

KNOWLEDGE MANAGEMENT IN THE AREA OF FINANCIAL LITERACY IN POLAND

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Abstract:

Financial education enables the development of financial awareness in society and education positive habits needed for the responsible management of financial resources, taking into account the economic purposes in closer or further term. The deepening of financial knowledge allows people to identify opportunities and risks that are associated with typical and new financial products by which citizens take more informed financial decisions that affect themselves and family members. The aim of this paper is to present the current state of financial literacy in Poland in the comparison with other countries. The paper presents the potential relationships between financial education and financial behavior and identify the main education program realized in Poland. With regard to that, it is necessary to continue activities on the national level with a view to deepening the economic literacy of Polish people and teaching practical skills of managing finances.

Keywords: knowledge, education, financial literacy, financial awareness, financial behaviour

1. FINANCIAL LITERACY

Financial education is linked to financial inclusion and consumer protection with the financial market. Financial education can be defined as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.” (OECD, 2005, p. 4). Financial literacy can be treated as the ability to make informed judgements and to take effective decisions regarding the use and management of money.

The specific nature of Polish society in the area of financial literacy is strictly correlated with the socio-economic changes that have occurred since 1989. It was the development of the free-market economy that forced the government and financial institutions to increase their interest in financial literacy. The other historical event having a significant impact on financial literacy was Poland's entry to the European Union and, connected with that, the necessity of ratifying certain acts. Unfortunately there still has not been implemented like in other EU Member States National Education Strategy (NES), whose purpose would be to identify learning standards in the area of financial education. In the long term NES could help to align opportunities in access to the expertise of financially excluded people.

In recent years, it is possible to observe a dynamic development of financial services. It takes place through the implementation of numerous innovative solutions largely based on new ICT solutions as well as being the result of globalisation. Particular factors contributing to the importance of financial literacy include:

- the growing complexity and range of financial products available;
- the increased interaction young people now have with financial issues, be they dealing with mobile phone bills or choosing their first superannuation account;
- changes in demography;
- consumers having greater responsibility for their own financial decisions on topics such as superannuation and retirement incomes.

