

## Level of Financial Education in South-Eastern Europe

Alina Elena Ionascu

Alexandra Popa

Roxana Marcela Zaharia

“Ovidius” University of Constanta, Faculty of Economic Sciences, Romania

[alina\\_cerchia@yahoo.com](mailto:alina_cerchia@yahoo.com)

[alexandrapopa946@gmail.com](mailto:alexandrapopa946@gmail.com)

[z.roxanamarcela@yahoo.com](mailto:z.roxanamarcela@yahoo.com)

### Abstract

*Financial literacy refers to a person's knowledge and skills in managing personal finances and making wise financial decisions. Adequate financial education is essential for making informed choices and avoiding financial problems. The purpose of this academic article is to examine and analyse the importance and the impact of financial education in the current economic and social context. The article will explore the factors that influence the level of financial education and the barriers to implementing effective programs. The study aims to analyse the financial knowledge, behaviour and attitudes of people in South East Europe. The research methods provide an overview of the level of financial education in the South-East European regions, based on comparable data and rigorous analysis. The results of the study are the pillar for the developing effective financial education policies and programmes in the regions in order to make better decisions and ensure long-term financial security.*

**Key words:** financial literacy, financial instruments, household saving

**J.E.L. classification:** G53, G23, G51

### 1. Introduction

Financial education is a topic of major interest in the financial and economic field, with a significant impact on the individual and society as a whole. A good understanding of financial concepts and principles is crucial in making informed decisions and managing personal and business finances effectively. In recent decades, financial education has gained increasing attention and has been recognised as an essential tool for economic growth, financial stability and reducing social inequalities.

Previous studies and research have highlighted the benefits of financial education and its impact on individuals' financial behaviour. Individuals with a sound financial education are more likely to save responsibly, plan their budget, invest strategically and avoid excessive debt or risky financial decisions. Financial education has also been associated with increased personal savings, reduced debt, and improved individual financial stability and overall well-being. There is a wide range of financial knowledge and skills, from basic concepts such as managing a budget and saving, to a complex understanding of investments, taxes or long-term financial planning.

In addition, financial education is considered an important factor in developing entrepreneurship and entrepreneurship. People with a solid understanding of personal financial knowledge and debt management are more likely to succeed in starting and growing their own businesses. The ability to make informed decisions about financing, budget planning and cash flow management is crucial to entrepreneurial success and economic growth in general.

However, there are still significant gaps in financial education, both at individual, community and institutional levels. Some social and demographic groups, such as marginalised communities or low-income people, may have limited access to financial education and traditional financial services,

which can expose them to financial risk and exploitation. Thus, a comprehensive approach is needed to develop and implement effective and accessible financial education programmes that are inclusive and address the specific needs of different population groups.

By investigating and further understanding financial education, this article aims to make significant contributions to the development of financial education policy and practice, promoting financial stability, individual well-being and economic progress in society.

## 2. Literature review

Financial education is an essential tool for economic progress as it enables individuals and communities to make informed financial decisions. As Alan Greenspan, former Chairman of the Federal Reserve, noted, "the degree of financial literacy in a society is directly related to the economic success of that society" (Greenspan, A., 2002). Financial education enables individuals to understand and effectively manage their personal finances, including budgeting, saving and investing. It also enables them to make informed decisions when it comes to borrowing, such as taking out loans or using credit cards. By increasing financial literacy, individuals and communities can develop greater financial resilience and stability, which in turn can contribute to overall economic growth and development (Greenspan, A., 2002). Therefore, it is essential that financial literacy education be widely available and accessible, especially to marginalized communities and underserved populations. Improving financial literacy can be achieved through a variety of means, including financial education courses and programmes, specialised reading and online resources, attending seminars or consulting a professional financial planner.

The economic importance of financial education is a topic of growing importance in today's society. Financial education is the ability to understand and effectively manage one's finances, including knowledge of financial concepts and products such as stocks, bonds and insurance. According to a study by Lusardi and Mitchell (2014), there is a significant relationship between financial education and economic outcomes. The study found that people with higher levels of financial literacy are more likely to save, invest and plan for the future. They are also less likely to engage in risky financial behaviours, such as high levels of debt or taking out high-interest loans. Financially educated individuals are more likely to be financially secure in their later years, which is critical given that retirement savings are becoming increasingly important as traditional retirement plans become less common (Lusardi, A., Mitchell, O. S., 2014). The study also found that financial education is positively associated with wealth accumulation, as financially educated individuals are more likely to invest in stocks and other higher-yielding assets (Lusardi, A., Mitchell, O. S., 2014). Overall, the evidence suggests that financial education plays a crucial role in shaping economic outcomes, underscoring the need for more financial education programs to be made available to the general public.

