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FINANCIAL AWARENESS IN EVERYDAY LIFE DUE TO THE PANDEMIC, BASED ON THE RESULTS OF A HUNGARIAN QUESTIONNAIRE SURVEY

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Abstract

The 2008 crisis has taught us a lot in many areas. We have realised the importance of making informed choices in all areas of life, including finance. The importance of financial literacy has been brought into sharp focus as a result of these events, which have highlighted the gaps and knowledge disadvantages that could have prevented the events and disadvantages that most of *society 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. In our study, we aim to demonstrate the practical importance of financial literacy, awareness and culture in everyday life, based on the results of a primary research study conducted in Hungary after the pandemic outbreak, interviewing more than 6800 participants. In the course of this work, we wanted to find out to what extent respondents' participation in preventive financial education influenced their perceptions of the statements on each topic. In addition to the basic statistics, we used cross-tabulation analyses and adjusted standardised residuals to identify correlations.*

Keywords:
Financial Literacy, Awareness, Pandemic, Financial Education

1. Introduction

The 21st century has witnessed a number of crisis events (such as the 2008 mortgage crisis, the COVID-19 pandemic or the Russian-Ukrainian war conflict) that can shed light on the lack of basic capabilities for successful crisis management, resilience or flexibility that policy makers and economic actors are suffering from. In times of crisis, it is not only the economic policy makers who are expected to make the best decisions. In their own way, individuals, households and businesses must also make the right choices, as they themselves have a responsibility and (supposedly) a stake in maintaining their stability. This is particularly important when our financial situation changes. One of the negative consequences of crises is that they can upset the previous equilibrium of markets and thus put more economic actors at a disadvantage than was the case in the preceding periods. Another general characteristic of crises is that their direct impact is felt primarily in our financial (or income) situation, and we would have to adapt very quickly and systematically to these changes.

However, this would also require certain skills, knowledge and experience that not all economic actors have to an adequate (or equal) extent. Appropriate financial decisions depend on factors that are also referred to in international literature as financial literacy, financial capability or financial culture. Whichever way we approach (or define) this issue, one thing is certain. The ability of consumers to make informed financial decisions can improve their ability to build stability in both personal finance and financial markets (Klapper, et. al, 2012). This study emphasises the significance of informed decisions and aims to draw attention to the need to develop a basic set of financial skills (knowledge) by reviewing the relevant literature. The events of our time have highlighted those shortcomings and disadvantages of society, without which the crisis could have led to better decisions in our everyday finances. In addition to reviewing the literature, the link between financial literacy, awareness and the desire for stability is also shown by the analysis of a large sample (6,800 participants).

2. Literature Review

Given the rapid changes taking place in both the financial sector and the broader economy, it is crucial to understand how people are navigating the maze of financial decisions. Grasping financial preparedness and literacy requires looking not only at what people know, but also whether they can distinguish between factors such as interest rate calculations, interest rate comparisons, or how to assess risk (Lusardi, 2019). In our university lectures, the process of lending is discussed several times. In recent years, we have asked young people or adult education students on numerous occasions what the fundamental difference is between a credit and a loan. Unfortunately, even after many years in higher education, there are still only a few university students who can articulate the essential distinction. The most common answer is that a loan is for short-term, while a credit is a long-term debt. However, they can hardly distinguish between the availability of funds and their actual use. This is only empirical experience, but it confirms the ideas of Lusardi (2019) that the perception of fundamental differences is also lacking for many actors.

