

REVIEW OF FINANCIAL LITERACY EDUCATION PROGRAMS IN ROMANIA

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Abstract:

In this systematic review of financial literacy education programs in Romania we assess their continuity, consistency and importance. The key characteristics of such programs are analyzed based on complexity, age and size of target audience. We find that financial literacy programs in Romania tend to be recent and generally have low complexity and small target audiences. The findings may be useful for designing more effective financial education programs and developing future research on the topic.

Keywords: financial literacy, education initiatives, financial education

JEL classification: A20, G50, I21

Introduction

Financial literacy and financial education represent important topics for the adequate functioning of the financial system. Without a proper understanding of at least the basic notions of finance, people cannot properly take care of their financial affairs. They may use inadequate financial products and services or they may use the proper ones but in an inadequate manner, leading to financial loss and a long-term decrease in their financial well-being. In this framework, the issue of financial literacy and financial education has been discussed extensively. In Romania we can mention numerous instances in which the lack of financial education led to significant social problems. We can also observe the proliferation of educational resources, with little research focused on them.

Description of the Problem

As we mentioned, research on financial literacy and financial education is abundant at international level. Specifically related to the topic of this paper, we find that the importance of proper design of financial education programs was advocated by Fox et al (2005). Also, there are indications in the literature that financial performance of individuals can be improved by education programs (Lusardi, 2008), even if there are ample opportunities to improve such programs. In a later study, Lusardi et al. (2020) point out that the efficiency of financial education programs varies among different population segments and for some segments acquiring financial knowledge is too costly and not beneficial. We can also take note of the findings of Fernandez et al. (2014), who discuss the importance of just-in-time financial education as a countermeasure for the process of knowledge decay over time.

A comprehensive study on financial literacy education studies for youth was conducted by Amagir et al. (2018), which points to the short-term perspective of related studies and note that insufficient data is collected regarding the actual financial behavior of youths. A similar

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conclusion, that understanding the long-term impact of education programs is missing is drawn by Hathaway and Khatiwada (2008).

We can observe, therefore, that previous research evidenced the necessity of proper design for education programs and long-term observation of their results. While such an endeavor is beyond the purpose of this paper, we attempt to structure the data on current Romanian financial education programs in a simple manner. This way we can clarify if local initiatives appear to be substantial enough to pursue a significant increase in financial literacy of the population.

Methodology and Data

In order to achieve the stated objective, we made an analysis of the initiatives regarding financial education in Romania today. The analysis was performed online, taking into account initiatives with an online presence. We evaluated all active programs we identified, grouping them by target audience and year of inception.

We found the existence of 48 programs or initiatives directly aimed at increasing the level of financial education of people in Romania. We noticed that 18 of these (38% of the total) are private initiatives whose main target group is children and young people and 24 of these (50% of the total) are private initiatives whose main target group is adults. Notably, 54% of these (or 27% of the total) are initiatives by financial institutions. We also identified only 6 public initiatives (13% of the total), 3 of them targeting young people and 3 targeting adults.

The next stage of the analysis consisted in assessing the age of the initiatives. We found that 56% of these are 3 years or less and 75% are 5 years or less. We could identify only 3 (6% of the total) initiatives that are 10 years old or more.

Subsequently we made a qualitative assessment of the educational initiatives. In order to evaluate the impact of the analyzed initiatives an impact score was calculated, based on several relevant factors, such as the complexity of the initiative, its age and the size of the target audience. Each analyzed initiative received a score on each of these criteria, with grades from 1 to 5.

Results

The results indicated an unbalanced origin of the programs, the private initiatives vastly exceeding public ones.

In Figure 1 below, we have represented the 18 private initiatives aimed at young people, depending on the year they were started. We can observe that none of them has more than 5 years since it was launched and half of them appeared since 2020. These initiatives tend to be courses offered by individual kindergartens or schools or various online courses. Generally, they focus on small groups of children. Considering the fact that those initiatives which are not exclusively online are mainly related to institutions in Bucharest or some other cities, we can see that there is a notable geographical unbalance in the supply of these programs. Children from rural areas could only have access to online courses.

Also, we observed that the description of these initiatives was generally rather basic, in many cases unchanged since the initial setup of the program.

