

RESEARCH OF THE LEVEL AND NEED FOR FINANCIAL EDUCATION

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Abstract. In this article, the authors conducted a study regarding the level and need for financial education of ULS Timisoara students and graduates. The research was based on the analysis of the results obtained through the application of a questionnaire which sought to identify the main problems they faced when managing their income and expenditure budget, the level of understanding regarding the control and management of expenses, the level of understanding and use of savings, products and investment instruments related to the multiplication of money, but also the level of awareness regarding the need for financial education.

Keywords: financial education, budget, savings, credits

INTRODUCTION

The changes ensued in the economy and society emphasize the need for financial education [1,17]. Financial education is the process by which, based on objective information, instruction or advice, consumers develop the skills and confidence to become aware of financial risks and opportunities.

In 2018, a collaboration agreement was reached between the Ministry of National Education, the National Bank of Romania, the Ministry of Public Finance, the Financial Supervisory Authority and the Romanian Association of Banks with the aim of carrying out joint activities regarding financial education in order to develop the National Financial Education Strategy (“NFES”). In order to improve the level of financial education among students and adults in Romania, the project of the National Financial Education Strategy 2023-2030 was adopted in 2023. The purpose of the strategy was outlined, namely its specific objectives, but also the actions that will be undertaken between 2023 and 2030 [18].

The definition of financial education at an international level, which appears explained in the strategy, given by the Organization for Economic Co-operation and Development, is “the process by which consumers of financial products/investors improve their level of understanding of financial products, concepts and risks, after which through objective information, training and/or advice, they can develop the skills and self-confidence needed to be aware of financial risks and opportunities, to make informed decisions, to know where to seek support and to take other kinds of effective action for improving the level of financial well-being” [18].

The year 2020 is the year in which the European Union started to take steps in establishing the European framework of financial education, this aspect being afterwards discussed in the central European structures. “Strengthening the financial resilience of households in Europe - Discussion Paper for the Government Expert Group on Retail Financial Services” was the working document whose aim was financial education. This document was addressed to the member states, which considered that financial education is a necessity and a priority of the European Commission [10].

Recently, the need for financial education is increasing, because many people, especially young people, fail to save, while other people spend money on goods or services that they cannot afford. Thus, more and more people have difficulties in noticing financial education’s role in their lives [4,5]. Studies aiming for financial literacy are expanding, an idea supported by over a thousand studies found in the specialized literature published

within this subject (financial education) [8]. In Lusardi's understanding, financial education is considered the essential tool “for anyone who wants to be able to succeed in today’s society, make sound financial decisions and ultimately be a good citizen” [2]. Starcek and Trunk value financial education and training, to which other individual skills are considered extremely important as a consequence of the global dynamics of the financial market. The result can be observed within the increasingly complex financial needs of the population [7].

In Romania, financial education occurs at a very low level. For example, according to a Standard & Poor’s study published in 2014, the degree of financial education in Romania is at the lowest level in the European Union [13,16]. Therefore, when a person is informed in terms of financial education, it will be much easier for them to make well-informed financial decisions. If such people constitute the majority in a society as a result of the good financial decisions they have made, they will help the state develop (in terms of GDP/capita). Another example that confirms that our country has a low level in terms of financial education is provided by the latest research done by Erste Group, which shows that a quarter of the Romanian population does not save at all, 17% prioritize saving, and the rest of the Romanian population places aside the money they have left at the end of the month or year [12,14]. Financial education programs are essential because they help people understand financial concepts, and more than that, to be able to use them practically. It is important to carefully plan and organize one’s personal budget, create a savings plan and an investment plan, but also make smart decisions to satisfy one’s needs and desires [11,15].

This article aims to present the importance of financial education in our lives, especially when we are in a strained situation, such as the one caused by COVID 19, so that fear and panic do not affect us and we are thus able to search for solutions. The general objective here is to analyze the level and need for financial education of ULS Timisoara students and graduates.

MATERIALS AND METHODS

The research was based on researching bibliographic material, respectively specialized books, studies, articles and works. The research involved the application of a questionnaire to assess the level and need for financial education of USVT students and graduates.

