

FINANCIAL EDUCATION AMONG ADULTS IN ROMANIA

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Abstract

The aim of this paper is to highlight the need for financial education among adults in Romania. For this purpose, we will take as a starting point the current level of financial knowledge that the target group possesses. The research's central hypothesis is the relationship between our nation's educational level and the current economic and financial predicament. Therefore, the traditional questionnaire will serve as the primary research method for this study. The information obtained from the questionnaire will be related to statistical data concerning the financial field in Romania, with the main result being the dimension of the impact of the educational element in the financial life of Romanians.

Keywords

Financial education, necessity, adults, questionnaire, impact, statistics.

JEL Classification

A2, A20, A29, I22

Introduction

Through the years, many of us came across situations that were part of the financial sphere, whether it was the amount from the allowance, or even the classic piggy bank, the presence of the term "financial", in one form or another becomes known and develops into a strong one, evolving as people grow older. Therefore, due to the living conditions imposed by social and economic needs, finance is becoming an indispensable element that is also present in the daily lives of adults. This hypothesis shows that it has a significant impact on people's actions and inactions.

Regarding this idea, if finance influences people's lives, then it needs to be looked at how it is perceived; known by adults, more specifically, to ask the question of how financially educated they are, or how they should be and why. This brings us to the main purpose of this paper, which is to highlight the level of financial education of adults in Romania, in relation to the current educational and financial situation of the country.

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Research in the financial field is perhaps among the most widespread, compared to research in the biological and technological fields. This is due to the implications that finance has in all activities and in all socio-human fields. Thus, to reach the final objective of this research, it must begin with what the concept of financial education itself represents, in concrete terms, how it was and how it is seen by specialists and authors from the literature and from the financial field.

Following these theories, an analysis will be done on the present real situations as well as on official statistical data relevant to the financial field, followed by data collected personally through a questionnaire sent among adults in Romania, and at the end the relevance of this information in relation to education will be highlighted, namely the situation of financial education of adults in Romania.

1. Review of the scientific literature

1.1. Scientific literature

Financial education represents a very broad sphere of socio-economic activities, or in this sense it is not just about what people think that they know about finance, but rather it extends to how this knowledge is perceived and how well it relates to the real and current economic situation in a country. Therefore, due to these aspects, it can be seen that there is a need to recognise the importance of financial education; thus, in this sense, the member governments of the Organisation for Economic Cooperation and Development decided to recognise, starting in 2002, the value of financial education, launching the first financial education project in the same year (Thomas Hammer and Patrick Siegrid, 2023).

On this matter, about Romania's position on the importance of this education, it should be noted that steps are currently being taken towards accession to this organization; steps materialized by the successful completion of the first stage of the accession process which took place in December 2022 (Government of Romania, 2023).

Compared to the above approach, the *de facto* situation in Romania is not very good; financial literacy has been and still is neglected, or this is due to some very unsatisfactory initiatives in terms of financial education, with economic shortcomings and a very poor development of the financial system. This situation creates a climate in which vicious circles are created and quick solutions cannot be used (Mihai Nițoi et al., 2022).

Both the term financial literacy and the terms financial knowledge and financial capacity are frequently used interchangeably. In this sense, financial literacy has the defining characteristic that it is based on two key features: the maximum capacity of a person to understand financial information and the extent to which a person can use that information in managing their finances, whether it is for short-term decisions or planning for the longer term (Sandra Huston, 2010; David L. Remund, 2010). From this assumption, we can deduce that financial education requires both knowledge of information and the ability to put it into practice. Of course, the ability to manage financial information is not only limited to everyday actions of adults, but it also plays a

significant role in entrepreneurial activities, and scientific evidence based on experience shows that a person with more financial knowledge is more likely to make more useful financial decisions (Siegfried, 2021).

A notable element regarding the financial situation is the fact that although Romania shows an increase in gross domestic product per capita (Eurostat, 2021), it does not have a higher level of financial intermediation (compared to the level of the European Union level), specifically a 96% share of financial assets in gross domestic product (Mihai Nițoi et al., 2022). The deficiencies and systematic problems caused by the lack of financial education can best be seen in the context of financial inclusion, which compared to the level of countries in the European Union, in this country is at a low level, about 68% (Gabriela Folcuț, 2022). It should also be noted that financial education is perceived as the most sustainable measure to combat financial exclusion (Youth Finance Academy, 2021).

