

Levels of Financial Literacy in Eurasia



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Please cite this publication as:

OECD (2018), *OECD (2018), Levels of financial literacy in Eurasia*,
<https://www.oecd.org/education/financial-education-cis.htm>

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Acknowledgements

This publication is a component of the work of the OECD International Network on Financial Education (OECD/INFE) Technical Assistance Project in the Commonwealth of Independent States, with funding from the Ministry of Finance of the Russian Federation.

The publication was prepared by Adele Atkinson with oversight by Flore-Anne Messy in the Insurance, Private Pensions and Financial Markets Division of the OECD Directorate for Financial and Enterprise Affairs. Paloma Cupello, Jennah Huxley and Arianna Ingle provided administrative and editorial support. Questionnaire translation and data collection was undertaken by NAFI Research Center.

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1. Introduction

Financial education has gained a prominent position in the global policy agenda. It is now universally recognised as a core component of the financial empowerment of individuals and the overall stability of the financial system. Three sets of high-level principles endorsed by G20 Leaders reflect this: Innovative Financial Inclusion (2010), Financial Consumer Protection (2011), and National Strategies for Financial Education (2012).

The OECD is widely recognised as the global leader in terms of financial literacy and financial education, and has developed a number of policy instruments and tools, as well as research and guidance to support the development of national strategies and targeted approaches to financial education. Empirical evidence is at the heart of the OECD approach, and this requires robust tools to capture data. The OECD/INFE has therefore developed a toolkit to measure the financial literacy and financial inclusion among adults; recognising the value of such a tool, the toolkit was welcomed by G20 leaders at their summit in St Petersburg in September 2013.

The OECD/INFE toolkit was recently used in two co-ordinated financial literacy measures by the OECD, resulting in a report covering 30 countries and economies in 2016 (OECD, 2016^[1]), and a dedicated G20 report in 2017 (OECD, 2017^[2]). This current report represents a third such exercise.

This report provides the six countries¹ participating in the OECD/INFE Technical Assistance Project on Financial Education in the Commonwealth of Independent States (CIS) with an opportunity to see how their financial literacy levels compare to the other countries in the project. Data from the Russian Federation, collected for the recent G20 report, and G20 averages, also provide participating countries with further opportunities to consider the global context.

Data from the six countries was collected by NAFI Research Center between 20 November 2017 and 4 December 2017 and analysed by the OECD using the standard OECD methodology, which provides comparative, descriptive statistics that can be easily replicated.

¹ Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Tajikistan.

2. Measuring financial literacy

2.1. This report

This report builds on previous OECD measurement work including a recent report exploring the financial knowledge, attitudes and behaviour, plus financial inclusion, in G20 countries and the two guest countries - the Netherlands and Norway (OECD, 2017^[2]).

Financial literacy is a complex phenomenon and so the sections that follow aim to discuss various different factors as independent components and combined into meaningful scores to facilitate comparison and make it possible to identify specific similarities and differences.

The report contains descriptive text, tables and figures, as follows:

- Section 3 reports levels of financial knowledge.
- Section 4 discusses financial behaviours.
- Section 5 focuses on attitudes to longer-term financial planning.
- Section 6 reports an overall score for financial literacy for each country.
- Section 7 focuses on particular target groups.
- Section 8 provides analysis on aspects of financial inclusion.
- Section 9 highlights the most striking findings by country.

The Russian Federation is represented in the majority of figures and tables in this report; however, the tailored version of the Toolkit used for this dedicated data collection exercise included a few questions that were not asked in the Russian Federation, and so certain figures only refer to the six CIS countries. The reported mean is a country level mean across countries with available data.

Where relevant, G20 averages are also discussed in the text. These averages refer to the average across only those G20 countries that have submitted comparable data. The number of G20 countries included in each of these calculations therefore depends on the availability of data.

3. Financial knowledge

Financial knowledge is an important component of financial literacy, necessary for undertaking activities such as following news about the economy and financial landscape, comparing financial products and services and making appropriate, well-informed financial decisions. A basic knowledge of financial concepts and the ability to apply numeracy skills in a financial context ensure that consumers can act autonomously to manage their financial matters and react to news and events that may have implications for their financial well-being. The evidence indicates that, indeed, higher levels of financial knowledge are associated with positive outcomes such as planning for retirement, as well as a reduction in negative outcomes such as debt accumulation [see for example Hastings, Madrian and Skimmyhorn (2013^[3]) for a summary of this literature, Mahdzan and Tabiani (2013^[4]) for details of a study in Malaysia; Clark, Lusardi and Mitchell (2017^[5]) for a study of retirement savings in the United States].

The responses to seven questions (see Table 3.1) are used in this report to compare levels of financial knowledge. Some of the questions require basic numeracy and others focus on definitions and understanding.

Table 3.1. Questions used to measure financial knowledge

Question	Possible responses	Purpose
Five brothers are going to be given a gift of \$1,000 in total to share between them. Now imagine that the <brothers> have to wait for one year to get their share of the \$1,000 and inflation stays at <X> percent. In one year's time will they be able to buy.	Multiple choice [correct response depends on inflation used]	To test ability to understand how inflation impacts on purchasing power
You lend \$25 to a friend one evening and he gives you \$25 back the next day. How much interest has he paid on this loan?	Open response [correct response 'none'/'zero'/'0]	To test understanding of interest without difficult arithmetic
Suppose you put \$100 into a <no fee, tax free> savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?	Open response [correct response \$102]	To test ability to calculate simple interest on savings
....and how much would be in the account at the end of five years [add if necessary: remembering there are no fees or tax deductions]? Would it be...more than \$110, exactly \$110 or less than \$110?	Multiple choice [Correct response More than \$110, but only taken into account if previous question is correct]	To test whether respondent is aware of the additional benefit of compounding

Question	Possible responses	Purpose
An investment with a high return is likely to be high risk/ or <i>If someone offers you the chance to make a lot of money it is likely that there is also a chance that you will lose a lot of money.</i>	True/False [Correct response to both versions is <i>true</i>]	To test whether respondent understands the typical relationship between risk and return
High inflation means that the cost of living is increasing rapidly	True/False [Correct response is <i>true</i>]	To test understanding of the meaning of the term inflation
It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares or <i>It is less likely that you will lose all of your money if you save it in more than one place.</i>	True/False [Correct response to both versions is <i>true</i>]	To test whether respondent is aware of the benefit of diversification

Note: The words or phrases in < > can be edited to fit the national context. Currency can also be changed. Each question has equal weighting in the financial knowledge scores reported.

3.1. Knowledge of different concepts and terms

Analysis of the 7 knowledge questions used to measure financial knowledge show some interesting variations (Figure 3.1).

3.1.1. Purchasing power and inflation

On average across the 7 countries fewer than half of respondents (49%) correctly responded to a question on the **purchasing power of money** if inflation stayed at the same rate for one year, and a quarter (24%) said they did not know. The percentage giving a correct answer varied notably by country, from 31% in Tajikistan through to 67% in Armenia.

3.1.2. Interest

Almost four out of five respondents (78%), on average, showed an understanding of the **concept of interest on a loan** and correctly identified that none had been paid in the question posed. There was relatively little difference in the proportion giving a correct response in each country, with the exception of the Kyrgyz Republic (54%). On average 13% of respondents replied that they did not know the answer, rising to 30% in the Kyrgyz Republic.²

The calculation of **simple interest on savings** also highlights differences across countries and proved to be much more difficult than the question relating to borrowing. Only three in ten (29%) got this question right, on average, with fewer than half of the population giving the correct answer in any of the countries reported. However, the variation across countries is still striking, with a 41 percentage-point difference between the lowest and

² This lower than average result may indicate a lack of familiarity with the concept of interest or a reluctance to discuss it, given that it is forbidden (haram) in Shariah Law, although the Kyrgyz Republic is not the only country in this study with a majority Muslim population.

highest performers. A large proportion reported that they did not know the answer to this question (36% on average across all the countries).³

Fewer than half of respondents (38%) gave a correct response to the **multiple choice question on interest compounding**, little higher than if they had all guessed (33%). This question also resulted in sizeable proportions of do not know responses, ranging from 16% in the Russian Federation through to 33% in Azerbaijan. Furthermore [not shown in graphs], more than 1 in 5 (22%) of all respondents, on average, opted for the mid category, which would be the correct result for simple interest, without compounding.

Given the difficulty in answering the two questions relating to interest on savings, it is no surprise, that on average just 14% of respondents were able to **do the calculation and correctly identify that the value of interest following 5 years of compounding** would be more than five times the simple interest. Respondents in the Russian Federation (27%) and Belarus (25%) were significantly more likely to get both questions right than those elsewhere.

3.1.3. Concepts and definitions

Most people understood the basic relationship between **risk and return**; 67% gave the correct answer across the countries studied, although fewer than half that proportion gave a correct response in Tajikistan (31%) and almost a third (32%) in Kyrgyz Republic reported that they did not know.

The **definition of inflation** was also relatively well known in most countries (59%). However, in Azerbaijan just a quarter of respondents (24%) were able to answer this question.

Interestingly, **diversification** was not well understood in the Russian Federation (41%), whilst the majority of respondents in Armenia, Azerbaijan, Belarus, Kazakhstan and Tajikistan grasped this concept, rising to 67% in Belarus.

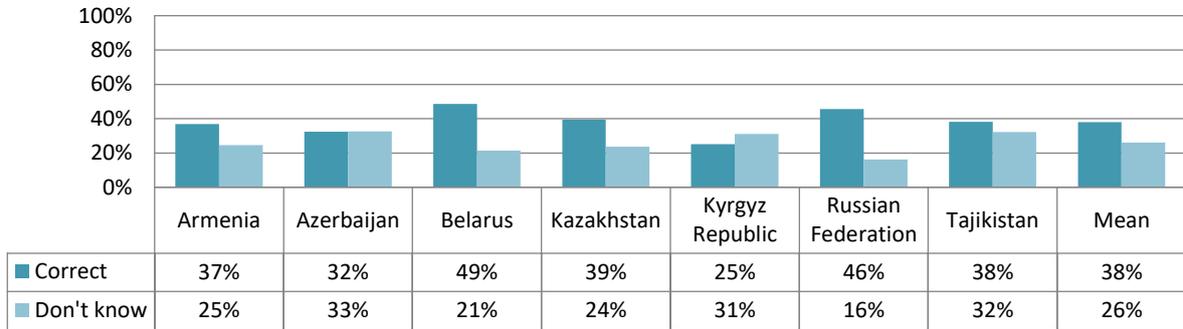
³ These findings suggest that in future surveys it could be useful to ask additional questions to test numeracy and understand whether respondents can calculate percentages.

Figure 3.1. Financial knowledge

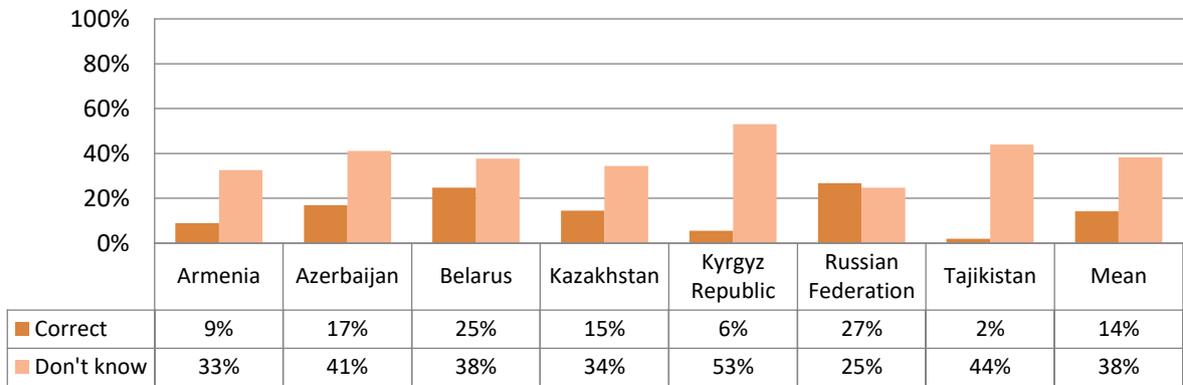
Base: all respondents. % giving correct response, and % reporting that they do not know



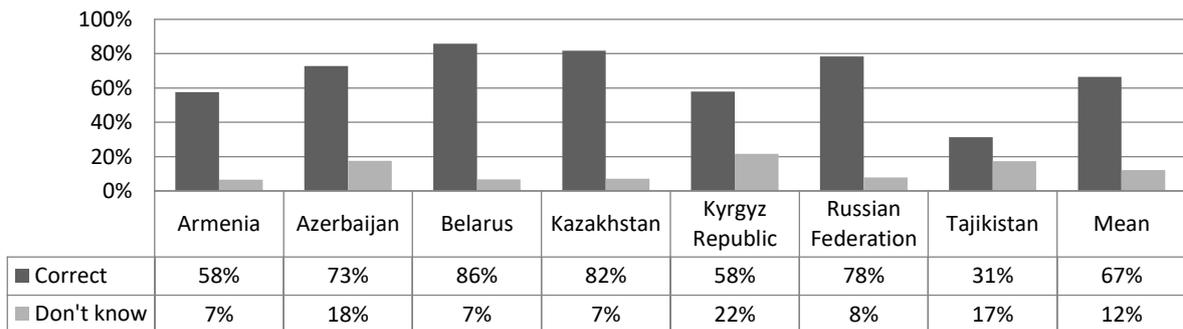
Compounding over 5 years



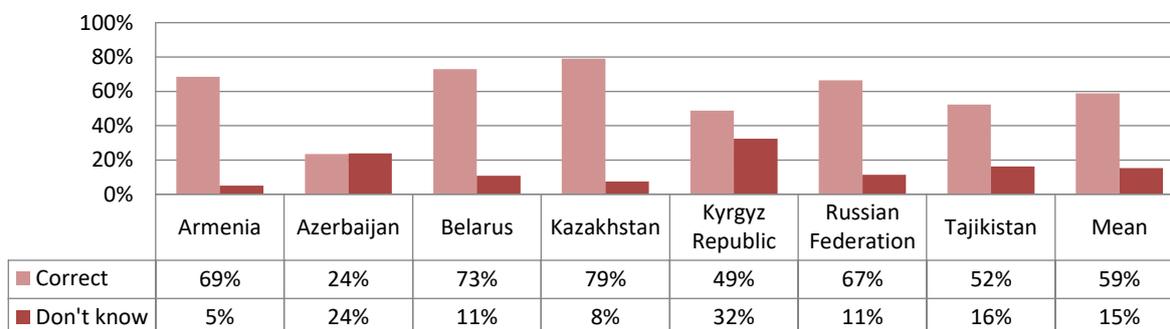
Correct response on simple interest and compounding



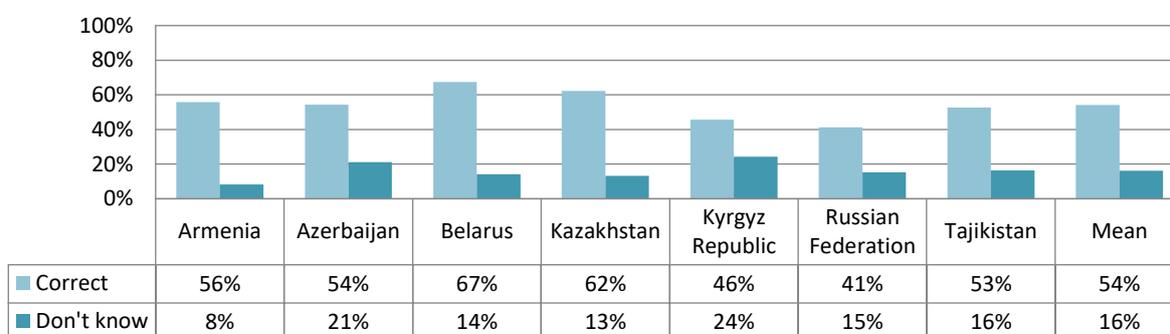
Risk and return



Definition of inflation



Diversification



Note: The responses reported to Risk and Return and Diversification across all 7 countries are to the question using alternative wording as described in the OECD/INFE Toolkit and Table 4.1 above. Respondents in the Russian Federation also answered similar questions using the original wording. Correct responses to the original questions are used counted when available to create scores, as described in the OECD scoring guide.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

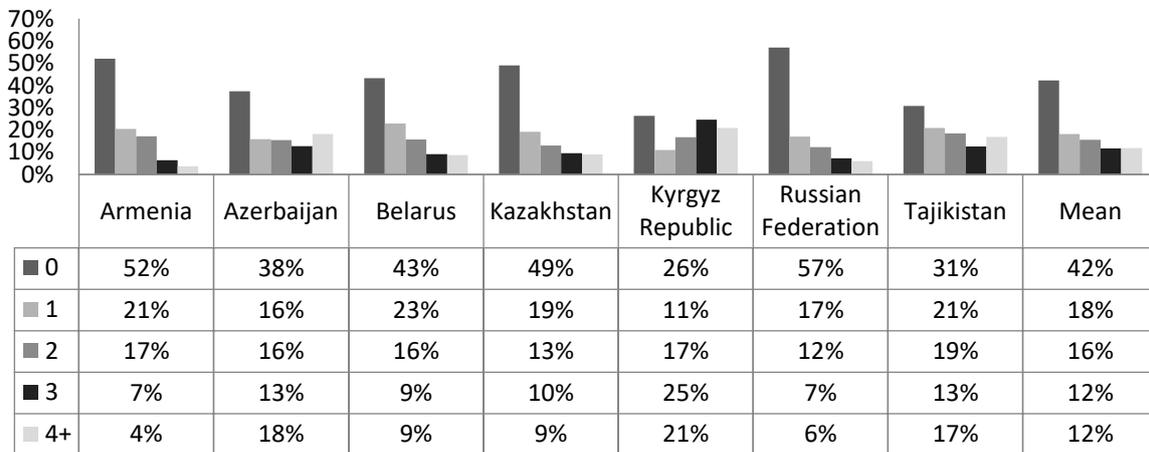
Source: Russian Federation, 2016; OECD, 2018.