The questionnaire analyzed in the article was created following the steps shown in Figure 1 [3].

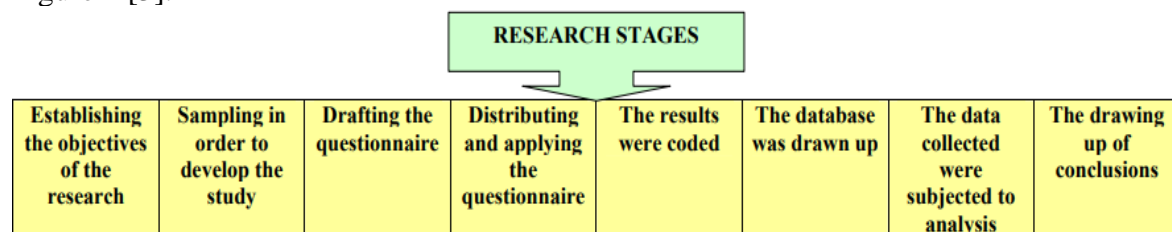


Figure 1. Research stages

The questionnaire was distributed electronically and was completed by 218 respondents, graduates and students of ULS Timisoara. The questionnaire developed with Google Forms was applied in October 2023 on an online basis. The questionnaire involved a number of 18 items and was mapped with the aim of identifying the most important problems encountered by them in the efficient management of their income and expenditure budget, their level of understanding regarding the control and management of expenditure, which is the stage of understanding and using products and instruments for

saving and investing with the aim of multiplying money, as well as the level of recognition of the importance and role of financial education. The processing of the collected data was carried out using the Excel program. The completion of the analysis culminated with the centralization of the collected data, highlighting of weights for the survey questions and diagrams were also created.

RESEARCH RESULTS

Financial education is an important component for us nowadays, money management skills are essential among the population and especially among young people. The budget, expenses, investments and savings are basic elements in financial education, which must be implemented even starting in one's early school years [6,9]. Currently, there are more and more banking products destined for young people, therefore the ability to manage money and the ability to make relevant decisions are becoming essential elements in the everyday life. In recent years, financial education subjects have been implemented in schools in Romania since secondary school [16]. Also, there are more and more manuals, materials and studies that come to the aid of young people, parents and children. In this sense, we can affirm that things are evolving and initiatives are being taken for the development of this field.

The set of questions from the questionnaire and the results are presented below.

1. What is your age?

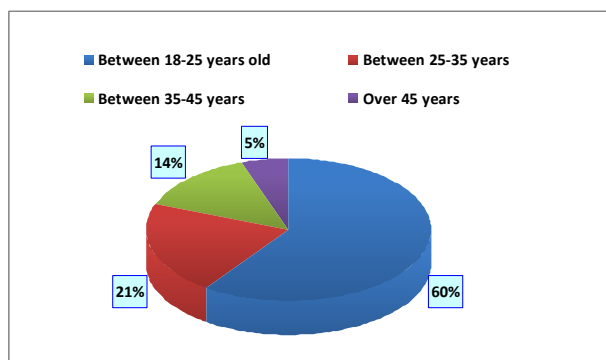


Figure 2. Share of respondents by age

As we can see, most of the people who participated in this study are between 18 and 25 years old. An age segment with many opportunities and risks in terms of financial order.

2. What is your occupation?

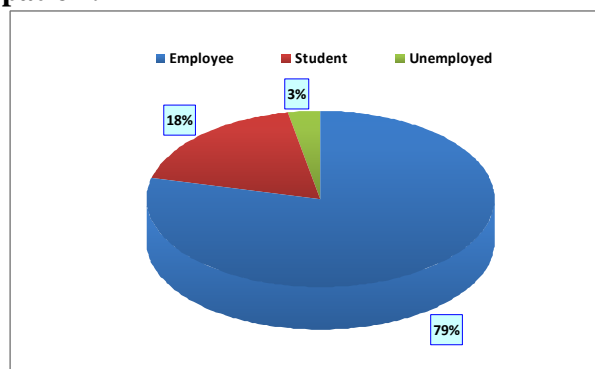


Figure 3. Share of respondents by occupation

According to the chart, 79% of the respondents have a job, therefore they have a stable income, 18% are students, and 3% are unemployed.

