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FINANCIAL LITERACY AS A FACTOR IN IMPROVING THE WELL–BEING OF THE POPULATION - A REGIONAL ASPECT

Tatyana A. Paladova
FSBEI HE Maikop State Technological University, Department of Finance and Credit, Maykop, Russian Federation
https://orcid.org/0000-0003-0996-7026

Lyudmila A. Mamiyok
FSBEI HE Maikop State Technological University, Department of Finance and Credit, Maykop, Russian Federation
https://orcid.org/0000-0001-5391-4541

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Abstract

The article is devoted to the study of the population's financial literacy as the basis of family well-being. In modern conditions of the expansion of the use of financial services, the complexity, and the emergence of new and difficult-to-understand financial instruments, the issues of financial literacy of the population have become extremely relevant for most countries of the world. Ensuring personal financial security is becoming an important factor in people's economic well-being. The paper studies and summarizes the essence of the concept of financial literacy, highlights the main features of a financially literate person and identifies and considers the main components of financial literacy. It is shown that the role of financial literacy in Russia is sufficiently large and raising its level among citizens is an important task facing the state, the solution of which is very important both for the state and for the economy and citizens. Indicators of the level of financial literacy of the population of the Russian Federation, the dynamics of changes in the level of financial literacy of the population, and the dependence of the level of financial literacy on age have been examined and analyzed in the research.

Keywords: *financial literacy. population's financial literacy. welfare. financial service. financial services consumer.*

1 INTRODUCTION

Increasing financial literacy is a very significant area of public policy but it is often underestimated. It is the understanding of the basic financial mechanisms among the population that is one of the guarantees of social stability and economic growth of both a separate region and the state.

Increasing financial literacy level contributes to the growth of the quality of financial services and allows expanding the ability of citizens to use financial services more efficiently.

Address of the corresponding author:
Tatyana A. Paladova
tpalad@mail.ru

This process reduces vulnerability to financial crises and leads to a gradual reduction in the risks of excessive personal debt of citizens on consumer loans, and a reduction in the risks of fraud by unscrupulous market participants, being an important factor in protecting consumers of financial services.

2 WHAT IS FINANCIAL LITERACY?

Financial literacy is the ability of a person to manage his/her income and expenses, make the right decisions on the distribution of funds (live within means), and increase them competently. (Maltseva & Paladova, 2019)

In other words, this is the knowledge that allows one to achieve financial well-being and stay at this level throughout life. Financially literate people do not live paycheck to paycheck and take loans only when they are sure that the loan will bring profit in the future. They do not give in to panic even in the conditions of an economic crisis because they have a "reserve fund" in case of various force majeure circumstances. They know how to plan and foresee.

3 FINANCIAL LITERACY IN THE USSR

Unfortunately, a significant part of the Russian Federation (RF) population, one cannot call financially literate. Most of them grew up in a completely different era and did not think about financial well-being in the future and planning the receipts and expenditures of funds on a long-term basis. The generation of the Russian citizens who grew up during the Soviet era cannot teach children and teenagers all the nuances of the world of finance, because they know practically nothing about this field of activity.

In the USSR, there was no stock market. Citizens could only keep their money in one bank, and the only legitimate source of livelihood was wages. And the following facts testify to this:

Many residents of the RF keep money at home in the old-fashioned way, and some do not think about the fact that it is simply vital to save money for rainy days. They are not accustomed to multiplying their capital, and numerous collapses and crises have only reinforced distrust in financial institutions.

Many Russians do not use all kinds of financial services. And not because there is no such need. It is just that people do not understand how it all works and do not even know about financial services. Some citizens of our country still do not know about the deposit insurance system.

Some do not understand how the pension system works (and we are offered to invest in it to receive a decent pension in the future). The Internet and cashless payments give us many opportunities, but for some, it is easier to withdraw cash and use it to pay for a purchase at the store, even though there is a terminal at the checkout.