This type of inclusion is, most of the time involuntary and not voluntary, and is caused by a real lack of financial resources. Romania is the one with the lowest percentage of individuals with a current account, and the one with the lowest level of people saving or borrowing from financial institutions (Mihai Nițoi et al., 2022). More so, just 20% of the total population of Romania is actively informed about banks and banking products (The Romanian Association of Banks, 2011), this fact indicates that there is a lack of interest when it comes to banking. Furthermore, according to data provided by the Romanian Association of Banks (Gabriela Folcuț, 2022), for 47% of Romanians, opening a current account for the first time came out of necessity and somewhat from the conditions imposed for receiving a salary or income from the state.

Tina Harrison (2016) notes that it is in the presence of a global crisis that consumers' shortcomings in financial literacy are most apparent and the need for improvement can be best seen in such times. As a proof of this hypothesis, is the situation of Romania itself, which, following the economic crisis that occurred more than a decade ago, was among the most affected by it, precisely because of the lack of financial education that did nothing but allow exposure to various speculations in the real estate sector and, at the same time, to create a dependence on foreign bank capital. Moreover, the lack of financial literacy is present even at the highest levels; this is made known by the denial of the institutions themselves in regard to the impact of the crisis, and the widespread assumption that Romania will not be affected by it.

An important fact is that the Romanian consumers have a relatively recent experience when it comes to using financial services. Nonetheless, the households of this country increasingly use financial services, while the lack of knowledge and experience to manage personal finances in a responsible way can lead to increasing debt (The National Union of Employees' Mutual Aid Houses in Romania, 2019).

Regarding all these facts, there is a need to take a look at the words spoken by Robert T. Kiyosaki (2011) in his work 'Rich dad Poor dad', work where he states the principle that the main factor influencing the material situation of the rich, middle, and poor classes is

the idea that the matter of money is taught at home and not in schools. In addition, most people learn about money from their parents.

Thus, because of these circumstances, a question such as "What would a poor parent say when it comes to educating their child about money?" can be raised. Of course, it will feature the classic answer "Stick to school and learn hard". It is precisely because of these issues that Robert Kiyosaki (2011) believes that although that child will graduate with brilliant grades, he or she will have the mindset of a financially disorganized person, unable to organize their own financial situation.

1.2.. Statistical data

Statistical data have the role of consolidating the base of the research, thus when it comes to Romania, the available data provide an excellent image of the current situation and as well of the past situation of the country, an image that can relate to all the above. In this regard, going back to one of the most important reasons previously mentioned, namely financial inclusion, a situation that arises mostly from the lack of money resources, there is a need to look into the data provided by Eurostat in year 2021. These data show the percentage of people at risk of poverty in Romania's eight development regions, and it was as follows (see figure no. 1):

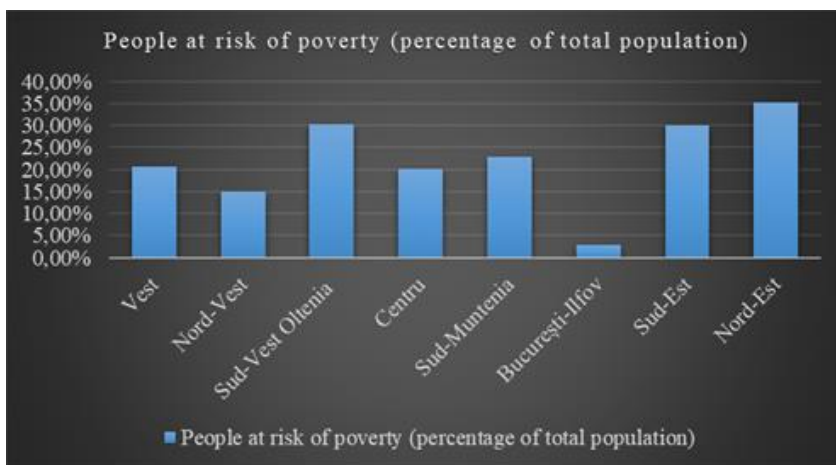


Figure no. 1: Percentage of people at risk of poverty

Source: Own processing with data provided by Eurostat (2021)

If, after the economic crisis that took place, it is more than obvious that the country of Romania did not know how to react, that it was not prepared for the effects it produced or could have produced; then it must be seen if anything was learned from this and if the country is better prepared in terms of financial knowledge. A key element in this analysis is a Eurostat statistic (2021), which allows us to perceive the level of preparation of Romanians in front of unexpected financial expenditure (see figure no. 2) and at the same time it gives us the possibility to compare the evolution of this element,

to see whether the situation has improved over the last 10 years. Unexpected financial expenses can occur at any time, but they are more common during and after an economic crisis, which is why it is important to see to what extent Romanian citizens can cope with them.

