



International conference
Broaden Horizons
Networks and Experiences for Successful Roma Inclusion

FINANCIAL LITERACY AND SELF - EMPLOYABILITY

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What makes financial literacy increasingly important?

- financial matters are growing more and more complicated (not by chance)
- new financial instruments are invented everyday in order to substitute cash
- age limits for users growing wider

Financial literacy (in a narrow sense of the word) is about financial services (instruments) and concepts

- Financial instruments help you move your purchasing power (money) through time
- Having money in advance (for consumption) when income is expected in the future
- **Effectively** postpone your consumption when money is already in your hands.
- The ultimate purpose of money is consumption!
- Money that you earned in your lifetime tells what you sacrificed, while money that you spent tells how you enjoyed your life.
- If you earned and spent 1 mln. \$ you were rich, but ...
- If you died with that amount of money left, you were a fool.

Financial literacy vs. Financial capability

F Literacy – possess adequate knowledge and skills

F Capability – broader concept that includes also some more domains:

- managing money – making ends meet (having little problems dealing with financial obligations)
- managing money – keeping track (having an overview of expenses)
- planning ahead (being future oriented)
- choosing products (deciding reasonably in financial matters)
- staying informed (seeking information on financial services and overall economy)

Reference: Atkinson, McKay, Kempson, & Collard, 2006

This is the way that we took

Financial education: For whom

For everyone, but especially for:

1. Youth (current and most importantly perspective customers)
2. Pensioners (life expectancy or lifespan is longer ...)
3. People without permanent employment or with low personal income

No permanent employment or low income people – features

1. Invisible for financial institutions
2. Need encouragement
3. Need education for responsible exploring their own financial opportunities

Vulnerable social groups, e.g. Roma people feet into third group

- Illiteracy level higher than average
- Possible discrimination
- No **asset** no **income** no **job** formula
- For financial service providers they are “reservoir for perspective customers”
- It is not likely that they will qualify for premium clients group.
- (will be offered) limited range of services.

Who in the society is worried about financial literacy?

1. Financial service providers (financial industry)
2. Regulators/supervisors of financial industry
3. Educators that do not feet into above categories

Financial service providers approach

- Advertisement of products
- What to worry about: selected information provided, information biased, no overview of competitors' offers

Regulators approach

- End-users (customers) protection against misconduct of financial service providers
- Education, mediation in solving conflicts
- Narrow focus: mostly on contracts in place

Educators approach

- Educate but not protect; or, give a protection by education
- Honest and un-biased (balanced) approach

Financial literacy pitfalls (lyrics strophe)

If you are not informed, you will **stay away**,

If you are perfectly informed you will **find the way**.

Warning: There is a risk that you will be incompletely (mis)informed. Financial services providers want you to be in third group. Your choice will not be optimal.

Financial literacy and your wellbeing, are they interconnected and how?

Empirical findings (summarized in Kirchler, 2013):

- higher level of financial literacy drives demand for variety of financial services
- higher level of financial literacy is positively correlated with planning for retirement, savings and wealth accumulation
- low levels of financial literacy is associated with bad credit records (debt accumulation/debt overhang).
- **Financial literate people have greater chances to get self-employed. Yes or no?**

What do you need to know or be aware to successfully start your own business?

- things about business ambience,
- competitors' strategy, undertakings and offer
- Your strength, opportunities, market niche...

What skills will help you to sustain in business environment

- keeping track (of your activities, expenses etc.)
- being oriented toward future
- acting reasonably in (various) matters....

Highlights: Exactly the same things that make you financially capable (or literate)!!!

Get out from family budgeting and get into entrepreneurial budgeting

What is budgeting? Planning

- your investments (what you need to start with),
 - your expenses (types of expenses, price per unit of input, etc.),
 - your outcomes, e.g. sales (volume, price per unit of output)
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- Precondition: good overview of your activities,
 - The same principles apply in both personal/family budgeting and business budgeting
 - Better understanding of business ambience (legislature, tax rules and procedures, grants/subsidies available ...) benefits both.

... more direct links ...

- Personal/family consumption is not clearly separated from business-purpose consumption
- Personal savings are used for business purposes
- Business income is used for personal/family consumption

Money for starting a business up comes from either ...

- personal savings,
- ability/capacity to borrow (some wealth accumulation necessary)
- Grants, etc.

Your business success benefits your family

- income boosts your consumption,
- more options available, so, better choices
- personal self-esteem,
- social recognition