Good financial knowledge is indirectly closely related to financial stability. Since global financial crises can disrupt financial stability to the core, this situation requires addressing the state of financial literacy globally, especially in the aftermath of crisis events (Lusardi & Mitchell, 2014; Dewi et. al, 2020). This may be important because it could even be more vital to make appropriate financial decisions after a crisis event. Financial literacy can be considered as critical as reading, writing, or math skills, as everyone needs to have basic knowledge to survive in a complex financial world (Wagner, 2019). Financial literacy has the potential to change the financial behaviour of individuals (Chaulagain, 2015), which can be particularly interesting in cases where the crisis is significantly affecting individuals' daily lives or their income and financial opportunities. Low financial literacy is also associated with negative credit behaviours such as debt accumulation, high cost borrowing or poor mortgage choices (Hastings et. al, 2013). In addition, other studies provide clear evidence that good financial literacy is coupled with a higher likelihood of investing more efficiently in financial assets (Alessie et. al, 2011; van Rooij et. al. 2012; Douglas & Moven, 2000). Adequate financial knowledge is concurrent with better planning, higher net savings or lower interest rates on debt (Michaud, 2017). Indeed, the following graph illustrates for us the frequency of crises recurring from time to time. From this point of view, we can say that adequate financial knowledge (and literacy) may not only be significant for a temporary period, but its usefulness in later periods may be relevant too.

But analysing financial literacy is not an easy task. What makes analysis difficult is that the perceived level of financial literacy may vary within a society. On top of this, it may also be important to examine aspects such as financial openness and inclusion, gender differences, generational differences, tax and insurance literacy, or the existence and use of digitalisation (Goyal & Kumar, 2020). Nor do experts fully agree on which definition best captures the set of capabilities of members of society that allows us to make the best possible financial decisions. We can encounter notions from financial literacy (Garg - Singh, 2018; Lusardi, 2014; Santini et. al, 2019) to financial preparedness (Cong & Feng, 2021; Hershey & Mowen, 2000; Barua et. al, 2017) to financial culture (Makdissi et. al, 2020), but essentially all of them come to the same endpoint, i.e. making appropriate and informed financial choices. Further complicating the investigation of this topic is the fact that it is not even entirely indifferent whether we conduct our analysis among individuals, households or firms. In terms of businesses, we can say that financial culture and entrepreneurship are positively correlated (Aida & Hyll, 2019), so entrepreneurship can be further developed by improving financial literacy. Competent financial knowledge can even lead to a sense of satisfaction among economic actors regarding the adequacy of their own financial resources (Hira & Mugenda, 1998).

What is more, it can be argued that the choice of adequate financial resources can also have an impact on certain indicators related to our quality of life. For example, if an economic actor has properly assessed its risk-taking capacity, it can reduce its own financial burden and the additional risks that a bad financial decision would otherwise have caused (e.g. excessive indebtedness, risks arising from exchange rate fluctuations, etc.). Hence, it can be stated that financial literacy is closely related to quality of life in an indirect way (Joo & Grable, 2004), since, by making the right choices, we can avoid the stressful situations that would be imposed on our daily lives as a result of a worse decision. Experiential learning is the most promising method for teaching financial literacy to children and young people. In higher education, the focus should be on the life events of the young generation, so financial education should concentrate on examples and cases that they can easily encounter after their school years (Amagir et. al, 2017). The majority of the studies mentioned above also agree that education is one of the most basic forms of acquiring financial literacy (Lusardi, 2019). This is why programmes that aim to improve young people's financial knowledge become important. However, the first step in developing skills should be to assess and provide an accurate picture of the overall level of financial literacy among young people. This has evolved into an even more substantial issue in the post-pandemic period, as younger generations are just as active in the consumer society and therefore they are active shapers of financial decisions as well. It is of particular interest to analyse how the pandemic period has influenced their financial habits (and decisions), which may also lead to an examination of the relationship between the presence or absence of financial literacy and the nature of the financial decisions taken.

3. Material and Method

The study is based on primary research conducted in Hungary in 2020 using a pre-tested, standardised questionnaire. The finalisation of the questionnaire was preceded by an in-depth interview survey and then the results of the qualitative survey were used to compile the questionnaire. The questionnaire contained only closed questions to allow for a clearer assessment of the sample and the responses. The questionnaire was completed completely anonymously by the respondents, who were not identified in any way. The research resulted in 6803 evaluable questionnaires. 43.1% of the respondents self-reported having previously studied finance, and 56.9% had not attended any previous financial education.