Cupak's (2021) study has important implications for policy makers and educators. The findings suggest that efforts to improve financial education should focus on both individual characteristics, such as education, and institutional factors, such as the availability of financial education programs. Moreover, the study highlights the need for policymakers to consider differences in financial education across countries when designing financial education programmes. By taking into account the unique institutional and individual characteristics of each country, policymakers can design programmes that are better tailored to the needs of their citizens. In conclusion, the study by Cupak (2021) provides valuable insights into the factors that influence financial education in different countries. The authors found that both individual characteristics and institutional factors play an important role in determining financial literacy. The study findings have important implications for policymakers and educators and highlight the need for tailored financial education programs that take into account the unique characteristics of each country. Financial education is an essential component of financial literacy and plays a crucial role in shaping individuals as responsible and informed financial decision-makers.

As the global economy becomes increasingly complex and interconnected, the development of financial skills and knowledge becomes an imperative necessity to ensure individual and collective stability and well-being. The aim of this study is to analyse the level of financial literacy in the South-East European region, with a focus on the financial knowledge, behaviour and attitudes of the

population. By assessing these key issues, we aim to identify gaps and opportunities for improving financial education in the region, with the aim of promoting a healthy and sustainable financial culture. To better frame the importance of our study, it is useful to refer to experts and researchers in the field of financial education: Dr. Lewis Mandell, Professor Emeritus of Economics and Finance, points out that "financial education has a significant impact on the well-being of individuals and society as a whole. Sound financial skills not only help us make informed decisions and avoid financial risks, they also give us the tools we need to achieve our long-term financial goals" (Mandell, L., 2009).

The interplay between financial education, financial inclusion and financial stability has become increasingly important in today's high-tech age. According to Jonker and Kosse (2020), financial education and knowledge are essential for individuals to make informed financial decisions and avoid financial pitfalls. On the other hand, financial inclusion refers to the ability of individuals to access financial services and products. It has been shown that financial inclusion can promote economic growth and reduce poverty (Jonker, N. and Kosse, A., 2022). However, the rise of Big Tech companies in the financial sector has raised concerns about the impact on financial stability. Big Tech companies have the potential to disrupt traditional financial institutions, but also pose a threat to financial stability because of their size and interconnectedness (Jonker, N. and Kosse, A., 2022).

In light of these views and the impact that financial education has on the individual and society, our objectives are: To assess the current level of financial education in the South-East European region by analysing the financial knowledge, behaviour and attitudes of the population. Identify factors influencing the level of financial education and identify specific gaps requiring improvement. Propose directions and recommendations for financial education policies and programmes to support the development of financial skills in the region. By addressing these objectives, we aim to make significant contributions to promoting financial education in the South East Europe region and improving financial stability and individual well-being.

### **3. Research methodology**

The research methodology used in this study involved a secondary source approach. Data were taken from an international survey on financial education, coordinated by the Organisation for Economic Co-operation and Development (OECD) and the International Forum of Financial Education Experts (INFE). The survey involved the participation of 26 countries and economies, including 12 OECD member countries.

The data used in this study were collected through national surveys conducted in each participating country. These surveys used the OECD/INFE 2018 toolkit to ensure data comparability. Survey questions covered different aspects of financial education, including financial knowledge, behaviour and attitudes.

