

What are the causes of financial illiteracy and what steps can be taken to cope with this issue ?

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Global Perspectives and Project Work

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Abstract

This research aims to identify the root of financial illiteracy among the population of Aktobe city, specifically its teenagers. Through qualitative collection of quantitative data and examination of secondary sources of information, one can arrive at a conclusion that contributes to achieving the initial goal. This study can help in the field of economics, explain the importance of financial literacy as a subject, and lead to the logical conclusion that one should be educated in financial literacy as early as possible in order to reduce the number of debts.

Key words: financial literacy, citizens, Aktobe, teenagers, economics, debt.

Эта исследовательская работа нацелена найти корень проблемы финансовой неграмотности населения города Актобе, а именно его подростков. С помощью качественного сбора количественных данных и исследования вторичных источников информации можно прийти к выводу, который способствует достижению начальной цели. Это исследование может помочь в работе в сфере экономики, может объяснить важность финансовой грамотности в качестве предмета и привести к логичному выводу о том, что нужно обучаться финансовой грамотности как можно раньше, для того чтобы уменьшить количество долгов.

Ключевые слова: финансовая грамотность, жители города, Актобе, подростки, экономика, долги.

Бұл ғылыми-зерттеу жұмысы Ақтөбе қаласы тұрғындарының, яғни жасөспірімдердің қаржылық сауатсыздығы мәселесінің түп-тамырын анықтауға бағытталған. Сандық деректерді сапалы жинау және қосымша ақпарат көздерін зерттеу арқылы бастапқы мақсатқа ықпал ететін қорытындыға қол жеткізуге болады. Бұл зерттеу экономика саласына көмектесе алады, қаржылық сауаттылықтың пән ретіндегі маңыздылығын түсіндіре алады және қарыз санын азайту үшін қаржылық сауаттылықты мүмкіндігінше ертерек үйрену керек деген логикалық қорытынды жасауға болады.

Кілт сөздер: қаржылық сауаттылық, қала тұрғындары, Ақтөбе, жасөспірімдер, экономика, қарыздар.

Introduction

Financial education is essential for the future economic state and development of the country. It has a strong link with other influential areas, such as policy, society welfare and education. It is clear that individuals face similar challenges on a regular basis, furthermore they have to be financially educated at schools and universities.

The latest study assessed Turkey's financial literacy using the OECD/International Network on Financial Education (INFE) method and compared it with 14 other countries and made a conclusion about a positive link between knowledge that they receive and knowledge. The results were based on every country's respondents' answers and it shows the need of having financial literature, due to its beneficial outcomes.

According to Mandell (2008), the results show that young American adults often struggle with financial illiteracy, potentially harming their future. Students from wealthier families have a significant opportunity to increase their financial literacy. Financial illiteracy is considered to be the one of the biggest severe issues in a world, where financial condition dominates and impacts future education or even medical care.

Zhamaubaev(2023) said that in total Kazakhstan recognized the bankruptcy of more than 6 thousand citizens, their total debt amount - more than 9 billion tenge. More than 80% of those who sent applications, do not meet the criteria for bankruptcy proceedings. Kazakhstan's school curriculum doesn't have financial literacy and it is not a mandatory subject, consequently it reflects on economic and social conditions of residents.

After having financial troubles, due to being financially dependent and uneducated, I tried to find the main reasons for the situation and found that I'm not the only one who faces it regularly. Especially adolescents spend a lot of money and don't have a specific plan of dividing it wisely. Kazakhstan's locals have no problems in going into debts and don't take it as a serious responsibility. After hearing news about someone becoming bankrupt, I decided to do detailed research on this topic. In conclusion, it's vital to provide quality financial education from a young age, in order to prevent all possible negative consequences of the issue.

Literature review

In modern society, financial literacy is crucial for building up financial independence, achieving economic stability and having income growth. Some individuals struggle with overspending and with a huge number of debts, potentially due to limited financial literacy or earning power. There are several studies about financial literacy around the world, in the case of high schoolers.

National JumpStart Coalition Survey (2006, as cited in Sohn, et. al 2012) found that Korean high school students performed poorly on the test, in comparison with American students on a similar test in the same year (National JumpStart Coalition Survey, 2006). Korean teens are learning finance through having bank accounts and managing money better. The results from this study illustrate how the financial literacy of Korean high school students is significantly associated with how they learn about money, having a bank account, their view on money, and how much allowance they get. According to Mandell (2008), the results show that young American adults often struggle with financial illiteracy, potentially harming their future. Students from wealthier families have a significant benefit in financial literacy. Current personal finance classes in high schools seem to fail effectively educating students with essential financial knowledge.