4 MODERN FINANCIAL LITERACY

In the modern world, it is necessary to learn how to handle money properly. There is an expression - a penny saved is a penny earned (money likes to be counted). That means it is necessary not only to count the salary or count the change. This is accounting and planning for all expenses. One can even say - planning a life.

A low level of financial literacy negatively affects the personal well-being and financial potential of households, worsens the resource base of financial organizations, impedes the development of the financial market, slows down investment processes in the economy, and leads to a deterioration in the socioeconomic situation of the country. (Mamiyek, Paladova, & Reunova, 2021)

The conducted research and analysis of the opinions of the expert community have shown that a Russian consumer of financial services is characterized by the attitudes of financial behavior associated with the imposition of responsibility for personal financial decisions and financial risks taken on the state (paternalism), as well as a passive attitude to control over personal finances.

In the Russian Federation, much attention has been paid to the issue of increasing the financial literacy level as the most significant factor in the country's economic development and the financial potential of households for the last ten years.

Since 2011 the Ministry of Finance of Russia and the World Bank has been implementing the project 'Assistance in Improving the Level of Financial Literacy of the Population and the Development of Financial Education in the Russian Federation'. In 2017 the Government of the Russian Federation approved "The Strategy for Improving Financial

Literacy in the Russian Federation for 2017 – 2023". (Medvedev, 2017)

The development and approval of this Strategy is an urgent and necessary measure to stimulate the economically rational behavior of the population and, as a result, improve its well-being and the quality of life of citizens, including the use of financial products and services of appropriate quality.

The Strategy's implementation has allowed consumers of financial services to gain the necessary knowledge, increase confidence in the financial system, reduce their financial risks, and improve their well-being.

The study of the level of financial literacy conducted by the NAFI analytical center in 2022 showed an increase in the financial literacy of Russians.

At the beginning of 2022, more than 70% of citizens had a level not lower than the average one, and 58% acquired healthy financial habits: they manage the family budget, control expenses, and make savings. (NAFI, 2022)

The NAFI Analytical Center has been measuring the financial literacy of Russians for more than ten years.

Since 2018 the Financial Literacy Index has been used to measure the level of financial literacy, reflecting a person's ability to manage personal finances prudently. This indicator is measured in the range from 1 to 21 points.

According to the latest research, conducted in December 2022, the financial literacy index of Russians was 12.79 points (an increase of 5.5% compared to the value of 2018 - 12.12 points).

Table 1 - The value of the index of financial literacy of Russians, in points

Years	2018	2020	2022
The index of financial literacy	12.12	12.35	12.79

The most financially literate Russian residents are men and women over 45, have higher education, and are residents of large cities. A low level of financial literacy is typical for non-working Russians, and residents of rural or remote areas.

In dynamics over four years, the proportion of Russians with high and medium financial literacy is gradually growing, while the proportion of Russians with low financial literacy is decreasing.

Table 2 - Shares of Russians with low, medium, and high levels of financial literacy, in %

	2018	2020	2022
Low level of financial literacy (1-11 points)	44	41	28
Medium level of financial literacy (12-15 points)	46	47	57
High level of financial literacy (16-21 points)	10	12	15

In 2018, 44% of the inhabitants of the RF showed a lack of knowledge of financial issues, and lack of competent financial planning skills, and attitudes toward achieving long-term financial goals.

Today the number of Russians with a low level of financial literacy is slightly more than a quarter, i.e., 28% (a decrease over four years by 16 p.p., by 3 p.p. from 2018 to 2020, and by another 13 p.p. from 2020 to 2022).

The share of Russians with an average level of financial literacy has increased by 11 p.p. since 2018. (2018 - 46%, 2020 - 47%, and 2022 - 57%).

The growth of the financial literacy of Russians in the period under review is primarily ensured by the flow from the low category to the medium one. This trend has been observed clearly over the past two years, during which the coronavirus pandemic and changes in the socioeconomic situation occurred.

