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THE IMPORTANCE AND SCOPE OF FINANCIAL EDUCATION IN A PROJECT PERSPECTIVE AND IN THE SHADOW OF THE PANDEMIC, BASED ON THE RESULTS OF A PRIMARY RESEARCH

Abstract: As one of the biggest milestones of the century and of the modern era, 2008 has taught us a lot for us. We have realized the importance of making informed decisions in all areas of life, including finance. The importance of financial literacy has been brought into focus as a result of these events, which have highlighted the gaps and knowledge disadvantages that could have prevented the events and disadvantages that much of society has suffered as a result of the crisis. However, in many countries, financial awareness is still conceptual, much discussed, researched and studied, but in many cases no real change is visible or tangible. In many cases, awareness programmes and initiatives are still in an experimental phase and are not yet integrated into the day-to-day management of problems. There are interdependent processes in the development of knowledge and a real financial culture. The family model is important as the primary field for financial socialization, but the education system is also important, which is complemented by various programmes and initiatives. In our paper we seek to answer the question of who and what extent is responsible for financial awareness and education in the eyes of the everyday people, from whom do they expect solutions and what are the levels and fields where meaningful solutions can be born in terms of financial culture building.

Keywords: Financial culture, Financial education, Financial socialization, Primary research

Introduction

Life is a serial of changes and decisions, which may define fundamentally our life in the future. These decisions and choices are formed by the circumstances and factors, for example values, cultural attitude or our perspectives. The mentioned human factors are usually called the individual's cultural factor, what can never be related to one single person but to a smaller or larger group of people, because culture never belongs to one person. The cultural characteristics of a person are formed by learning and socializing and this process influence our financial activity as well. What is more nowadays we can find such a strong relationship, which has led to unite the two notions. Financial culture is not a new conception, it was used already in the years 1900 (Kovács et al, 2012). We are speaking about a financial expression, which has never had any exact definition accepted. The recently published articles have given us different ideas and theories about the meaning of this expression, what is more they are still discussing if financial culture is an expression or a concept!? Béres and his colleagues say that financial culture is more than a definition, so it can be a special concept. According to this conceptual point of view, financial culture means financial literacy (financial knowledge) and experience, but also financial skills and financial consciousness; and all of these are present at the same time. (Béres – Huzdik, 2012). Several experts agree that financial culture can be connected to financial knowledge in most cases. Beyond that, conscious behavior is generated by not just having but also using financial knowledge. Using our financial knowledge may generate conscious and responsible decisions, which can reduce the amount of future risk, the financial insecurity of households and can make personal finances more calculable. The financial culture mainly affected the financial behavior and practice as well (Bárczi – Zéman, 2015). Nagy and Tóth

(2012) emphasize, that conscious behavior of people would be essential. In the lights of financial consciousness people can learn the advantages and risks of financial services and can keep their investments at an optimal level.

Financial culture is also that kind of definition which integrates the cultural values of a community and can find interdependence between its characteristics and the quality of the community's financial decisions. According to Süge, financial culture includes everything that helps people to find their ways in financial questions and can create comfort. (Süge, 2010). The article about this topic, published by the Hungarian National Bank (MNB) unambiguously suggests the definition of financial culture. The supreme organization of monetary politics of Hungary states, that financial culture is the level of financial skills and literacy, where individuals are able and ready to make sense of basic financial information and make conscious decisions. They are also able to estimate the future risks of their decisions, can interprete and examine them in financial terms. (MNB, 2008). The term "financial culture" is not really current in articles written in English, this factor is mostly defined by "financial literacy". The most important component of financial skills is financial literacy. By this approach financial literacy is a basic characteristic of financial skills, which skills must be learned by the individuals. (Atkinson – Messy, 2012). Financial skills are not inborn skills, so it becomes a more and more important question how to gain these skills. Xu and Zia in their article from 2012 explain the idea of financial literacy. By their interpretation this notion includes financial consciousness and knowledge, including the awareness of financial products, institutions and concepts. According to Xu and Zia (2012) financial literacy can not be advanced where people do not understand and can not calculate compound interest and individuals are without the skills of finding their way in finances and financial planning.