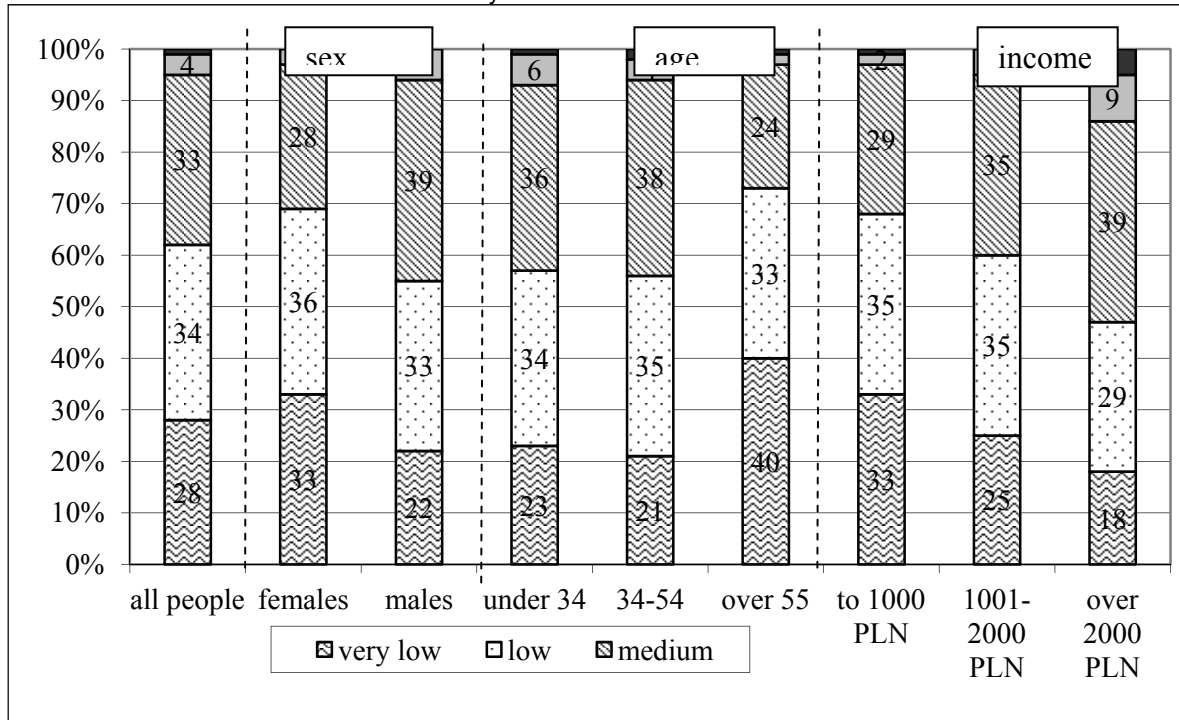
2. THE STATUS OF FINANCIAL AWARENESS IN POLAND

Up to 2000, the problem of financial education was rarely discussed in the study. Some information was collected in the US and UK (The results of a nationwide test, 1990; High school student consumer knowledge: A nationwide test, 1991; College student consumer knowledge: The results of a nationwide test, 1993). It was only in 2005 that was carried out by the OECD international survey, the aim of which was to identify the level of financial knowledge. In accordance with its results until the 8 out of 10 people incorrectly identified the concept of rate of interest and other borrowing costs, 5 out of 10 people admitted that they did not understand the financial products such as mortgage and 2 out of 10 people was not able to correctly answer a question about inflation and interest rates (OECD, 2005).

At the national level, on the beginning of XXI century, there were conducted numerous studies of financial education. The available research data shows that the financial awareness of Polish people is slowly improving but still remains on a low level. It can be testified by a few major studies carried out on the whole population.

One of them is the report of July/August 2009 on a survey conducted by Pentor Research International in the form of personal interview quizzes CAPI (*Computer Assisted Personal Interview*). The result of the study was a diagnosis of financial literacy. Its varied nature is shown by the picture 1.

Picture 1. Self-Evaluation of Financial Literacy



Source: Stan wiedzy finansowej Polaków, 2009, p. 102.

Poles assess their economic knowledge as low. Two thirds of them regard their financial literacy as low or very low. The self-estimate of financial knowledge is higher by males than by females and the highest by the age group of 34 – 54 and by those of incomes surpassing 2000 PLN. Unfortunately, the opinion that economic knowledge is necessary is not widespread at all – only half of people surveyed think that they would need more financial knowledge and a quarter of them are of the opposite opinion. People with primary and higher education perceive the need of economic education most urgently. The motives behind it are probably different for each of these groups. Persons with primary education often feel incompetent in this area. Whereas better educated people with higher incomes have a higher awareness of the usefulness of a broader and more advanced knowledge.

Since 2008 an annual study has been conducted for the sake of the campaign “A Week of Saving” held by the Kroneneberg Foundation at the bank City Handlowy. Its aim was to obtain information on:

- Poles’ attitudes to saving and investing,
- preferable ways of money management,
- the level of risk tolerance by Polish people.

The repeated result is the conviction of Poles that saving is worthwhile, yet there is no activity towards the accomplishment of this declaration. It may testify to lack of knowledge of the ways how to multiply one’s savings and how to manage one’s limited finances (Postawy Polaków wobec oszczędzania, 2008, p. 3).

Close to a half of Polish people (44%) think of a yearly perspective when saving. Only a few people mentioned a longer term than 3 years. Such a short saving perspective is the result of the fact that most people associate saving with a form of putting money by, which brings only tiny profits. As many as 86% of people do not save up for their old-age pension outside the state-run ZUS (Social Insurance Office) and Pillar II (OFE / Open Pension Foundation). Only 7% admitted to investing their money, i.e. buying shares, securities, bonds of mutual investment funds, works of art, land or real estate.

In the following years there was a more evident influence of the current economic situation on people’s attitudes to saving, especially stressed by those less-to-do or at risk of poverty. Gradually Polish people declare a more distinct negative impact on their savings of the financial crisis, against which they did not make any provisions. These people are relatively more often part of social groups endangered by poverty (elderly people, of lower incomes). Thus there is a fear that the present situation is going to worsen their plight (Postawy Polaków wobec oszczędzania, 2009, p. 6).

The financial crisis has changed people's idea of secure ways of saving generally and saving up for old-age pensions. Better-off people more often pointed to land investment, whereas people at risk of poverty (old aged or peasants) more often indicated such strategies as keeping cash at home or another job. It may exemplify the ignorance of saving instruments. (Postawy Polaków wobec oszczędzania, 2011, p. 6). In consequence, we can talk of a rather low level of financial education, which is exemplified by (Postawy Polaków wobec oszczędzania, 2010, p. 5):

- using the saving instruments (savings bank accounts or keeping cash at home) which are not designed for this purpose; as many as a third of the respondents save through their savings bank accounts, the form whose objective is not profit generation but money transactions only,
- ignorance of the interests on personal bank accounts on the part of 20% of respondents.