3.1.4. Confidence to answer financial knowledge questions.

Overall the results in Figure 3.2 indicate that there is a significant lack of confidence in answering basic knowledge questions across the populations of some of the countries in this study. Figure 3.2 shows that 58% of respondents on average, and more than half of the respondents in every country except Armenia and the Russian Federation said that they did not know the answer to at least one question. More than 1 in 10 (12%) said that they did not know the answer to at least 4 of the 7 questions.

Figure 3.2. Lack of confidence to answer financial knowledge questions

Base: all respondents. % of respondents answering don't know 0, 1, 2, 3 or at least 4 times across the 7 questions.



Note: The % may not sum to 100% due to rounding.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Source: Russian Federation, 2016; OECD, 2018.

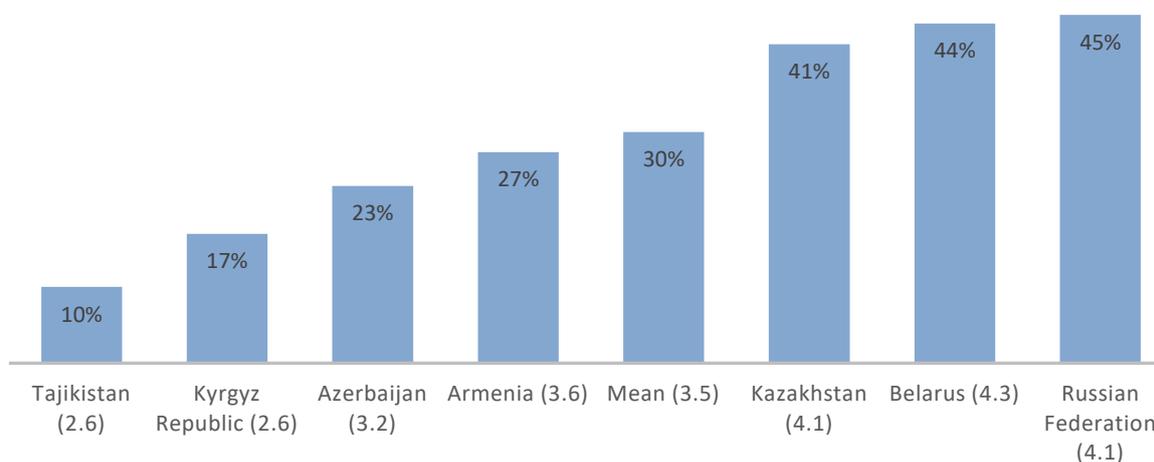
3.2. Minimum target score for financial knowledge

Just three in ten (30%) adults in this study achieved the minimum target score (answering 5 or more of the 7 knowledge questions correctly), used elsewhere in OECD reports, and the average score across the seven countries is 3.5 out of 7 (i.e. on average, people answered half of the questions correctly) (Figure 3.3). In contrast, 48% of adults across G20 countries with available data (including the Russian Federation) achieved the minimum target score, and the average score across G20 countries was 4.3.⁴ Fewer than half of respondents achieved this score in any of the 7 countries reported in Figure 3.3; ranging from 10% in Tajikistan to 45% in the Russian Federation. Average country-level scores vary from 2.6 out of 7 in Kyrgyz Republic, through to 4.3 in Belarus.

⁴ OECD (2017), G20/OECD INFE report on adult financial literacy in G20 countries <http://www.oecd.org/daf/fin/financial-education/G20-OECD-INFE-report-adult-financial-literacy-in-G20-countries.pdf>

Figure 3.3. Achieving minimum target score for financial knowledge

Base: all respondents. % of respondents achieving minimum target score of 5 out of 7. Average country-level score reported in parenthesis.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

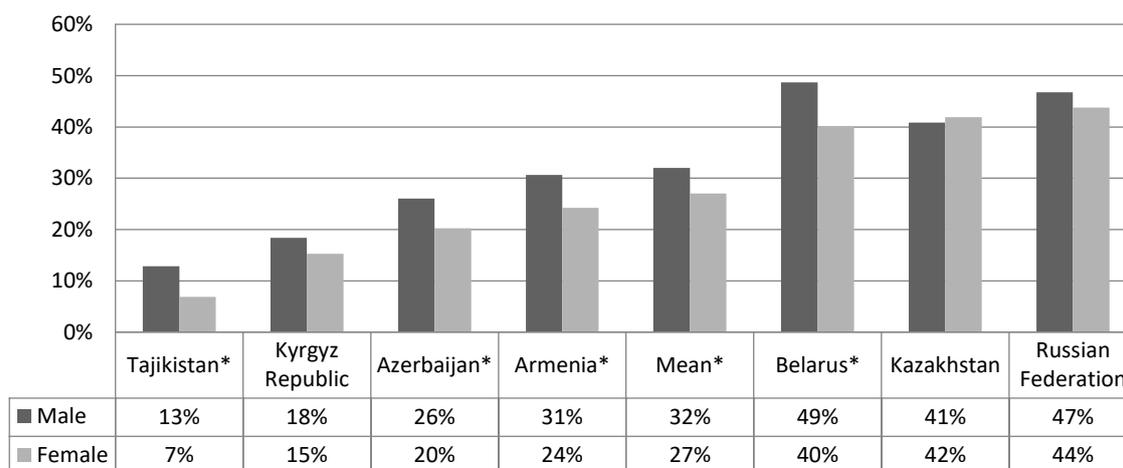
Source: Russian Federation, 2016; OECD, 2018.

3.3. Gender differences in financial knowledge

A significantly higher proportion of men than women achieved the minimum score on average, and in Armenia, Azerbaijan, Belarus and Tajikistan (Figure 3.4). Elsewhere the difference is not statistically significant.

Figure 3.4. Gender differences in financial knowledge

Base: all respondents. % of respondents achieving minimum target score of 5 out of 7 by gender. Sorted by % of females.



Note: * Difference by gender significant at 95% level.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

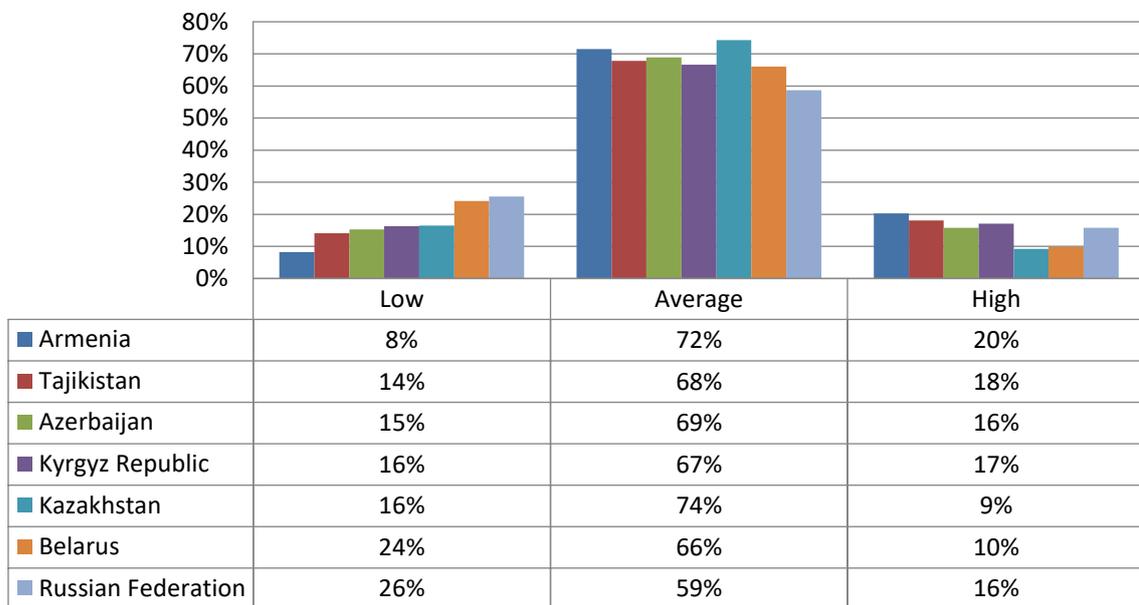
Source: Russian Federation, 2016; OECD, 2018.

3.4. Self-reported financial knowledge

There is a consistent pattern in terms of self-reported knowledge across the countries with the majority of people reporting that they believe they are about average (Figure 3.5). However, respondents in Armenia are less likely than those elsewhere to consider themselves to have lower than average financial knowledge (just 8% did so) and more likely to rate themselves as high (20%). Respondents in Kazakhstan (74%) are considerably more likely than the Russian respondents (59%) to put themselves around the average, whilst some 26% of respondents in the Russian Federation reported that their knowledge was lower than average.

Figure 3.5. Self-reported financial knowledge

Base: all respondents (excluding non-responses). % of respondents reporting that their financial knowledge is lower, about average or higher than other adults in their country. Sorted by % of respondents with low self-reported knowledge.



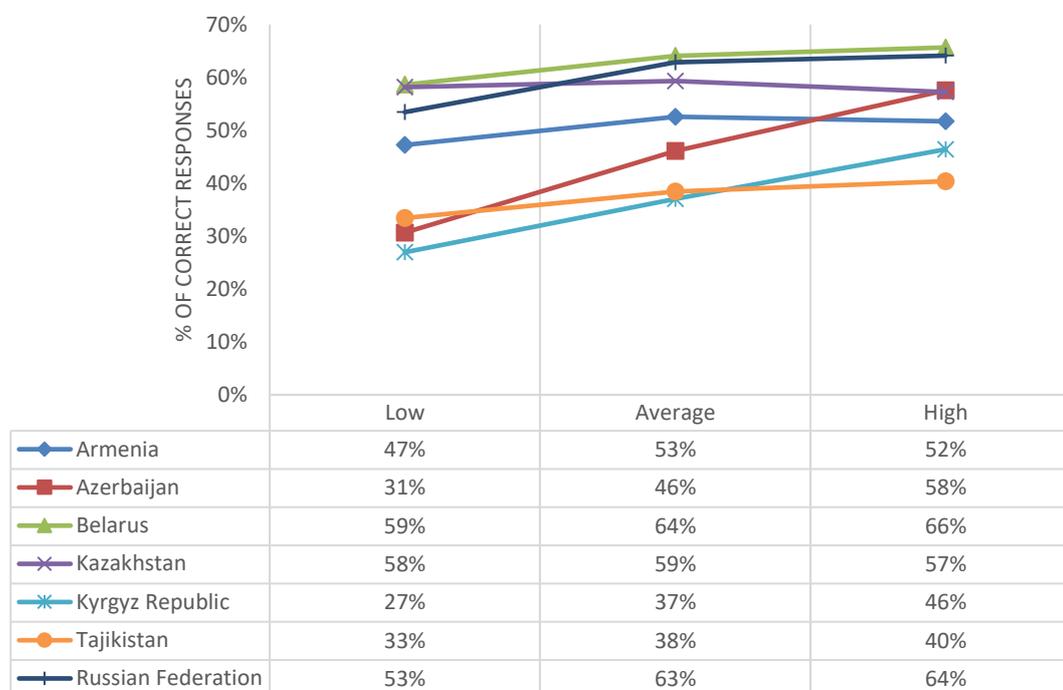
Note: The % may not sum to 100% due to rounding.

Source: Russian Federation, 2016; OECD, 2018.

In all but Armenia and Kazakhstan there is a significant correlation between self-reported knowledge and the financial knowledge score reported above. Figure 3.6 shows that, on average, people had a realistic perspective of how their level of financial knowledge compared with that of others in their country. In Kazakhstan, people were as likely to underestimate as overestimate their knowledge, whilst in Armenia, only those believing that they had below average knowledge made a fair assessment.

Figure 3.6. Average % correct responses on financial knowledge by self-reported knowledge

Base all respondents (excluding non-responses on self-reported knowledge). Average % of correct answers by respondents reporting that their financial knowledge is lower, about average or higher than other adults in their country. Maximum financial knowledge score is 7.



Note: Lines are used to illustrate the general trend.

Source: Russian Federation, 2016; OECD, 2018.

3.5. Differences in financial knowledge across the population

Table 3.2 reports the results of regression analyses to explore the main predictors of higher levels of financial knowledge, including various socio-demographic factors. The results show that other things being equal, men were more likely than women to have a high financial knowledge score in Armenia, Azerbaijan, Belarus and Tajikistan.

The size of the commune in which the respondent lived is also a significant predictor of financial knowledge. Compared with people in cities, financial knowledge was lower for those living in villages (and sometimes towns) in the Kyrgyz Republic, the Russian Federation and Tajikistan.

Age is not a significant predictor of financial knowledge in most of the countries once other factors are controlled for. However, in Azerbaijan, younger (20 to 39) and older respondents (70 to 79) had lower scores, on average, than those aged 40 to 49, other things being equal, as did older adults (aged 70-79) in Armenia.

Those that had continued their education beyond high school had higher levels of financial knowledge in all but Armenia and Azerbaijan.

Interestingly, those respondents who refused to state their income had significantly lower levels of financial knowledge than those at the median, as did those with below median incomes, in most countries. Respondents with higher levels of income had significantly

higher levels of financial knowledge in Kazakhstan and the Kyrgyz Republic, other things being equal. In most of the 7 countries (except Armenia and Tajikistan), people who reported using a computer in the last 7 days had higher levels of financial knowledge than others.

Table 3.2. Regression results, financial knowledge

Base: all respondents. Dependent variable is the financial knowledge score (based on the count of correct responses).

+	Significantly higher score than comparator
-	Significantly lower score than comparator

	Armenia	Azerbaijan	Belarus	Kazakhstan	Kyrgyz Republic	Russian Federation	Tajikistan
Gender (comparator = women)							
Men	+	+	+				+
Size of commune (comparator = city)							
Village					-	-	-
Small town							-
Town						-	
Large city		+		+	N/A		N/A
Age (comparator = 40 to 49)							
18 to 19							
20 to 29		-					
30 to 39		-					
50 to 59							
60 to 69							
70 to 79	-	-					
Work status (comparator = not working)							
Working	+						
Family status (comparator = no children at home)							
Has children (under or over 18) at home						+	-
Education (comparator = No education beyond school)							
University education			+		+	+	+
Technical or vocational education				+	+		
Income (comparator = median income)							
Refused to state income	-	-	-	-		-	-
Below median income	-		-	-		+	-
Above median income			+		+		
Use of digital tools (comparator = did not use a computer)							
Used a computer		+	+	+	+	+	

Note: Boxes highlight significance at the 95% level.

Source: Russian Federation, 2016; OECD, 2018.

4. Financial behaviour

Actions and behaviours shape consumers' financial resilience and well-being in both the short and longer-term. Some types of behaviour, such as putting off bill payments, choosing financial products without shopping around or using credit to make up a shortfall in income are likely to have a negative impact on financial well-being.

At the same time, the changing financial landscape, including the digitalisation of finance, is altering consumers' interactions with a vast array of (new) financial providers, increasing the need to understand behaviour and identify emerging trends (OECD, 2017^[6]). It is therefore essential to try to assess financial behaviour in a survey of financial literacy.

This report looks at a range of positive and negative behaviours such as thinking before making a purchase, paying bills on time, budgeting, saving, and borrowing to make ends meet showing considerable variation in such behaviours within and across countries as well as common trends.

4.1. Financial control

There are many day-to-day or regular actions that people can take to be in control of their finances and build their financial resilience, with a view to maximising their financial well-being. Several such behaviours are considered below.