3. Do you consider yourself a financially independent person?

When asked if they consider themselves a financially independent person, 62% answered affirmatively and 38% negatively.

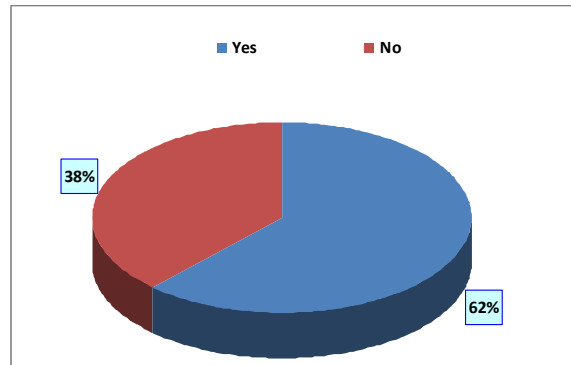


Figure 4. Share of respondents according to financial independence

4. Are you aware of the need for financial education?

Most of the students and graduates are aware of the need for financial education, both among the population and among young people. On the other hand, 1% of the answers are negative, believing that it does not bring any benefit.

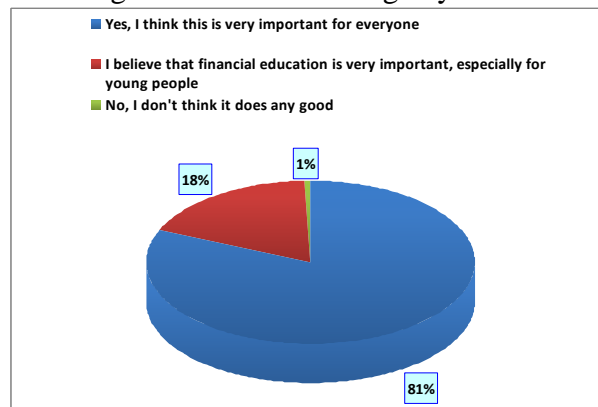


Figure 5. Awareness of the need for financial education

5. What is your level of financial education?

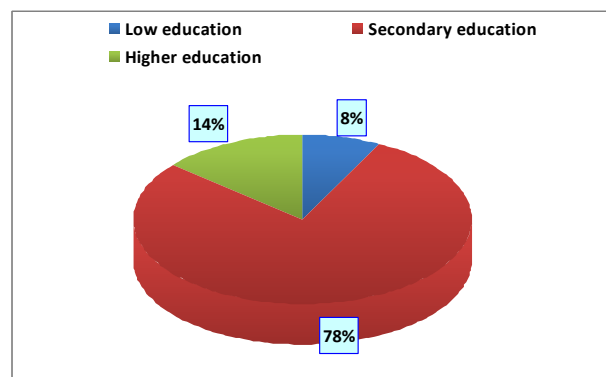


Figure 6. Share of respondents after assessing the level of financial education

79% of the participants in the questionnaire consider themselves at an average level in terms of financial education. 14% have a higher level, and at the opposite pole, 7% consider that their acquired financial education level is low.

6. What kind of sources of income do you have?

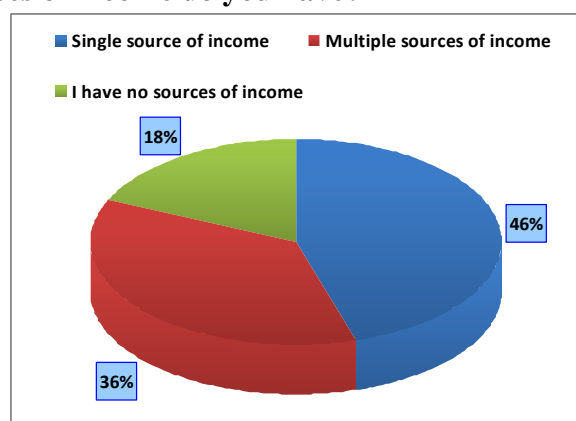


Figure 7. Share of respondents by source of income

According to the chart, the vast majority state that they have a single source of income, while 36% enjoy multiple sources of income.