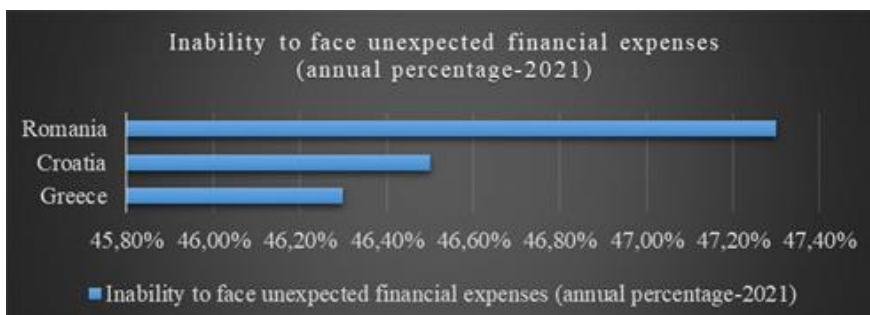


Figure no. 2: Top 3 countries in the European Union that cannot afford unforeseen financial expenses.

Source: Own processing with data provided by Eurostat (2021)

From the statistics presented in figure no. 2, Romania ranks first in 2021 as the country with the highest percentage of people unable to meet unexpected financial expenses. A percentage of about 47.3%, which is very high, reaching almost half of the total population, a situation that occurs more than a decade after the economic crisis. Thus, one can only wonder whether the last 10 years have been unfavourable or whether this country is currently heading for a worse situation (see figure no. 3).

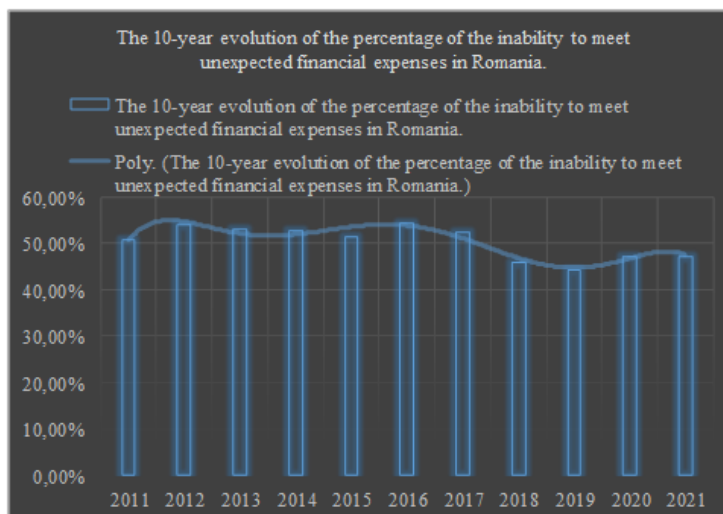


Figure no. 3: Romania's 10-year evolution of the population's inability to cope with unexpected financial expenditure.

Source: Own processing with data provided by Eurostat (2021-2011).

From these data, it can be pointed that although during these 10 years, there have been periods when the inability was at a higher level than in 2021; this country failed to go below a percentage of 40%, or these fluctuations that seem to be somewhat constant, varying between 53.9% (the highest) and 44.3% (the lowest) show us that there have been no significant improvements in financial education in all these years. This is argued because higher financial education would have influenced people's preparedness in terms of unforeseen financial expenditure, thus implicitly indicating a lower percentage.

2. Research methodology

In order to strengthen the present research, the questionnaire research method has been used. The purpose of using this research tool is precisely to support the data and information presented in the previous section and to demonstrate the need for financial education among adults in Romania. More so, the questionnaire survey method is one of the most familiar to the public, making it easier to obtain relevant answers.

The survey begins with a key question that is designed to separate responses into two categories, those who have received financial education and those who have not. The role of this differentiation is precisely to demonstrate the differences between those who were financially educated and those who were not.

After the first question, the questionnaire runs through a series of ten questions, both for those who answered yes to the first question and for those who answered no, the only difference between these two categories being the second question which is intended to pave the way for the others. For those who have received financial education, the question aims to find out where they got it from, and for those who have not received education, the question aims to see if they thought they would need it.

