

**FINANCIAL LITERACY: TENDENCIES,
CHALLENGES AND APPROACHES****Изотова Лариса Александровна, преподаватель,****Евтушик Юлия Сергеевна, студент****Полесский государственный университет**

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Аннотация. Financial literacy refers to the knowledge and understanding of various financial concepts and skills necessary to make informed financial decisions. The effectiveness of the national financial programs of the CIS countries has been analyzed and recommendations for improving the financial literacy were given.

Ключевые слова: financial literacy, financial market, income, budget, financial behavior.

The financial market is constantly developing in the modern world and the questions about the financial literacy of the population are very relevant as the ignorance of the basic principles of the functioning of a market economy by the population is a prerequisite for most economic and social problems, both of the whole society and of individual citizens.

Financial literacy refers to the knowledge and understanding of various financial concepts and skills that are necessary to make informed and effective decisions regarding personal finances. It involves having the ability to manage money, budget, to save, invest, and understand financial products and services. Financial literacy helps individuals make informed choices about their financial well-being, such as understanding the importance of saving for retirement, managing debt, and making wise investment decisions. It is an essential skill set for individuals to navigate the complex world of personal finance and achieve financial stability and success [1].

Knowledge of financial literacy and the ability to use it in practice enables a person to competently manage their money, that is, to keep records of income and expenses, avoid debts, plan a personal budget, create savings as well as navigate the complex products offered by financial institutions.

One of the most striking examples of the low level of financial literacy of the population is the illiterate use of their funds, which leads borrowers to an unfavorable financial situation. Many people without paying off the previous loan take new loans and so on. As a result, the demand for lending increases, and this, in turn, gives impetus to the growth of prices for goods, but the wages of the population, as a rule, remain at the same level. On the basis of such processes, the economy receives a low welfare of its citizens and a high rate of inflation.

Thus, it can be concluded that improving the financial literacy of the population is an extremely urgent task that is analyzed and monitored at the highest state level. The Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus have developed the program of the financial literacy to improve the financial literacy of the population. The program is designed for five years (2019-2024) [2]. At present, not only the government pays attention to the issues of financial literacy of the population, but also financial and credit institutions that give lectures at higher educational institutions, various supervising institutions that arrange all kinds of lectures and seminars available to the population, as well as financial and economic educational institutions of the country. Thus, the financial literacy plays an important role and has a direct impact not only on individual borrowers, but also on the economy of the state as a whole.

The purpose of the research is to analyze the importance of the financial literacy of the population of the Commonwealth of Independent States, to measure effectiveness of the national financial program and give recommendations for improving the financial literacy of the Republic of Belarus and the CIS countries.

The Organization for Economic Cooperation and Development (OECD) conducts researches of financial literacy of the CIS countries every 3 years. According to the OECD the financial literacy consists of three main components such as financial knowledge, financial behavior and financial attitude. The OECD grades all of these elements and summed up score ranges from 1 to 21: financial knowledge (0-7), financial behavior (0-9) and financial attitude (1-5). The highest scores can be received only in case of clear understanding of the financial aspects of life by respondents while the low scores demonstrate a lack of essential financial knowledges of the population.

The survey is designed according to answers about finance of 1000 participants from each CIS country, and the main scores are reflected in table 1 and graphically processed with figure 1.

Table 1. – Financial Literacy Levels in the Commonwealth of Independent States

Country	Number of respondents	Financial literacy, score	Financial knowledge, score	Financial behavior, score	Financial attitude, score
Armenia	1000	11.2	3.5	5.1	2.6
Azerbaijan	1000	9.6	2.4	4.8	2.4
Belarus	1000	12.9	4.5	5.8	2.6
Kazakhstan	1000	12.5	4.2	5.9	2.4
Kyrgyz Republic	1000	11.6	3.2	5.9	2.5
Russian Federation	1000	12.5	4.1	5.8	2.6
Tajikistan	1000	10.7	3.0	5.4	2.4
Uzbekistan	1000	12.6	3.6	6.2	2.8
Average CIS	8000	11.7	3.6	5.6	2.5

Source: [2]

According to the systematized data it can be concluded that Azerbaijan has the lowest financial literacy score of all CIS countries which means that financial education campaigns are least effective in comparison to other participants. The highest place in

ranking belongs to the Republic of Belarus. Uzbekistan and Kazakhstan are joining to Belarus as top 3 most financially educated states.