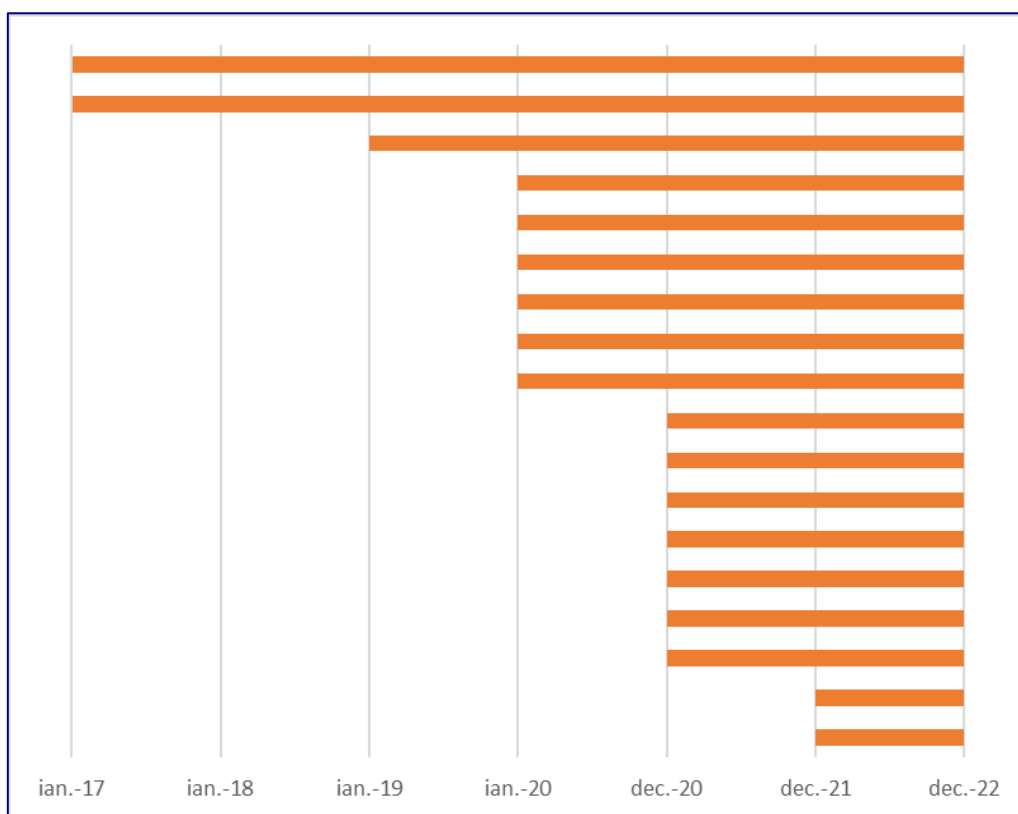


Figure 1 – Private initiatives targeting young people

Source: author's research

In the figure below, we have represented the 24 private initiatives aimed at adults, depending on the year of their start. The top group of initiatives was developed by financial institutions (mainly banks, but also insurance companies, brokers and others). We notice that these groups of programs had a longer lifespan. We can even observe one program that appears to have been initiated as a result of the financial crisis of 2008.

Comparing private initiatives targeting mainly adults to those targeting mainly children we note the longer lifespan of the courses and the interest manifested by financial institutions to providing this type of education. This makes sense, since adults represent the client target group of these institutions as well. Increasing the financial literacy of their clients may lead to a better use of financial instruments and increased financial wealth, leading to a more active use of financial services. An assessment should be made, however, to understand if the trainings provided by these institutions have a sufficient educational component or merely represent a marketing instrument for their own products and services.