Lusardi and Mitchell's article from 2014 states that well-informed and rationally thinking individuals spend much less when they have more income, they save money in order to secure their future if their income may decrease. (Lusardi – Mitchell, 2014). With this statement Lusardi and his partner create the synergy of consciousness, responsibility and financial decisions, since individuals always have to be prepared to a financial setback or any unexpected expenses. Financial culture or financial literacy can express the individual's expectations about future, since the demand on financial culture is stronger for people who want to calculate with more calculable, plannable and predictive financial processes, so they try to learn them better and analyze financial environment more deeply. in this form financial culture requires knowledge and also associates with responsibility and rationality, since individuals should be interested in achieving better and better accomplishment and should try to avoid disadvantageous financial events (e.g.: losses, high risks or precarious financial actions).

The economical crisis was an excellent example of precarious financial actions and pointed out the importance of financial culture. (Kovács et al, 2012). Not only businesses, but also individuals and households suffered from the negative effects of the crisis. Huston mentions in his article from 2010 that the confirmation of financial literacy should be a central goal, since it could be a very important tool to increase social comfort. Huston emphasizes that the recent critical period of mortgages, the indebtedness of consumers or the breakdown of households are all proving the importance of financial crisis. The author emphasizes also that although many publications have defined the meaning of financial literacy, less researchers have dealt with its measurement. (Huston, 2010). The development of measuring methods would be important to become able to improve individuals' financial skills. Most of the financial skills are not inborn, so they need to be improved and extended. So it matters, when, in what period of their lives, individuals try to learn these skills, and it is not by coincidence that the responsibility of socialization, family and the education system come into prominence. However it was not only the economical crisis to point out the importance of financial literacy (culture). According to Botos and his colleagues the demand of financial culture has become more precious, because some financial products have turned up in the last 30 years, and their risks could not be estimated even by experts because of their complexity. (Botos et al, 2012).

The complexity of our economical environment and the increasing complexity of financial markets oblige the participants of economy to have analyzing skills which let them make financial information digestive and explainable by them. According to The Financial Literacy Annual Report published in 2014 consumers have to become able to analyze expenses, costs, risks and results, especially those which can be directly connected to their lives, like financial products, services and decisions. Individuals must be able to make effective decisions, get out of poverty and have to know who to turn to ask for financial help. Steps and action must be made to improve present and future comfort and form financial expectations. (Financial Literacy Annual Report, 2014). By developing financial culture, the individuals' knowledge about financial products and expressions can widen, people can learn how to deal with risks or to make decisions, which affect less unfavorably their future economy. The question with responsibility is often connected to the idea of financial culture, as we have to be able to choose among financial services according to their risks and dangers. (European Commission, 2007). Financial culture and financial literacy is very often related to the question of reducing risk. As business culture is mostly defined by our skills, the level of financial culture can be defined by the quality of our financial skills. In this sense, financial culture is the complex of the financial skills shared by the personages of the economy and their level of quality. Of this sort, financial skills can be explained with the complexity of three components. (Table 1.) To start with we can mention financial knowledge, competence and the ability of analyzing, all these facilitate the understanding of financial processes. But it is not enough to be in procession of knowledge and competency. Individuals must have the desire for learning, making perfect and using these skills while making financial decisions. And –as a third factor- appears awareness, to embody the desire for computability, security and planning.

This nexus is confirmed by Hung and his colleagues in their article if 2009, with the title: Defining and measuring financial literacy (A pénzügyi műveltség definiálása és mérése). In this article the authors highlight that financial literacy means skills, how individuals can manage their finances through their knowledge and skills. With the help of all these they can become able to form their comfort and prosperity. (Hung et al, 2009). Financial culture leads to the realization of individual goals and interests through the perfect utilization of skills. Among others, this connection was confirmed in Mandell and Klein's article (2009) where they state that articles about financial culture usually agree that most of the consumers do not have a satisfactory level of financial literacy despite the fact that they would be very important when making financial decisions, in their own interest. According to this interpretation, with their lower financial skills individuals put back the realization of their own interest, so the status of financial culture is important not only because of the financial stability of the economy, but also from the perspective of the realization of the individuals' short- and long term aims.