The results obtained are not representative, but they provide an opportunity to carry out and substantiate a future representative study. The sample introduced above has been evaluated using a SPSS 22.0 software and has been subjected to basic statistical tests. In this study, we investigate why financial knowledge is essential in everyday life based on the respondents' own perceptions. We listed 10 statements (factors) for the question and asked respondents to select the items that apply to them the most, providing multiple choice options. Frequency analysis, cross tabulation analysis and correlation calculation were performed.

Our hypothesises are:

1. Learning financial literacy is based on individual motivation.
2. Financial literacy helps you explore better financial options

4. Results

In the part of the questionnaire presented in this study, we are looking for answers to the question why learning financial literacy is important. Respondents were asked to select from 10 response options and pick the ones that best suited them. The most frequent response was that the possession of financial knowledge would enable them to make better use of their financial opportunities. Their financial knowledge makes it possible for them to choose between different deposit and loan schemes, and to better understand the advantages and disadvantages of the deposit and loan products and savings options they settle upon. Closely related to this was the next answer, which was also mentioned with a very high frequency, namely that respondents in the sample are able to make better financial decisions because of their financial knowledge. Both these statements were represented in the survey with a proportion of more than 50%. The fact that financial institutions are less likely to mislead customers if they are financially literate was mentioned as an advantage too, with a very high percentage of 48.7%. Interestingly, the importance of financial knowledge was considered to be the smallest for increasing wealth. Yet this is contrary to the second most frequently cited item, making more informed financial decisions, and also to understanding financial constructions and products. Second on the list from the end was achieving higher returns through financial knowledge, and the third from the end was helping families make financial decisions. It is clear that at first the yield of financial knowledge is interpreted and rated by respondents from an individual perspective.

Based on Pearson's Chi-square values, there is a clear statistical correlation between all the statements examined and prior financial knowledge, as the coefficient is less than 0.05 in all cases. From this, the significance of financial education emerges, i.e., that financial education is necessary, because it influences financial decisions and awareness in the future.

	Fre-quency	Percent	Chi-square
Because with financial knowledge I can make better use of my financial opportunities.	3844	56,5	0,000

Because I can make more informed financial decisions with knowledge.	3694	54,3	0,000
Because I am less likely to be misled by banks and financial institutions.	3312	48,7	0,000
Because I can avoid irresponsible financial decisions (debt, loss, etc.).	3125	45,9	0,000
Because it makes me more financially confident.	3024	44,5	0,000
Because I can better understand financial products and schemes.	2940	43,2	0,000
Because I can choose between financial products more efficiently.	2696	39,6	0,000
Because I can help my family in making financial decisions.	2682	39,4	0,000
Because I can achieve higher returns on my savings.	2601	38,2	0,002
Because I can increase my wealth.	2532	37,2	0,000

Table 1: *Importance of Financial Education According to The Opinion of The Respondents (Source: Own Research, 2020, N = 6803)*

Hereinafter we show the distribution of the respondents who chose a specific item. As there are more people in the sample who have not studied finance before, they clearly represent a higher proportion of the cross tabulation. In this figure, we take those who chose a particular statement as 100% and demonstrate the distribution within that item. There is a marked difference between the two groups for the majority of questions, which is due to the different sample sizes of the groups. Nevertheless, the smallest distinction is seen in the item where respondents rated helping the family. Here the difference between the two groups is only 1 percentage point, so there is little deviation between the two groups' opinions. The gap is higher for the statement about avoiding bad financial decisions. The largest difference can be identified with the statement about achieving higher returns.

