

Importance of the Financial Education to Obtain a Positive Economic Return

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Abstract

It is important to have a financial education to be able to carefully plan and organize our personal budget, to have a savings plan, another for investments, so that we can make smart decisions to satisfy our needs and desires. In this article I presented how through financial education, a mystery for many Romanians, we can improve our financial situation and significantly the quality of life.

Keywords: financial education, money, savings, credits

1.Introduction *

The need for financial education has always been important, but recent market and policy developments have increased its relevance and importance.

Research related to financial literacy has recently gained momentum. This aspect is supported by the 1,000 published studies on financial education. [1] It is appreciated that financial education plays one of the most important roles in a society that is based on education and correct information, to ensure its well-being. [2]

According to Lusardi and Mitchell, financial knowledge is a "form of investment in human capital".

Financial education was considered to be the essential tool "for anyone who wants to be able to succeed in today's society, make sound financial decisions and ultimately be a good citizen." [3]

According to Starcek and Trunk, financial knowledge, education and training in this field,

along with other skills of the individual, are increasingly important as a result of the developing dynamics at the global level of the financial market. Thus, people's financial needs have become more complex. [4]

Financial literacy is considered to be the essential indicator for making relevant financial decisions by people. According to the Organization for Economic Co-operation and Development (OECD), financial literacy is defined as an appropriate interweaving of knowledge and understanding of financial concepts and risks with the skills, motivation and confidence to apply knowledge and understand it. As a result, the decisions taken should be effective for several financial contexts, the goal being the improved financial well-being of individuals and society, and the result, an important participation in economic life. [5]

Financial education needs to be implemented along with an improvement in the community's understanding of finances. The recent rapid development, accompanied by economic growth, is also due to the role of financial institutions in our lives. In order to be able to choose those products and services appropriate to the needs, it

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is necessary for everyone to understand the benefits and risks, to know their rights and obligations. Thus, the choice of correctly selected financial products and services can influence everyone's well-being. [5, 6,7]

Banking, saving, budgeting, credit, debt management and investments are the cornerstones of most of the financial decisions that each of us makes in our lives. An authentic financial education is the only way that will ensure the desired life, for each of us together with the family. [8]

The financial skills created through financial education will influence the making of well-thought-out and informed decisions so that situations with high levels of debt will be avoided and adequate income will be created for retirement.

Low financial literacy will contribute to increasing wealth inequalities (retirement savings, good debt management). [4,9]

Robert Kiyosaki points out that the main reason for struggling with financial difficulties is that most people went through school and learned next to nothing about money. The result, he says, "is that they learn to work for money...but they never learn to make money work for them." [10]

Among the findings from the specialized literature related to financial education is the fact that financial mistakes by consumers are increasingly numerous and it is necessary to increase efforts for financial literacy through financial education. [11]

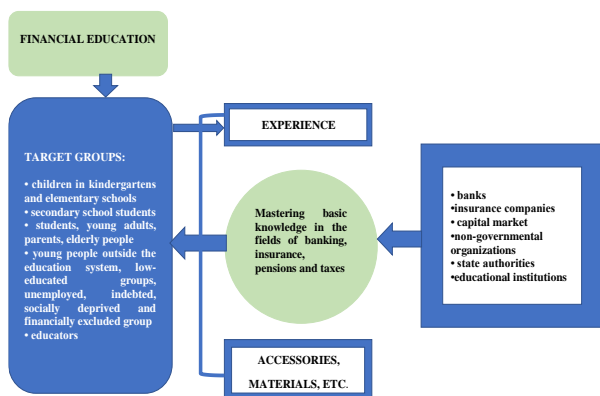


Figure 1. Financial education scheme

It is necessary for financial education to be adapted to the needs of the target groups and to go through a process of continuous improvement and to offer a perspective throughout the entire life of individuals. That is why it should cover areas such as banking, savings, investments, insurance, personal finance, paying taxes, pension systems

and last but not least, international business. It is important to have a responsible business behavior based on the promotion of good practices and their distribution to all interested partners and national authorities.

2. Material and method

For this article, the authors studied specialized literature, publications and specialized web pages. As a methodology, standard research techniques and methods are combined, starting with documentation, followed by analysis and drawing up conclusions.

Aspects of financial education were considered that influence financial behavior strongly influenced by what is learned at different stages of individuals' development.

3. Results and discussion

To become financially responsible does not mean that we have to become restrictive and limiting for a certain period of time, but that it becomes a lifestyle. People are different, they have different specializations, but they all have something in common, the fact that they are their own managers of their budget. Financial literacy is a must for everyone, regardless of whether or not they use banking products and services.

It is good to calculate a personal budget that will help identify earnings and expenses, how they can be reduced, so that saving can also be successful.

The first step would be the record of income and expenses made for at least one month or even two months which will help a lot. This will help to identify the phenomenon of "where the money goes", and then determine how we will be able to manage expenses.

Figure 2 shows the expenses of the personal budget, which are divided into three categories. [12]

Acquiring a financial education helps the individual to avoid unwise financial decisions, which will allow him to maintain his financial independence.

An improvement in the degree of financial education involves the development and implementation of a strategy, either in the medium or long term, with the following general objectives:

1. Increasing the degree of financial education by training skills in the field, primarily in children

and adolescents and preparing and training them so that they are informed consumers of financial products, instruments and services.