In their common article OECD and World Bank reinforce this above statement, according to which financial literacy means the series of skills which can be important to both the consumers at the markets of the well developed countries and for poor people as well. (OECD – World Bank, 2012). Financial culture can be interpreted not only at hte level of individuals and communities. According to Rumyantseva financial culture is strongly related to business culture. Pursuant this approach forming business culture helps individuals to get into understanding financial processes. While we are forming business culture we have to create financial processes and their communicative channels. In order to learn the financial environment, market research must be done then involve employees to let them learn financial processes and basic financial expressions. Precise and fast financial reports must be done which help to understand the up-to-date status and can be useful during the process of learning. Well-defined and well-known financial aims must be stated which are known by every involved person. All these factors help to make the company more transparent and successful in financial terms, but also the involved people can feel more responsibility, can learn consciousness and can use all these in their households. (Rumyantseva, 2013). In consequence, financial culture is not a definition what belongs to one person but to a community, to a business or to the whole society. Several similarities can be found in different explanations. The development state of financial culture is beneficial to financial decisions and indirectly has positive influence on economical processes and on the evolution of welfare. All experts agree that adequate financial culture help us to become more experienced in financial processes, to make financial decisions more reasonable and inspire us to more responsible financial management, with future end in view. Almost everybody agrees that financial culture is a complex notion and it may cause the fact that it does not have an accepted definition yet. After all, the definitions agree that professional competence and the needed knowledge is essential so they must be continuously improved.

Financial culture is not else but the complex of skills and abilities which help us to give more effective answers to changes which directly influences our financial affairs. The learning process does not only mean how individuals can gain their financial knowledge but people can get in relation with businesses, with their financial decisions and all these can develop people's mentality about finances. Beside individuals' financial culture we have to define the given organizations' and institutions' financial culture as well, because they can influence people's financial mentality. All these assign the level of financial culture of the society, the economy and the different branches of industry, what can be considered as a very important source of competitiveness when we speak about national economy. It is a very important question, not only from the perspective of the development of different countries but also for the sake of the individuals' and businesses' goals. High quality financial culture shows that economy's characters have financial skills (financial literacy) which involve better awareness of responsibility, endeavor to safety, foresight and professionalism. All these does not mean that countries which have high quality financial culture keep themselves clear of risks or would not invest. On the contrary, they do but with more rationalism, expecting the factors which may disadvantageously influence their future. According to this approach, financial culture is not just the complex of financial skills, but also the economy's characters' behavior and attitude to planning, prediction and simplicity in their financial affairs.

Method

The primary results presented in the study are the results of a quantitative study conducted in Hungary between May and October 2020, immediately after the closures due to the coronavirus pandemic. At the beginning of the data collection, the closures were still in place and the restrictions were only gradually lifted, which led to very vivid recollections of the respondents' answers to our questions. We conducted an online survey, where subjects were recruited through a snowball sampling method, using our own active students as the first base, by sharing the online research tool directly to their email address. This resulted in 6803 evaluable questionnaires. The research tool contained only closed questions, at nominal measurement level (in the form of single-choice and multiple-choice questions), and metric scales (Likert scale and semantic differential scale). The research questionnaire examined the impact of the pandemic in a complex approach. The questionnaire measured changes in financial awareness, changes in consumer habits, but also the effect of digitalization. SPSS 22.0 software was used to process the quantitative results. In the present study, we use frequency counting and cross tabulation analysis to examine the main fears of respondents about the pandemic during the main period of constraints caused by the coronavirus crisis by age and education level. The distribution of the sample is shown in the table below:

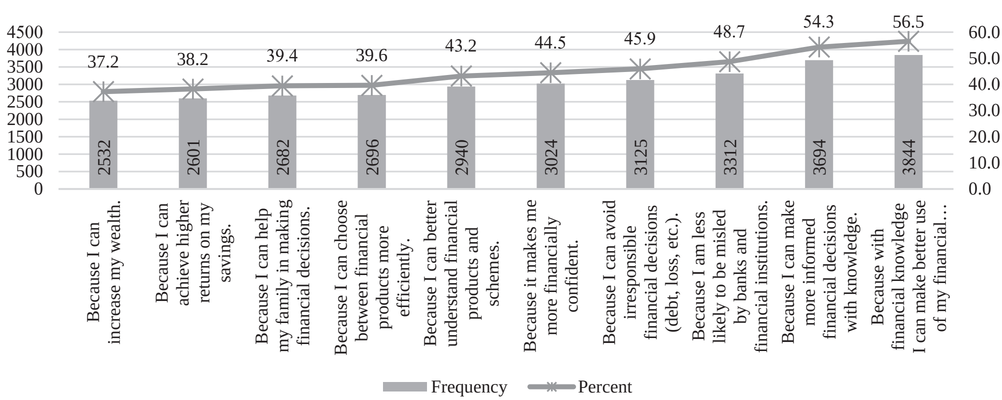
Figure 1
Distribution of the sample along the factors analyzed