A recent study about the impact of Financial Literacy Education examined the impact of financial management courses on 79 high school students. The findings showed that those who took the course were no more financially literate and did not force themselves to be more savings-oriented and did not appear to have better financial behavior than those who had not (Klein & Mandell, 2009). Moreover, current research represented similar results, where the U.S. students with the economy lesson did better than those who didn't have any specific financial education, better than the Belarusian university students, who live in a country with a low-developed financial system and slightly worse than the Japanese university students" (Deplazes & Kardash, 2017). While the other research study about Netherlands students showed that economics is a mandatory part of the curriculum for all students in the seventh, eighth or ninth grade. There are topics such as budgeting and buying goods and services depending (Money Wise, 2014). Compared to American high school students, students in the Netherlands scored higher on average (56.10% vs 43.48%) on a similar test. According to Walstad and Rebeck (2016, as cited in Amagir, 2020 et al.) In addition, a university research work represented results about people's attitude and their habits, that are related with finance. There also was a significant range in financial behaviors across leading countries. More than 50% of US consumers used a financial advisor while this was rare in Italy, but Italian consumers were less likely to have a debt or a loan than those from the other countries. Reading financial newspapers was common in the US, but

rare in the UK and Italy. Canadians usually talk with friends and relatives about financial topics on a regular basis and to compare providers before buying costly goods” (Cude, Chatterjee & Nicolini, 2013). The other study contained the level of financial literacy among university students all around the world. The findings suggest that male students with a business major, well-to-do parents, those who have previously taken a financial course, those who study financial information through university education have a higher level of financial literacy (Ergün, 2017).

The latest study assessed Turkey's financial literacy using the OECD/International Network on Financial Education (INFE) method and compared it with 14 other countries. Overall, Turkey's financial literacy score is lower than the average of these countries. They found a positive link between financial behavior and knowledge, but the youngest and eldest generation have a lower financial awareness, moreover they spot the reasons of financial illiteracy, which is related to remuneration, education and income stability. (OECD, 2019). This paper presents the findings from an OECD International Network on Financial Education pilot study undertaken in 14 countries. The analysis focuses on variations in financial knowledge, behavior and attitude across countries and within countries by socio-demographics. The results highlight a lack of financial knowledge amongst a sizable proportion of the population in each of the countries surveyed (OECD,2020). Research findings in the Czech Republic in cooperation with the World Bank have revealed high levels of household debt and the need for financial education among citizens. Implementing financial literacy and financial instruction in schools would be an effective way of preventing such developments. At the same time, they compared the students' knowledge of financial literacy topics, with the relevant official documents (Opletalova,2015). The Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus concluded that the problem of financial illiteracy needs immediate attention, eventually those have developed the program designed for 5 years of financial literacy. Nowadays, it's important for everyone to learn about money management, and many organizations are working to make this education accessible. From banks to schools, lots of places offer guidance on making smart money choices. This financial literacy knowledge is essential for individual well-being and contributes to a stronger economy overall (Evtushik & Izotova,2023).

Methods

Data collection is the backbone of any research endeavor, providing the raw material upon which insights are built. The quality of data collected directly impacts the validity and reliability of research findings, making it imperative to employ rigorous methods and techniques. (Smith, 2018)

Data collection played an essential role in my research work. The initial goal was to investigate the level of financial literacy among the population of the city of Aktobe. However, I decided to narrow down the scope and conducted a survey among high school students and undergraduates, consequently assessing their financial knowledge. I chose a quantitative method of data collection in order to cover a certain group of people. In comparison with other methods, this sort of data collection also enables precise measurement of variables and produces numerical data, which can be analyzed statistically and converted into charts. According to Allen (2017), quantitative research is a way to learn about a particular group of people and they are called a sample population. Quantitative research uses numbers and measurements to study questions about a group of people by observing or measuring data. Examination of secondary resources was essential to provide context and background information about financial literacy in affluent and less privileged countries with scientific conclusions.