The enquiries were formulated as simply as possible so that the answers would be as easy as possible to provide; moreover, the order in which they were presented was not random; in fact, the aim is that by the end of the questionnaire when it comes to the last question, each respondent could be aware of their own financial actions and conclude exactly what was asked at the end, namely whether they believe they need to improve their financial knowledge.

3. Results and discussions

The survey questions were completed by a total of 201 people, and the results allow a closer look at both significant and less significant differences between adults who received financial education and those who did not.

Thus, starting with the first question, namely the one that separates the respondents into two categories, the obtained results allow us to open the discussion on the issue debated in this paper, expressly the fact that adults in Romania are not financially educated. Out of a total of 201 respondents, 94 answered that they were not financially educated and 107 answered yes, which almost tips the balance towards equality (see figure no. 4).

This points to the idea that even though the percentage of those who are financially educated is slightly higher, the lack of financial education is at an extremely high level, at almost half.



Figure no. 4: Financial education among adults in Romania

Source: Own processing based on the data obtained from the survey (2023)

As mentioned above, after the first inquiry respondents were separated into two categories, those who answered yes and those who answered no. For those who answered yes, the first question in the series of ten questions aims to analyse where this education comes from as well as where the majority receives it (see figure no. 5).

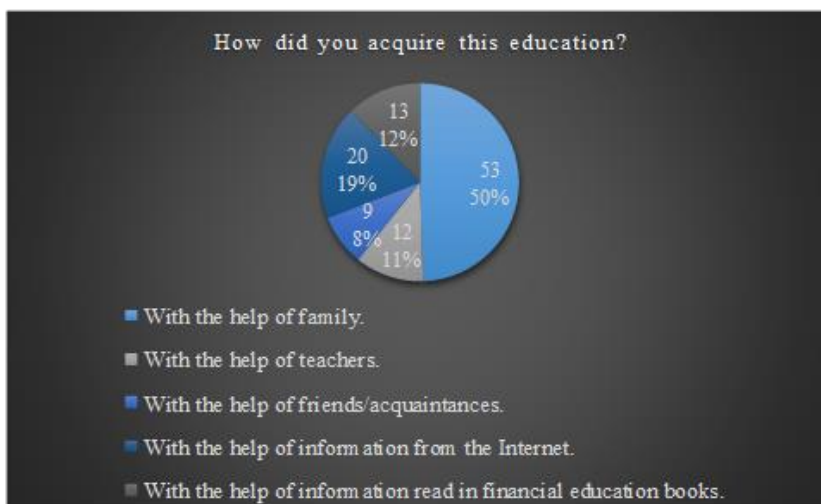


Figure no. 5: Acquiring financial education

Source: Own processing based on the data obtained from the survey (2023)

The results support and reinforce the hypothesis that financial education is received at home, whereas an extremely low percentage can be observed in educational institutions. In fact, the respondents of this questionnaire have shown us exactly the lack of financial education in education and, at the same time, the trend to educate ourselves on the

Internet. The lack of a higher percentage acquiring financial education from books is closely related to the education system and is somewhat of a weakness of it. Likewise, in the case of education with the help of friends/acquaintances, the focus can be on the idea that the lack of financial education is so widespread that it is very hard to find it within a group of friends.

After separating the two categories, there is the first question addressed to respondents who were not financially educated, and its purpose is to analyze how they see this type of education, more specifically whether they see it as something they need or if it is irrelevant for them (see figure no. 6).

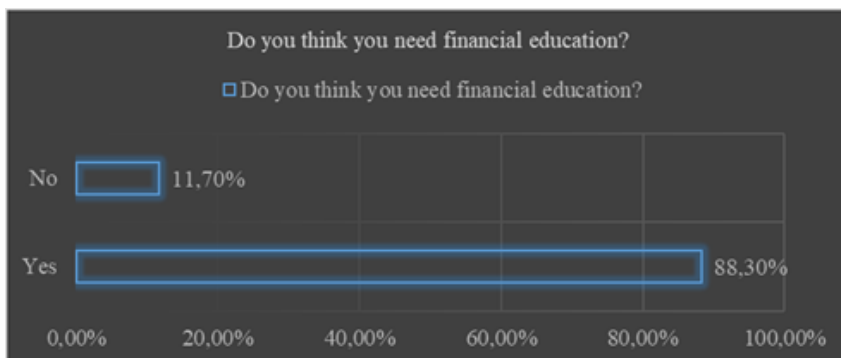


Figure no. 6: The need for financial education

Source: Own processing based on the data obtained from the survey (2023)

One notable element of this question is precisely that even though 94 people were not financially educated, about 88% of them felt that they need this kind of education. This shows us that they are not lacking this education of their own volition but rather due to factors over which they have no control.

