

STUDY REGARDING THE FINANCIAL PERCEPTION AMONG THE POPULATION OF ROMANIA

CÎNPEANU CRISTINA-ANAMARIA¹, CĂȚĂNAȘ ANDREEA-LAVINIA¹,
BULVĂNESCU NAOMI-SMARANDA¹, ROTARIU LIA², TONEA ELENA^{2*}

¹University of Life Sciences "King Mihai I" from Timișoara, Faculty of Engineering and Applied Technologies, Timișoara, Romania

²University of Life Sciences "King Mihai I" from Timișoara, Faculty of Management and Rural Tourism, Timișoara, Romania

*Corresponding author's e-mail: elenatonea@usvt.ro

Abstract: Financial education produces a sense of control over each person's finances, while also using money as a tool to make free choices that create greater satisfaction in life. The aim of this study is to observe the difference in the perception of financial education between Romanians who live in rural areas and those who live in urban areas, also the preferences of Romanians in terms of saving and investing money.

Key words: financial, education, investments, expenses, income

INTRODUCTION

A recent definition of financial well-being (FWB) by Bruggen et al. (2017:2) is: "the perception of being able to sustain current and anticipated desired living standard and financial freedom" [6]. This definition has a certain rate of subjectivity because it depends on how each person feels and perceives this financial comfort. An essential indicator of people's ability to make financial decisions is their level of financial literacy [11].

Financial education is one of the most actual topics that everyone should be aware of. This type of education teaches individuals how to manage their personal finances, make smart investments, and develop a better understanding of the financial world. With the increasing complexity of the financial world, it has become imperative for individuals to have a solid foundation in financial literacy because it helps them make informed decisions and avoid common financial pitfalls such as debt, overspending, and bad investments. In both developing and developed countries, awareness of the importance of financial education has gained momentum among policymakers, leading in particular to the development of an increasing number of tailored national strategies for financial education in recent years [1].

In order to increase the level of financial education of the population, the one who has the necessary resources is the state, through its institutions. The Ministry of Education has an important role because it is responsible for modifying the national curriculum at all levels of education. Institutions in the field of financial supervision can contribute by producing informative materials for the general public and through various partnerships with public or private entities [14].

The level of knowledge about financial education and understanding of the concepts of saving and investing is particularly low in many countries [9]. Changes such as the shift from defined benefit pensions to defined contribution pensions have led to an additional responsibility on people to be more careful about retirement planning [7,10]. In Romania, due to the lack of understanding of the major importance of education in the personal development of an individual and, implicitly, of society, there are many schools that do not have funding, support, or interest from the town halls. They also do not provide support in terms of providing adequate infrastructure for quality education or at least comparable to those in urban areas, so people in rural areas are at a disadvantage in terms of education from the very beginning [3].

A survey conducted with the name "I learn what's good for me! – developing

knowledge, skills and healthy values for children from rural communities", carried out by World Vision Romania showed the positive image that students from rural communities have on financial education. Thus, 54% of the secondary school students from rural areas who participated believe that a financially educated person knows how to use their money so that it reaches them from one month to the next, and around 49% believe that a financially educated person is a person who can pay their bills on time, has money for daily living, but he also saves money [15].

MATERIALS AND METHODS

The research began by analyzing the already existing studies, from which we managed to get an overview of the current information on the notion of financial education. Given Romania's relatively poor performance from the perspective of financial literacy, both those in the public and private sectors show interest in what the current implementation of various initiatives and solutions to address this problem represents [12].

The term "financial independence" is used more and more often in Romania, more precisely about how to retire early and not depend on salary or pension [12]. Thus, the first financial education courses appeared on the market only a few years ago, unlike Western countries. These initiatives have emerged since 2015 [5]. The ones that stood out were: the "Fluent in finance" program of the Bucharest Stock Exchange, the "Money school" program of Romanian Commercial Bank, launched in 2019, also "Vocational Training and Financial Education" in 2016 [5].

The study starts from the premise that the perception of the level of financial education shows that people living in rural areas have a lower level than people living in urban areas, this being due to the low standard of living and the harder access to education.