Secondary information on the topic of financial literacy also played a huge role by providing valuable insights into existing research and studies conducted by scholars and experts in the field. For instance, a recent study examined the impact of Financial Literacy Education on 79 high school students. According to secondary sources, there are no appropriate studies on the topic of financial literacy exactly in Kazakhstan. Those studies about other countries expanded the vision about the whole topic. Moreover, it offered important data and analysis regarding the effectiveness of financial education programs in enhancing financial literacy among high school students.

The questionnaire was chosen as the first instrument and the main tool. "Questionnaires are an indispensable tool in research, offering a structured approach to data collection and enabling researchers to gather valuable insights from a large number of participants efficiently" (Jones, 2019). Research tool aimed to collect data

from two priorly selected social groups. It was vital to make all questions in a survey mandatory to test their level of financial education. Every participant was asked to rate their level of knowledge in investing, personal income and their expenses. The response to each question consisted of 3-5 options, and all questions were closed-ended to cover a large number of participants. Obtaining the required number of participants for the survey was challenging. For the first time I received only 44 responses. However, after a second attempt and sending the link of a survey to every person individually, the number of respondents doubled and comprised 80 responses.

Overall number of participants have reached 80. The participants in the survey are primarily high school and university students and all of them reside Aktobe city. Most of them are the students of NIS. However, the other respondents are the students of universities such as Zhubanov university and Satpayev university. Financial illiteracy is a common problem among these social groups and differences in opinion have helped to arrive at a unified result. These individuals represent various ages and educational backgrounds within the city. The survey includes both high school and university students to learn from young adults who are at different stages of their education.

I have faced a problem when people ignored my survey, which then turned into the main limitation of my research. To solve this, I reached out to each person individually. Additionally, the initial audience were adults. However, most of them didn't want to take part in it, so I had to narrow down the number of participants. Some didn't express willingness to join because the topic is delicate and they felt uncomfortable sharing details about their finances.

Results

This study has been conducted in order to investigate the level of financial knowledge among local students. A survey was chosen as the data collection method. The survey provided specific trends that could address the inquiry of the study. The survey was essential for finding exact data on the problem and providing information about residents, while secondary sources were important for finding common data on the issue.

Overall, 80 people took part in the online survey, including high school and university students. The main aim of the questionnaire is to collect exact data and match the basic knowledge about financial literacy of citizens with their financial lives.

- Initially, the respondents were divided by age groups. Most respondents (66 people, or 82.5%) were above the age of 13. The smallest group (5 people, or 6.2%) were between the ages of 18 and 25.

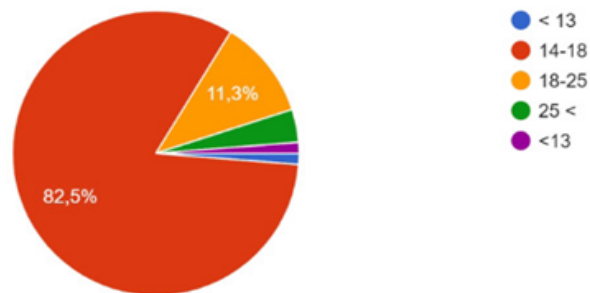


Figure 1

Question (Figure 1): **“How old are you?”**

- People were asked to share information about their expenses and point out relevant problems with particular routes. Ultimately, participants who spent 20000–50000 tenge per month comprised the most and showed 45%. For almost half of the respondents, the norm of expenses was less than 10,000 tenge monthly. It is clear that the minority (16.2%) spends around 60000–100000 tenge. The bar chart helped to conclude that the vast majority of adolescents prefer to spend a small amount of money.