From the information presented up to this point, there are two notable points. The first is that although more than half of the respondents were financially educated, a high percentage of them received their education at home or, in this case, the question of the effectiveness and timeliness of the information that family members provided can be raised. Even more so as the socio-economic differences between generations are growing and are more frequent, and in this respect, the question of whether the financial education offered at home is useful and topical or outdated and less useful can be raised. The second point that can be brought into discussion is determined by the need that adults in Romania feel for acquiring knowledge in the financial field, this hypothesis can be argued both by the question that aimed at finding out if they consider that they need education and by the fact that there is still a percentage of people who are informed from the Internet and from the books, or they are self-taught, and being self-taught is in itself an element determined by a need.

Further on, the research goes over a set of nine common questions for both categories, the results obtained will be presented in parallel in order to analyze the differences between them.



Figure no. 7: The financial situation issue

Source: Own processing based on the data obtained from the survey (2023)

The results for this question (see figure no. 7) indicate that both categories are concerned about their financial situation, but it is worth noting that those who have not received financial education tend to be more concerned. This difference is most likely caused by the lack of knowledge in financial organization. Of course, it is only natural and normal that this issue should be raised; it also has a somewhat preventive role, but it can also denote a factually uncertain situation regarding a person's financial situation.

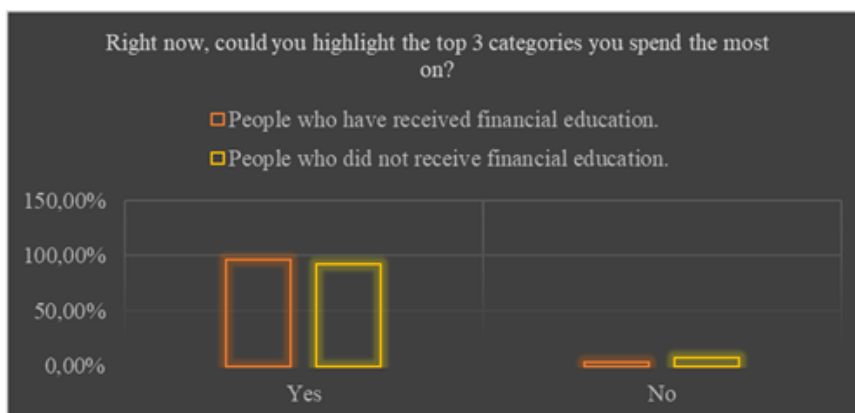


Figure no. 8: Main expenses

Source: Own processing based on the data obtained from the survey (2023)

The spending issues discussed in the questionnaire aim to see if respondents can highlight the three main categories on which they spend the most. The importance of this analysis lies precisely in the need to keep track of personal expenditure; a lack of interest in this area can and often does lead to an unbalanced and very poorly organised financial situation. According to the answers acquired, it can be seen (see figure no. 8)

that those who have financial knowledge can better highlight the three main categories on which they spend the most; although the difference is not great, it is most likely that the education received is the one that makes the difference between the two groups.

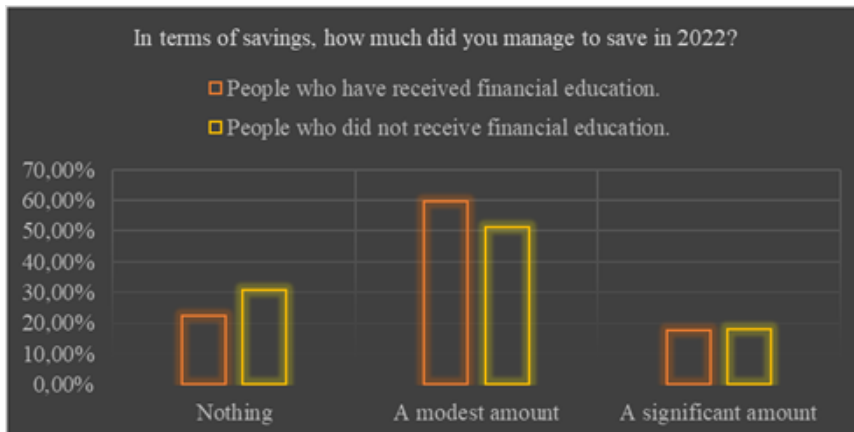


Figure no. 9: Savings 2022

Source: Own processing based on the data obtained from the survey (2023)

The question of the level of savings is intended to mark the differences between the two categories. Because of this, the difference to look for is the one between no savings and saving a modest amount, as can be seen, those who received financial education managed to save significantly more. This is very important because one of the elements of financial education is precisely the knowledge of how to save; and because of that, the question above (see figure no. 9) highlights the presence of this element.