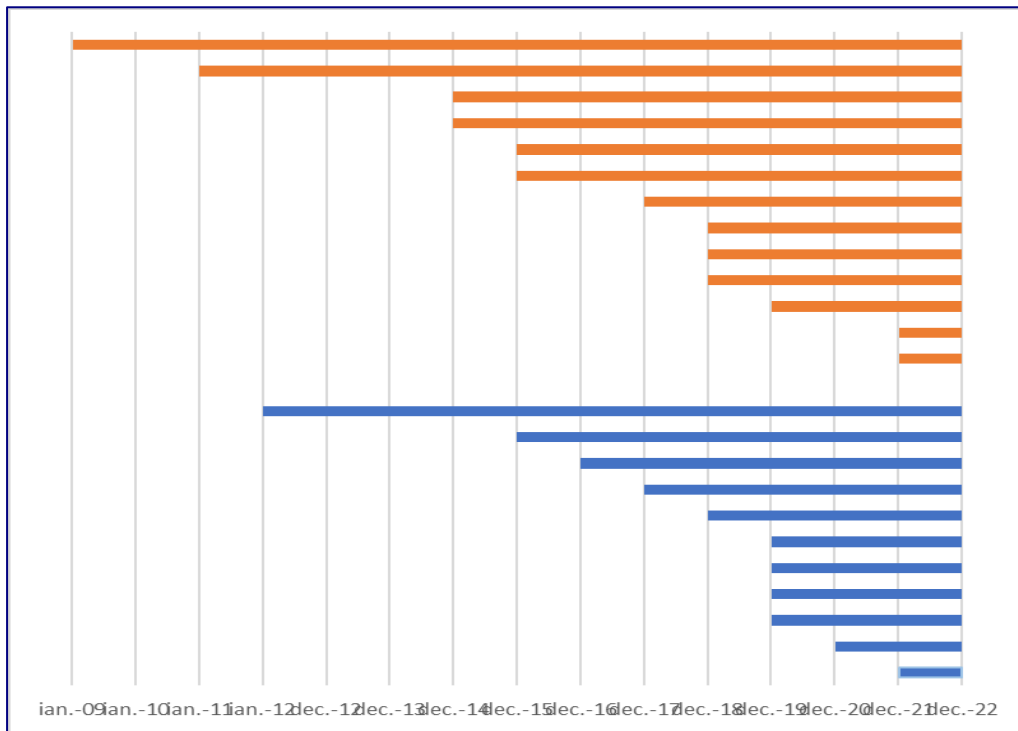


Figure 2 – Private initiatives targeting adults (initiatives of financial institutions marked with orange)

Source: author's research

In the figure below, we have represented the 6 public initiatives identified, depending on the year of their start. This group of initiatives is significantly smaller than the rest but we can notice that their lifespan is longer than the one of the private initiatives aimed at children (and smaller than the one aimed at adults). If we make a more in-depth analysis of these initiatives, we observe that they are significantly more complex than the other groups. They include various written and video support materials and numerous local events. This also means that their target audience is significantly larger than the one of the private initiatives.

One thing that was noticeable was that information regarding the status of public initiatives was not as frequently updated, making it more difficult to understand if they were still active or not.

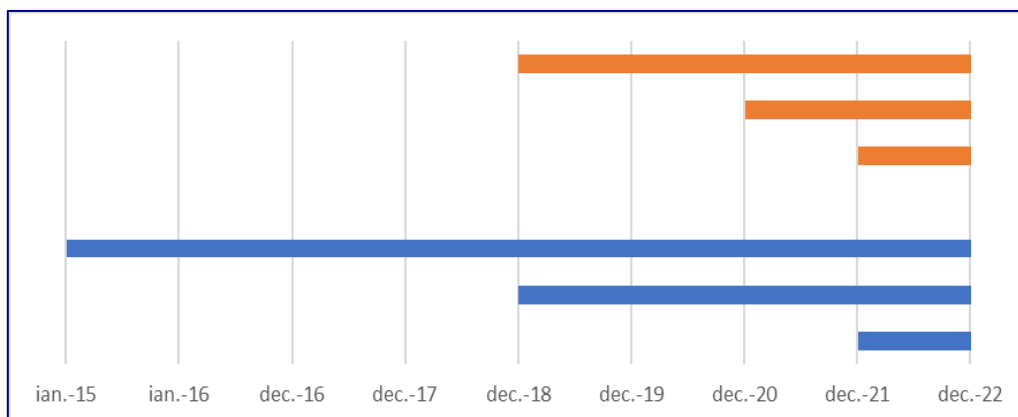


Figure 3 – Public initiatives targeting young people (orange) and adults (blue)

Source: author's research

In the figure below, we have highlighted the evolution of the age of the identified educational initiatives, taking into account the start year of the active initiatives in October 2022. From the 48 initiatives active in 2022, 43 were active in 2021, 33 were active in 2020 and so on.

It becomes clear that most initiatives are very recent, more than half of them being developed in the past 3 years. We can relate this to the impact of the COVID-19 pandemic, which led to the development of a large number of online training programs, as a result of business seeking opportunities by professionals whose activities were negatively during the pandemic.