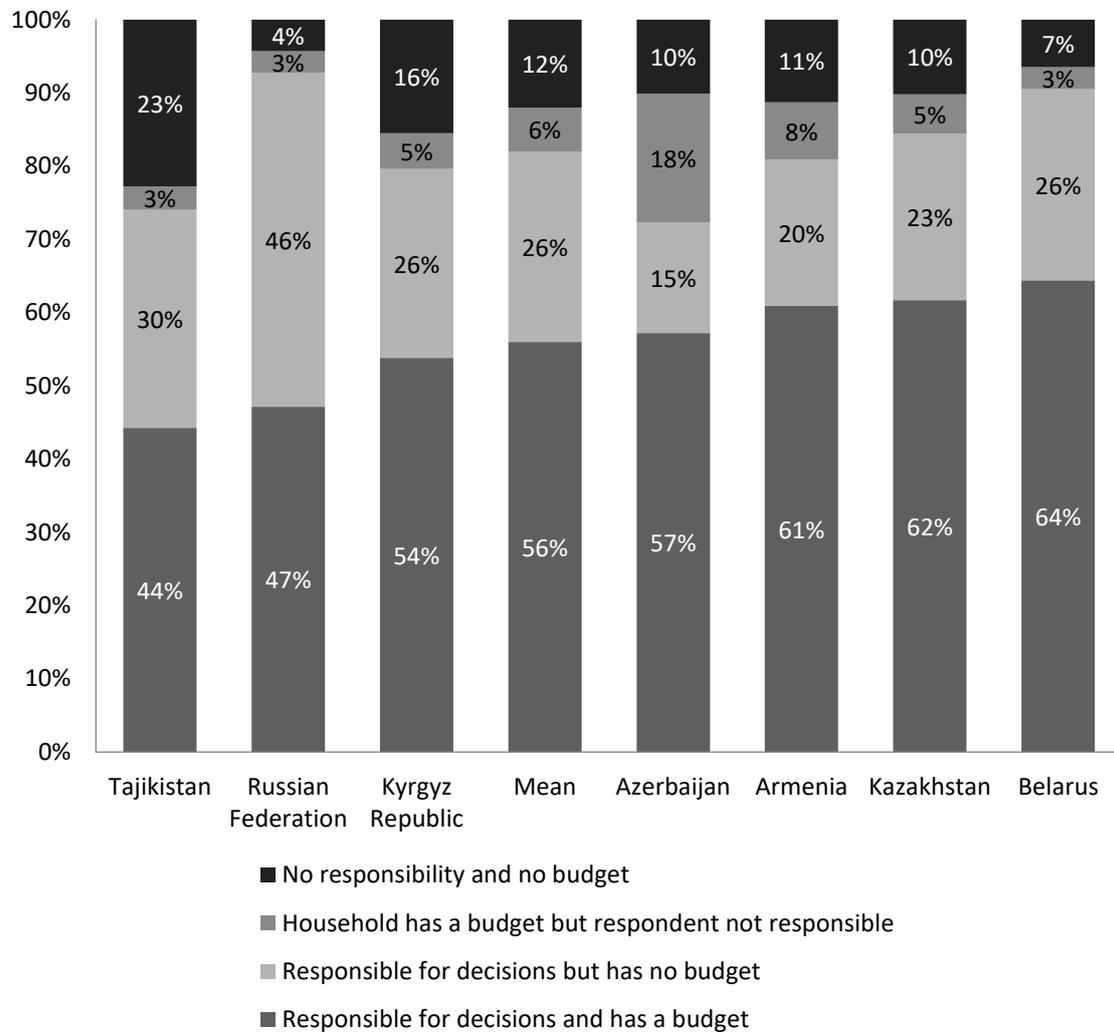
4.1.1. Taking responsibility for financial decisions and using a budget

Financially literate people take some responsibility for money matters, even when tasks are shared across family or household members. It is beneficial to have some awareness of the household financial situation in case of a change of circumstance, such as the loss of a spouse. One of the most practical ways of doing this is by drawing up a budget (either alone or with others) and taking practical steps to stick to it. Indeed, budgeting is considered to be an important component of financial literacy, as indicated in the G20/OECD INFE Core Competencies Framework on Financial Literacy for Adults developed in 2016 (OECD, 2016^[7]).

Figure 4.1 below combines information from two related questions: 'Who is responsible for making day-to-day decisions about money in your household?' and, 'Does your household have a budget? A household budget is used to decide what share of your household income will be used for spending, saving or paying bills.' The results show that adults in Belarus are most likely to take responsibility and have a budget (64% did so), compared with just 44% in Tajikistan. The most worrisome aspect of Figure 4.1 is that there is a considerable proportion of people in every country that take responsibility and yet report that they do not have a budget. On average, a quarter of respondents (26%) gave this combination of responses, rising to almost a half in the Russian Federation (46%).

Figure 4.1. Financial responsibility and budgeting

Base: all respondents. % of respondents reporting that they take responsibility for money management and/or that their household has a budget. Sorted by % of respondents responsible for money management and budgeting.



Note: The % may not sum to 100% due to rounding.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable based on responses to two questions.

Source: Russian Federation, 2016; OECD, 2018.

4.1.2. Making considered purchases

Impulsive purchases can significantly weaken financial resilience, and run counter to the notion of money management and budgeting. Fortunately, among the countries in this report, the vast majority of people carefully considered their purchases⁵ – the average across the 7 countries is 82%. More than seven in ten did so in every country except Azerbaijan (69%), with as many as 94% of respondents in Tajikistan reporting this positive behaviour (Figure 4.2).

4.1.3. Paying bills on time

Timely bill payment is a financially literate behaviour that is essential to ensure a positive credit record (where relevant), and to avoid a range of negative consequences such as the likelihood of facing charges or fines, the reduction or loss of essential utilities and services, the inability to access credit in the future, and the possibility of having property repossessed. Thus, even though people fall behind with bills for a number of reasons from time to time, including a lack of available money due to low or fluctuating income or a physical barrier such as lack of available transport, financially literate people will avoid doing so regularly. Fortunately, this study shows⁶ that in Armenia (92%), Belarus (91%) and Kazakhstan (89%) paying bills on time appears to be almost universal, and even in the countries with the largest proportion reporting that they do not always pay bills on time, 7 in 10 do so (69% in Azerbaijan; 70% in the Kyrgyz Republic and the Russian Federation) (Figure 4.2).

4.1.4. Keeping watch of financial affairs

Keeping watch of financial affairs is necessary for people to identify a range of issues in a timely manner. For example, regular checks make it possible to identify the need to make adjustments to expenditure to stay within budget, verify that all expected income has been received and identify errors or fraudulent behaviour on bank accounts.

Interestingly, fewer people were keeping an eye on their financial affairs⁷ than undertaking the other two behaviours discussed above – however the proportion is still large (73% on average across the countries) and suggests a general tendency in most countries to be aware of one's financial situation. Despite this, the range across countries is noticeable, and much larger than with the other behaviours – with around 3 in 5 agreeing that they keep watch of their financial affairs in Azerbaijan (59%) through to 82% in Kazakhstan.

Figure 4.2 indicates that the pattern of responses from Azerbaijan and the Kyrgyz Republic are similar to those from the Russian Federation, with people generally less likely to be exhibiting the behaviours discussed than in the other 4 countries (although this is not the case for considered purchases in the Kyrgyz Republic).

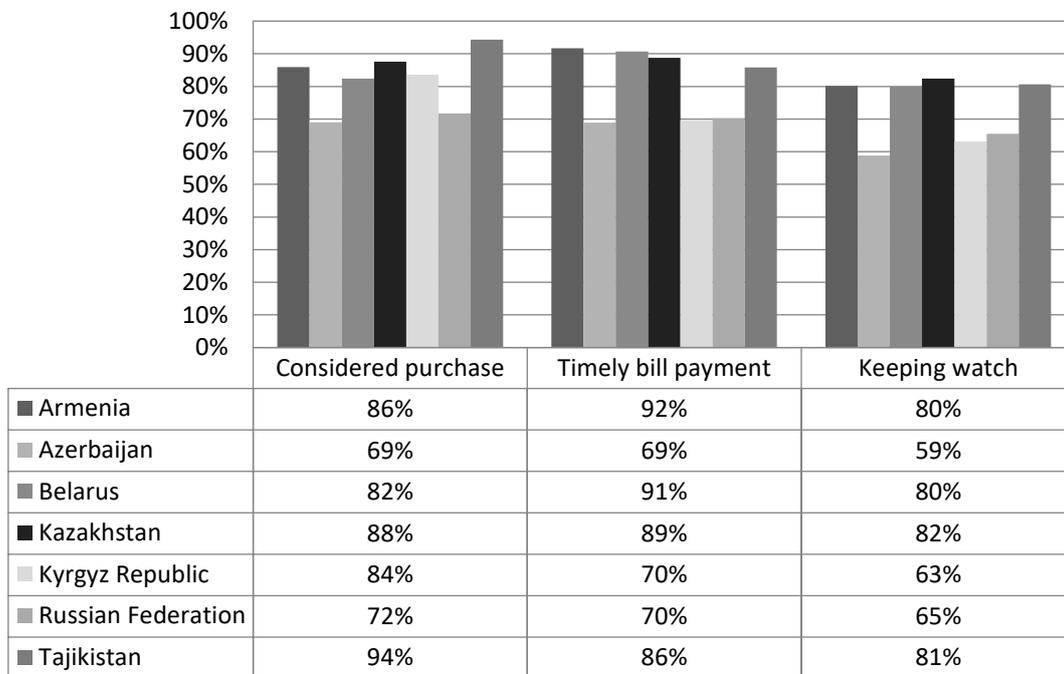
⁵ Based on the proportion completely agreeing, or agreeing with the statement 'Before I buy something I carefully consider whether I can afford it'.

⁶ Based on the proportion completely agreeing, or agreeing with the statement 'I pay my bills on time'.

⁷ Based on the proportion completely agreeing, or agreeing with the statement 'I keep a close personal watch on my financial affairs'.

Figure 4.2. Financial control

Base: all respondents. % of respondents agreeing or completely agreeing to behaviour statements relating to financial control.



Note: Derived variable based on those putting themselves in the first 2 of 5 categories from Completely Agree to Completely Disagree. Missing responses are recoded to the middle category before deriving the variable.

Source: Russian Federation, 2016; OECD, 2018.

4.2. Financial resilience

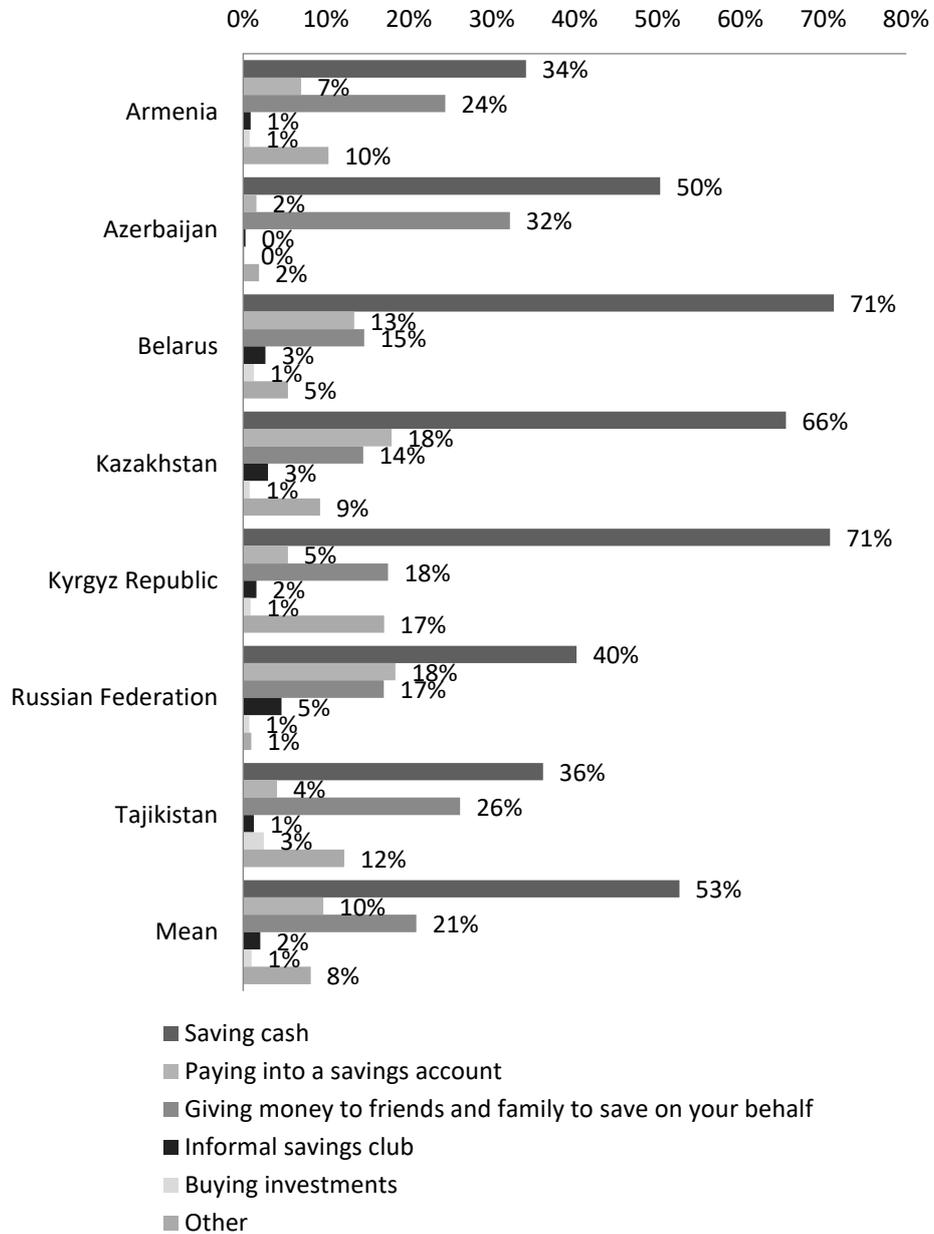
4.2.1. Active saving

Core competencies on financial literacy typically stress the importance of rainy day saving as well as saving for longer-term goals. There are many ways in which people save, from keeping cash at home to buying financial investments or other assets. Figure 4.3 shows that most of the active savers (53% across the 7 countries) were holding at least some of their savings in cash.⁸ Over 70% did so in Belarus and Kazakhstan, falling to 34% in Armenia. More than 1 in 5 people (21%) had given money to family or friends to save on their behalf, and this was the second most common approach to saving in all but Kazakhstan and the Russian Federation.

⁸ Based on the following question: 'In the past 12 months have you been [personally] saving money in any of the following ways, whether or not you still have the money?'

Figure 4.3. Methods of saving in the last 12 months

Base: all respondents. % of respondents using each savings approach. Multiple responses possible.



Note: ‘Mean’ refers to the average of the six CIS countries and the Russian Federation.

Note: Consumer cooperatives (often known as SACCOs or credit unions) are member-owned initiatives that typically offer savings and loan facilities to lower income groups.

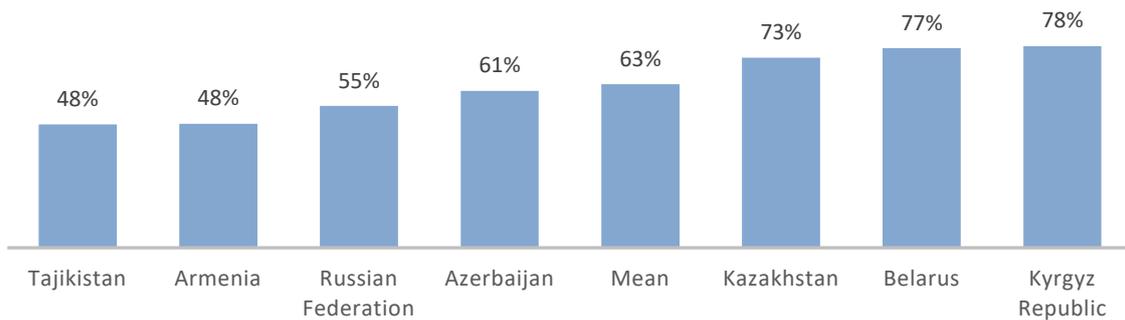
Source: Russian Federation, 2016; OECD, 2018.

The indicator used in the financial behaviour score and reported in Figure 4.4 combines information on the various ways in which people may be actively saving reported in Figure 4.3 above.

On average across the 7 countries, more than six in ten adults were active savers (63%); although there was variation across countries, with fewer than half of respondents in Tajikistan (48%) and Armenia (48%) saving in any of the ways listed. In contrast, more than 70% were doing so in Kazakhstan, Belarus and the Kyrgyz Republic.

Figure 4.4. Active savers

Base: all respondents. % of respondents reporting that they had saved in any of the ways listed in Fig 4.3 in the previous 12 months.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

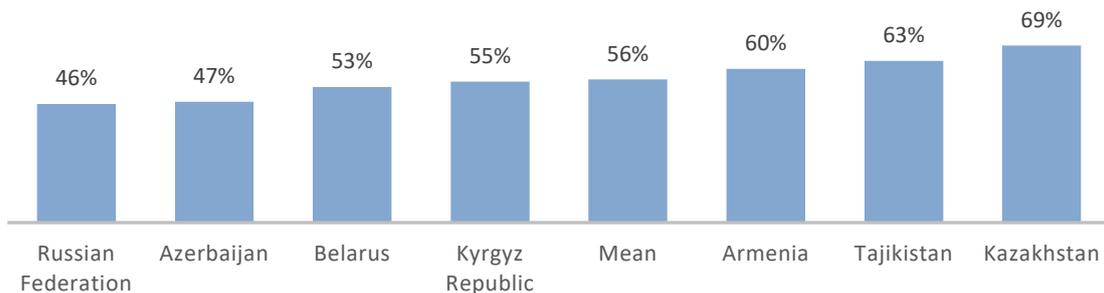
Source: Russian Federation, 2016; OECD, 2018.

