

THE RRISING NEED FOR FINANCIAL EDUCATION IN ROMANIA

Alin ISTOCESCU¹

Abstract: *Financial education aims to improve knowledge in the following fields: raising the financial literacy level of the general population, enhancing the capabilities regarding the process of understanding the workings of the economy, and also raising the level of the individual's awareness over the economic, financial and banking mechanisms.*

For the general knowledge, financial education aims for the idea of raising the level of literacy, as well as creating, understanding and developing decision making capability regarding a household budget.

Keywords: *financial education, financial literacy, household budget, awareness.*

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1. Introduction. Concepts of financial education

Financial education comprises of all the information, processes and programs, which come to offer full support to the consumer of financial products and services.

I think the role of financial education is to help consumers manage their budgets, thus striving to reach a minimum state of debt.

Financial education aims to improve knowledge in the following fields: raising the financial literacy level of the general population, enhancing the capabilities regarding the process of understanding the way that economy works, and also raising the level of the individual's awareness over the economic, financial and banking mechanisms.

¹ Alin Istocescu, Ph.D. student, e-mail: alin.istocescu@bnro.ro

Financial education aims for the idea of raising the level of literacy, as well as creating, understanding and developing decision-making capability regarding a household budget.

Some definitions also include the term of “awareness” which refers to the acknowledgement of the need to use some financial and banking products and services or to the acknowledgement of the large supply of financial and banking products and services existing on the market.

One fact that needs to be addressed is the interaction between consumers and economic agents and I am referring here to the act of using the financial and banking products as part of the decisive process of observing the consumers’ behavior.

An increase of the consumer’s trust in the providers of financial and banking products and services will occur if the rolled are transparent and are made in a real and correct way by the providers and in turn consumers choose to gain only from the services of the financial professionals.

The consumer must know where and how to inform himself in a right way for him to ease the burden of the decision-making process that is bearing on his shoulders and he must consult only experts for advices and viable solutions.

At the same time, the consumer must know one’s rights and obligations in order to be able to protect oneself against the intemperance or frauds and to be able to steer the helm in the navigation on the great sea of financial products and services. The individual must know one’s needs, so one can be easily understood when negotiations take place between the providers and the users of financial services.

Another aspect that financial education must focus on is responsibility and social consequences. The consumers must understand very well that there are side effects and consequences for each one of their actions where certain third parties can be involved.

Thus, financial education aims to improve decision making by helping consumers acquire the basic knowledge and skills they need to understand the choices they make. (Ambuehl, Bernheim and Lusardi, 2014).

Financial education must address to all people, without question, here included but not limited to the parts of population that find itself in the exclusion zone, certain people that have zero or very little financial knowledge about the banking environment and the way it works.

Financial exclusion is a multi-faceted problem affecting varying proportions of the population in each country. (Atkinson and Messy, 2013).

The attitude and values of the citizen which have to be taught in the spirit of the law and under favorable political conditions through with the aim of emphasizing on the individual of whose economic reasoning and behavior must be in line with the economic model of the entire community, who has to make a clear distinction between the economy seen on an individual level and the economy seen as a whole. For example, if an individual wish to have a business up and running, he has to know how the economy in his area works, how a business works, what a budget is and how taxes are affecting his business.

Financial education is a factor that can help in developing a new economic and social order through tailored programs that have to be centered on information and opinion exchange between individuals who wish to enrich their knowledge and to improve their financial behavior through appropriation of sound financial ideas and facts.

Financial education is currently given a large interest, as a result of the rapid development of financial markets and demographic, political and economic shifts. Financial markets are becoming more and more sophisticated through the emergence of newer financial products and services. Users now have broader access to a variety of credit and saving instruments supplied by well-established financial groups such as commercial banks which offer online services.

As of recent years, there is a large amount of users who actively play on financial markets, either by opening business for the first time or through stock investments, and some of them apply for credits or are having a credit card for the first time in their lives. These things speak powerfully about the facts that some members of the community are opened to new possibilities and want to learn how a financial market works.