2. Improving the skills, knowledge of the adult population to manage to plan their own finances, save for the future and become informed consumers of services, products and financial instruments.

In the National Financial Education Strategy, 2022-2026, financial education is an aspect of interest for all entities that are part of the

Romanian financial system and other institutions, for example NGOs, Government, financial supervisory bodies, financial corporations, agencies for the protection of consumers and other actors in the banking financial markets. [13]

According to an OECD study from 2020 related to the level of financial literacy among the adult population in 26 countries, Romania was in the penultimate place, ahead of Italy, at the point that referred to the measurement of the level of knowledge in the financial field.

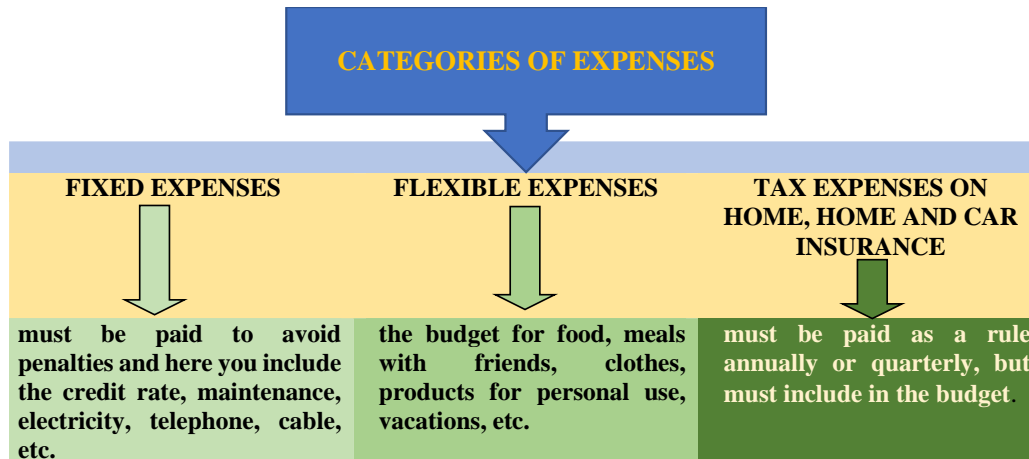


Figure 2. The main categories of expenses from the personal budget

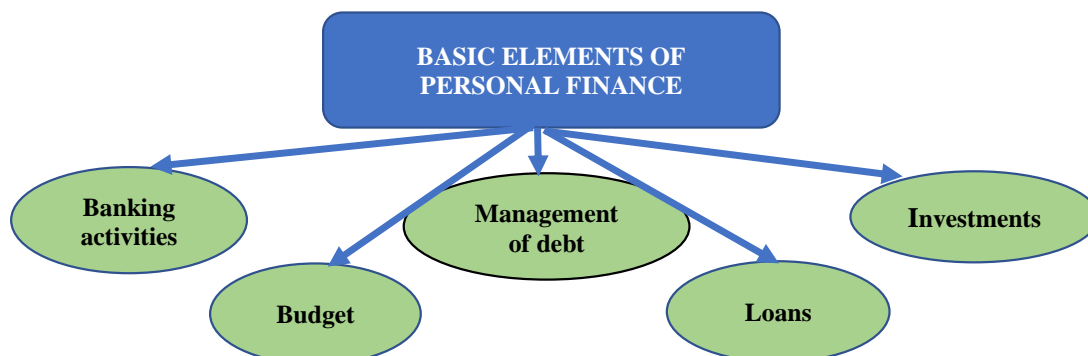


Figure 3. The basic components of personal finance

A healthy financial education is not limited to careful information about the financial instruments to be used. This involved (figure 3): careful planning, personal budget, banking, savings plan, wise investments which are the fundamental components of financial education and must be learned.

The moment we found that the monthly expenses exceed the income, we were definitely witnessing an inadequate management of the income, in other words, a lack of financial education.

Maintaining a financial balance in the real economy is ensured through financial education and teaches

the population to manage their income and save, and how to be correctly informed about financial instruments and products, financial institutions providing financial services and products. People's use of these services must meet their needs, satisfy and respect their rights, and be aware of their obligations as customers.

Financial education, as the ability to understand and effectively use the various fundamental components of financial education, is the foundation of the relationship with money and is carried out throughout life. The earlier you start the better, as education is the key to success when it comes to money. Access to financial education at multiple

stages in life will determine a better outcome. If financial education is achieved in several stages, starting in kindergarten, elementary school, including high school and college, then in the workplace and at home, it is best in the long run. [14, 15]

4. Conclusions

Financial education, associated with increased knowledge, involves combinations of information, skill development and motivation for behavioral changes. Financial education can be supported with awareness campaigns combined with learning tools (websites, brochures), with motivational strategies aimed at behavioral changes in financial management. It will also complement other policies that will allow financial access and important protection in the financial market. Counselors and educators will make a great contribution to financial education by using educational materials tailored with appropriate financial information and knowledge for clients at various stages of the life cycle.

In conclusion, consumers who have financial education will be able to make the best decisions, contributing to increasing their economic security and well-being, and the result will also influence the economic development of the community.

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