Source: own research, 2020, N = 6084

Results and Discussion

In this study, we seek to answer the reasons and motivations that drive people towards financial education. Among the possible answers listed, we find both individual and social benefits. The greatest benefit of financial education was seen by respondents as the ability to make better use of their financial opportunities by having financial knowledge. Equally high value is placed on being more informed when making financial decisions. In addition, respondents also saw benefits, albeit to a lesser extent, in being less likely to be misled by banks, and also felt that it was important to be better able to avoid making rash financial decisions when financially literate. The least perceived benefit of financial education was that it would increase their wealth. They also saw little benefit in being able to earn a higher return on their savings. This is generally a characteristic of risk-averse behavior, which is very much a feature of the Hungarian population. Furthermore, respondents did not rate highly the ability to have a sound financial knowledge to help them make family decisions and to be able to choose between different financial products more easily.

Figure 2
The mentions of the benefits of financial education in the research

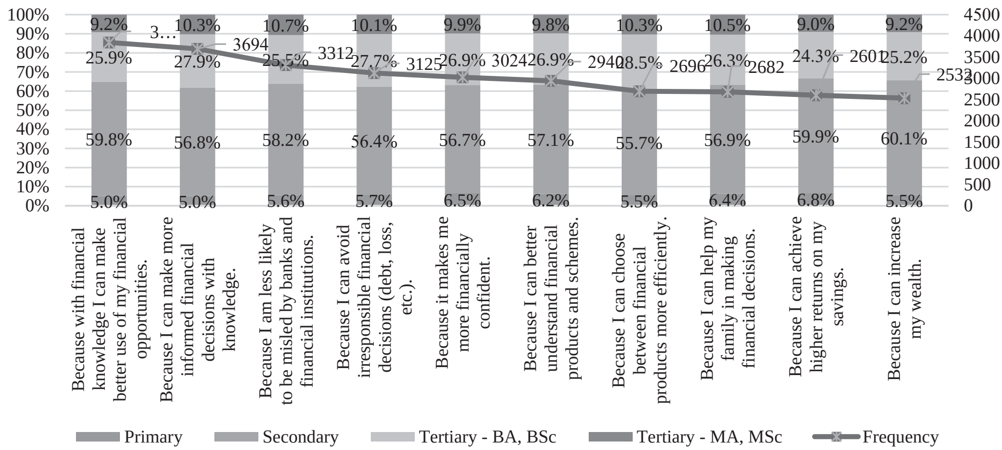


Source: own research, 2020, N = 6084

If we look at the answers to the statements and the proportion of people with each level of education within them, we see the following picture (row percentage, total answers = 100%). Respondents with a primary education have the highest proportion of respondents in their category for the following statements: having financial knowledge allows them to achieve higher returns on their savings, and thus greater financial security, and also a high proportion of respondents in the overall 100% for the statement that having financial knowledge allows them to help their own family make financial decisions. For respondents with a secondary education, the highest proportion of respondents with a higher education level indicated wealth accumulation as a benefit. This was followed by higher returns on savings and better use of financial opportunities. For respondents who have a bachelor's degree (BA, BSc), there is a better choice between financial products, being better informed to make financial decisions and avoiding rash financial decisions. The main advantages for respondents with a Master's degree are that having financial knowledge makes them less likely to be misled by banks and financial institutions, and better choices between financial products and helping their family. For the latter two groups, the last ranking is higher returns on savings. For those with secondary education, being better informed is the last ranking, and for those with primary education, increasing wealth is the last ranking. This shows that respondents with different levels of education attribute very different benefits to financial education. There is also a clear difference in income between them in the order in which they respond.

Figure 3

Distribution of mentions of a given statement for respondents with each level of education (row percentage, mention of a given statement = 100%)



Source: own research, 2020, N = 6084

Finally, it is also worth looking at the frequency with which respondents with a given level of education mention which advantage. In this case, we look at the column percentages, i.e. the percentage of respondents within a given category who identified the item as a benefit (the group by educational attainment is considered to be 100%). The highest mention rate for respondents with primary education was 41.3%. This rate was used to describe greater financial literacy as an advantage. Better use of financial opportunities was also described by respondents with a rate of almost 40%. Third in terms of frequency of mention is the fact that having financial knowledge makes it less likely that banks will be able to deceive respondents. The lowest mention rate was for wealth accumulation among respondents with a primary education.