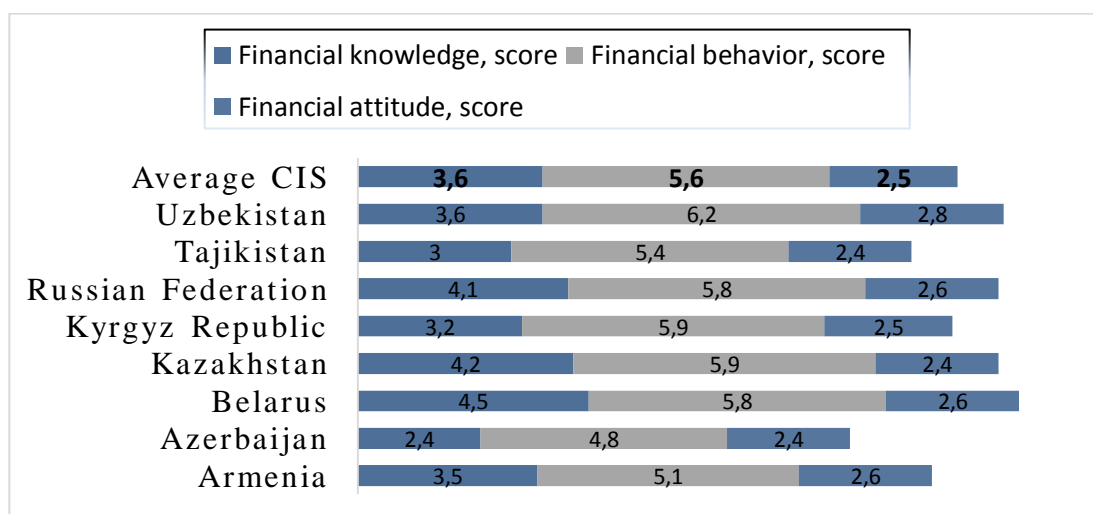


Figure 1. – Financial literacy scores in the CIS [2]

The level of financial education of the respondents compared to ideal circumstances normalized to 100% has been analyzed (table 2, figures 2 and 3).

Table 2. – Financial Literacy Levels in the Commonwealth of Independent States in 2021, normalized to 100%

Country	Financial literacy, score (21=100%)	Financial knowledge, score (7=100%)	Financial behavior, score (9=100%)	Financial attitude, score (5=100%)
Armenia	53.4	49.9	56.8	52.4
Azerbaijan	45.9	35.0	53.8	47.2
Belarus	61.4	64.3	64.5	51.6
Kazakhstan	59.6	60.0	65.4	48.6
Kyrgyz Republic	55.4	46.3	65.7	49.4
Russian Federation	59.4	58.7	64.4	51.3
Tajikistan	51.1	42.9	59.7	47.3
Uzbekistan	59.9	51.3	68.4	56.6
Average CIS	55.8	51.1	62.3	50.5

Source: [3]

According to the data given it should be mentioned that more than half of the population (55.8%) knows how to manage their money correctly and other 44.2% of people who use money are unable to control their money flows properly.

The level of knowledge among individuals was found to be moderate, with an average score of 51.1% out of the total possible score. Surprisingly, only 29.3% of respondents in the CIS were capable of performing a simple interest calculation. Furthermore, a mere 14.4% of respondents demonstrated an understanding of both simple and compound interest, which are fundamental concepts that greatly impact financial manage-

ment and savings accumulation. It should be noticed that only 31% of surveyed adults achieved a minimum target score of 5 or even higher (equivalent to 70%).