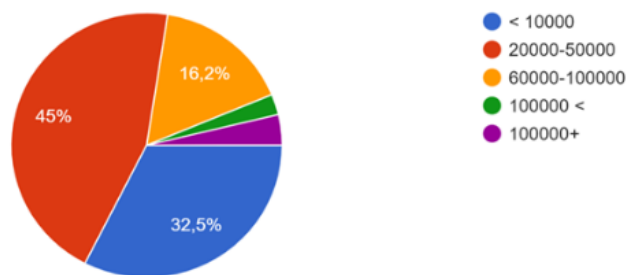


Figure 2

Question (Figure 2): **“How much do you spend each month?”**

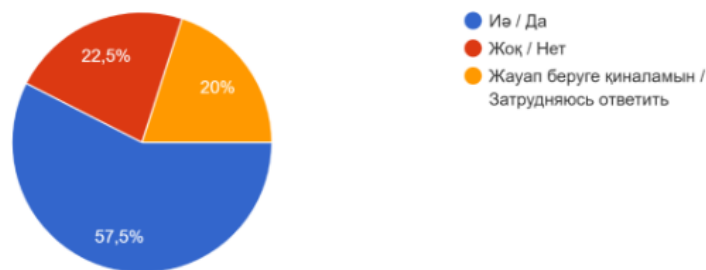


Figure 3

Question (Figure 3): **"Do you control your expenses?"**

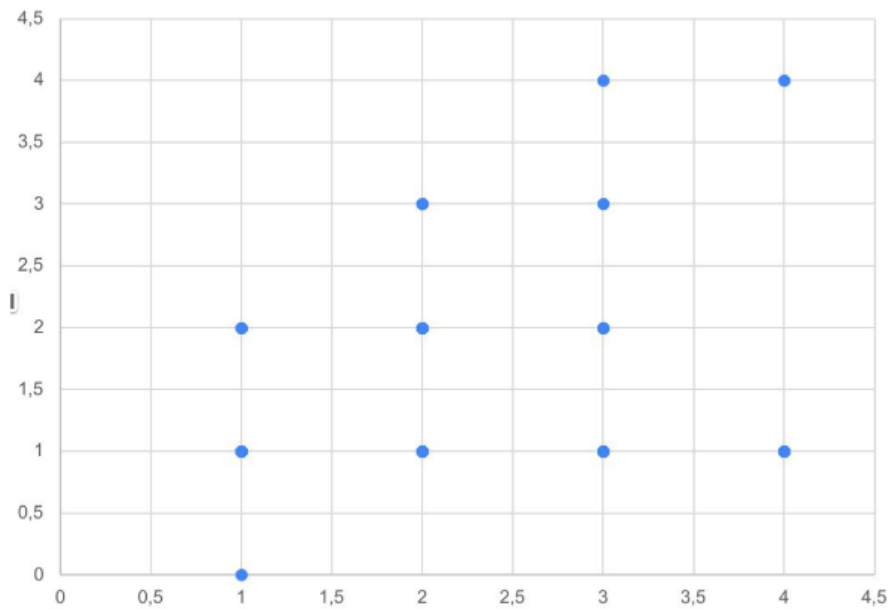


Figure 4

- It was important to find out exactly how many participants think that knowledge of financial literacy is essential. It was related to the number of participants who answered the question about financial literacy as a subject in their schools. Among participants, 72.5% haven't studied financial literacy as a mandatory subject. Also, the majority (61.3%) stated that this subject wasn't mandatory. It means that the school curriculum in our schools is not designed to raise the level of financial literacy among students

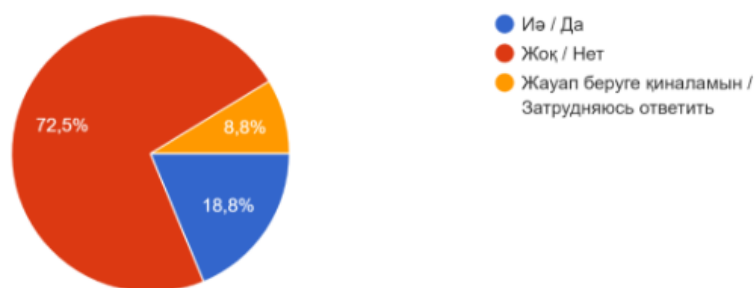


Figure 5

Question (Figure 5): "Is there a subject on financial literacy in your school?"

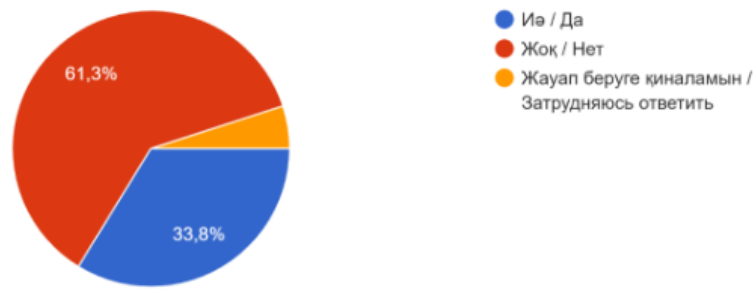


Figure 6

Question (Figure 6) : **"Was financial literacy a mandatory subject?"**

- 68.8% of respondents who prefer to save money demonstrate a conscious approach to finance. They understand the importance of saving for long-term goals and building financial security. This indicates a high level of financial literacy in this group. While 31.3% of respondents who prefer to spend money may have varying levels of financial literacy, It can cause financial difficulties due to impulsive spending, a lack of savings, and accumulating debt.