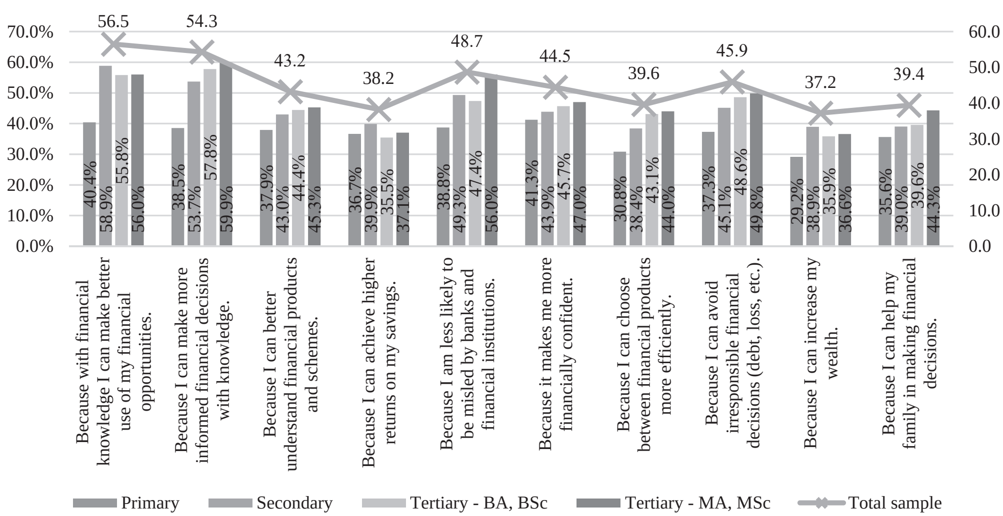
Respondents with secondary education had a much higher percentage of mention of each benefit. 58.9% described the statement that better use of financial opportunities. Better information when making financial decisions was also mentioned with a frequency of over 50%. The advantage of being less likely to be misled by banks and financial institutions in the presence of sound financial knowledge was mentioned with a slightly lower rate of 49.3%. Better choice between financial products was the least mentioned, with 38.4%, and wealth accumulation was the least mentioned, with a slightly higher value.

Respondents with a bachelor's degree also show very high mention percentages. The highest rate, 57.8%, was for being better informed. 55.8% of respondents said that having financial knowledge would enable them to make better use of financial opportunities, and just under 50% (48.6%) said that it would help them avoid bad financial decisions. Achieving higher returns was mentioned by 35.5% overall, with a slightly higher proportion (35.9%) putting wealth accumulation last.

The same percentage and proportion of those with a Master's degree also mentioned being better informed when making financial decisions. Better financial decision making was ranked at a similar rate to the previous group, at 56%. Overall, these two statements have the same mention percentage as for respondents with a bachelor's degree. In third place, also at 56%, is the claim that, with financial knowledge, they are less likely to be misled by banks and financial institutions. The lowest percentage of respondents in this group mentioned the accumulation of wealth and the possibility of achieving higher returns.

Figure 4

Frequency of mention by respondents in each segment (column percentage, group = 100%)



Source: own research, 2020, N = 6084

Conclusion

No one disputes the importance of financial education after the 2008 crisis. This process has been compounded by the 2020 crisis. Financial education is important because every moment of our lives is determined by money and its culture. We make financial decisions when we shop, when we borrow, when we build up savings, but also when we make any other decision that affects the individual and their immediate and wider environment. In this study, we measured individual perceptions of financial education among respondents with different levels of education. It is clear that respondents with different levels of education attribute completely different beneficial attributes to financial education. As a result of the responses received and the above analysis, it can be said that respondents with a more stable and higher income tend to focus on wealth accumulation and rationalizing their financial decisions, while for respondents with a lower level of education, the focus is more on awareness and information. Overall, the beneficial attributes listed above are definitely present in one or the other group in terms of financial education and are seen as beneficial attributes. This is why financial education should be given high priority from primary school onwards, so that young people are familiarized as soon as possible with the principles and concepts that will be relevant to their everyday lives.

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