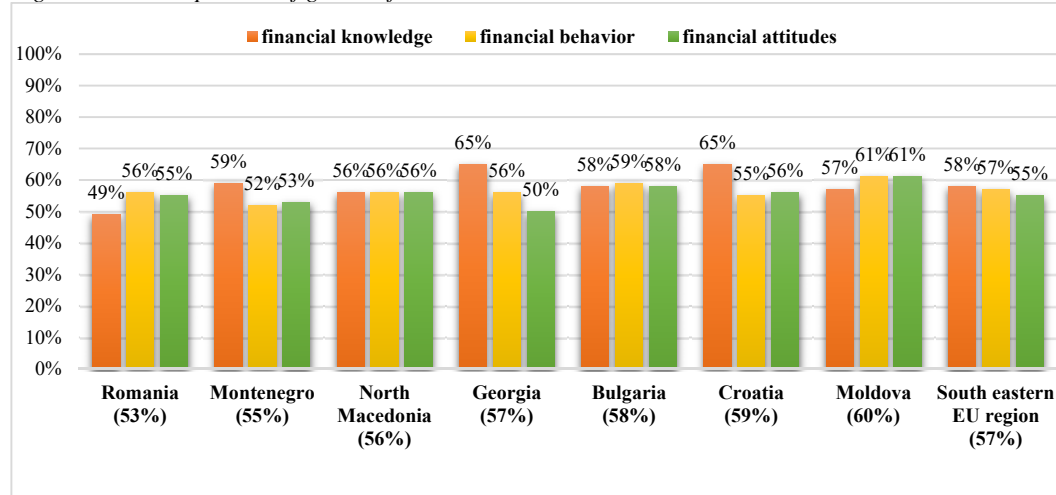
Appropriate statistical and analytical methods were used to analyse the data collected. These methods allowed the identification of differences and similarities in the level of financial education between countries and economies, as well as the assessment of financial knowledge, behaviour and attitudes within the South-East European region.

Using this research methodology, the study provided a detailed insight into the level of financial education in the South-East European region, based on comparable data and rigorous analysis. These results can serve as a basis for the development of effective financial education policies and programmes in the region.

### **4. Findings**

Financial literacy is a complex phenomenon, consisting of a combination of knowledge, attitudes and behaviours, as shown in Figure 1.

Figure no. 1. Components of general financial education



Source: (OECD, 2020)

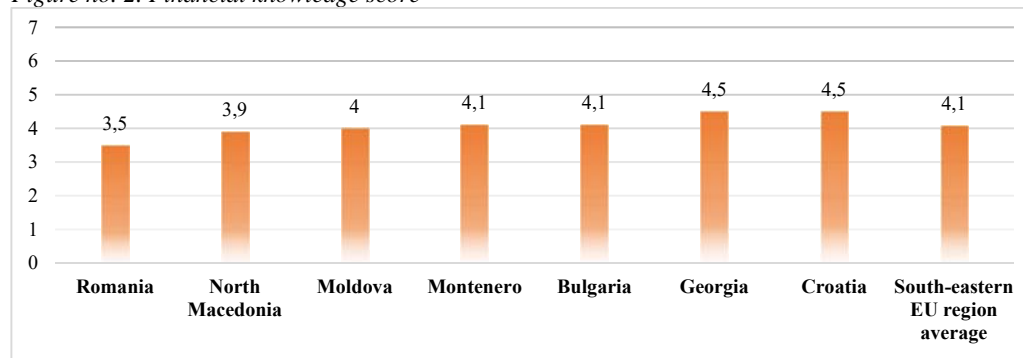
In terms of financial knowledge, Romania stands out with the lowest level, scoring 49%. This indicates the need for more attention to be paid to the provision of financial education in this country. In contrast, Georgia and Croatia score higher on financial knowledge, with 65% each. This suggests that these two countries are better prepared in terms of financial knowledge and could benefit from more advanced financial education programmes.

In terms of financial behaviour, Montenegro stands out for its more positive financial behaviour, scoring 59%. This indicates greater financial responsibility and more effective management of personal finances in this country. Bulgarians and Croatians also score highly on financial behaviour, with both countries scoring 58%. This suggests that people in these countries are adopting healthy financial habits and practices.

In terms of financial attitude, Bulgaria and Croatia show a more favourable financial attitude, both scoring 58%. This may indicate greater confidence in their own financial abilities and a positive attitude towards managing personal finances in these countries. Romania and South-East Europe score similarly on financial attitude, at 55%. This may indicate the need to improve attitudes and mindset towards personal finance management in this region.

This detailed analysis of the components of financial education in the South East Europe region shows that there are significant variations between countries in terms of financial knowledge, financial behaviour and financial attitudes. Thus, for Romania, these percentages represent a call to action to develop and implement effective financial education programmes and policies to improve the level of financial knowledge, behaviour and attitude among the population. By increasing the level of financial education, Romania can promote the financial well-being of individuals and contribute to the development of a more financially stable and resilient society.