7. What is your main source of income?

Half of the respondents have the monthly salary as their main source of income. 26% have passive income and 1% have pension as their source of income. At the same time, 23% do not have a monthly income.

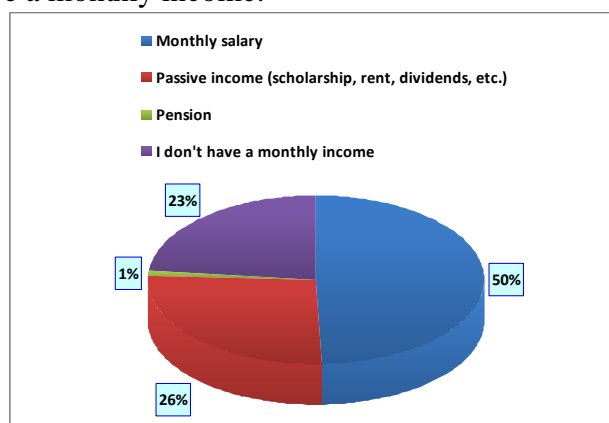


Figure 8. The share of respondents according to the main source of income

8. Does your monthly income allow you to save a certain amount of money each month?

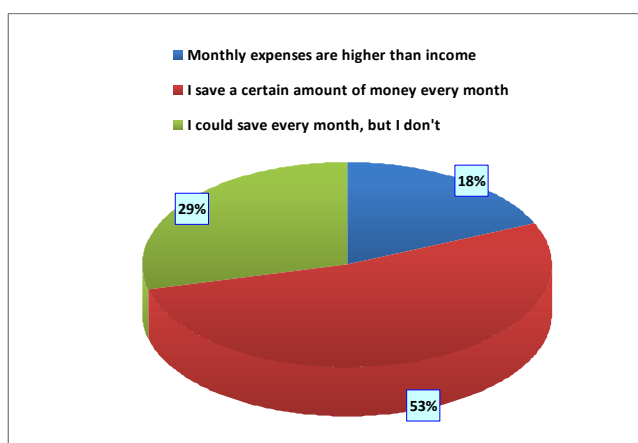


Figure 9. Share of respondents according to the possibility of saving

A very important aspect is the fact that 53% of the participants in the questionnaire save an amount of money every month, and 29% could do so, but choose not to. But, on the other hand, 18% state that they have much higher expenses than income, which does not allow them to save monthly.

9. Have you ever encountered the problems that could arise due to the lack of financial education?

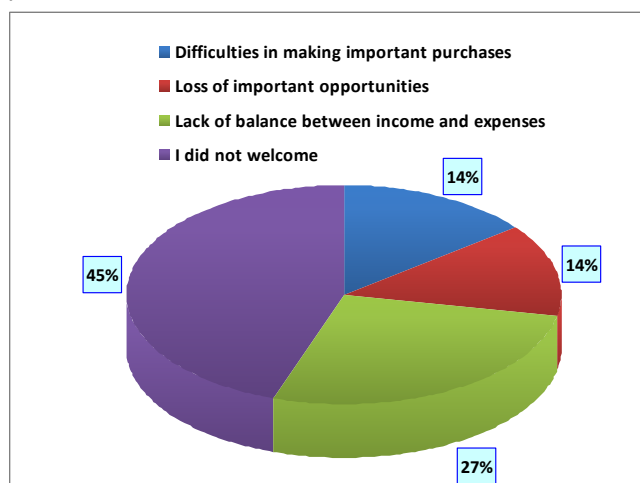


Figure 10. The share of respondents in terms of the problems due to the lack of financial education

Most of the students and graduates (45%) have so far not encountered problems due to the lack of financial education. But 55% of people encountered problems such as: lack of balance between income and expenses, loss of opportunities or difficulties regarding important purchases.