The main reason for such results is first of all lack of knowledge and skills in the area of personal finances. The low awareness of potential profits from saving is the direct consequence of the low economic literacy of Polish society.

The results of studies of Polish financial literacy can be compared to those conducted in other countries. The level of financial literacy of Poles was found to be below the averages of 11 countries taking part in an international study commissioned by ING Bank. Poland is the only country where most people control their expenses in a moderate degree. Women by far are more scrupulous in managing their finances. Besides, 96% of the respondents answered that they wished financial knowledge should be taught at schools. What is more, financial competence grows with the age of respondents (Finansowy barometr ING, 2012, p. 9-10).

One of the major projects on an international scale was a study performed in two stages by three cooperation institutions Citi Foundation, CSR Europe and Money Advice Service. The subsequent analyses presented a picture of the inadequate level of financial literacy of young people and people of pre-retirement age. Most young people are not actively involved in planning their financial future, which is often due to the difficult financial situation they find themselves in (European youth financial attitudes, 2011, p.3-6). Clearly, in all the countries the group of elderly people was pointed out as lacking financial competences, which constitutes a major barrier to saving and financial planning (Financial capability for people in Europe approaching retirement, 2011, p. 92-96).

The unsatisfactory picture of financial literacy in Poland was corroborated by a study conducted by OECD in 14 countries. The questions asked aimed at identifying the level of financial literacy and assessment of behaviors and attitudes to such aspects of financial literacy as managing household budgets, short- and long-term financial planning, determinants of the choice of financial products.

In Poland was discovered as having a varied level of financial literacy. The biggest number of respondents knew the idea of distribution of funds (91%), the value of money in time (77%) and an interest paid on loans (85%) while the smallest figures referred to a composed interest (21%) and risk and return (48%) (Atkinson, Messy, 2012, p. 7).

The way respondents behave has an impact on their financial situation. As many as 81% of them stated that they carefully watched financial matters and 78% paid their bills in due time, whereas only 2% took decisions concerning a financial product after looking round the market and obtaining independent information or advice. Only 19% of the respondents did not agree with the statement that spending money is more satisfying than saving it over a long period of time.

The low financial literacy level does not enable Polish people to use all the possibilities offered by modern financial institutions. Financial education as well as identification of customers' needs (and possibly shaping new ones) may be the factors deciding about the dynamics of the further development of the financial services market.

3. LINKING FINANCIAL KNOWLEDGE WITH FINANCIAL BEHAVIOUR

The way in which a person behaves will have a significant impact on their financial wellbeing. There are many publications that underline assumption that increases in information and knowledge will lead to changes in financial management practices and behaviors. Hogarth, Hilgert, and Schuchardt (2002,

p. 12-23) demonstrated that the higher a consumer's financial knowledge (based on a quiz score), the higher the probability that the consumer undertook more positive financial management behaviors and used more financial products and services. According to other research persons who were more knowledgeable were more likely to engage in more cash-flow management, saving, and investment behaviors (Hogarth, Beverly, Hilgert, 2003, p. 309-322; Bernheim, Garrett, Maki, 2001, p. 435-465). Moreover financial knowledge can be statistically linked to financial practices related to credit as well as the cash-flow management, saving, and investing behaviors cited above (Hilgert, Hogarth, Beverly, 2003).

Proof of the linked between financial knowledge and financial behavior in Poland is the result of a study of the consumer finance market performed by Millward Brown SMG/KRC as commissioned by PricewaterhouseCoopers (PwC). The people surveyed admitted that changes in the economic situation raised the level of familiarity with the credit market. 66% of the respondents had come across the term of 'credit spiral'. The growth of financial literacy was reflected in the growth of acceptance of consumer finance products, on the other hand, in the reduced number of people with a negative attitude to undertaking obligations, at the same time enhancing more responsible borrowing (Czekając na impuls, 2011, p 13).

The above results are the evidence of correlation between economic knowledge and use of financial tools. Just 63 percent have a bank account while 36 percent have insurance, 25 percent have credit cards, 26 percent have a pension fund and only 18 percent have a savings account. The people who scored highest in a test of financial literacy use by far the largest number of financial services, e.g. 79% of people in this group have a personal bank account (56% in the whole population), 47% (25% in the population) have access to their account through the Internet, 20% have bank investments (10% in the population) (Postawy Polaków wobec oszczędzania, 2009, p. 9).