Table 3. - The value of private indices of financial literacy of Russians, in points

	2018г.	2020г.	2022г.
Private Index Knowledge	4.55	4.68	4.19
Private Index Skills	4.78	4.89	5.75
Private Index Principles	2.79	2.79	2.86

Financial literacy is a certain level of knowledge, skills, and abilities that allows a family to objectively assess the economic situation, the situation in the country, and other components and, based on this, make rational and necessary decisions in managing personal financial resources.

Over the past four years, a significantly bigger number of people began to maintain a family budget in one form or another, fix their expenses and strive for a balance between income and expenses. That is an increase of 18 p.p. to 65%.

The share of those who saved money for something during a year increased by 33 p.p. (73% in 2022). 78% of Russians began to monitor the state of their finances more closely (in 2018, this share was 70%).

Negative trends include an increase in the share of those who have experienced a situation where their income is not enough to cover all living expenses (48%, for 17 p. p. more; a decrease in the share of those who know that they can lose all their money if you save them in only one place (58%, 8 p.p. less). Russians also more frequently began to find it difficult to calculate interest on loans and deposits (by 11 p.p. or more, depending on the issue).

An analysis of private indices of financial literacy shows a systematic and steady increase in people's financial management skills and a slight increase in competent attitudes and ideas about finance. And only financial knowledge, on the contrary, demonstrates a negative trend.

The result of the implementation of the Strategy is the achievement of the main goal, which is creating the foundations for the formation of financially literate behavior of the population as a necessary condition for the financial well-being of households and ensuring sustainable economic growth.

This Strategy is the basis for the development of state programs of the Russian Federation and the constituent entities of the Russian Federation. As part of the Strategy in the Republic of Adygea implementation, the State Program 'Improving the level of financial literacy of the population in the Republic of Adygea' operates.

The goal of the State Program is to promote the formation of reasonable financial behavior among the population of the Republic of Adygea, a responsible attitude to personal finances, and increase the effectiveness of protecting their interests as consumers of financial services.

The sociological research “Financial literacy of the inhabitants of the Republic of Adygea” was carried out in 2022 as a part of the implementation of the action plan for the State Program of the Republic of Adygea “Improving the level of financial literacy of the population in the Republic of Adygea for 2021-2023”.

The studies coincided with a significant change in the situation in the global economy, including the Russian economy caused, on the one hand, by the COVID-19 coronavirus pandemic, which harmed all spheres of society, intensified the economic crisis, demonstrating how much the population is financially vulnerable, and the introduction of unprecedented sanctions against Russia, on the other. (Alikaeva, Ksanayeva, & Prigoda, 2020)

The studies were carried out on a representative sample by the method of face-to-face questioning in the administrative districts and cities of the Republic.

The study determined the level of financial literacy, financial behavior, and financial attitudes of the respondents. The respondents had different understandings of what financial literacy is. The most popular definitions boiled down to the following: financial literacy is "the ability to effectively manage personal finances" (64%); "the ability to competently keep records of their income and expenses" - (68%); "the ability to use up-to-date information on the situation on financial markets" (40%); "the ability to understand the peculiarities of financial products and services" (40%). Some also said that "this is a fictitious concept that has nothing to do with real life" (2%). 2% of respondents found it difficult to answer the question. The definitions of financial literacy given by the respondents generally correspond to the definitions obtained in the course of previous studies and indicate a quite adequate identification by the respondents of a range of problems that correspond to the problem of interest to us.

The conducted studies showed that the residents of the Republic still have a satisfactory level of financial literacy (if you evaluate it on a five-point scale of "excellent", "good", "satisfactory", "bad", and "very bad").

Increasing the level of financial literacy of the population is extremely important at the present stage of the development of society and is dictated by the peculiarities of the development of the financial market. An appropriate level of financial literacy helps a person to accumulate economically valuable knowledge, makes financially behavior more productive, and helps to improve the standard of living of citizens by rationalizing the family budget, developing the ability to manage finances and, as a result, contributes to the growth of the well-being of the population. (Cekerevac, Dvorak, & Prigoda, 2022)

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