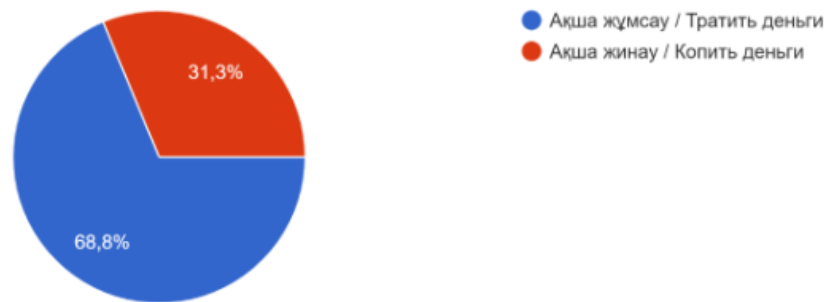


Figure 7

Question (Figure 7): **"What do you prefer more: saving or spending money?"**

The research helped to explore people's attitudes towards money and expenses. Questions about how much people spend and earn can show how they handle money. Looking at the answers can help us to challenge their budgeting skills, spending priorities, saving habits, and debt management practices. Furthermore, by comparing respondents' self-assessment of financial knowledge with their actual financial behaviors, the questionnaire can reveal their overall view of a problem. Then, by assessing respondents' answers to specific financial literacy questions, the questionnaire can identify areas where individuals may lack knowledge or understanding. Findings showed that the lack of knowledge was caused by the optionality of financial literacy. Most of them were satisfied with their financial knowledge; however, one part of the participants showed willingness to raise the level of their knowledge and skills. Moreover, to see the overview, special research has to be conducted to find the cause of the problem among adults.

Conclusions

The aim of this study was to find a cause of financial illiteracy in Aktobe, examining its root causes, prevailing issues, and potential remedies. By answering these questions, we can suggest changes in financial education and understand how they might help people manage their money better.

The main aim of the questionnaire was to collect exact data and match the basic knowledge. At the beginning, initial questions were about their expenses and overall financial knowledge. But I decided to add questions about investment and how they rank their knowledge in this field. Initial question was “What are the causes of financial illiteracy and what steps can be taken to cope with this issue ?”.

It was hard to collect data especially since we have to consider both millennials and Generation Z, making it tricky to gather information from Generation Y. Plus, because this research relies heavily on numbers and facts, finding detailed data about a country's financial spending habits could be challenging.

Initial questions were:

- Does the implementation of the subject of financial literacy have an effect on the future of the country's economic development?
- Why do people easily go into debts and loans?
- Is there a big difference between countries with financial literacy as a mandatory subject and with others, who don't pay enough attention to this?

Ultimately, with the help of survey it was found that:

- based on the response to the question about the inclusion of financial literacy in schools as a separate subject, we can say that implementing financial literacy with qualified specialists can prevent individuals from falling into debt and help them wisely control their expenses. Many respondents answered positively to the question of whether financial literacy should be introduced as a subject, and ultimately, I believe that this will also impact the country's economy and help address the issue of financial illiteracy.
- People who have limited income sources and tend to spend a lot each month are more prone to getting into debt. However, among students there are very few people who take out loans and in comparison, they spend only 20000-50000 tenge per month.

- Investigating secondary sources of information, it can be said that financial literacy as a subject influences the economy of the country and the overall education level of students. Developed countries have long emphasized financial education and through this, they have developed economically.

In conclusion, the integration of financial literacy education into school curriculums emerges as a crucial factor not only in shaping the economic landscape of a nation but also in enhancing the overall educational attainment of students.

Evaluation and further research

Ultimately, the research achieved its initial goals: I found the correlation between the subject of financial literacy and the financial knowledge of people. When financial literacy is integrated into educational curriculums, people are better equipped with the necessary skills and knowledge to make informed financial decisions. Studies have consistently shown that individuals who receive financial education demonstrate higher levels of financial literacy and are more likely to exhibit responsible financial behaviors. Additionally, I would like to explore a few curriculums containing financial literacy subjects and student's interests in it.

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