Similar results were provided by OECD analysis of financial knowledge scores and financial behaviour scores indicates a consistently positive association between financial knowledge and behavior. Main results of this survey presents table 1.

Table 1. High score on each of the financial literacy components

	High score	High knowledge	High behaviour score	High attitude score
Albania	45%		39%	69%
Armenia	46%		41%	11%
Czech Republic	57%		48%	62%
Estonia	61%		27%	46%
Germany	58%		67%	63%
Hungary	69%		38%	69%
Ireland	60%		57%	49%
Malaysia	51%		67%	53%
Norway	40%		59%	57%
Peru	41%		60%	71%
Poland	49%		43%	27%
South Africa	33%		43%	54%
United Kingdom	53%		51%	49%
BVI	57%		71%	67%

Source: Atkinson, Messy, 2012, p. 10.

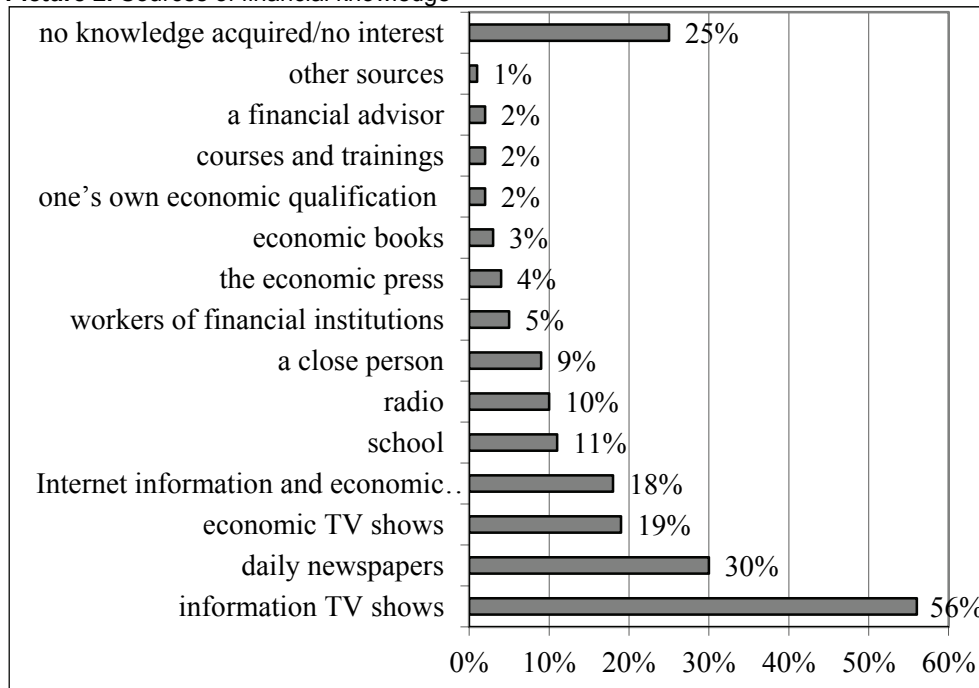
Respondents with higher financial knowledge exhibit more positive behaviours. Similarly, respondents with positive attitudes towards the longer term exhibit more positive behaviours than those with a strong preference for the short term. Taking into consideration financial literacy components: financial knowledge (49%), financial behavior (43%), financial attitude (27%) Poland results are under combined average of other countries.

4. SHAPING THE FINANCIAL LITERACY IN POLAND

Financial literacy in a society can be achieved only by undertaking educative activity on a mass scale. The dynamic development of information and communication technology and the appearance of new media based on the philosophy of Web 2.0 have a considerable impact on the education system as a

whole, shaping entrepreneurial attitudes and economic literacy. The important aspect is pointing out sources of financial knowledge. Picture 2 enumerates them.

Picture 2. Sources of financial knowledge



Source: Stan wiedzy finansowej Polaków, 2009, p. 110.

The most popular sources of economic knowledge turn out to be TV shows and the daily press. This fact may certainly result from their most widespread and accessible character.

