gap, so how cultural norms act specifically on women remains open. The aim of this study is to identify the cultural channels that shape female financial literacy, to substantiate their expected effect on women's choices among modern investment instruments, and to develop an analytical framework for testing them. The study synthesizes survey, household and experimental evidence and reports no new primary data. First, the gap is global but not uniform: it averages 5 percentage points worldwide and reaches 10 points in the United States, yet the same survey found no gender gap in China and South Africa [L.Klapper et al. 2015]. With identical test questions across countries, this variation points to context, including culture, rather than to a fixed female deficit.

Second, the deficit is partly one of confidence and role, not only of knowledge. Observable characteristics account for only about a quarter of the gap [R.Fonseca et al. 2012: 90], while women more often answer "do not know" and rate their own knowledge lower [T.Bucher-Koenen et al. 2017: 255]. Traditional roles of women in society, specialization within the family, framing and confidence are discussed as possible explanations for the remainder [T.Bucher-Koenen et al. 2017: 255].

Third, culture can be tested through two channels. Experiments document robust gender differences in risk, social and competitive preferences [R.Croson, U.Gneezy 2009: 448], and culture acts through beliefs and preferences [L.Guiso et al. 2006: 23]. We combine the two into testable channels: gender-role norms about who holds financial authority in the household, and the socialization of confidence and risk attitudes. Individualism and power distance [M.Ahunov, L.Van Hove 2020: 2261] are candidate measures of the cultural environment.

Fourth, differences in investment behavior point to participation rather than skill. Among more than 35,000 US brokerage households, men traded 45% more than women, which cut men's annual net returns by 2.65 percentage points against 1.72 for women; single men traded 67% more than single women and lost 1.44 percentage points more per year [B.Barber, T.Odean 2001: 261]. This suggests that women's disadvantage lies less in the quality of decisions among those who invest than in whether they invest at all, consistent with the literacy-participation link above. These data cover 1991–1997, before digital platforms, so we advance a hypothesis: cultural barriers limit women's entry into modern investment instruments more than they distort the choices of women who enter.

Conclusion

In conclusion, we believe that the aim was achieved at the conceptual level. The evidence supports treating the female financial literacy gap as a product of culturally shaped confidence, household roles and risk attitudes, not only of knowledge deficits: the gap varies across countries, is only partly explained by education, income and marital status, and is linked to lower stock market participation. The two channels identified here give the study a testable structure. Two implications follow. For practice, we believe that financial education for women should build confidence and decision authority alongside technical knowledge. For research, the next step is to test the two channels on survey data that include digital investment instruments, for example by linking the digital financial literacy modules of the OECD/INFE surveys with national culture indicators. Until then, the participation hypothesis remains a hypothesis, not a finding.

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