10. Do you track and plan your budget regularly?

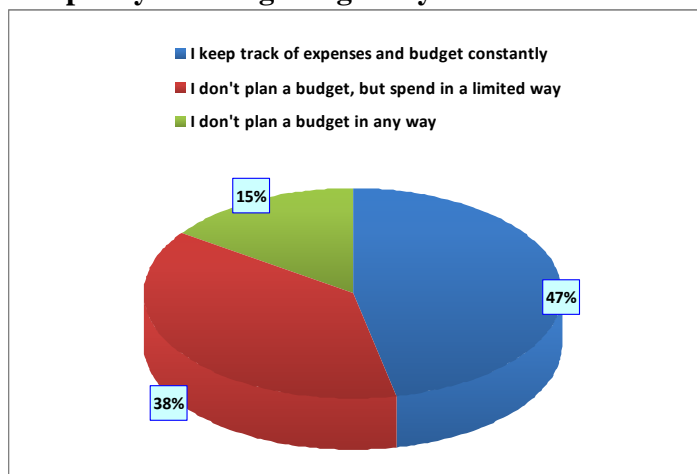


Figure 11. The share of respondents after the budget plan

Approximately half of the respondents constantly keep track of their own budget and expenses, 38% choose to spend in a limited way even if they do not constantly keep track of the budget, and 15% do not plan their budget in any way.

11. Do you have the ability to manage your own finances?

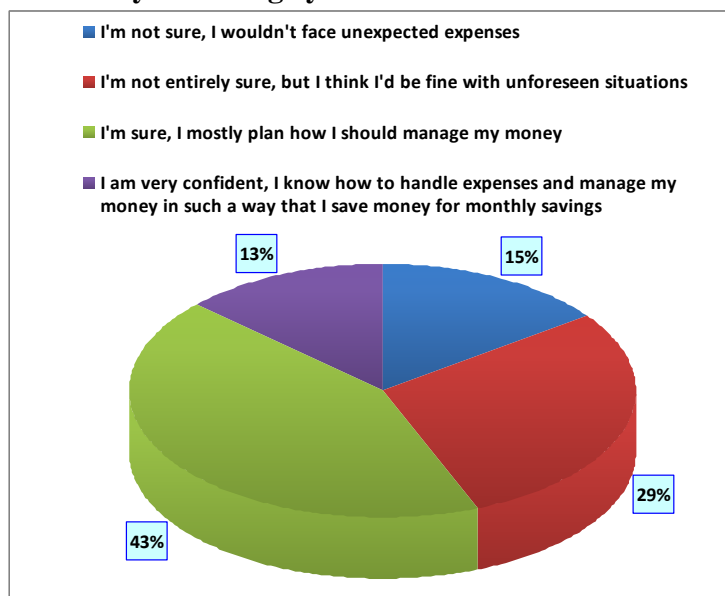


Figure 12. Share of respondents according to the ability to manage their own finances

A pleasant aspect in this regard is the fact that more than 50% of the participants in the questionnaire have the necessary ability to manage their own finances. However, 15% of people are not sure that they can manage their finances in such a way as to face unforeseen expenses.

12. Have you ever tracked how much you spend from one month to the next?

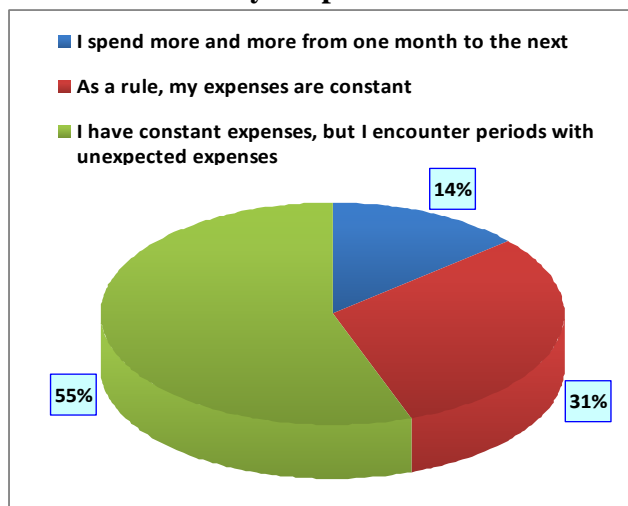


Figure 13. Share of respondents after managing expenses

As we can see, most of them have constant expenses, but over 55% of the respondents have periods with unforeseen expenses, and 14% confirm that they spend more and more from one month to the next.