In order to show this perception of the level of financial education of Romanians, we created a questionnaire that we addressed to both people residing in cities and those residing in villages; respondents: 47.7% from rural areas; 52.3% of the urban area (Table 1). This questionnaire was completed by the participants online. We got 363 responses.

RESEARCH RESULTS

Analyzing the data collected, the number of respondents who live in urban areas with those who live in rural areas turned out to be approximately equal (Figure 1).

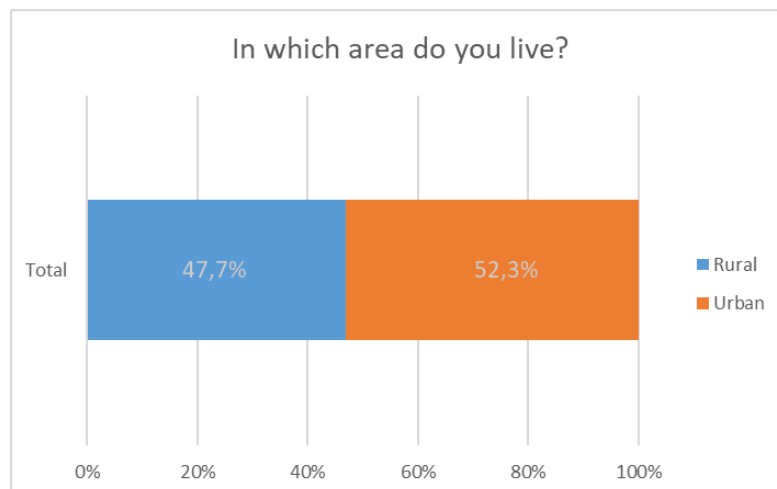


Figure 1. The percentage of residents from the rural area and those from the urban area

According to the data collected, it turned out that a higher percentage (26.18%) of people who have not heard of financial education is represented by those in urban areas, compared to those in rural areas (18.71%) (Figure 2).

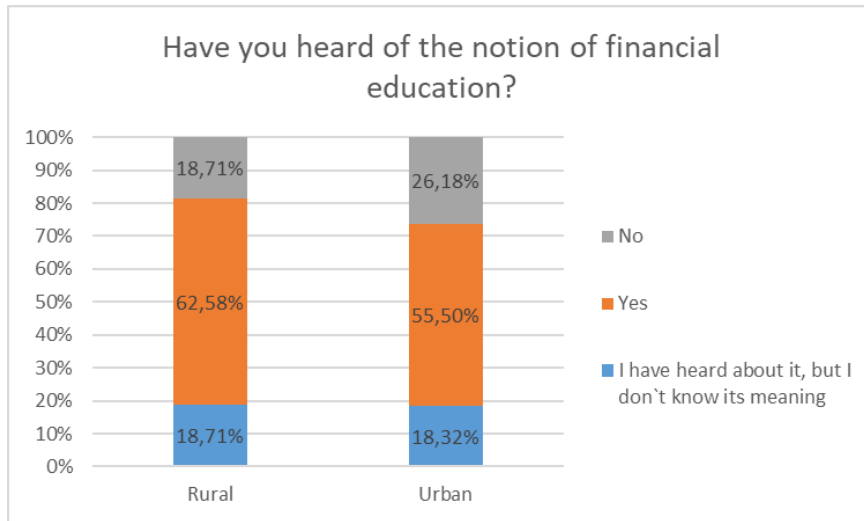


Figure 2. The number of people who have heard of financial education

After the statistical analysis of the answers to the question related to the fear of running out of money until the next salary, we deduce the tendency of rural residents to have a more pronounced fear compared to those in urban areas, who were less worried about this fact, according to Figure 3.