4.2.2. Striving to achieve long-term goals

Slightly more than half (56%) of respondents across the 7 countries agreed that they set long-term goals and strive to achieve them (Figure 4.5).⁹ This behaviour is most apparent in Kazakhstan (69%) and least apparent in the Russian Federation (46%) and Azerbaijan (47%).

Figure 4.5. Striving to achieve long-term goals

Base: all respondents. % of respondents agreeing or completely agreeing to behaviour statement.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable based on those putting themselves in the first 2 of 5 categories from Completely Agree to Completely Disagree. Missing responses are recoded to the middle category before deriving the variable.

Source: Russian Federation, 2016; OECD, 2018.

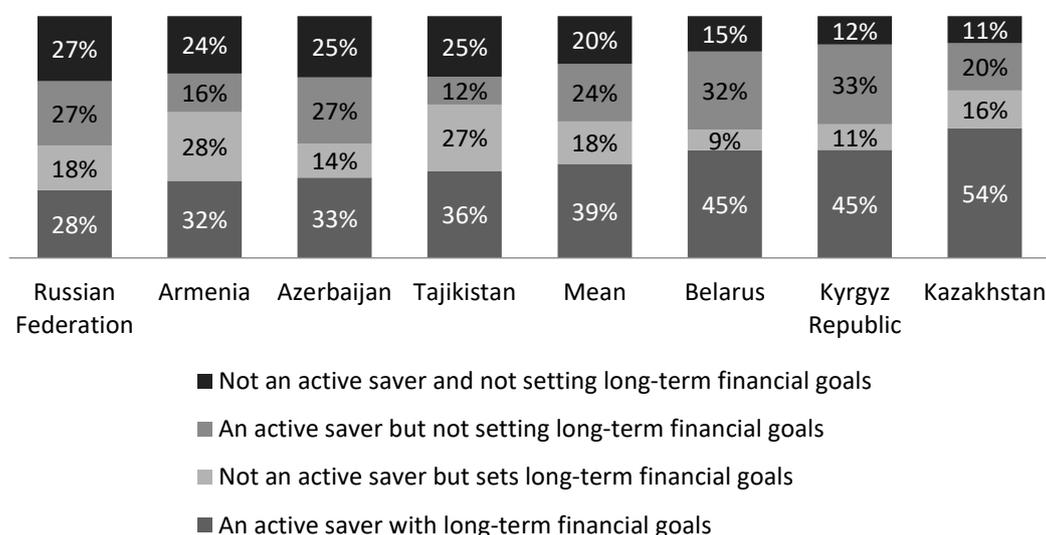
⁹ Based on the proportion completely agreeing, or agreeing with the statement 'I set long term financial goals and strive to achieve them'.

Combining the data on active saving with that on long-term goals highlights some interesting patterns. In all countries, the largest category is that of people who are active savers and striving to meet long-term goals; this category represents around 2 in 5 people, on average (39%) (Figure 4.6). However, at the other extreme, some 20% of people are doing neither of these things, rising to 27% in the Russian Federation.

In the Belarus (9%) and Kyrgyz Republic (11%) relatively few people reported that they had not been actively saving but had a long-term goal, perhaps indicating goals such as paying off debts, or focused retirement saving. This is something that could be explored in more detail, to better understand the motivations for saving.

Figure 4.6. Active saving and setting long-term goals

Base: all respondents. % reporting that they are saving in one of a variety of ways and % reporting that they set long-term goals. Sorted by % of population reporting that they are active savers and have long-term financial goals.



Note: The % may not sum to 100% due to rounding.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable based on responses to two questions.

Source: Russian Federation, 2016; OECD, 2018.

4.2.3. Making ends meet

There are a number of reasons why money coming in may be less than expenditure from time to time, including irregular income created by self-employment or seasonal work, a decision to live on accumulated wealth ('dis-saving') or a reliance on ad hoc or in-kind support from family and friends. An individual's ability to make ends meet when income or expenditure fluctuates depends on a number of factors including their savings behaviour, resourcefulness and adaptability. This section looks at the extent to which people are making ends meet and their reported behaviours, particularly borrowing, when income does not quite cover living costs.

Across the seven countries, two in five people reported that their income had not always covered their living costs¹⁰ (see Figure 4.8, which combines information on facing a shortfall and borrowing to make ends meet). In Armenia, three quarters of respondents reported that they had not always been able to make ends meet (76%). In contrast, in the Kyrgyz Republic, Belarus and Tajikistan, no more than a third of people stated that they had not always been able to meet their living costs.

4.2.4. Strategies for dealing with a shortfall

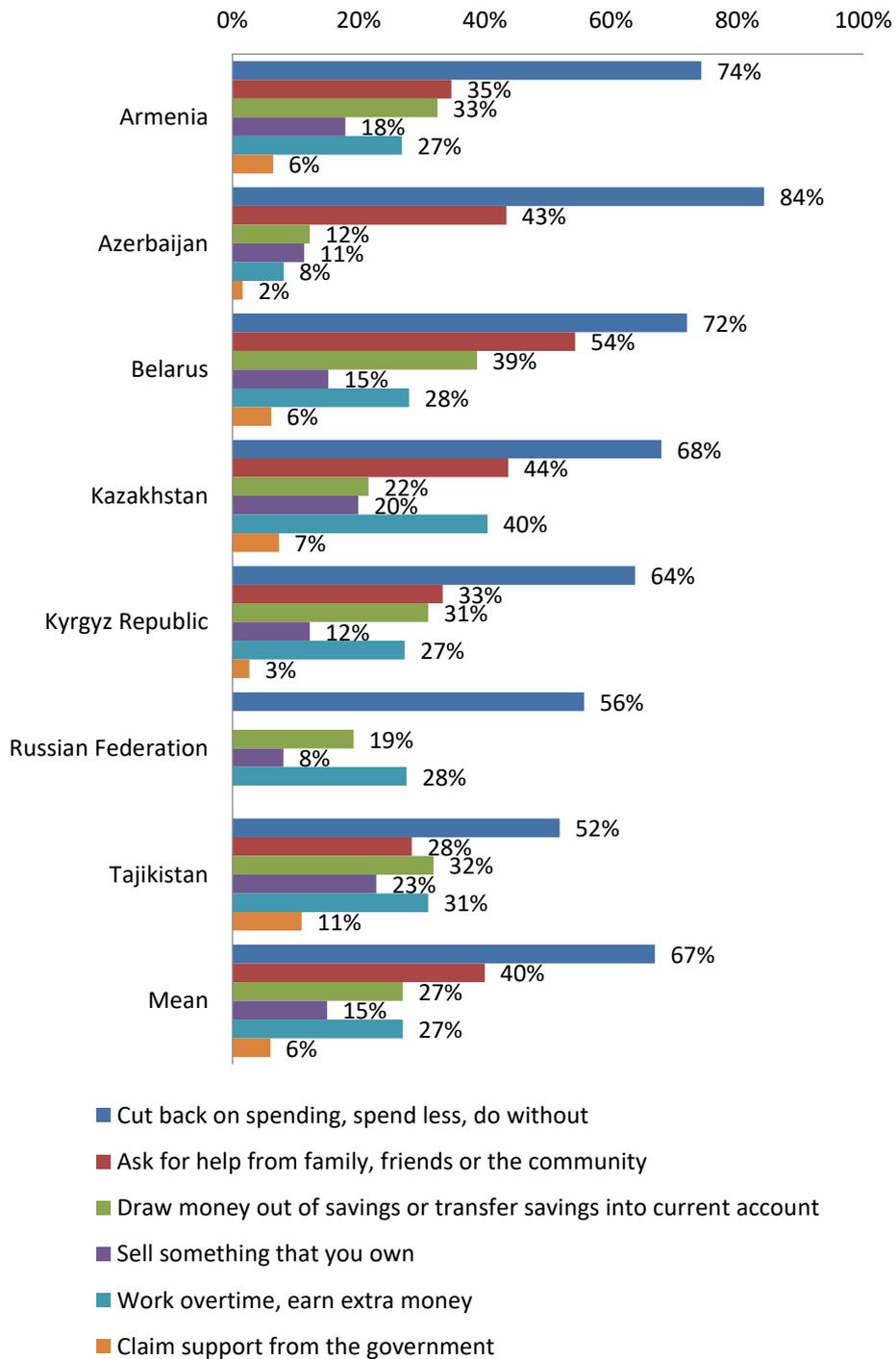
The data show that people typically apply several approaches to deal with a shortfall that do not involve borrowing (Figure 4.7).¹¹ Most people had cut back on spending when their income failed to meet their living costs (67%), although one in three respondents (27% across the 7 countries) were able to fall back on savings to cover some, or all, of their needs. Asking for help from friends, family and the wider community was also relatively common across the seven countries, and particularly in Belarus, where over half of respondents facing a short fall (54%) reported that they had used this strategy. Earning additional income was more common in some countries than others: 40% of respondents facing a shortfall in Kazakhstan had included this in their approach, compared with just 8% in Azerbaijan.

¹⁰ Based on the question ‘Sometimes people find that their income does not quite cover their living costs. In the last 12 months, has this happened to you, personally?’.

¹¹ Based on the follow-up question ‘What did you do to make ends meet the last time this happened?’.

Figure 4.7. Ways of making up a shortfall in income (1: Non-debt approaches)

Base: all respondents who reported that income did not always meet living costs. % using this method. Multiple responses possible.



Note: Note that respondents may also have reported strategies listed in Figures 4.9 and 4.10

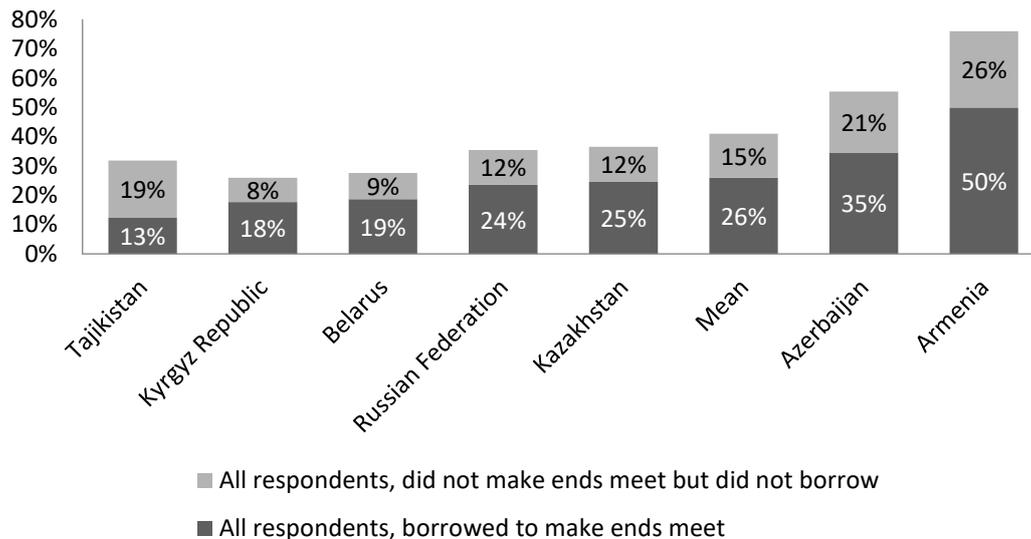
Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Source: Russian Federation, 2016; OECD, 2018.

Although non-debt strategies were relatively common, in all countries except Tajikistan, a majority of those who faced a shortfall borrowed to make ends meet (Figure 4.8).¹² In Armenia, a half of all respondents had borrowed to make ends meet, representing 2/3 of those who had experienced a shortfall.

Figure 4.8. Borrowing to meet living costs

Base: all respondents. % who did not make ends meet by whether or not they borrowed to meet the shortfall. Sorted by % of respondents who borrowed to make ends meet.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable.

Source: Russian Federation, 2016; OECD, 2018.

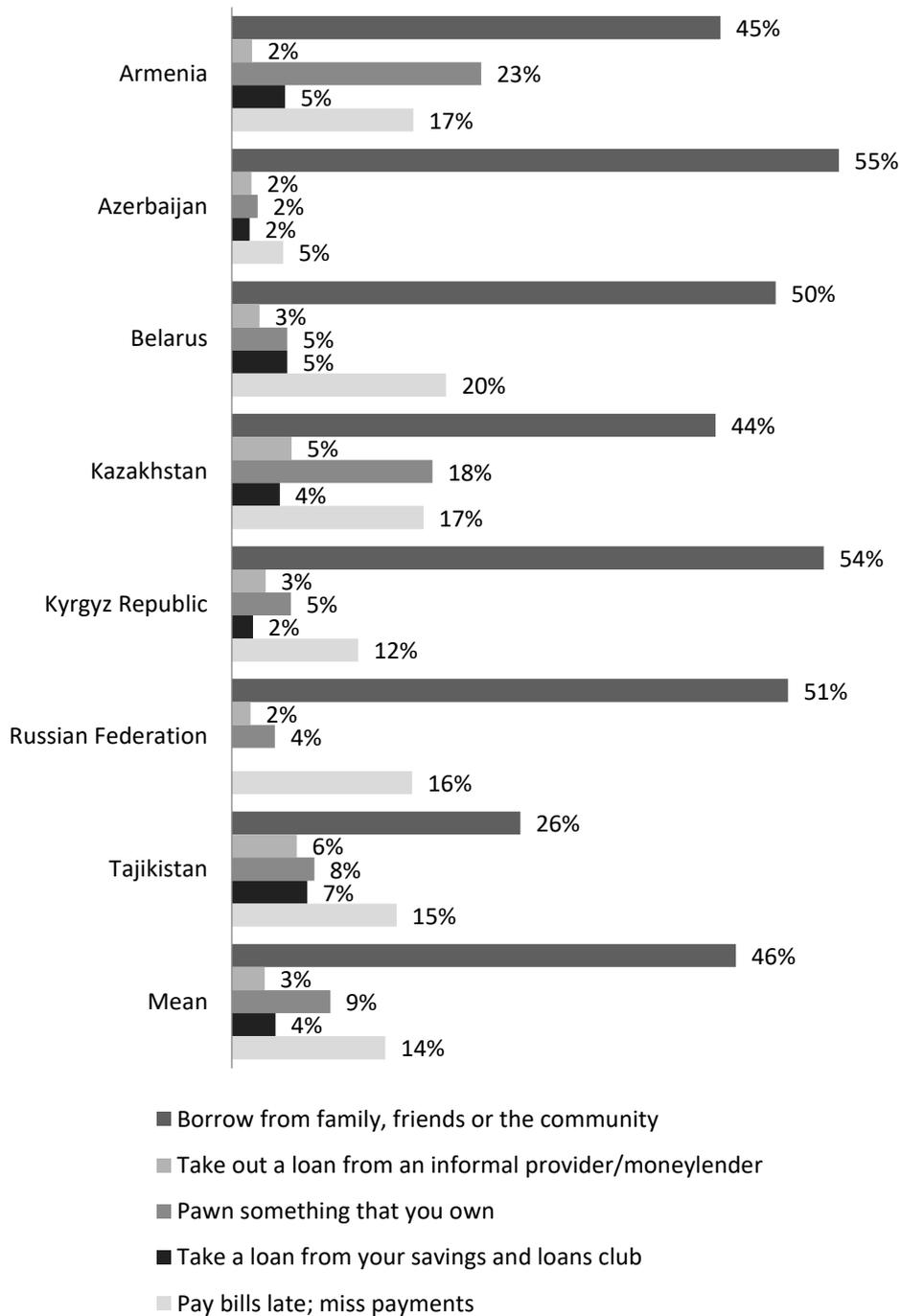
After borrowing from family, the next most common form of borrowing varies by country (Figure 4.9 and Figure 4.10). Pawn brokers were an important source of credit in Armenia (23%) and Kazakhstan (18%) - although slightly more people in Kazakhstan turned to formal service providers for a personal loan (19% of those who faced a shortfall did so). In Belarus (20%), Kyrgyz Republic (12%) and Tajikistan (15%), a relatively large proportion of those who met a shortfall were making ends meet by delaying or missing bill payments. In the Russian Federation, late bill payments (16%) and credit card advances (16%) were both important sources of credit.

Informal credit came from a variety of sources with some variation by country. Figure 4.9 shows that almost half of the respondents who had faced a shortfall had borrowed from family, friends or their community (46%). This varied from 55% in Azerbaijan to 26% in Tajikistan and that this was by far the most common source of informal credit; although 14% on average were also paying bills late to help them smooth income.

¹² The percentage of people who 'borrowed' to make ends meet includes those who paid bills late, as this is considered to be a form of credit.