13. Do you consciously spend money on things that do not bring you any benefit?

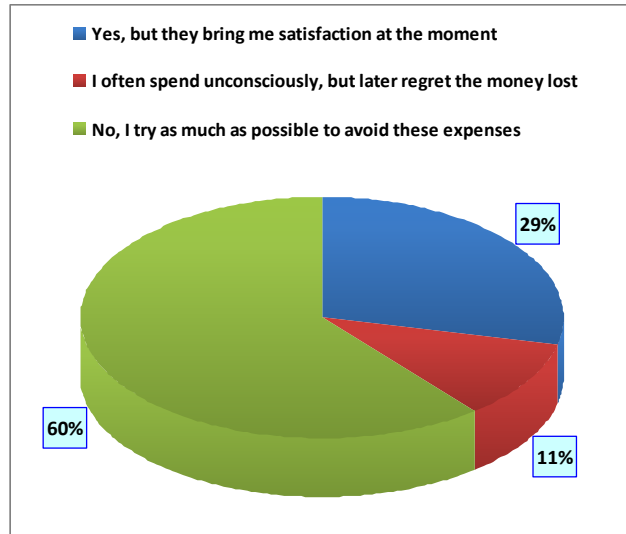


Figure 14. Share of respondents who consciously spend on things that do not bring any benefit

To the question related to conscious spending on things that do not bring any benefit, 29% of respondents answered affirmatively and 60% answered negatively.

14. Are you interested in financial topics?

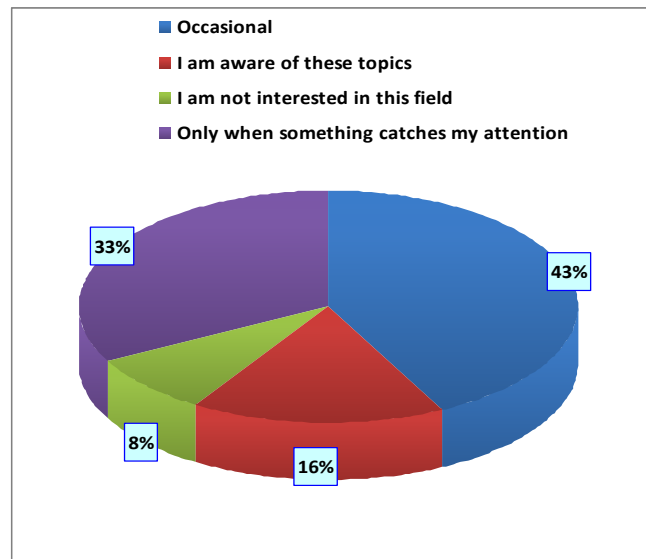


Figure 15. Share of respondents regarding information related to financial topics

The question related to information about financial topics was answered occasionally by 43% of respondents, 33% only when it was brought to their attention and only 16% are constantly aware of financial topics.

15. What is your information channel regarding financial education?

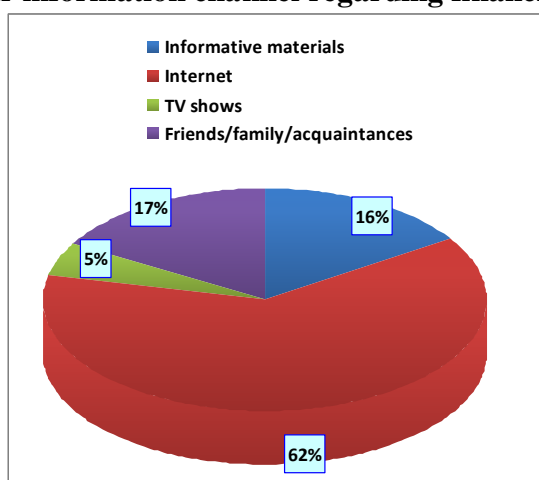


Figure 16. Share of respondents regarding the information channel related to financial education

The answers to this question related to the information channel were structured as follows: 62% internet, 17% friends/family and 16% informative materials.