The sequence of enquiries is logical, and aims to make respondents think, and answer as easily and honestly as possible. Thus, if up to this point the issue of savings has been discussed, the next point aims to find out how Romanian adults prefer to save, more precisely by which method. The purpose of this research is precisely to show how financial knowledge can have an impact on the way people save, which in turn has a significant influence on their savings.

For example, if people choose to keep the money in the account from which they make payments, they are more tempted to spend it than to save it, precisely because the money are more easily at hand, whereas if they kept it in a savings account, the temptation would not be so great, and the idea of spending could easily be abandoned, and this is due to all the variables involved, variables such as interest. Furthermore, if they choose to put their money in a safe place, it means that they assume it is safe, but also that they do not have confidence in keeping them in their accounts, which shows a slight lack of financial education. The results of the survey show that those who have not been financially educated choose to keep their money in the account from which they make payments much more than those who have been educated, who are also tempted not to use a savings account (see figure no. 10).

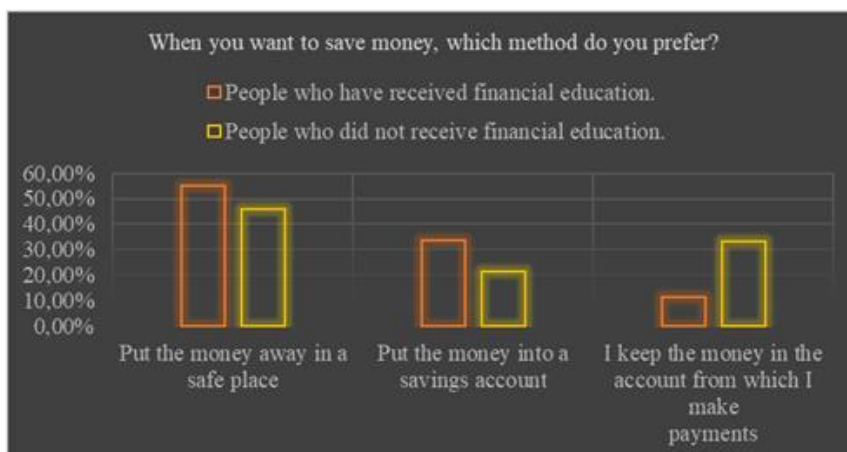


Figure no. 10: Where do we keep our money

Source: Own processing based on the data obtained from the survey (2023)

The next step is to check whether Romanian adults know the difference between a credit card and a debit card, and according to the data collected, it seems that among those with no financial knowledge, there is a higher number of people who do not know this difference. This also reveals the problems highlighted in the previous questions, such as with the savings account (see figure no. 11).

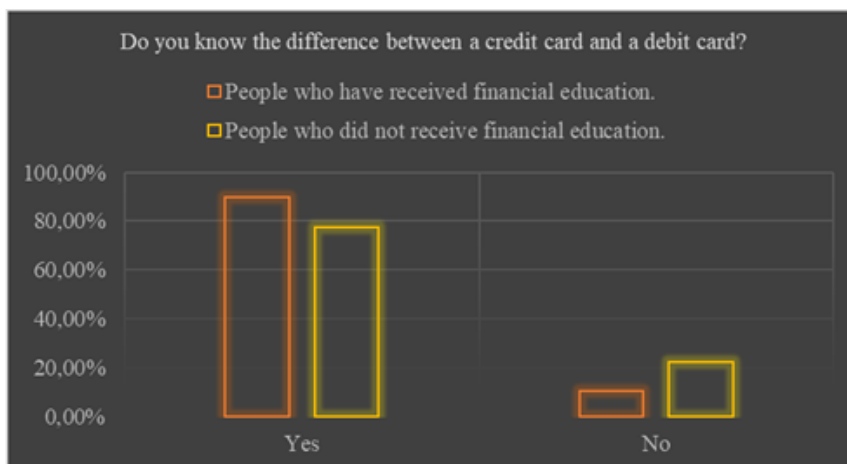


Figure no. 11: Credit card and debit card

Source: Own processing based on the data obtained from the survey (2023)

Equal to saving and spending is borrowing, or this category requires a much more detailed knowledge and understanding of certain financial terms. This is why it is worth looking at the extent to which adults in Romania access bank credits. Thus, according to their answers (see figure no. 12), it seems that those who are not financially educated

tend not to go for bank loans. In terms of reasons, this is precisely due to uncertainty and lack of knowledge; this group being somewhat reluctant to take out loans specifically because they do not have the necessary knowledge to fully understand how a loan works.