Figure 4.9. Ways of making up a shortfall in income (2: informal credit)

Base: all respondents who reported that income did not always meet living costs. % of respondents using this method. Multiple responses possible.



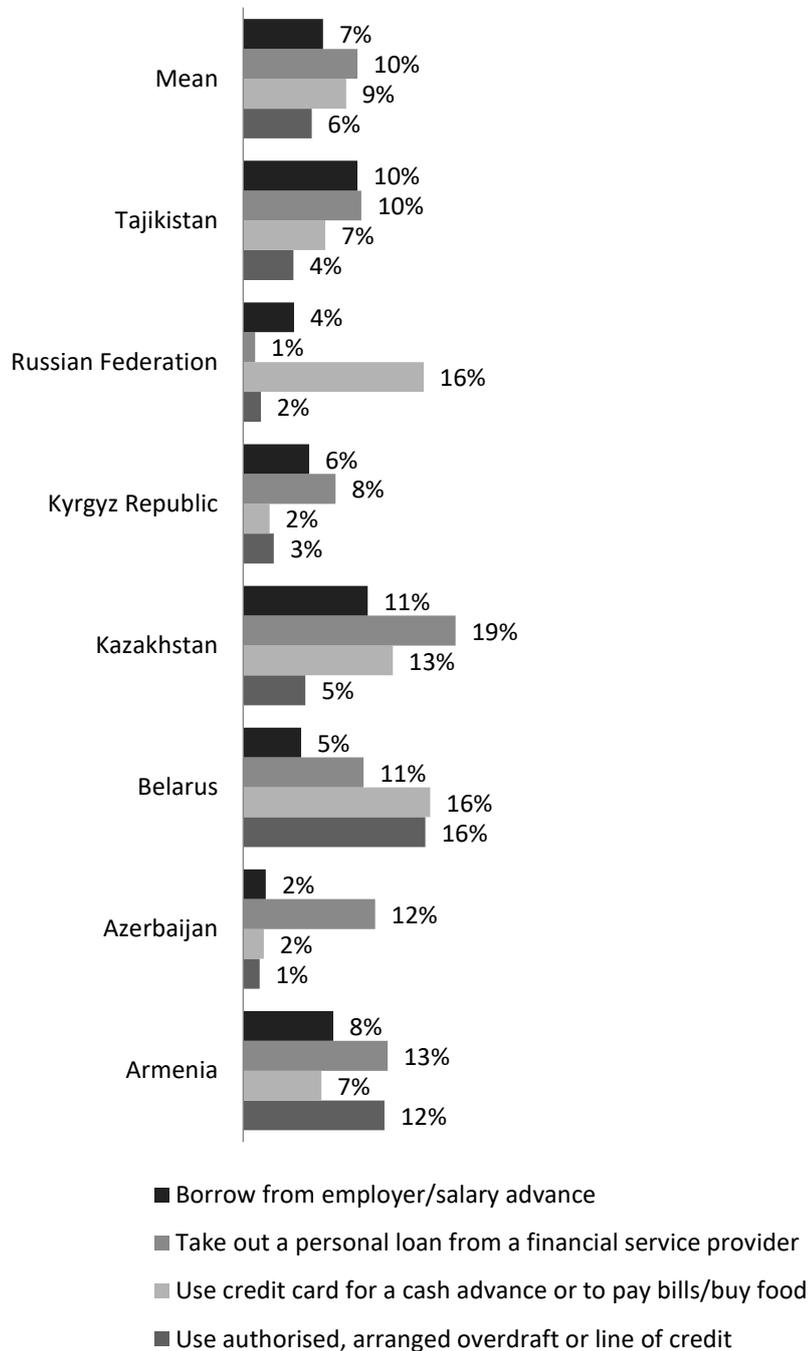
Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Note that respondents may also have reported strategies listed in Figures 4.7 and 4.10

Source: Russian Federation, 2016; OECD, 2018.

Figure 4.10. Ways of making up a shortfall in income (3: formal credit)

Base: all respondents who reported that income did not always meet living costs. % of respondents using this method. Multiple responses possible.



Note: Note that respondents may also have reported strategies listed in Figures 4.7 and 4.9
Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.
Source: Russian Federation, 2016; OECD, 2018.

4.3. Making informed financial product choices

The G20/OECD INFE Core Competencies Framework on Financial Literacy for Adults indicates that actively seeking information about the relevant features of a financial product when making a choice is an underpinning competency (OECD, 2016^[7]). Ideally such information should be provided in an impartial way, in order to make comparisons across products and providers.

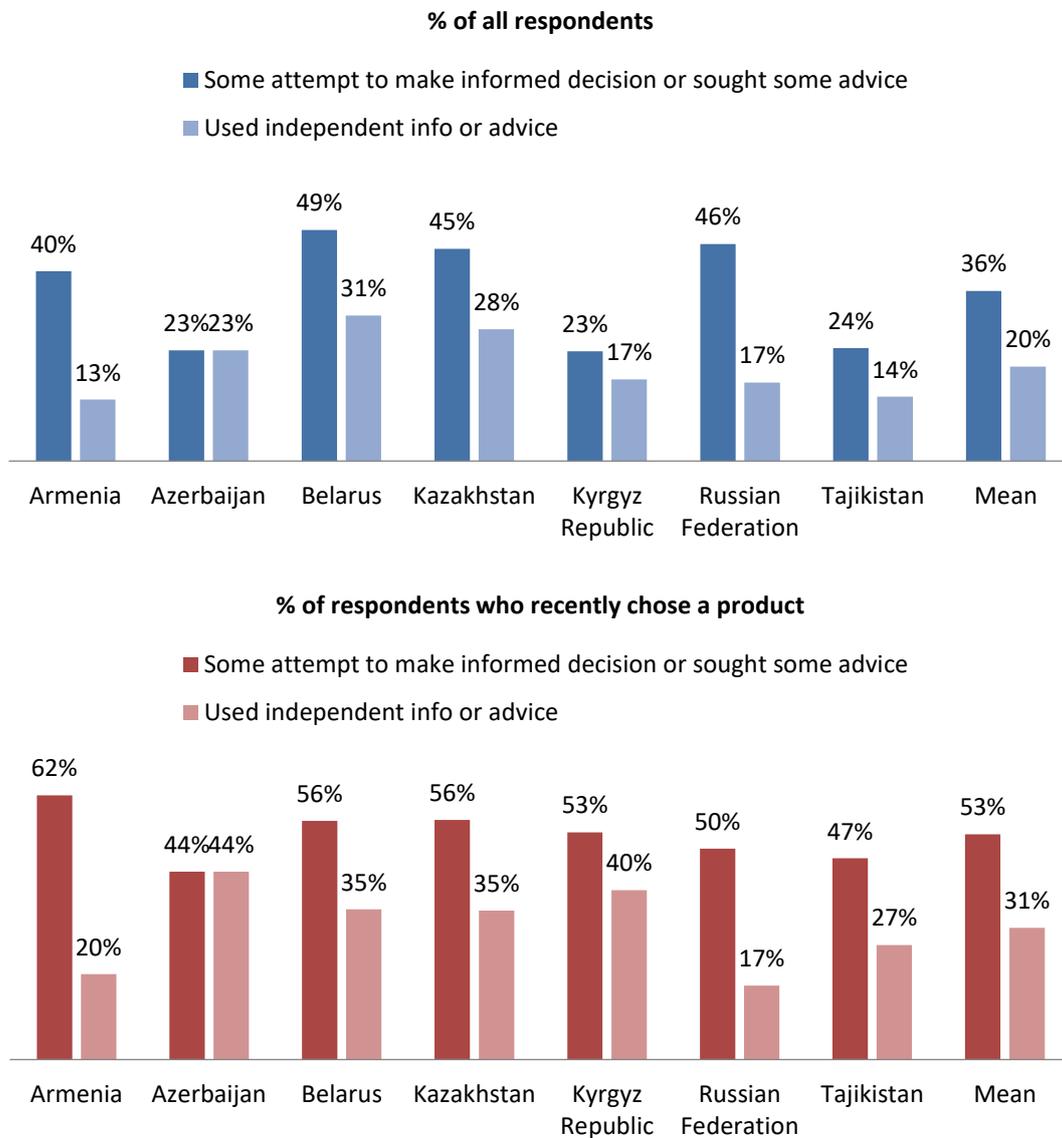
The OECD/INFE questionnaire asks various questions on product awareness, holding and choosing (also see Section 8). Follow-up questions on how the most recent product was chosen are then included to explore financial behaviour.¹³

Summing the two columns presented in the first chart of Figure 4.11 shows that over half of *all* respondents, on average across the 7 countries had chosen a financial product and used some form of information or advice to make their choice (56%),¹⁴ with 4 in 5 doing so in Belarus (80%).

Furthermore, the second chart in Figure 4.11 shows that 84% of *those who had made a recent choice* used some form of information and three in ten reported that they had used an independent source (rising to 44% in Azerbaijan).

¹³ As the financial behaviour score is created for all respondents, those who did not choose a financial product will be given a score of zero for this behaviour. The variable therefore partly reflects financial inclusion, or the extent to which people are looking for new or replacement financial products. Furthermore, the approach that a respondent takes will, to some extent, vary according to the product that they chose. For these reasons, this indicator is more informative in aggregate, showing comparisons across populations or by key subsets, than on an individual level.

¹⁴ Based on responses to the question ‘which sources of information do you feel most influenced your decision {about which one to take out}?’ **and** responses to ‘Which of the following statements best describes how you made your choice?: a) I considered several options from different companies before making my decision; b) I considered the various options from one company; c) I didn’t consider any other options at all or d) I looked around but there were no other options to consider’.

Figure 4.11. Making informed financial product choices

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

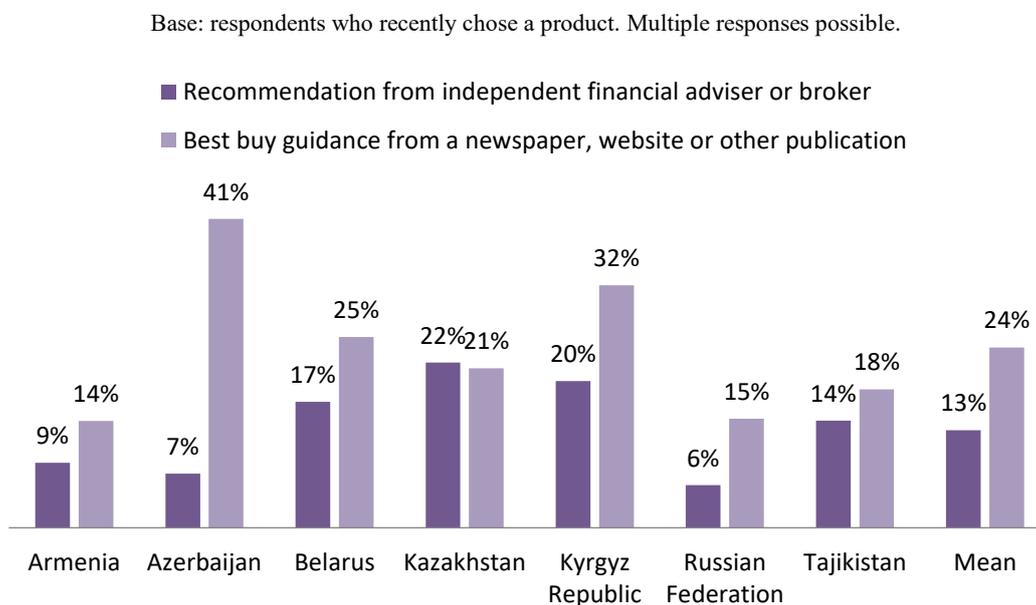
Note: Derived variables. Independent information or advice incorporates best-buy tables and information, specialist magazines and publication, and 'a recommendation from an independent financial adviser or broker'

Source: Russian Federation, 2016; OECD, 2018.

Looking in more detail at those who made a recent product choice and claimed to have used some form of independent advice or guidance, we see that around one in five respondents in Kazakhstan (22%) and the Kyrgyz Republic (20%) reported that they had used an independent advisor, whilst in Azerbaijan 2 in 5 (41%) had used independent information (Figure 4.12). Further market research and qualitative analysis may be interesting to explore whether these perceptions of independence are accurate, or reflect a

misunderstanding of the service received, or a prevalence of commission based best-buy guidance and brokers.¹⁵

Figure 4.12. Types of independent advice used among those who recently chose a product



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable.

Source: Russian Federation, 2016; OECD, 2018.

The questionnaire used among the CIS countries also included an additional set of questions on product choice to further explore the extent to which trust and service are relevant when people make decisions (this question was not asked in the Russian Federation).¹⁶

Speed was far more important than trust or customer loyalty for respondents choosing products in Azerbaijan (59%) and Tajikistan (75%), and also important to half of all respondents, on average (50%) (Figure 4.13).

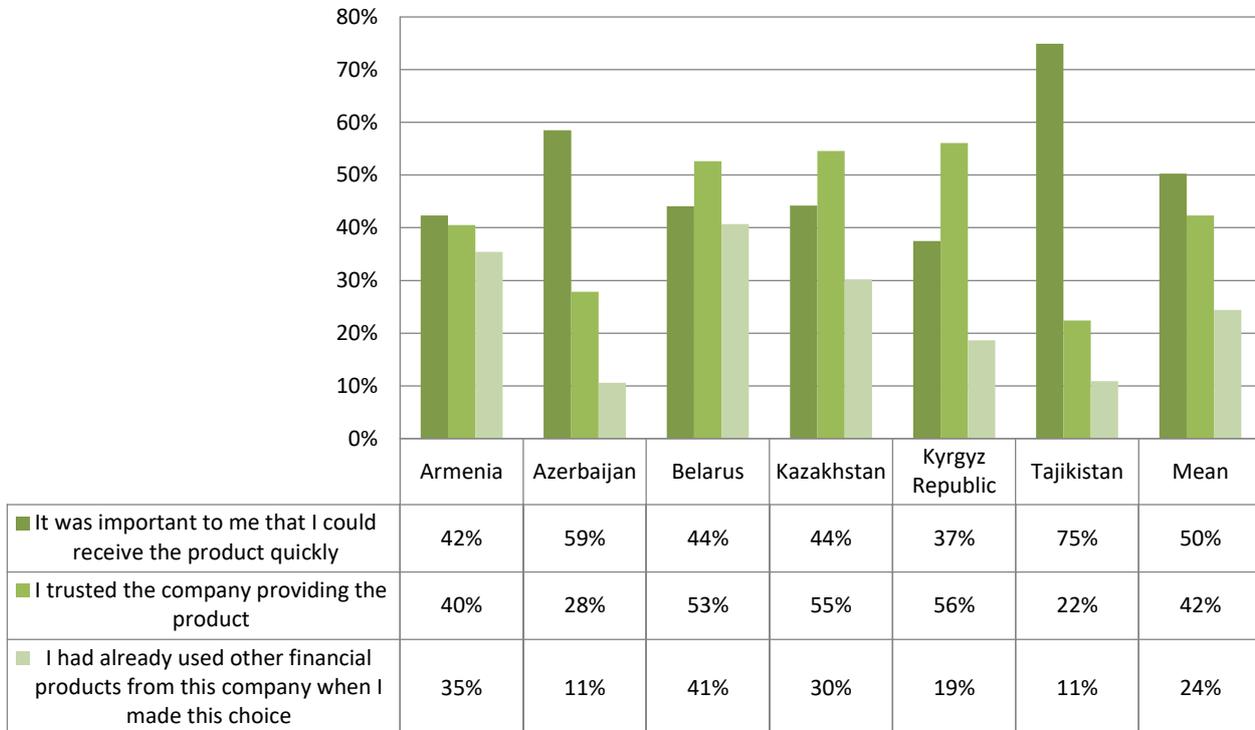
Trust in the company was an important deciding factor for more than half of respondents in Belarus (53%), Kazakhstan (55%) and the Kyrgyz Republic (56%). In no country was customer loyalty a common reason for choosing a particular provider, although it did feature in the decision making process for a quarter of those who had made a product choice, on average across the 6 countries (24%).

¹⁵ It is also possible that respondents gave what they felt was the most 'appropriate' answer. If this is the case, it still suggests a good understanding of the benefit of independence, but will overestimate the behaviour.

¹⁶ The question 'thinking about the time when you made your choice, do any of these statements apply?' had three yes/no statements: a) 'It was important to me that I could receive the product quickly' b) 'I trusted the company providing the product' and c) 'I had already used other financial products from this company when I made this choice'.

Figure 4.13. Trust and customer loyalty

Base: respondents who recently chose a product. Multiple responses possible.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Source: Russian Federation, 2016; OECD, 2018.