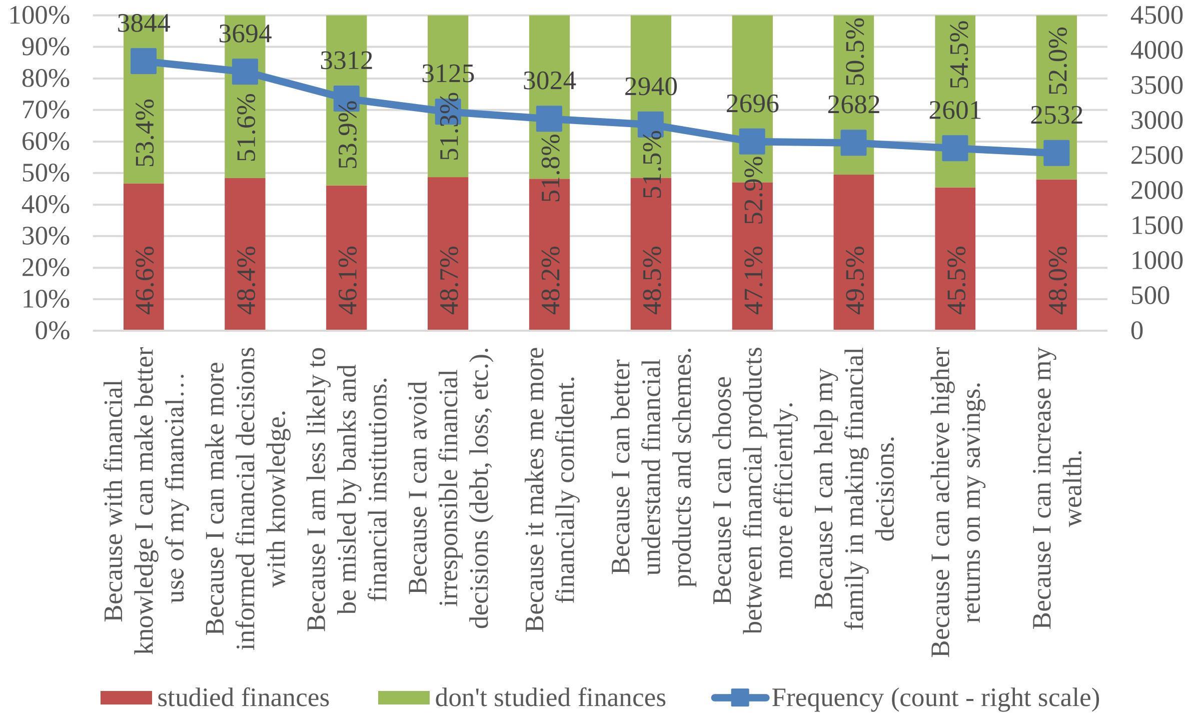

Figure 1: *Distribution of Respondents Selecting Each Item Based on Previous Financial Education – Row Percentage, yes = 100%*

(Source: Own Research, 2020, N = 6803)

We now look at the column percentages of the responses to the items from the cross-tabulation analysis. From the graph, we can see the percentage of the ones who chose a particular item from the given category. Respondents who had previously studied financial literacy had a rate of over 50% for taking advantage of financial opportunities, making better financial decisions, better understanding of banking information, and avoiding bad financial decisions. All of these items were selected by over 40% of respondents who had previously received financial education. Respondents who had not studied finance before only selected the item of taking advantage of financial opportunities above 50%. All the other statements were selected by them with a lower frequency. Choices below 40% also appear for several items in their case. All this shows that prior financial knowledge indicates greater financial awareness and a better understanding of the importance of financial literacy.