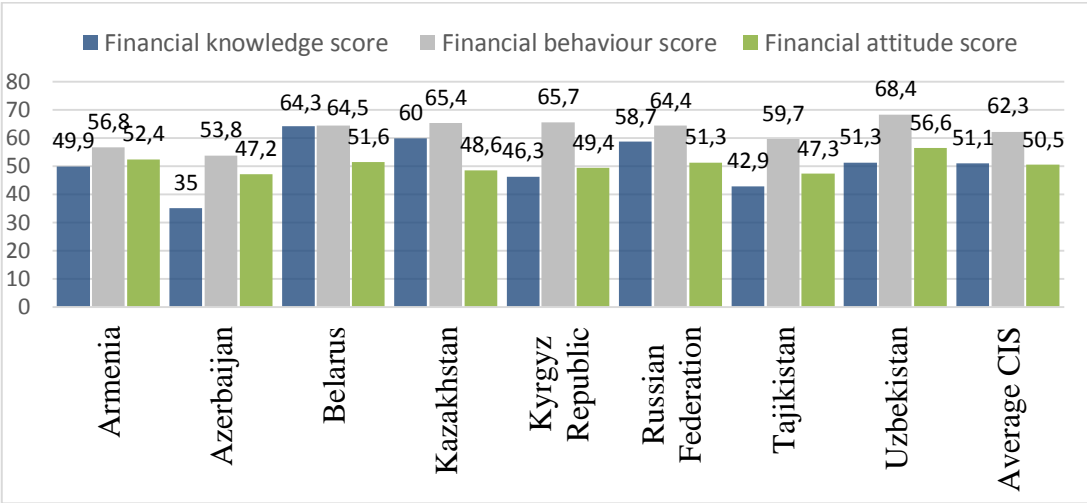


Figure 2. – Financial literacy scores in the CIS, normalized to 100% [3]

According to the data given it can be concluded that self-assessment of knowledge among surveyed adults revealed that 19% of respondents considered their knowledge to be high, while 66% perceived it as average, while 16% of them found their own knowledge to be poor.

When it comes to financial behavior, the average obtained score across the entire sample was 5.6 out of 9, representing 62.3% of the maximum possible score. Key behavioral concepts encompass saving, long-term planning, and maintaining control over respondent's finances. Encouragingly, a majority of adults in the CIS (55.4%) were able to achieve the minimum target behavior score, indicating their recognition and implementation of these crucial concepts.

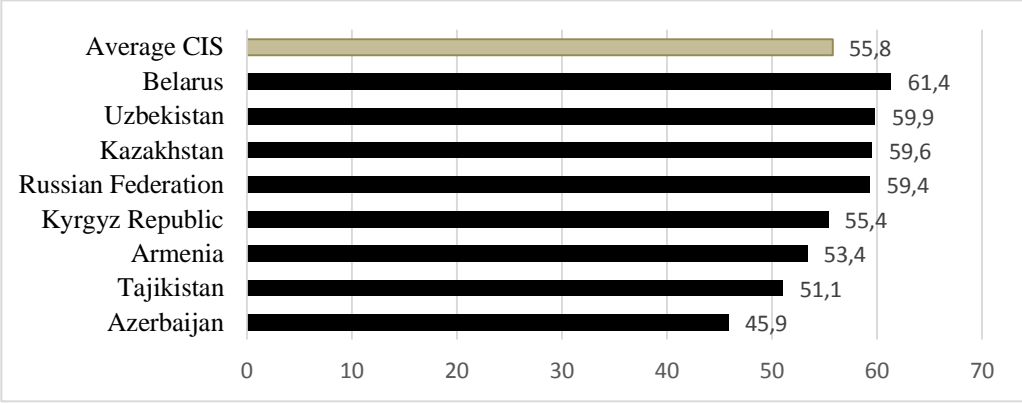


Figure 3. – Financial literacy scores in the CIS, normalized to 100% [3]

In terms of attitudes towards finance, the average obtained score in the CIS was 2.5 out of 5. This score rewards individuals who exhibit long-term attitudes towards financial matters. However, only 25% of respondents attained the minimum target attitude score, indicating that the vast majority of individuals surveyed currently possess short-term attitudes towards finance.

There are several problems associated with increasing levels of financial education. The first one and the most important is lack of access to financial education. Many individuals, especially those from low-income backgrounds or marginalized communities, may not have access to correct financial education resources. This lack of access can hinder their ability to learn and improve their financial literacy.

The second issue to be mentioned is complexity of financial concepts. Financial education often involves complex concepts and terminology that can be difficult to understand. Thus, this complexity can act as a barrier to effective financial education.

Addressing these problems requires a multi-faceted approach that includes such method as incorporating financial literacy into the education system. Introducing financial literacy courses at various educational levels can provide individuals with essential money management skills from a young age. What is more, establishing online platforms, workshops and seminars where individuals can access relevant financial information and resources can empower them to make informed decisions.

Promoting public awareness campaigns is another step to financial literacy of the population. Raising awareness about the importance of financial literacy through media campaigns, community events and collaborations with non-profit organizations can encourage individuals to seek financial education. In addition, collaborating with banks, credit unions, and other financial institutions can facilitate the provision of financial literacy programs, workshops and counseling services to their customers.

Thus, it can be concluded that only approaches based on thoughtful intervention of the accumulated world experience in improving financial literacy will allow to overcome in the shortest possible time the emerging lag in financial education issues and will create a basis for successful development in the future. Whatever the specific goal may be, the benefits of financial literacy will improve living standards and confidence in the future, stability and prosperity of the economy and society as a whole.

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