2. Experiences. Performances. Opportunities

Some users open a bank account for the first time in their lives. We can see the variety and complexity of financial products and services existing on the market in the present day, whether those being for investment, savings, credit or debit and some of them can be hard to understand without proper financial knowledge. For example, in other countries inside and outside of Europe, the awareness rate of the individual has risen, seeing the fact that each and every

user of financial services and products has to take more and more financial decisions and has to assume more responsibilities for those decisions. At the same time, more individuals are not well prepared for the financial responsibility which they confront with right now. In consequence of this matter it is highly needed that these users of financial products and services must become better educated in the financial field.

There are certain factors that act for financial education being treated with high regard, mostly through sustainable and durable development such as the complexity of financial products and services, the growing numbers of these services and products, shifts in the individual's income or changes in the capital market.

Deregulation of financial markets and lowering of the costs which came as a result of the rapid development in the IT&C industry have had the effect of increasing the number of new financial products meant to meet the needs of financial markets. These innovations had a positive impact and thus the individuals now have broader access to a larger variety of financial products and services. The Internet helped a lot in the raising of quantity of information regarding investments, credit products, as well as their availability. The diversity of newer financial products gives the consumers more options, but also more challenges.

Share investors, for example, now have a broader access to more commercial mechanisms and some of the offer more rapid completion deadlines for certain workings or a bigger anonymity, as well as broader access to some types of investments, while some credit and debit card users are presented more loan options.

Present day existing technology enabled the reduction of credit costs through evaluation parameters of credits and as a result, more users were able to apply for a loan.

Therefore, education that allows users to overcome fears or the lack of ability to use at a maximum rate the technological and innovational progress for their own advantage can be seen as a way to increase economic opportunity.

The "unbanked" population is also a great challenge. This part of the population comprises of individuals who have little to zero financial knowledge and who do not have any relation with the banking environment and who risk to become more cast out from the picture than they already are. Given the fact that there are more and more decisions which are tailored for the consumers'

end and there are a larger growing number of transactions which imply using a bank account, those individuals who are not part of the financial literate population are facing a great disadvantage.

Financially literate population helps society by growing the efficient functioning of the complex financial markets. If they can compare certain hallmarks of risk and profit for different products offered by certain financial intermediaries (as well as differentiating the costs involved), well-educated financial users can boost competition. Moreover, by demanding products tailored for their needs, consumers encourage providers to develop new products and services, thus stimulating the competition in the financial markets, innovation and quality improvement. Financially educated users tend to save more and they manage to save up more than those unbanked. A rise in savings together with a rise in financial education has to have positive outcomes over the level of investment and over economic growth.

In fact, financial education can be used for improving the consumer protection. Financial literate consumers can better protect themselves against future bad practices or they can denounce, if such be the case, inadequate behavior of financial intermediaries to the authorities. Thus, financial literate consumers could ease the supervision activity and could do it in such a way that the regulatory interventions be made at a minimum level. Overall, there could be a lighter burden of firm regulation. The government would use lesser resources for hardening the regulations or for investigations or charging frauds.

In the Romanian economy, which still is an emergent one, supplying information to consumers and also training them in regards to how a market functions can help improve our country in obtaining as much as it can from the developing countries' experiences. Financial literate consumers can assure that the financial sector has an effective contribution to the real economy growth and poverty reduction.

Financial education gives a series of benefits for consumers of all ages, disregarding their income level. For young and recently employed adults it can supply the needed tools for budget management and savings, so that expenditures and debt can be kept under control. Financial literacy can help families improve their financial behavior, in this way encouraging them to save for a buying a house or supporting future education for their children.

Financial education can also help those with lower incomes manage their expenses; how to better save money and can help them avoid high transactions

costs of non-financial institutions. For those consumers who have a budget assigned to investment, financial literacy can provide an advanced understanding of basic knowledge, as well as understanding specific information which refer to the advantages and disadvantages of certain types of investments.

Consumers need now more than ever a certain level of financial knowledge in order to assess and compare the amount and complexity of information regarding certain financial products. Without a basic level of financial training it is possible that the users may not acquire certain financial products and services that they desire in turn winding up to buy financial products and services that they do not need. Financial literacy may be useful to the individual's well-being and thus it can help him become better informed about financial products and services. To be better informed, financial-wise firstly involves adopting information and secondly processing that information (for example, understanding that information and using it with the aim of taking better financial decisions such as investment or pension savings). One good way of raising the interest of the population regarding financial literacy is through mass-media, educational computer games and TV programs.