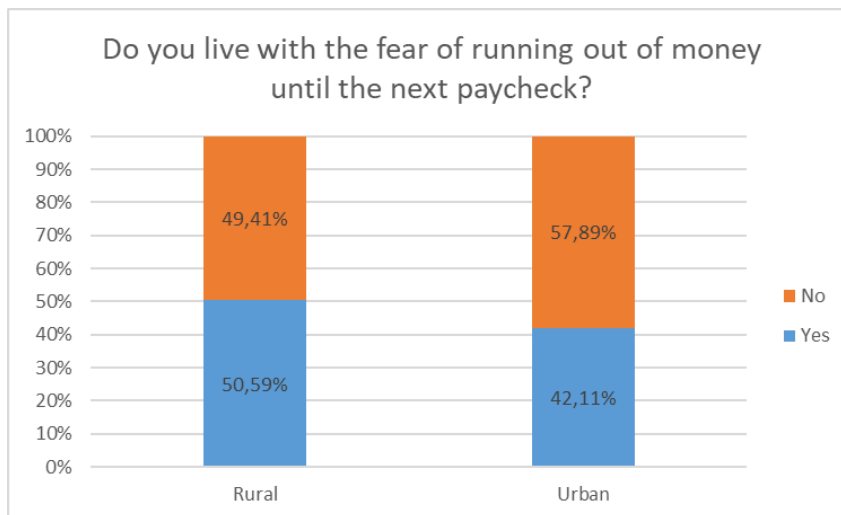


Figure 3. The results regarding the fear of running out of money until the next salary

Another important result refers to the Romanians' tendencies towards the investment field, which can be seen in Figure 4.

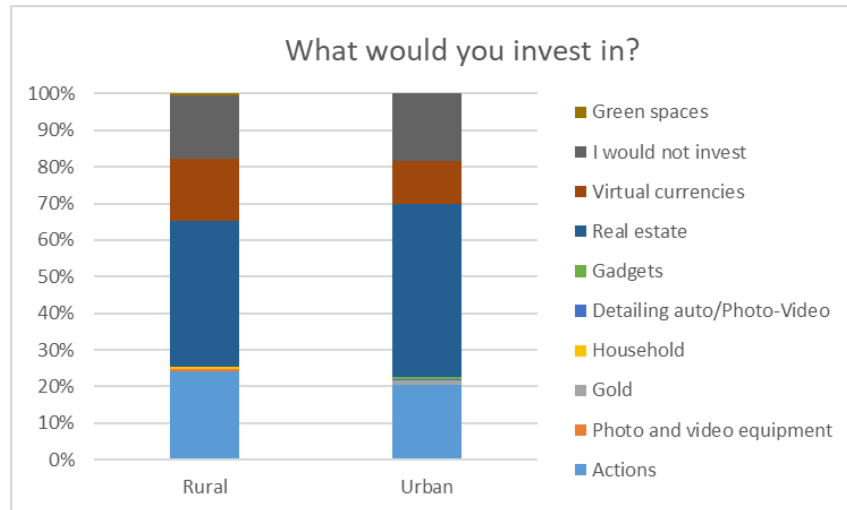


Figure 4. Investment preferences

As for the case of an unforeseen situation, it was observed that the Romanian respondents prefer to use their own savings, rather than borrow money, either from the bank or from friends. Also, in terms of bank lending, those in urban areas proved to be more open to this option, compared to those in rural areas (Figure 5),

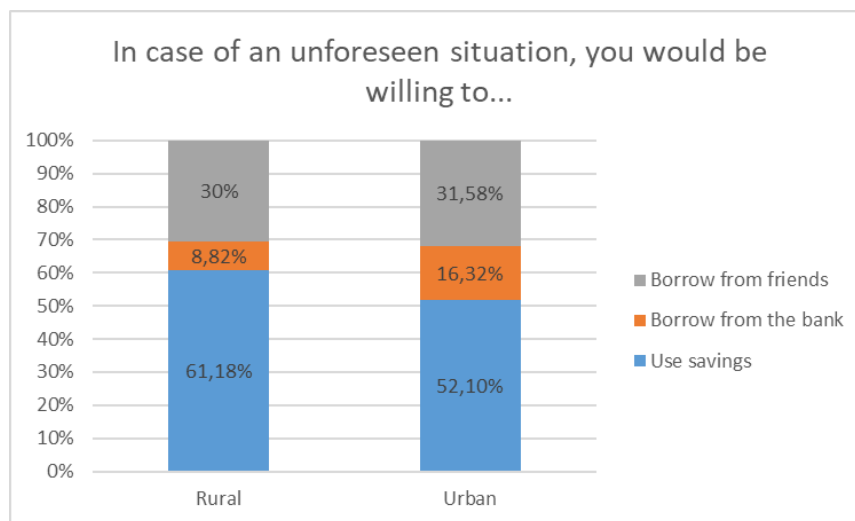


Figure 5. Trends regarding unforeseen expenses

According to the results, one can see the difference between people who live in rural areas and those who live in urban areas, in terms of the preferred method of saving. Thus, the tendency of those in rural areas is to save money through classic methods, such as collecting money and keeping it in the safe, in their own home, unlike people in urban areas, who prefer to use a savings account (Figure 6).