Figure no. 2. Financial knowledge score



Source: (OECD, 2020)

Looking at financial literacy scores in the South-East Europe region, we can see significant differences between the countries analysed. Georgia and Croatia stand out with the highest scores in financial knowledge, both scoring 4.5. This suggests that the population in these countries has a more advanced level of preparation and understanding of financial concepts. This result can be attributed to efforts to promote financial education and the involvement of the education sector and government in developing citizens' financial skills.

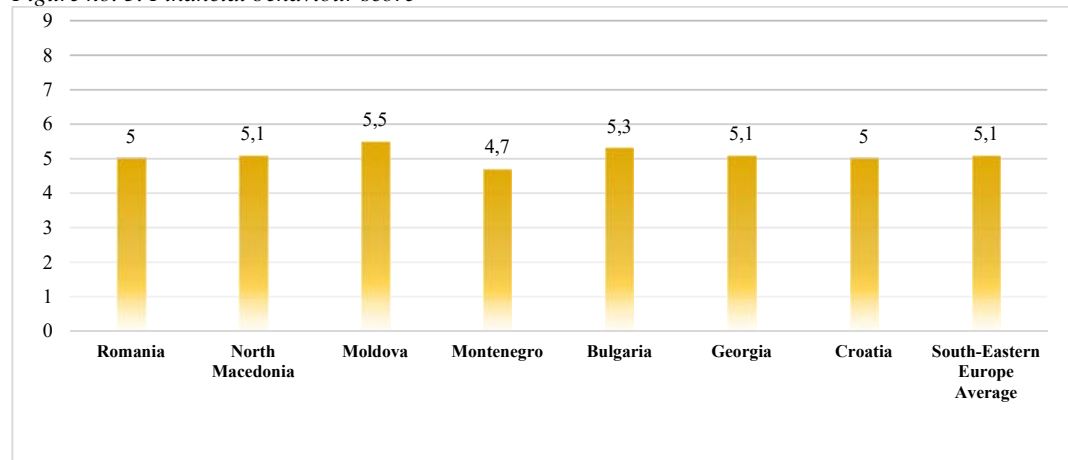
On the other hand, Romania scores lower than 3.5 in financial knowledge, indicating a lower level of financial literacy. This may be the result of a lack of emphasis or resources in financial education in the education system and in Romanian society in general. To improve this situation, more attention needs to be paid to financial education in schools, as well as the development of accessible educational programmes and resources for adults.

Moldova and Montenegro score 4 and 4.1 respectively in financial literacy. This indicates an average level of financial literacy in these countries. Improving these scores can be achieved by increasing accessibility to financial information and educational resources, encouraging participation in financial education programmes and creating an environment conducive to the development of financial skills.

Bulgaria scores 4.1 in financial literacy, indicating an average level of financial literacy in this country. Improving this score may involve implementing more advanced financial education programmes and promoting a culture of financial literacy among the population.

In conclusion, the analysis of financial literacy scores in the South-East European region reveals the need for more attention to financial education in most countries. There are significant variations in the level of financial literacy in this region, with Georgia and Croatia recording the highest scores and Romania the lowest. In order to improve the level of financial education, it is necessary to involve governments, educational institutions, non-governmental organisations and the private sector in the development and implementation of effective financial education programmes and initiatives.

Figure no. 3. Financial behaviour score



Source: (OECD, 2020)

The financial behaviour scores for the countries mentioned (Figure 3.) give an overview of the stage of development and financial behaviour of the population in the South-East European region. Assessment and analysis of these scores can provide insight into the level of understanding of financial concepts and the level of involvement in personal financial management.

Romania, with a score of 5, is in the average of the South-East European region in terms of financial behaviour. This score indicates an average understanding of financial concepts and a moderate level of involvement in managing personal finances. There is still room for improvement and for increasing financial education among the population.

North Macedonia and Georgia, both with scores of 5.1, are at a similar level in terms of financial behaviour. These countries indicate an average understanding of financial concepts and moderate involvement in managing personal finances. There are opportunities to promote financial education and encourage a more proactive and responsible approach to managing personal finances.