16. For which of the following banking products do you have a higher degree of knowledge?

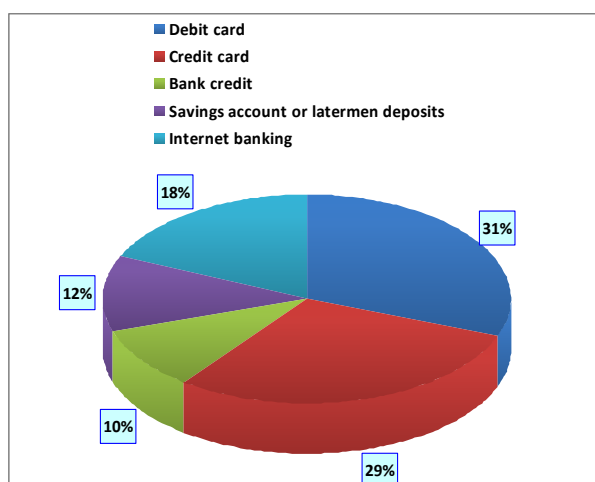


Figure 17. Share of respondents according to the degree of knowledge about banking products

Among those who responded to the survey, 31% know the benefits of the debit card, 29% know about credit cards, 18% know about internet banking, 12% about saving and only 10% about bank loans.

17. Do you consider that public institutions, such as schools, have an important role in financial education?

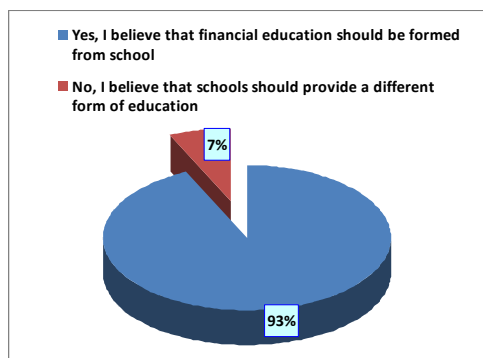


Figure 18. The share of respondents on the importance of public institutions on financial education

93% of those surveyed believe that financial education should be handled in school. Financial literacy needs to be addressed collectively, nationally as an educational strategy, while educating youth about money management is essential for future success.

18. Do you want to further develop your financial education in the future?

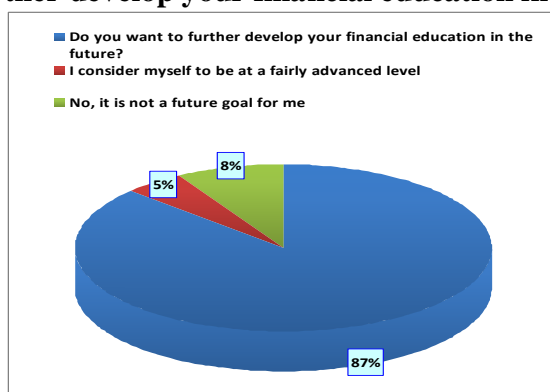


Figure 19. Share of respondents according to the desire to develop financial education

87% of the answers are positive and support the fact that they want development in this field. On the other hand, 8% of the respondents do not believe this will be on of their future endeavors and do not want development in this sense.

CONCLUSIONS

Following the answers received through the questionnaire addressed to ULS Timisoara students and graduates, we could easily notice that most of the answers were positive and most of the respondents are aware of the need for financial education in everyday life.

Through this questionnaire, we were able to observe the main problems encountered in the efficient management of the income and expenditure budget, but we were also able to observe the fact that a large part of the respondents have not encountered such obstacles until now.

We believe that financial education in Romania needs to be supported by organizing awareness campaigns combined with certain learning tools, with strategies aimed at behavioral changes in financial management.

We recommend that those engaged in financial counseling and education enrich their tools with personalized educational materials focused on clients at various stages of the life cycle, with financial information and knowledge that will have a great impact on consumers who will make the best decisions, and will contribute to the development of the

community. Therefore, we can observe the fact that people are aware of the importance and need for financial education and most of them want to develop this financial aspect in the future.

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