In certain parts of the world, financial literacy is held in high respects and it is very important for the general population's social and economic behavior improvement. For example, in Peru, they used radio shows as a mean to inform the population about financial education in geographic areas that are difficult to reach, where it is easier to communicate through radio waves.

An effective way of creating groups of people that want to be financially literate is by implementing financial education programs and seminars at their workplace. Day-to-day job can offer a frame for financial education where employees can learn how to use their financial resources in an efficient way. There are clear advantages in being financially educated at one's workplace thus one does not have to search for this type of information in one's spare time. Moreover, financial education done at the workplace proves to be highly efficient in changing the employee's financial behavior.

The reality of poorly scored financially knowledge tests is prompting many employers to provide financial education to their workers, because financially stressed employees are widely seen to be less productive. (Clark, Lusardi and Mitchell, 2015).

In the USA, there is an institution called President's Advisory Council on Financial Capability that recommended a work frame through which employers must adopt and provide even on a small level financial education for their employees.

In the Netherlands, the national financial education strategy was based upon responsible financial behavior which included income management, financial planning and the better choosing of financial products.

As a starting point in expressing the need for financial education a national strategy for financial education has to be made. National strategies are often the result of a combination of national circumstances and are designed to reach long-term goals or following hard evidence provided by a key national authority concerning the state of financial literacy and inclusion of the population. (Grifoni and Messy, 2012)

3. Challenges for Romania

In Romania, the level of financial education is very low, the country being the last one in the European Union where only 21% of the population has financial education, while just 15% are bound to save or invest, and 95% of the Romanians learn about financial products from the members of their families and not from other trustable sources. Even though the level of financial literacy in Romania is at an all-time low, I must say that efforts are being made in order to enhance the quality of the "cultural side of economy", given that in primary schools across Romania, children are being given the possibility to choose financial education as a discipline for study.

More so, it is critical that the people understand their current economic situation and the economic condition to which they aspire (Walstad, 1994).

One of the biggest supporters of financial education is the National Bank of Romania, which tries to raise awareness and implement responsible attitudes amongst consumers for the following reasons: raising monetary policy's efficiency level, insuring healthy functioning of financial markets, supporting sustainable economic policies and promoting financial and economic education as a public good.

The aforementioned actions aim to raise credibility and better understanding of the decisions that this prestigious institution is taking.

Educating the population regarding the monetary policy targets comprises of explaining the main purpose of price stability and to ensure that

the general public understand and support those decisions. People must understand that the main purpose of maintaining price stability requires a clear judgment of monetary policy's economic impact and the side effects of high inflation in the economy. If the population is not aware of how complex the real and nominal economic outcomes are, then it can never understand the possibilities and limitations of such policy. By giving out the information (here are included the detailed explanations given in the periodic press briefings) the National Bank of Romania also sends economic agents signals regarding the way that the economy works, while the latter must have a basic level of knowledge and understanding of the fundamentals of monetary policy.

For the National Bank of Romania, financial education represents a very important factor in increasing credibility given the fact that there are many experts which provide real and neutral information.

4. Conclusions

Lately, the need for financial education has become more and more stringent. It has to be made from an early age, so that one can swiftly learn how the economy works. Financial literacy has to be taught in primary schools, high schools and universities and it should be mandatory in school curricula. Thus, new generations of bankers can emerge who can come with new, strong and powerful ideas.

Financial education should be done from the bottom to the top so that it can help individuals to understand which the opportunities and risks of the financial markets are if an investment in these markets is feasible and it can help people to know and understand very well financial products and services.

This world is ever changing. Financial markets continuously shift, competition is growing, every day new technologies emerge and these changes will affect one way or the other financial and non-financial institutions.

If society manages to reach a good level of understanding the economy, then a partnership between state institutions, the private sector, banks, universities and academia is bound to happen and it can be used to enhance the level of understanding economy with the help of financial and technological instruments, which can be vital for improving financial behaviors in the society.

Such efforts will prove to be critical in facing the challenge of a sustainable, strong and based on knowledge economy.

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