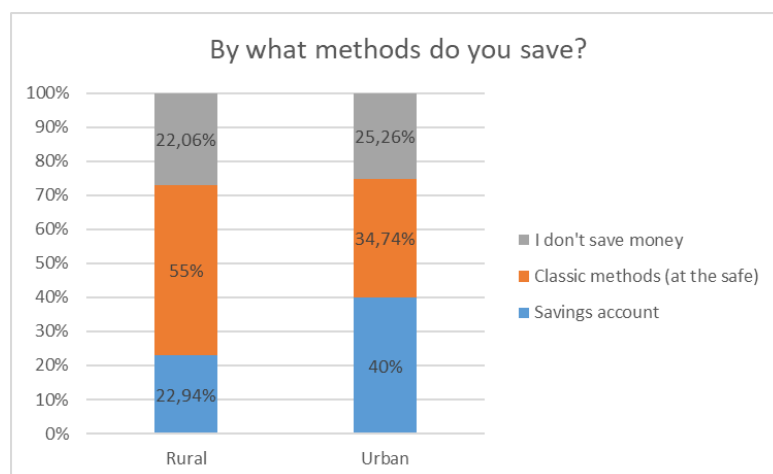


Figure 6. Preferences regarding the method of saving money

CONCLUSIONS

Unsuccessful financial education initiatives, economic deficiencies and limitations of the Romanian financial system create a number of challenges: the Romanian economy does not benefit from the characteristics of an advanced financial system and the financial system does not take full advantage of the growth opportunities offered by the Romanian economy. Romania has the lowest financial intermediation level within the European Union with a share of financial assets of 96% as ratio to gross domestic product (GDP). Also, Romania has the lowest level of financial inclusion in EU with the lowest share of individuals owning a current account and the lowest share of individuals that saved/borrowed from a financial institution [8].

So, in the conditions of a state that does not emphasize such things, it is highly expected that Romanians do not consider financial education as something to be missed. Although, both the majority of people residing in rural and urban areas expressed their desire to improve their knowledge related to financial education and believe that it would help them in better income management. Romanians have also shown themselves to be open to the field of investments, showing a general tendency towards investing in real estate, especially those in urban areas. There is also some reluctance of people from rural areas to turn to the bank in case of situations with unforeseen expenses. People from urban areas are more open to working with banks. This may also come from the fact that they have much easier access to banks and information.

It seems that Romanians are still affected by the banking crisis during Romania's transition from a planned economy to a market one. This leads Romanians to save in cash rather than financial intermediaries: up to 25% of households with savings in Romania prefer to keep them in cash rather than in a savings account, even if they have a bank account [2]. Financial capacity is influenced by the income of the household, but also by the age of the person [13].

Thus, experience can help you make better financial decisions, but this can also be influenced by certain knowledge that people can acquire by accessing various courses or information. Programs have grown exponentially in number and popularity, but financial education professionals know more about program design, implementation, success, and next steps in the field of adult financial education than in the field of youth financial education. The need for financial education for children and youth is also important. We need to integrate financial education into state standards, training teachers, implementing curriculum, verifying behavioral impacts, widening disciplinary expertise and input, and resolving areas of professional disagreement [4].

Also, after analyzing the data, we notice that Romanians prefer to put their

emotional and physical well-being first, most people (both urban and rural) dedicate a large part of their monthly income to the field of entertainment.

We can say that there was not much difference between urban and rural residents, apart from a greater reluctance regarding the use of banks and savings accounts by those in rural areas. Thus, future more in-depth analyses are recommended and on a larger sample of people in order to be able to accurately determine these levels of financial education of Romanians.

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