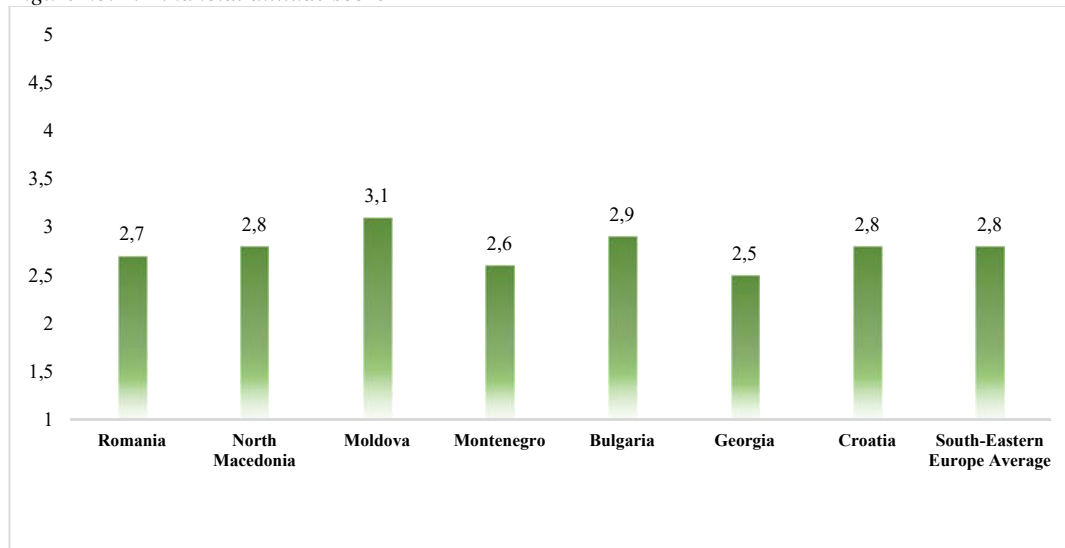
Moldova, with a score of 5.5, and Bulgaria, with a score of 5.3, rank slightly higher in terms of financial behaviour. These scores indicate a relatively higher understanding and involvement in managing personal finances compared to the other countries mentioned. However, there are still needs and opportunities for improvement and for promoting a sound financial culture among the population.

Croatia, with a score of 5, is at the average level of the region in terms of financial behaviour. This score indicates an average understanding of financial concepts and a moderate level of involvement in managing personal finances. There are opportunities for increasing financial literacy and encouraging more responsible and efficient financial behaviour.

Montenegro, with a score of 4.7, scores slightly lower on financial behaviour. This indicates possible needs and challenges in managing personal finances and understanding financial concepts. Financial education and support for the development of financial skills may be key aspects in promoting a healthy financial culture in this country.

Overall, these scores show that there are opportunities for improvement and for the promotion of more robust financial education in the South East Europe region. Developing financial skills and knowledge can contribute to improving people's financial behaviour and better managing their personal finances.

Figure no. 4. Financial attitude score



Source: (OECD, 2020)

The financial attitude scores for countries in the South East Europe region reflect the general level of understanding, involvement and behaviour regarding financial issues.

Assessing these scores can provide insight into the level of understanding, awareness and engagement in managing personal finances and financial decisions.

Romania, with a score of 2.7, and Montenegro, with a score of 2.6, have relatively low levels of financial attitude. These scores may indicate a need to improve understanding and involvement in personal finance management in these countries. Financial education and awareness can play an important role in improving people's financial attitudes.

Northern Macedonia, Croatia and the South-East Europe region score 2.8 on financial attitudes. These scores indicate similar levels of financial literacy, reflecting a general need to increase financial awareness and education in these countries and in the region as a whole.

Moldova, Bulgaria and Georgia, with scores of 3.1, 2.9 and 2.5 respectively, have slightly higher levels of financial attitude than the other countries mentioned. These scores may indicate a higher degree of understanding and involvement in personal finance management in these countries. However, there are still opportunities to improve and promote financial education to strengthen financial attitudes and responsible financial behaviour.

Overall, financial attitude scores in the South-East Europe region indicate the need to increase financial education and awareness to promote positive attitudes and responsible financial behaviour. Developing financial skills and increasing understanding can contribute to improving personal financial situation and better management of financial resources in this region.

## 5. Discussion and conclusions

Analysis of financial literacy scores in the South-East Europe region reveals a significant variation in the level of financial understanding and preparedness among the countries analysed. Georgia and Croatia stand out with the highest scores, indicating an advanced level of financial knowledge and a deep understanding of financial concepts. These results suggest the success of efforts to promote financial education and the involvement of the education sector and government in developing citizens' financial skills. The results of Georgia and Croatia can serve as best practice models for other countries in the region in promoting and implementing effective financial education.