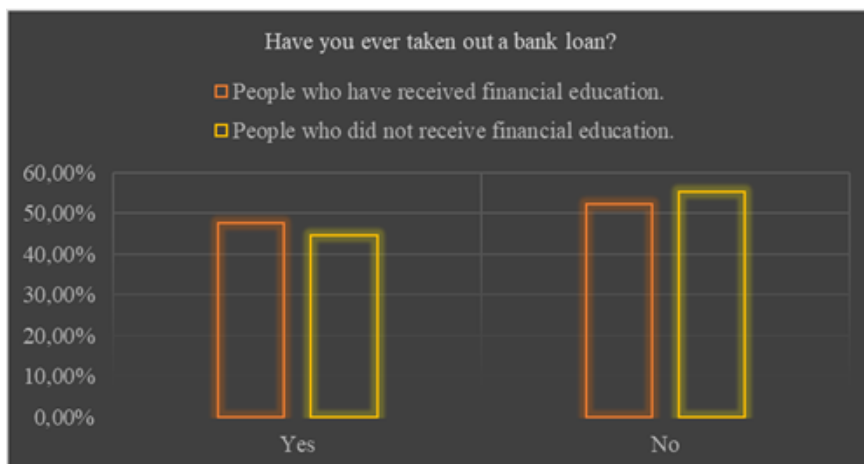


Figure no. 12: Bank credit

Source: Own processing based on the data obtained from the survey (2023)

Credit, savings, and expenses are all very common elements in everyday life, and insurance is also a part of it. All these elements, analysed, allow the formation of an overall picture of how they are perceived; Hence, in the end, a picture is created regarding the financial education of adults in Romania. In this country, certain categories of insurance are compulsory, which can influence people's perception of them; this is why there is a need to find out whether insurance is seen as an investment or not. This question (see figure no. 13) was one of the inquiries that best differentiated the two groups, mainly because of those who were not financially educated; the majority believe that insurance is not an investment, while those who were educated believed that insurance is a way to invest. What is this difference due? The field of insurance is quite complex, it is not limited to those that we are obliged by law to know; a person with financial knowledge tends to be informed and to know what insurance actually is and how diverse it can be, while a person without this education does not know and will not feel the need to learn about the diversity of insurance, for them, there are only the mandatory ones; which very often do not seem to be an investment, although, from the point of view of the protection they offer, they can be considered as such.

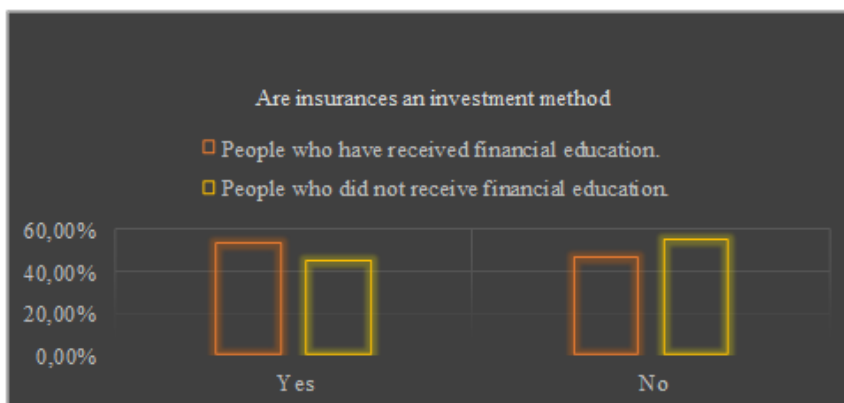


Figure no. 13: The insurances

Source: Own processing based on the data obtained from the survey (2023)

The penultimate question (see figure no. 14), and the one that demonstrates the financial responsibility of Romanian adults, focuses on whether they spend impulsively or are responsible. The most obvious difference between the two categories of respondents to the questionnaire is present in this question; through it, we can see what it means to be financially educated and what it means not to be. The results show that informed adults are more likely to calculate the total amount they must pay before they get to the cash register, which demonstrates responsibility for the expenses they have; precisely because this shows that they know both the prices and the amount they are willing to spend. While the other category seems to tend towards impulsive spending, without knowing how much and what they have in their basket.