Poland is considered to be one of the most active east-European countries in terms of initiatives aimed at raising financial literacy. It is estimated that in 2010 as many as 70 institutions were involved in financial education in Poland and they were conducting over 100 educational programs (Habschick, Seidl, Evers, Klose, Parsian, 2006, p. 18). The most famous and popular are (Polak, 2007, p. 263-264; Bogdanowicz, Borkowski, 2007, p. 52-53; Rokicka, 2006, p. 65; Gontarek, Kolbusz, Stachańska, Kosidło, 2009, p. 5):

- *"Pogromczynie mitów"* /Myth Conquerors/ produced by Telewizja Polska SA. Each of its episodes concerned a different topic of the world of economy;
- TV quiz *"Złoty dla zuchwałych"* /Złoty for Cheeky Ones/, broadcast by TVN, in which viewers could test their knowledge of economy and finance;
- *"Motel w pół drogi"* /The Motel Half-Way/, a 30-episode radio series. Its heroes must overcome many obstacles connected with starting their own business activity and learn the principles of the work of the banking system;
- *Polaków portfel własny"* /Poles' Wallets of their Own/ - cycle of 266 mini interviews with TVN stars, dedicated to the issues of saving and spending money. The aim was to introduce over a dozen principles of rational management of finances, saving, investment and planning personal expenses.
- The web portal Portal Edukacji Ekonomicznej NBP /Portal of Economic Education NBP/ (www.NBPportal.pl) is a permanent element of economic education.
- *"Moje Finanse"* /My Finances/. The program has been conducted in 5 modules since 2010: How to Come to Like Banks; My Investments; An Investment in the Future; Safe Finances; The World of Finance.
- *"Finanse.mp3 - Edukacja młodych konsumentów finansowych"* /Finances.mp3. Its innovative component was a competition for the best recording of max. 2 min. in the form of an interview, radio-play, song or one's own comment about financial literacy.
- *"Zaplanuj swoją przyszłość"* /Plan your Future/ designed for rural communities and towns of up to 20 000 inhabitants. Its purpose was to make them understand the need for economic and financial education, to deliver them the necessary knowledge to help them manage their own incomes, to competently recognize the financial services available on the market, to

benefit from them by attending cycles of training workshops and other forms of financial schooling, informational and educative activities as well as social and mass-media campaigns.

The synthetic presentation of the financial literacy schemes in Poland shows table 2.

Table 2. Financial literacy schemes in Poland

Literacy schemes	Description
Providers or experts involved in the transmission of financial knowledge	central bank
	financial market supervision authorities
	national public authorities, education authorities
	comercial banks, cocoperative banks
	the institutions/training organisations
	consumer protection agencies
	microcredit organizations
	social care workers
The scope of knowledge of financial education programmes	using the financial services and products
	ability to build budgets, including the management of debts
	saving and investment opportunities
	retirement savings
The main target groups for financial education	children and young adults
	seniors
	inhabitants of villages and small towns
	women
	people on low incomes

Source: based on: Habschick, Seidl, Evers, 2007, p. 24-98.

The crucial role in shaping financial literacy should be played by the National Bank of Poland (NBP) and realised in cooperation with the public and private sector through government and self-government institutions, professional and customer communities as well as infrastructure institutions of the financial market. In financial education it is necessary to coordinate activities, to set objectives, educational standards, to encourage non-government organizations to participate in a program of raising the financial literacy of Polish people, partially supported with public funds.

5. CONCLUSIONS

Poles evaluate critically their own level of financial knowledge and the scale of the problem gives the results periodically carried out by the various national and international research on the level of financial awareness society. Currently maintains a deep conviction about the need to enhance economic knowledge society. With regard to that, it is necessary to continue activities on the national level with a view to deepening the economic literacy of Polish people and teaching practical skills of managing finances. To insure their effectiveness they should involve representatives of government, financial institutions and social organizations.

A good source of financial education can be media, so that everyone should get the most important information on how to manage their financial resources. Another important element is the creation of publicly available educational resources on the Internet.

The consumer equipped in financial knowledge is aware of the possibilities afforded by the financial market. This can translates into an increased demand for more complex and innovative financial instruments. Influences as well, increased confidence in relation to electronic distribution channels, allowing for a significant reduction in the cost of service. Well informed and educated consumer is able to take into account the risk associated with the investment so that a higher level of awareness of the society's financial means therefore less likely that adverse market conditions discourage trading occurs, and thus a sudden reduction in the demand for services offered by financial institutions. The need to raise the level of knowledge of finance is not only connected with the need to protect customers against acute consequences of erroneous investment decisions, but also give confidence to financial institutions.

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