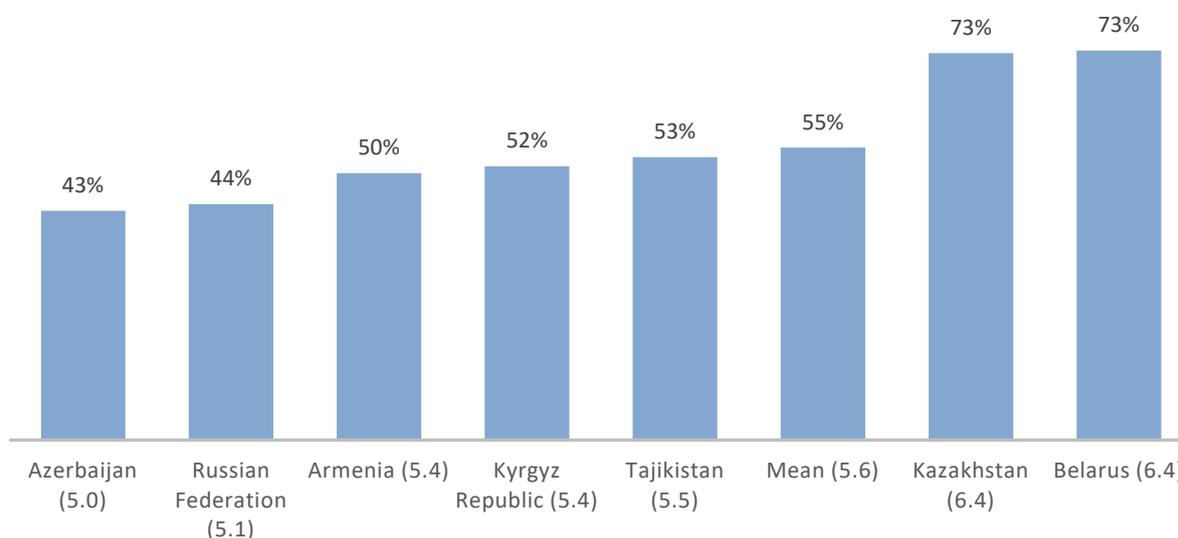
4.4. Minimum target scores for financial behaviour

Figure 4.14 focuses on minimum target scores for financial behaviour. The figure reports the percentage of adults in each country achieving a score of 6 or more out of 9 behaviours.¹⁷ On average, more than half of respondents reach this minimum target score across the 7 countries (55%), ranging from 43% in Azerbaijan to 73% in Belarus and Kazakhstan. Across G20 countries with available data (including the Russian Federation) a similar proportion (52%) achieved the minimum target score (i.e. on average, respondents exhibited 60% of the behaviours discussed).

¹⁷ This is made up of derived variables indicating a respondent who: 1) is responsible for household money management and has a budget; 2) was an active saver in the previous 12 months; 3) carefully considers purchases; 4) pays bills on time; 5) keeps a close watch on their financial affairs; 6) sets long-term financial goals; 7) made an attempt to shop around for a financial product; 8) sought independent advice or information when choosing a product and 9) did not borrow to make ends meet in the previous 12 months.

Figure 4.14. Achieving minimum target score for financial behaviour

Base: all respondents. % exhibiting at least 6 of the 9 behaviours. Average country-level score reported in parenthesis.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable.

Source: Russian Federation, 2016; OECD, 2018.

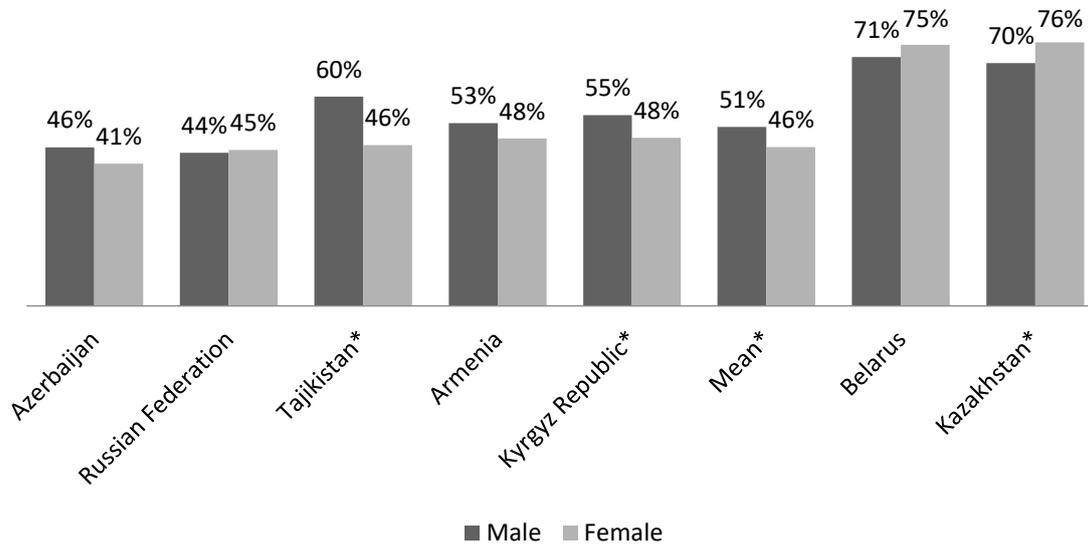
4.5. Gender differences in financial behaviour

Figure 4.15 shows only small differences in the proportions of men and women achieving the minimum target score for financial behaviour. The difference is particularly significant in Tajikistan, where 60% of men but only 46% of women exhibited at least 6 of the 9 behaviours analysed. Men in Tajikistan were also more likely to achieve this minimum target score than men or women in four of the other 7 countries.

Smaller, but statistically significant differences in behaviour were also observed in the Kyrgyz Republic, where men were more than women, on average, to achieve the minimum score, and Kazakhstan, where women were more likely.

Figure 4.15. Gender differences in financial behaviour

Base: all respondents. % of men and women exhibiting at least 6 of the 9 behaviours. Sorted by % of females.



Note: * Difference by gender significant at 95% level.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable.

Source: Russian Federation, 2016; OECD, 2018.

4.6. Differences in financial behaviour across the population

The results depicted in Table 4.1 show that, after controlling for other factors, men were significantly less likely than women to achieve a higher score on financial behaviour in Kazakhstan, and significantly more likely to do so in Tajikistan; elsewhere there is no significant gender difference once other factors are taken into account. The relationship between financial behaviour and the size of the commune also varied by country.

Work status was significant in all but the Russian Federation, with adults in work exhibiting more positive behaviours than those out of work, other things being equal. However, even after controlling for work status, there was an additional benefit from education, with university education significantly associated with positive financial behaviours in every country. Higher income was also associated with an increased number of positive behaviours in most countries, as was using a computer.

In Azerbaijan and the Russian Federation, the presence of the respondent's children in the home was associated with more positive behaviours than living without children. Elsewhere, there was no difference after controlling for other factors.

Table 4.1. Regression results, financial behaviour

Base: all respondents. Dependent variable is the individual's financial behaviour score (based on the count of financial behaviours exhibited).

+	Significantly higher score than comparator
-	Significantly lower score than comparator

	Armenia	Azerbaijan	Belarus	Kazakhstan	Kyrgyz Republic	Russian Federation	Tajikistan
Gender							
Male				-			+
Size of commune (comparator= city)							
Village			-	-	-		
Small town					-		
Town	-		+	-	-		
Large city	-	+			N/A	+	N/A
Age (comparator= 40 to 49)							
18 to 19					-		
20 to 29		-			-		-
30 to 39	+						-
50 to 59							
60 to 69							
70 to 79	-						
Work status (comparator = not working)							
Working	+	+	+	+	+		+
Family status (comparator= no children)							
Has children at home (including adult offspring)		+				+	
Education (comparator= No education beyond school)							
University education	+	+	+	+	+	+	+
Technical or vocational education		+	+	+			+
Income (comparator= median income)							
Refused to state income	-			-		-	-
Below median income	-			-	-		-
Above median income		+	+	+	+	-	
Use of digital tools (comparator = did not use a computer)							
Used a computer	+	+	+		+	+	

Note: Boxes highlight significance at the 95% level.

Source: Russian Federation, 2016; OECD, 2018.

5. Financial attitudes

The OECD/INFE definition of financial literacy recognises that even if an individual has sufficient knowledge and ability to act in a particular way, their attitude will influence their decision of whether or not to act. The responses to three attitude statements are therefore used in this section to gauge respondents' attitudes towards money and planning for the future (Table 5.1).

Each of the statements focuses on preferences for the short term through 'living for today' and spending money. These kinds of preferences are likely to hinder behaviours that could lead to improved financial resilience and well-being. More financially literate people would tend to disagree with the statements.¹⁸

Table 5.1. Financial attitude questions

Text	Possible responses	Notes
I tend to live for today and let tomorrow take care of itself (<i>'living for the day'</i>)	5 point scale: 1='Completely' agree;	These questions are intended to indicate whether the respondent focuses exclusively on the short term (agrees) or has a preference for longer-term security (disagrees)
I find it more satisfying to spend money than to save it for the long term (<i>'saving'</i>)	5='completely' disagree	
Money is there to be spent (<i>'spending'</i>)		

Figure 5.1 shows the distribution of the responses to the three questions. A large proportion of the population in each of the 7 countries tends to disagree that they live for today, although, it is important to note that at least one in five agreed completely with this statement in Armenia (25%), Belarus (20%), Kazakhstan (25%) and Tajikistan (24%).

Responses to the second attitude statement suggest that people find some satisfaction in both saving and spending. In Azerbaijan, Belarus, the Kyrgyz Republic and the Russian Federation, people were most likely to put themselves in the middle category on this question – neither agreeing nor disagreeing. However, a very large proportion of people in Armenia (46%), and relatively high proportions in Kazakhstan (33%) and Tajikistan (32%) completely agreed that they find it more satisfying to spend than to save for the long-term, suggesting a worrying tendency towards immediate gratification.

The majority of people completely agreed that money was there to be spent, suggesting that they see the practical use of money in the short term¹⁹, rather than using it as a store of value, or recognising it as a form of protection against future needs. Only in the Kyrgyz Republic and the Russian Federation were people more likely to put themselves in the middle category on this question.

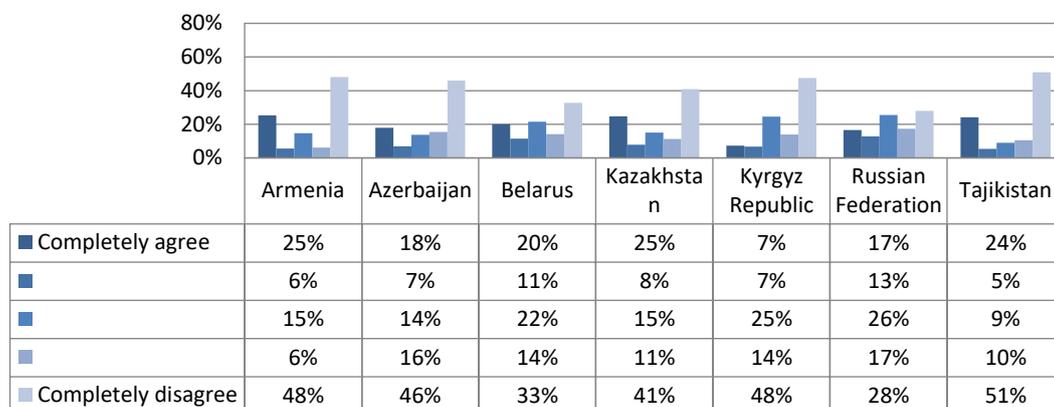
¹⁸ In keeping with good practice for questionnaire design, these statements are interspersed with others in the questionnaire.

¹⁹ It is also possible that respondents interpreted this as a more factual statement such as 'money is required for spending'. However, exploratory factor analysis indicates that the three statements contribute to a single underlying factor.

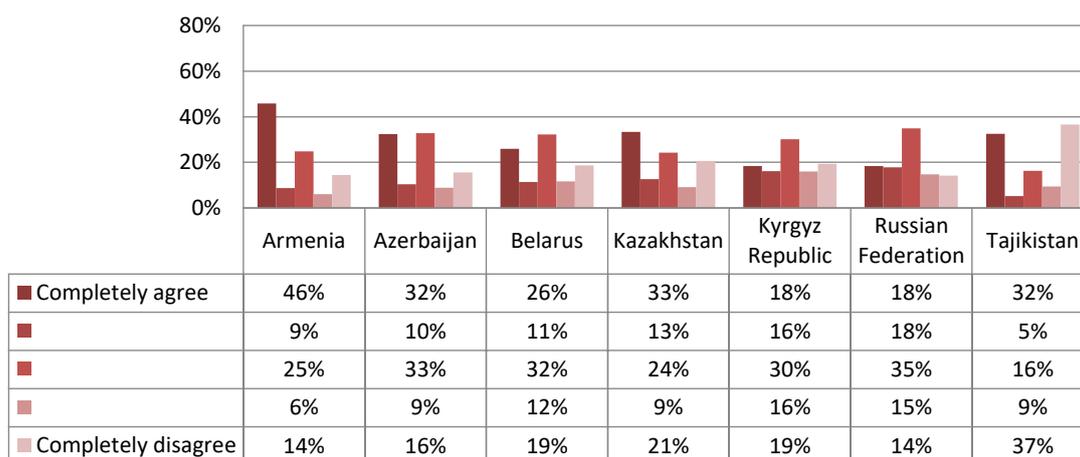
Figure 5.1. Financial attitudes

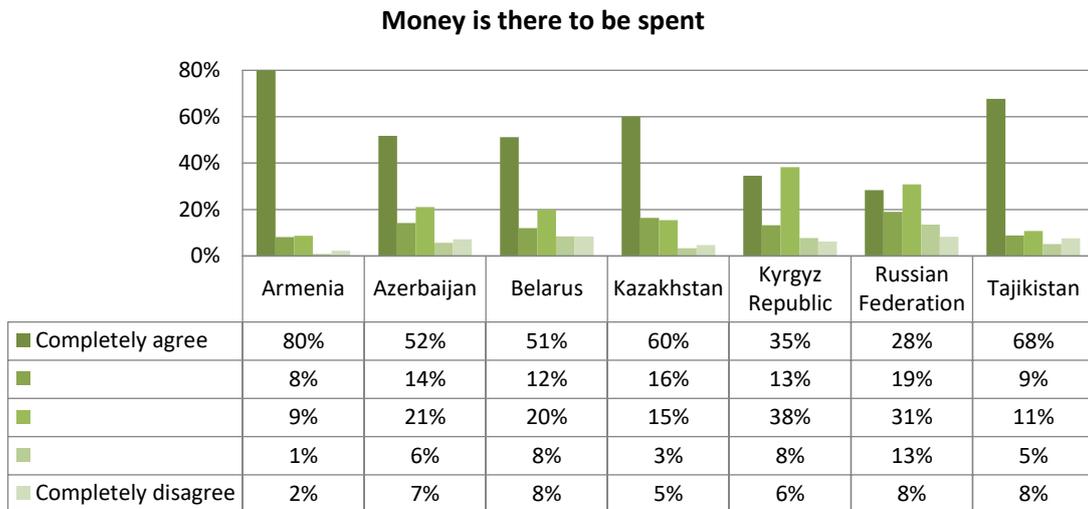
Base: all respondents. Distribution of financial attitudes.

I tend to live for today and let tomorrow take care of itself



I find it more satisfying to spend money than to save it for the long-term





Note: The % may not sum to 100% due to rounding.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Source: Russian Federation, 2016; OECD, 2018.

5.1. Minimum target score

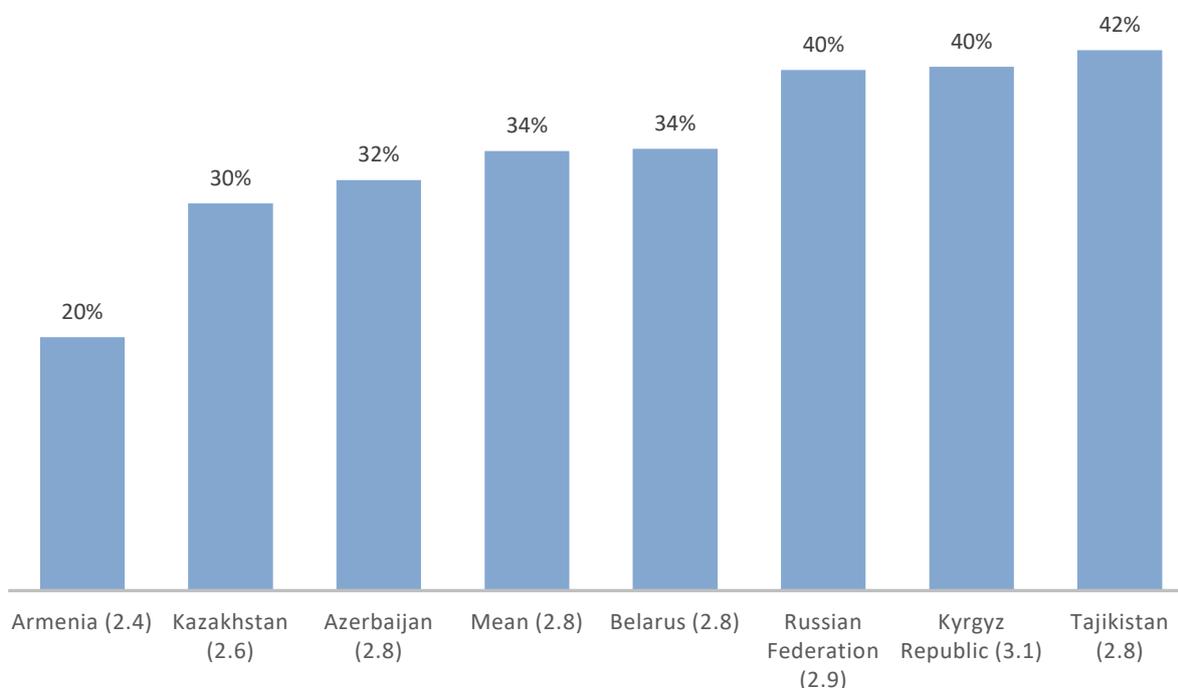
Combining the responses to these three attitude statements provides an indication of general attitude towards the longer-term.²⁰ Figure 5.2 reports the proportion of respondents with an attitude that is consistent with higher levels of financial literacy; that is they tend to disagree to the statements. It shows that relatively few respondents across the 7 countries had attitudes that would reinforce their overall financial literacy (34% achieved the minimum target score of 3; the average score was 2.8). This is slightly below the G20 average of 48% achieving the minimum target score, and mean score of 3.0. In Armenia, just 1 in 5 people had such attitudes, rising to a maximum of 42% in Tajikistan.