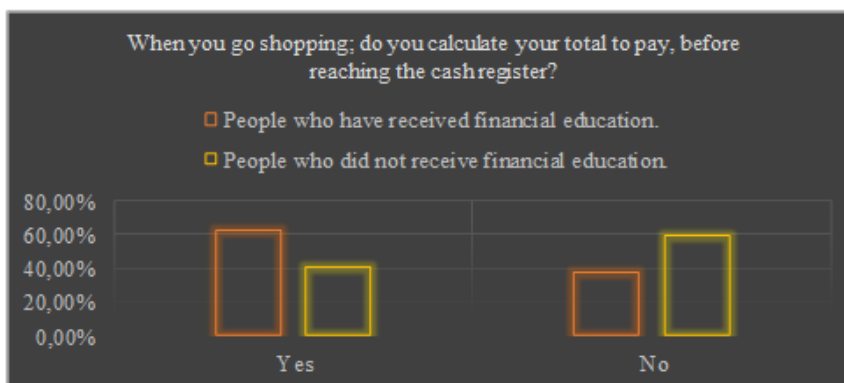


Figure no. 14: Shopping

Source: Own processing based on the data obtained from the survey (2023)

The last question discussed (see figure no. 15) in the questionnaire is intended to mark the awareness that adults in Romania have about the level of their financial education, more specifically to see if they feel that they need improvement, upgrading, or if the

level they are at now is one that, personally, for them represents good organisation and financial responsibility. The results obtained on this matter are very promising, mainly due to the fact that both categories feel the need for improvement, and those who have not been financially educated feel it in greater numbers, which shows us awareness of the current level and a desire for improvement.

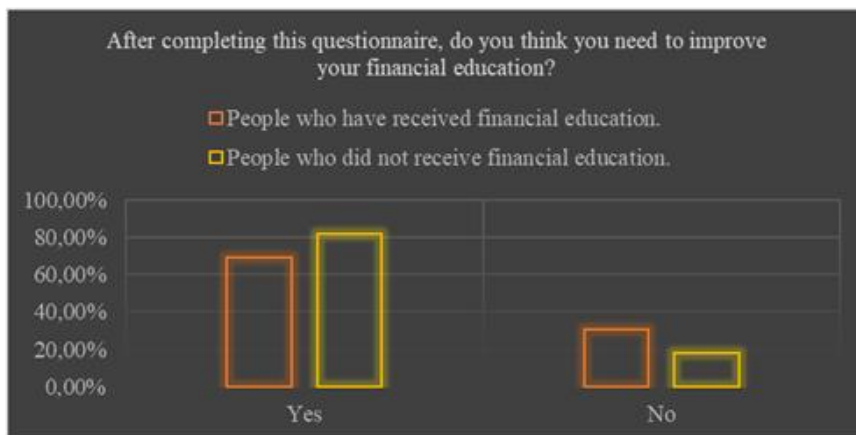


Figure no. 15: The need for improvement

Source: Own processing based on the data obtained from the survey (2023)

Conclusions

In the end, it needs to be noted that both the structure of this paper and the structure of the questionnaire allow us to analyse the link between the economic and financial situation in the country and the level of financial education of Romanian adults. According to the data collected, this link is extremely close, more precisely, it is causal. From this research, it can be concluded that there are many gaps in financial education, from knowing how to save to knowing how to spend. This situation is precisely due to the lack of a very well-established basis in terms of financial education, a fact demonstrated by one of the questions in the questionnaire, which shows that financial education most often comes from home and not from school. However, it is worth noting the need that the adults in this country feel to acquire this kind of knowledge and to improve their situation. During the investigation, it was possible to see how poorly certain financial terms are understood and, at the same time, to acknowledge the effects that this situation has on the position of Romania in different areas, such as the very low level of financial inclusion.

In conclusion, the financial education of adults in Romania is at a rather low level, especially when compared to the level of social development of the present century. Therefore, it is necessary to develop and introduce this education in primary schools and to implement appropriate public policies. The results, respectively, the data obtained through the questionnaire, will be used in a future work as a source for correlation and regression analyses.

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