However, Romania has a lower level of financial literacy compared to the best performers. The relatively lower score of 3.5 indicates a need for improvement in the financial understanding and preparation of the Romanian population. This can be attributed to a reduced emphasis on financial education in the education system and in Romanian society in general. To overcome these challenges, a broader and more coherent approach is needed in promoting financial education in schools and through the development of accessible educational programmes and resources for adults.

Romania's results can be compared with the best results achieved by Georgia and Croatia. A significant difference in the level of financial literacy can be observed, with Romania showing a clear deficit in the understanding and application of financial concepts. To improve this, the Romanian authorities need to give higher priority to financial education in the education system, develop and implement effective financial education programmes and promote a culture of financial literacy among the population.

The recommendations in this context aim to develop and strengthen financial education in Romania. First of all, the school curriculum needs to be revised to include specific content in the area of personal finance and responsible money management. It is also necessary to create partnerships between educational institutions, financial organisations and civil society in order to provide quality training programmes and educational resources tailored to the needs of the population.

At the same time, it is crucial to promote and facilitate access to relevant and reliable financial information for the population. Government authorities and financial institutions should work together to develop accessible online tools and platforms that provide practical financial advice and guidance to citizens.

It is also important to raise awareness and promote the benefits of responsible financial management among the population. Organising information and financial education campaigns in communities, in partnership with financial institutions and non-governmental organisations, can help to increase the involvement and responsible financial behaviour of the population.

To achieve these goals, effective coordination is needed between government institutions, educational institutions, financial organisations and civil society. A close and synergistic collaboration between these stakeholders can ensure the development and implementation of a coherent and sustainable financial education strategy in Romania, thus contributing to the improvement of the financial knowledge and behaviour of the population.

## 6. References

- Cupak, A., Habis, H. and Pokrivčák, J., 2021. Determinants of Financial Literacy: Evidence from Southeast Europe. *Journal of Consumer Affairs*, 55(1), pp. 235-261.
- European Union/OECD, 2022. *Financial competence framework for adults in the European Union*. [online] Available at: <https://www.oecd.org/daf/fin/financial-education/financial-competence-framework-for-adults-in-the-European-Union.pdf> [Accessed 01.06.2023].
- Greenspan, A., 2002. Financial Literacy: A Tool for Economic Progress. *The Futurist*, 36(5), pp. 14-15.

- Jonker, N. and Kosse, A., 2022. The interplay of financial education, financial inclusion and financial stability and the role of Big Tech. *Contemporary Economic Policy, Western Economic Association International*, vol. 40(4), pp. 612-635, <https://doi.org/10.1111/coep.12578> [Accessed 01.06.2023].
- Kotzé, L. and Smit, A. A., 2008. Personal financial literacy and personal debt management: The potential relationship with the creation of new businesses. *South African Journal of Entrepreneurship and Small Business Management*, vol. 1, no. 1, <https://doi.org/10.4102/sajesbm.v1i1.11> [Accessed 01.06.2023].
- Lusardi, A. and Mitchell, O. S., 2014. The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature*, 52(1), pp. 5-44, <https://doi.org/10.1257/jel.52.1.5> [Accessed 01.06.2023].
- Mandell, L., 2009. *The Impact of Financial Education on Individual and Societal Welfare*. Center for Financial Literacy, College of Education and Social Services, University of Vermont.
- OECD, 2018. *OECD/INFE Toolkit for Measuring Financial Literacy and Financial Inclusion*. [online] Available at: <https://www.oecd.org/financial/education/2018-INFE-FinLit-Measurement-Toolkit.pdf> [Accessed 01.06.2023].
- OECD, 2020. *Financial Literacy of Adults in South East Europe* [online] Available at: <https://www.oecd.org/daf/fin/financial-education/south-east-europe-financial-education.htm> [Accessed 01.06.2023].
- OECD, 2020. *OECD/INFE 2020 International Survey of Adult Financial Literacy*. [online] Available at: [www.oecd.org/financial/education/launchoftheoecdinfe-global-financial-literacy-survey-report.htm](http://www.oecd.org/financial/education/launchoftheoecdinfe-global-financial-literacy-survey-report.htm) [Accessed 01.06.2023].