Additional analysis (not shown), indicates that there is no significant difference in this result by gender in any of the countries.

²⁰ Principal component analysis is often used to create a single, derived variable from several variables with shared characteristics. However, there are several complications when using this for cross-country analysis, and so a simpler approach is taken here.

Figure 5.2. Minimum target score: financial attitudes

Base: all respondents. % achieving minimum target score. Average country-level score reported in parenthesis.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Source: Russian Federation, 2016; OECD, 2018.

5.2. Differences in financial attitudes across the population

The results depicted in Figure 5.3 confirm that, after controlling for other factors, there are no significant gender difference in financial attitudes. The relationship between financial attitude and the size of the commune is interesting, and suggests that people in smaller communities are less than those in cities to have positive attitudes towards the longer term in some countries, but also those in very large cities also have such attitudes.

In Armenia and Tajikistan, young people have more positive attitudes towards the longer term than adults aged 40 to 49, and in Kazakhstan adults aged 70-79 have shorter time-horizons (as may be expected) but in most countries there is no significant difference in attitudes by age.

There is no particular relationship between attitudes and having children or using a computer, or with work status, except for in Belarus, where those in work have more positive attitudes than others. Low income is associated with more short term attitudes in the Kyrgyz Republic, and higher income with longer term focus in Armenia.

Figure 5.3. Regression results, financial attitudes

Base: all respondents. Dependent variable is the financial attitudes score.

	Armenia	Azerbaijan	Belarus	Kazakhstan	Kyrgyz Republic	Russian Federation	Tajikistan
Legend							
+	Significantly higher score than comparator						
-	Significantly lower score than comparator						
Gender (comparator = women)							
Men							
Size of commune (comparator = city)							
Village	-			+		-	
Small town	-				+		-
Town							
Large city	-	-	-			-	
Age (comparator = 40 to 49)							
18 to 19	+						
20 to 29	+						+
30 to 39	+						
50 to 59							
60 to 69							
70 to 79				-			
Work status (comparator = not working)							
Working			+				
Family status (comparator = no children)							
Has children (under or over 18) at home							
Education (comparator = No education beyond school)							
University education				+			
Technical or vocational education						+	
Income (comparator = median income)							
Refused to state income				-			
Below median income					-		
Above median income	+						
Use of digital tools (comparator = did not use a computer)							
Used a computer							

Note: Boxes highlight significance at the 95% level.

Source: Russian Federation, 2016; OECD, 2018.

6. Overall levels of financial literacy

Financial literacy is considered to be a complex phenomenon, made up of a combination of knowledge, attitudes and behaviours, as presented in Figure 6.1.

This chapter provides an indication of overall financial literacy as measured through a sum of the three components discussed in this report.²¹ The resulting score is therefore driven primarily by financial behaviour, which contributes up to 9 of the 21 possible points, or almost 43% of the overall score. This reflects the general understanding that financial well-being results primarily from positive behaviours and that financial education therefore needs to ultimately change behaviour to improve financial well-being.

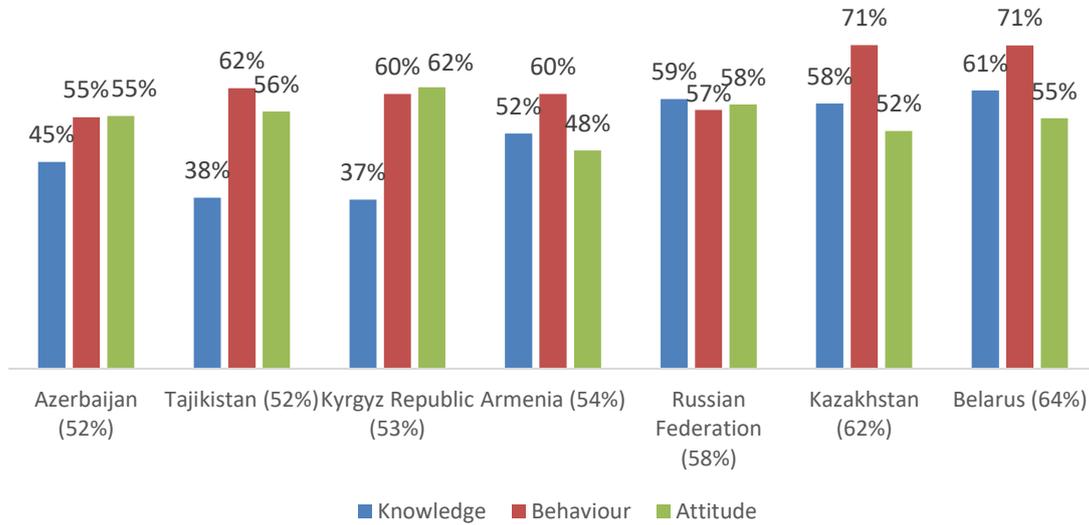
For simplicity and ease of comparison across the three aspects of financial literacy, the average results for each country are reported as a percentage of the maximum score on each component and the overall score.

Figure 6.1 shows that average overall financial literacy varies across countries, and that the relative strengths of countries vary as well. In particular, adults in Kazakhstan and Belarus are relatively strong in terms of consumer behaviour, both when compared with adults in other countries and compared to levels of financial knowledge and attitudes nationally. In Tajikistan and Kyrgyz Republic behaviour and attitude scores are considerably higher than knowledge scores. It is important to pay attention to the relatively low levels of knowledge across such populations, as this could result in consumers acting on mistaken beliefs and thus making potentially damaging mistakes.

²¹ The basis for combining the three components of financial literacy is based on the definition of financial literacy, not on the statistical properties of such a combination. As countries have some relative strengths and weaknesses in terms of the three components there is considerable benefit in considering each separately.

Figure 6.1. Components of overall financial literacy

Base: all respondents. Average knowledge, behaviour and attitude scores as a % of maximum possible scores, financial knowledge, financial behaviour and financial attitudes. Sorted by % of overall score (reported in parentheses).



Source: Russian Federation, 2016; OECD, 2018.

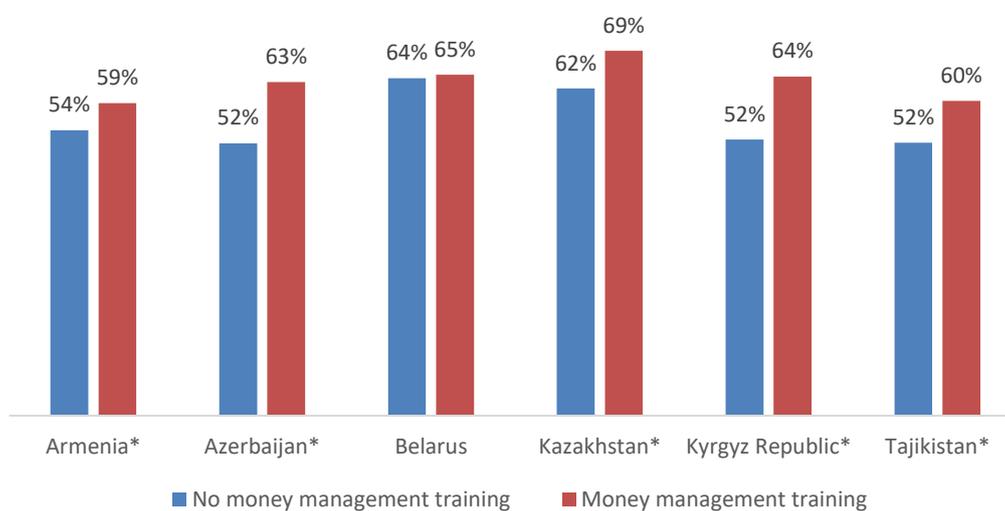
Figure 6.2 and Figure 6.3 show that the overall financial literacy score is significantly higher among the small number of people who have received money management training²² or self-employment training²³ than among the rest of the population. The only exception to this is Belarus, where the difference is only apparent among those who reported receiving self-employment training. This correlation does not indicate causation; it could be, for example that people with higher levels of financial literacy are more likely to seek training, or more comfortable to report that they have received it.

²² Identified through the question ‘Have you ever taken a course or received training on personal money management?’.

²³ Identified through the question ‘Have you ever taken a course or received training on becoming self-employed?’.

Figure 6.2. Average overall score as a % of maximum possible score, by money management training

Base: all respondents with valid data on money management training.



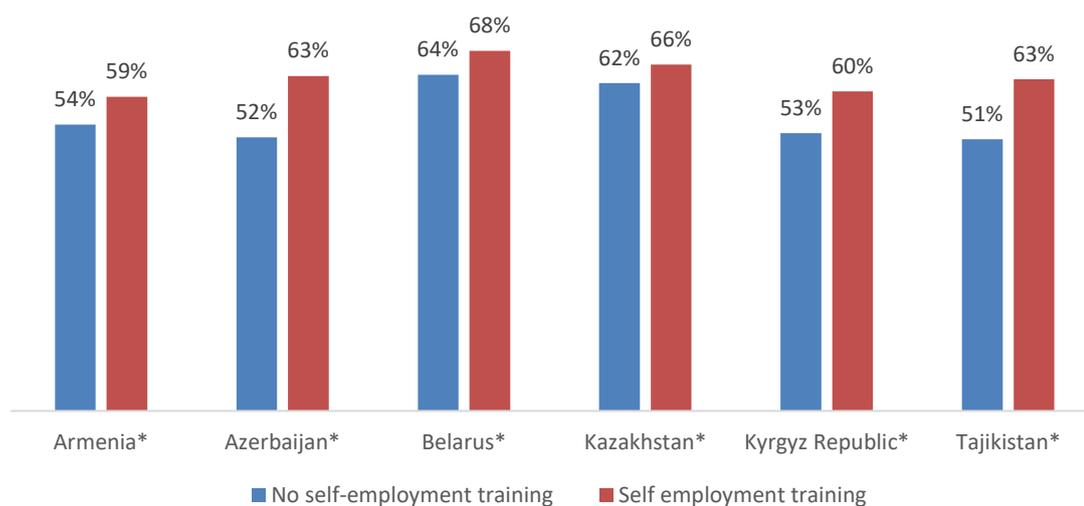
Note: * Difference significant at 95% level.

Note: Using the question 'Have you ever taken a course or received training on personal money management?'.

Source: Russian Federation, 2016; OECD, 2018.

Figure 6.3. Average overall score as a % of maximum possible score, by self-employment training

Base: all respondents with valid data on self-employment training.



Note: * Difference significant at 95% level.

Note: Using the question 'Have you ever taken a course or received training on becoming self-employed?'.

Source: Russian Federation, 2016; OECD, 2018.

7. Variations across other potential target groups

The data reported above was collected to be representative of adults in each of the countries. At the same time, data was collected in the six CIS countries from a ‘booster sample’ of adults who identified as migrants²⁴ or micro, small or medium-sized enterprise (MSME) owners²⁵, as well as additional rural dwellers.²⁶ As there is no census data for these groups, there is no way to check whether the small samples are approximately representative, however, some exploratory analysis provides a useful indication of differences between groups and across countries.

Regression analysis has been used to explore this in more detail. This approach is useful as it allows us to take into account various characteristics, and identify a difference that might plausibly be related to fitting into the particular target group of interest.²⁷

The results presented in Table 7.1 suggest some differences in the characteristics of these potential target groups by country.

- The migrants and rural inhabitants interviewed in Armenia had high levels of knowledge than other adults sharing similar characteristics (including gender, age, education, etc.) and the MSME owners gained higher behaviour scores.
- Migrants in Azerbaijan had lower levels of knowledge and lower financial behaviour scores than others with similar characteristics. Rural inhabitants also had lower levels of knowledge than other adults. Meanwhile the rural inhabitants interviewed had more positive attitudes.
- In Belarus SMEs had higher levels of knowledge than other adults with similar characteristics, and rural dwellers had higher behaviour scores.
- In Kazakhstan, the migrants and MSME owners interviewed achieved higher behaviour scores than other adults.

²⁴ Using the question ‘Have you, or any of your household members, worked abroad for at least 1 month in the last year?’.

²⁵ This group is identified through three questions: ‘Do you have your own business (alone or with someone else)?’; ‘Do you sometimes work for yourself in some way, such as tutoring students, translating documents or selling goods in a market for example?’; and those who identified as self-employed when asked ‘Which of these best describes your current work situation? Please refer to your main working status’.

²⁶ Respondents that fit the criteria for one of these booster samples were interviewed during the mainstage fieldwork

²⁷ It should be noted that the three booster samples are not mutually exclusive: whilst an individual may be tagged as belonging to the ‘rural’ sample, it doesn’t necessarily imply that they are not also MSME owners.

- In the Kyrgyz Republic, knowledge was lower among rural dwellers and MSME owners than other adults with similar characteristics. Behaviour scores were higher in the migrant and MSME population, but the MSMEs had short-term attitudes.
- SMEs interviewed in Tajikistan had higher behaviour scores than other adults with similar characteristics, whilst attitudes were more positive among rural dwellers.

Table 7.1. Regression results, focusing on target groups

Base: all respondents, including booster samples. Dependent variables are the 1) financial knowledge, 2) financial behaviour and a3) financial attitudes scores.

+	Significantly higher score than adults in the main sample
-	Significantly lower score than adults in the main sample

	1) Knowledge			2) Behaviour			3) Attitudes		
	Comparator = main sample (designed to be representative of the adult population)								
Booster sample:	Migrant	Rural	MSME	Migrant	Rural	MSME	Migrant	Rural	MSME
Armenia	+	+				+			
Azerbaijan	-	-		-				+	
Belarus			+		+				
Kazakhstan				+		+			
Kyrgyz Republic		-	-	+		+			-
Tajikistan						+		+	

Note: Boxes highlight significance at the 95% level.

Note: The regressions used to create this table also controlled for gender, age, work status, children, education, income and use of a computer.

Source: Russian Federation, 2016; OECD, 2018.

8. Financial Inclusion

It is globally recognised that financial literacy and financial inclusion²⁸, along with a robust consumer protection framework, are vital to the empowerment of individuals and the overall stability of the financial system. It is therefore valuable for policy makers to have information about the levels of financial inclusion of consumers alongside a measure of their financial literacy.

This section provides additional insights into the extent to which survey respondents are active financial consumers.²⁹ It focuses on measures designed to go beyond simple supply side discussion of access and provide a more nuanced view of financial inclusion from the consumer's perspective.³⁰

8.1. Product awareness and choice

Financial inclusion is a two sided process, requiring the provision of appropriate financial products on the supply side, and awareness of those products on the demand side. Figure 8.1 shows that awareness was not an issue in most of the countries covered in this study, with 78% of respondents, on average across the 7 countries being aware of at least 5 types of product listed by the interviewer. Respondents were also making active choices, with over two thirds having done so, on average.

The third indicator used in Figure 8.1 seeks to highlight the extent to which individuals may also have been turning to family and friends to provide services that could be provided by the financial sector. Whilst there are many potential advantages from receiving support from family members, there are also risks on both sides. This indicator suggests that over a third of respondents, on average did this – increasing to 55% in Azerbaijan.