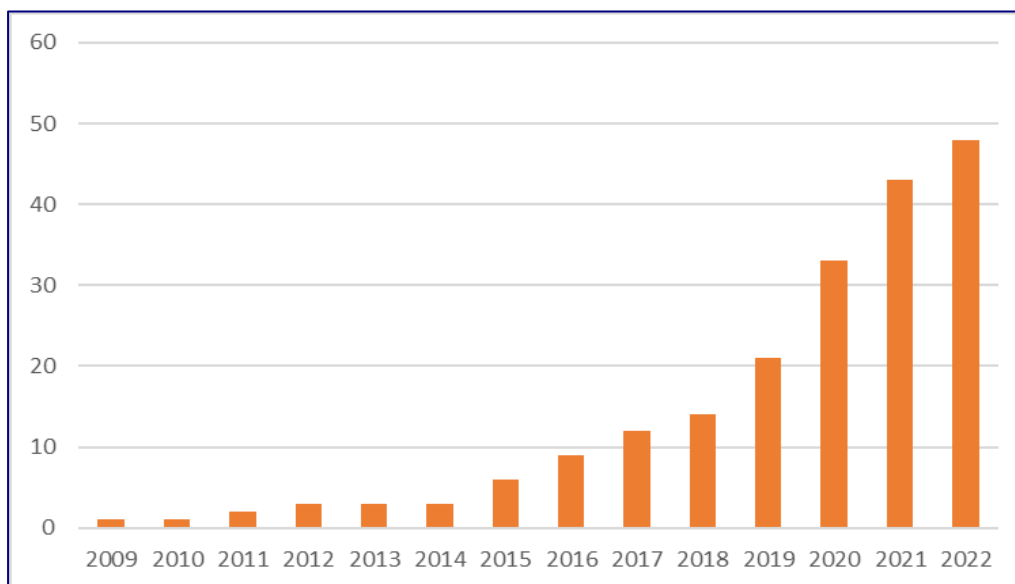


Figure 4 – Age of educational initiatives

Source: author's research

We wanted to make sense of this corpus of initiatives and better understand them based on quality indicators, not just quantitative ones. It was beyond the scope of this paper to make an in-depth analysis of each initiative but, in order to evaluate the impact of the analyzed initiatives we calculated an impact score, based on several relevant elements: the complexity of the initiative, its age and the size of the target audience. Each analyzed initiative received a score on each of these criteria, with grades from 1 to 5. The resulting impact score is shown in the following table.

Table 1

Scoring of the financial education initiatives

Type of initiative	Score			Score
	Complexity	Size of target audience	Age of initiative	
Private educational initiatives for young people	2,33	2,28	1,17	1,93
Private educational initiatives for adults	2,21	2,29	2,13	2,21
<i>Initiatives of financial institutions</i>	2,54	2,77	2,46	2,59
Public educational initiatives for young people	3,33	3,67	2,00	3,00
Public educational initiatives for adults	5,00	5,00	1,33	3,78
General	2,50	2,54	1,71	2,25

Source: author's research

We can see that the lowest overall scores are for private initiative groups (the most numerous, by the way). A special observation can be made for the initiatives of financial institutions, which are significantly more consistent than the other private initiatives. We find that the public initiatives aimed at adults obtained the highest impact score even if they are the least numerous. Analyzing the elements that led to the calculation of these scores, we notice that the age of the initiatives attracts the lowest scores. Most of the private initiatives have appeared in the last three years, many of them probably being the result of changes in the online course market in a pandemic context.

Conclusions

In this paper we found that a useful approach was to analyze financial education programs based on the public-private distinction. We assume public initiatives are designed based on public strategies and policies, with objectives related to social development, while private initiatives may have more often profit related objectives.

We observed that financial institutions play an important role in offering financial education, mainly to adults. This can be seen as a process of “education the clients”, endeavor beneficial for the long-term business objectives of the institutions. Also, we establish that public initiatives have the greatest complexity and reach.

One thing that remains unsolved relates to the fact that little is known about the impact of such educational programs, particularly in the long-term.

Future Directions

This study opens the way to a more in-depth analysis of the results financial education programs achieve in Romania. An accurate account of the participants in these studies would be essential in studying the long-term effects of these studies. This, in turn, would provide an overview of the design characteristics that generate lasting benefits for the program participants.

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