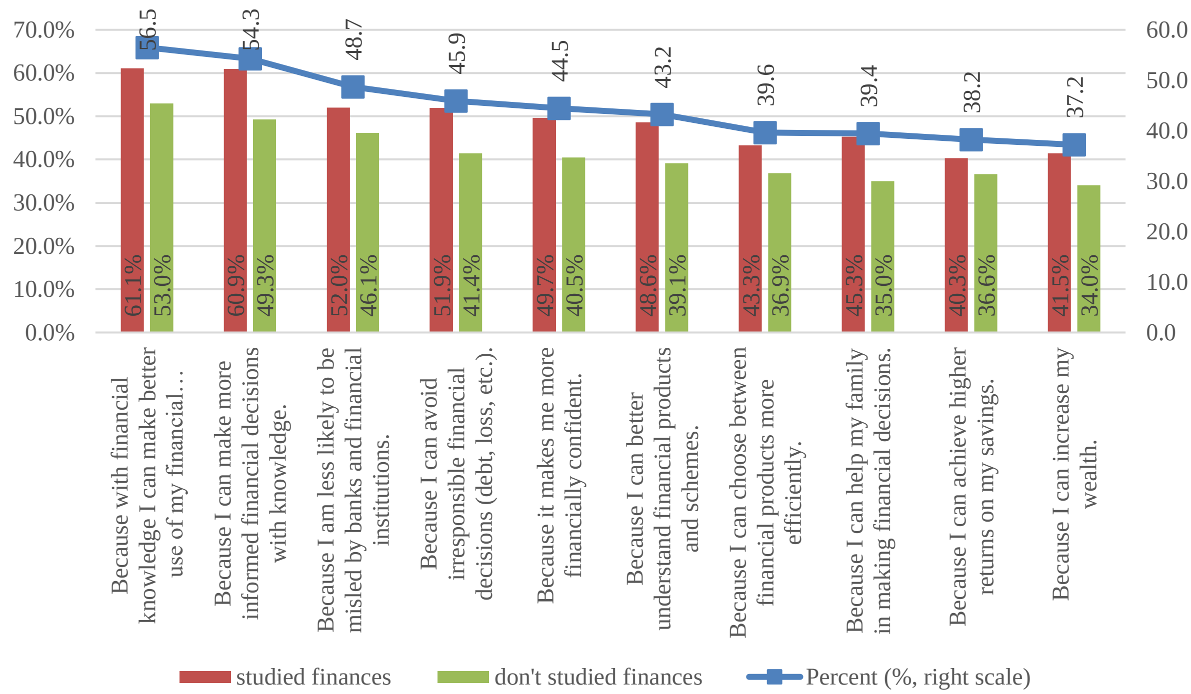

Figure 2: *Distribution of Respondents Selecting Each Item Based on Previous Financial Education – Column Percentage, Those Who Had Previously Studied Finance = 100%, Those Who Had Not Studied Finance Before = 100%*
(Source: Own Research, 2020, N = 6803)

Finally, based on the value of the adjusted standardised residuals, we also quantified after the Chi-squared values which group underperformed or outperformed relative to the expected value. It is clear that, compared to the expected value, those who had not studied finance chose each of the examined items in a smaller proportion.

	studied finances	don't studied finances
Because with financial knowledge I can make better use of my financial opportunities.	6,7	-6,7
Because I can make more informed financial decisions with knowledge.	9,6	-9,6
Because I am less likely to be misled by banks and financial institutions.	4,8	-4,8
Because I can avoid irresponsible financial decisions (debt, loss, etc.).	8,6	-8,6

Because it makes me more financially confident.	7,6	-7,6
Because I can better understand financial products and schemes.	7,8	-7,8
Because I can choose between financial products more efficiently.	5,3	-5,3
Because I can help my family in making financial decisions.	8,6	-8,6
Because I can achieve higher returns on my savings.	3,1	-3,1
Because I can increase my wealth.	6,3	-6,3

Table 2: *Value of The Adjusted Standardised Residuals for The Examined Items*
(Source: Own Research, 2020, N = 6803)

5. Conclusion and Afterword

Based on the above, it can be stated that prior financial knowledge undeniably influences the perception of financial knowledge. Those who have studied finance before are more likely to see and experience its practical usefulness in their daily lives and decisions. For each item examined, it can be asserted that respondents who have had financial education approach each item more realistically and consciously. For these reasons, it is imperative that the development of financial literacy should not take place at an adult age, but should be developed at the lowest possible level, preferably during the early school years. This process is called financial socialisation. The primary arena for financial socialisation is the family and the individual's immediate environment. If financial socialisation is not provided to the child by the family, it falls to the school to manage this process. On this basis, the first hypothesis was confirmed, while the second was rejected. It is therefore incredibly important to take these factors into account when developing school curricula, and to start the learning process as early as possible, familiarising young people with the most relevant basic concepts and principles. Research should definitely be continued in the future, especially based on the experience of the current crises, as future uncertainty and increasingly expensive living conditions require conscious planning and savings education. One of the limitations of the research is that it was not representative, so that in the future, based on the experience of the present research, it is essential to strive for representativeness.

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