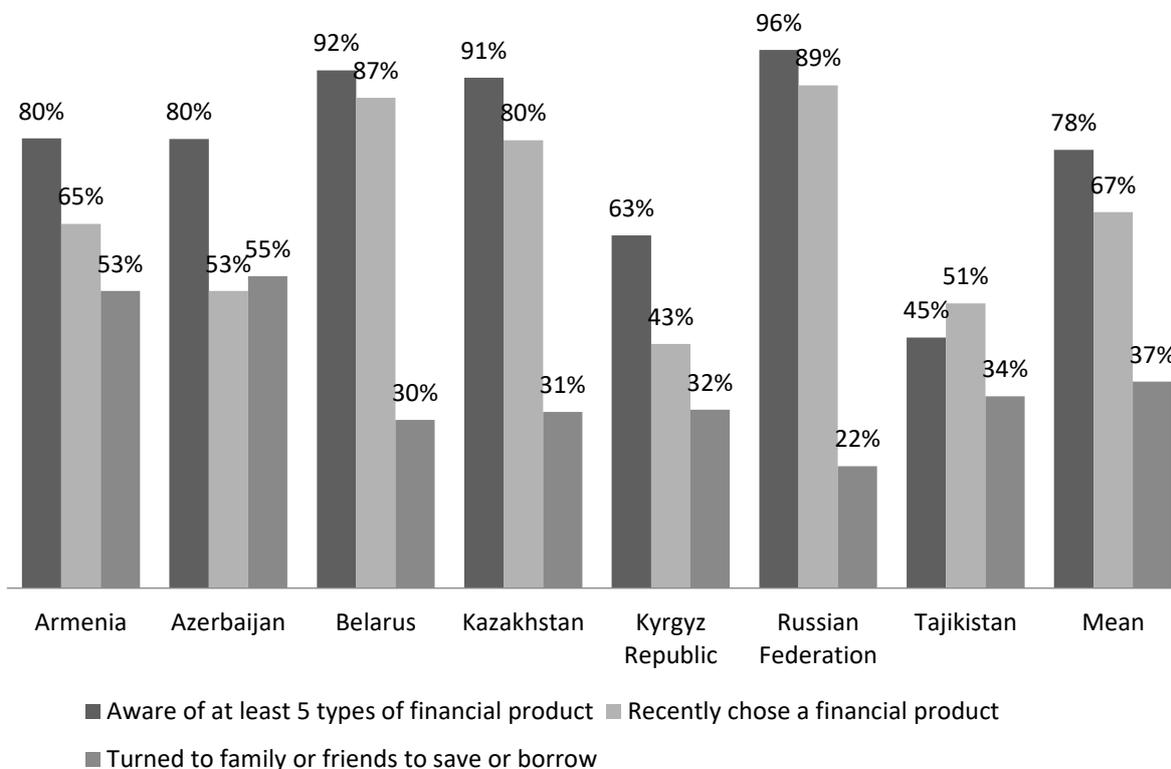
²⁸ Financial inclusion refers to the process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches including financial awareness and education with a view to promoting financial well-being as well as economic and social inclusion (Atkinson and Messy, 2013).

²⁹ These data are not designed to be directly comparable to other national and global measures of financial inclusion due to the questions asked. For example, some other measures of access to a bank account combine information about payment products and savings accounts, whereas this report keeps the two separate.

³⁰ The OECD/INFE will continue to develop such measures in the future and further explore the relationship between financial literacy and inclusion.

Figure 8.1. Indicators of financial inclusion

Base: all respondents. % included on each measure. Multiple categories possible.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variables.

Source: Russian Federation, 2016; OECD, 2018.

8.2. Product holding

A set of four discreet indicators identify respondents that currently hold a) some form of saving, investment or retirement product; b) a payment product, current account or mobile money (excluding credit cards, which are counted as a credit product and other types of accounts that may offer payment facilities such as savings accounts);³¹ c) some form of insurance (vehicle, health, personal liability or home contents); and d) some credit product or mortgage.

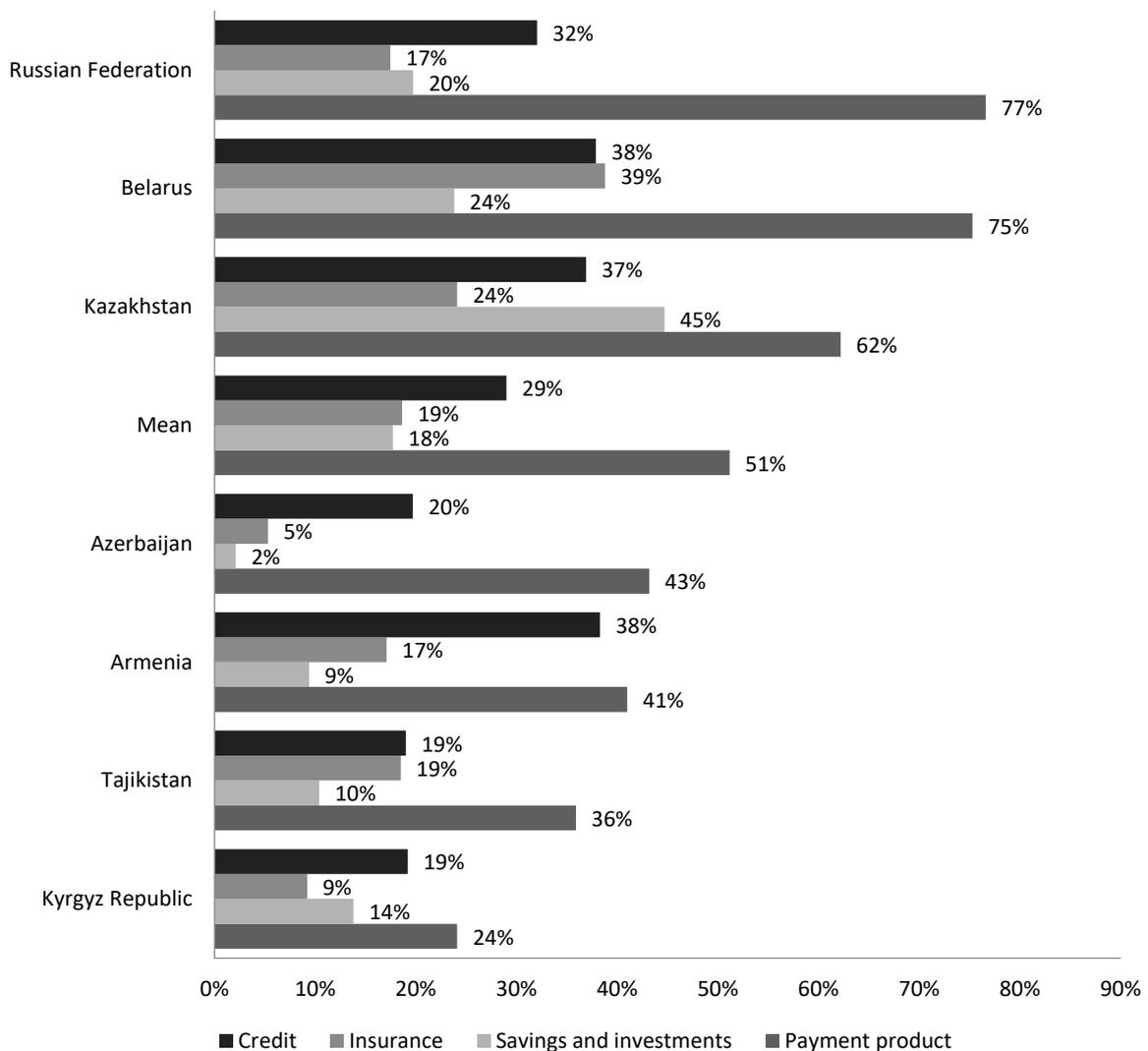
Payment products are most common financial products held across the 7 countries, with half of all adults (51%), on average holding such products (Figure 8.2). However, there is some variation by country. Many more people hold savings products in Kazakhstan (45%) than elsewhere across the 7 countries, and insurance is more widely used in

³¹ The four measures use pre-defined categories of products and do not count the same response in more than one measure, and so for example, products designed primarily for other reasons but which include payment facilities are not included in 'payment products'. Note also, that as the payment products categorisation separates out savings accounts and payment accounts, it is not comparable to measures of 'banked' and 'unbanked' consumers, which typically combine both.

Belarus (39%) than elsewhere. The proportion of people holding credit products (38%) in Armenia is almost equal to the proportion holding payment products (41%).

Figure 8.2. Product holding

Base: all respondents. % of respondents holding each type of product. Sorted by % of respondents holding a payment product.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

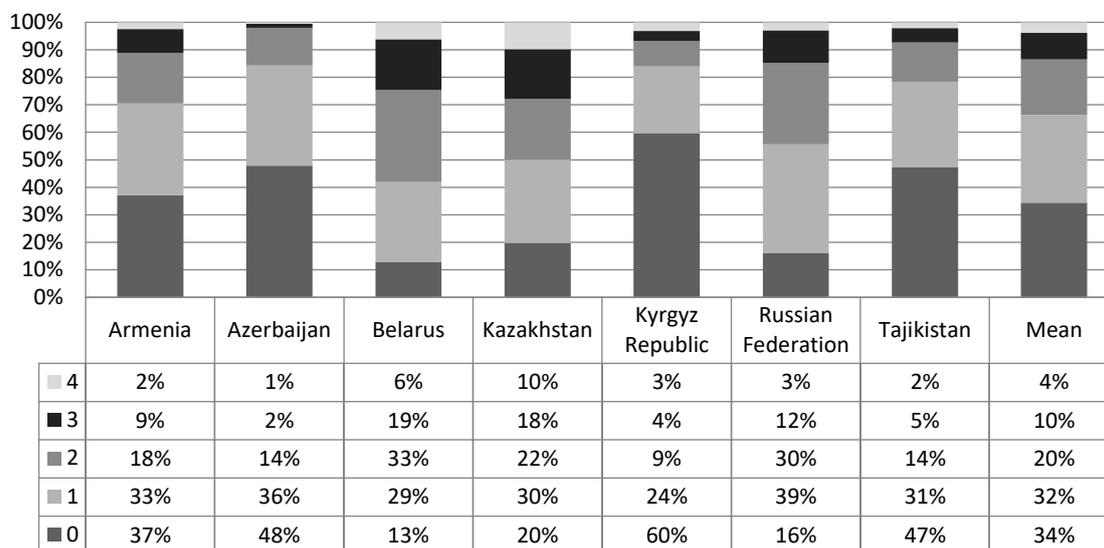
Note: Derived variables.

Source: Russian Federation, 2016; OECD, 2018.

Further analysis across the four product types, shows large variations in the extent to which people are financially included (Figure 8.3). In the Kyrgyz Republic, fewer than half of the population held any of the 4 product types discussed, whilst in Belarus just 13% held no product. In most cases, around a third of people held one product type, ranging from 24% in the Kyrgyz Republic to 39% in the Russian Federation.

Figure 8.3. Number of product types held

Base: all respondents. % of respondents holding 0 to 4+ product types.



Note: The % may not sum to 100% due to rounding.

Note: Count of product types discussed in Figure 8.1.

Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

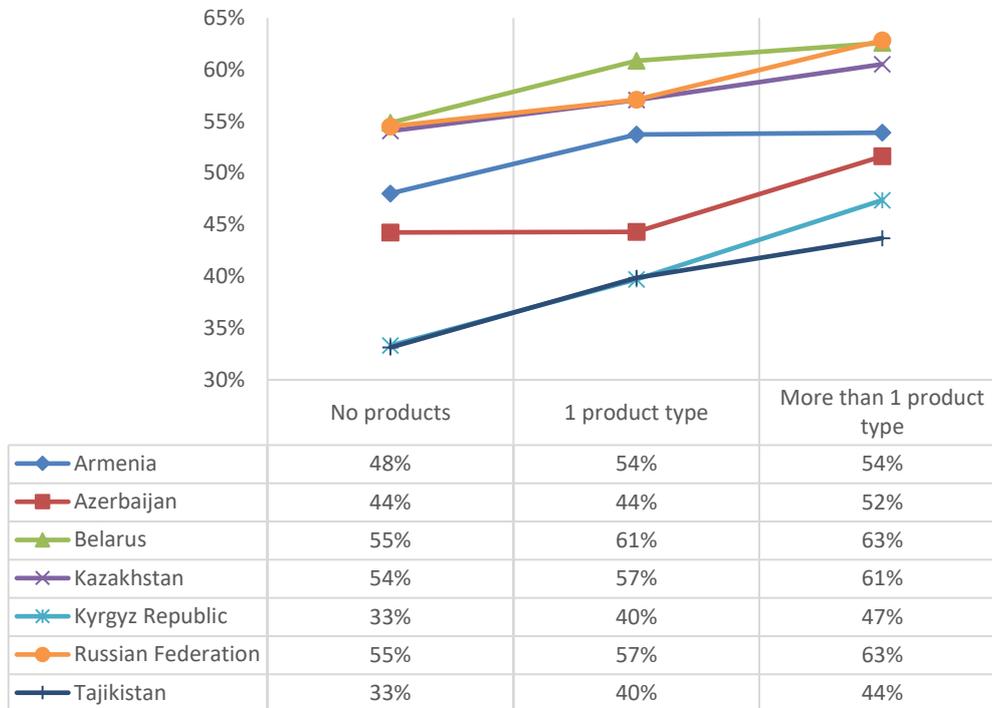
Source: Russian Federation, 2016; OECD, 2018.

8.3. Financial knowledge levels and financial product holding

Figure 8.4 reports the average levels of financial knowledge by product holding, by looking at the number of product types held across payment products, savings and investment, insurance and credit. It shows financial knowledge was higher among the more financially included. The pattern is very similar across the 7 countries, even though the levels of financial literacy vary. However, in Azerbaijan, those holding one product do not have higher levels of knowledge than the financially excluded. In Armenia, those with one product are as knowledgeable as those with more than one.

Figure 8.4. Average % correct responses on financial knowledge, by number of products held

Base: all respondents. Maximum financial knowledge score is 7.



Note: Count of product types discussed in Figure 9.1.

Source: Russian Federation, 2016; OECD, 2018.

9. Main findings by country

The results of this cross country survey provide valuable insights into the financial literacy needs of each of the CIS countries covered by the OECD/INFE project. This section highlights some of the more striking findings in general and for each country, and possible implications.

9.1. Armenia

9.1.1. Knowledge

Fewer than three in ten adults achieved the minimum target score for knowledge, which is slightly below the average across the 7 countries reported, and significantly below the G20 average of 48%. Understanding of the relationship between inflation and purchasing power of money was higher than in the other participating countries. In addition, women were significantly less likely than men to achieve this target, and this finding holds even after taking into account other factors.

Regression analysis indicates that financial knowledge was particularly low among women, adults aged 70-79, non-working adults, and those with household incomes that are below the median.

Booster samples of migrants and rural populations achieved higher financial knowledge than adults on average in Armenia.

9.1.2. Behaviour

Half of all respondents (50%) in Armenia achieved the minimum target score for behaviour, slightly below the average across the 7 countries (55%). Fewer than half of adults (48%) were active savers at any point in the previous 12 months, well below the average (63%), and 76% reported that they could not always make ends meet, and two thirds had borrowed money the last time this had happened.

Regression analysis indicates that financial behaviour scores were lowest among those in towns and large cities, older adults (aged 70-79), non-working adults, and those on a low income. Adults who had not used a computer in the last 7 days also had lower financial behaviour scores than those who had.

A booster sample of SMEs achieved higher financial behaviour scores than adults on average in Armenia.

9.1.3. Attitudes

A relatively small proportion of adults achieved the minimum target score in Armenia (just 20%, compared with a mean of 34%).

Armenia (with Kazakhstan) had the largest proportion of adults reporting that they totally agreed that they tend to live for today and let tomorrow take care of itself (25%).

However, considerably more respondents totally disagreed with this statement (48%) indicating significant differences in attitude across the population.

Almost half of respondents (46%) completely agreed that they find it more satisfying to spend than to save for the longer term and 4 out of 5 completely agreed that money is there to be spent (far more than in other countries).

Regression analysis indicates variation in financial attitudes by the size of commune, with lower scores in small towns, villages and large cities than in town and cities. Adults aged 40 and over also achieved lower attitudes scores than their younger counterparts, as did those on or below median income.

9.1.4. Financial inclusion

The proportion of respondents in Armenia that had chosen a financial product in the last 2 years (65%), and the proportion reporting that they were aware of at least 5 of the product types discussed (53%) are both close to the average across the 7 countries. In contrast, far more people in Armenia had turned to family to save or borrow (53%) than on average (37%). Armenia had a similar proportion of people holding credit products (38%) as payment products (41%), which is particularly worrying given the short-term preferences discussed above.

9.2. Azerbaijan

9.2.1. Knowledge

Fewer than one in four adults (23%) in Azerbaijan achieved the minimum target score for knowledge, below the average of the 7 countries in this report. In addition, women were significantly less likely than men to achieve this target, and this finding holds even after taking into account other factors. Furthermore, 18% responded that they did not know the answer to four or more of the seven questions.

Regression analysis indicates that financial knowledge was more problematic for women than men, and lower among younger and older populations than those aged 40–49, suggesting that some careful targeting may be necessary. Those who did not use a computer in the previous 7 days also have lower financial knowledge than those who did.

Booster samples of migrants and rural populations had lower financial knowledge than adults on average in Azerbaijan.

9.2.2. Behaviour

Slightly more than 2 in 5 respondents (43%) in Azerbaijan achieved the minimum target score for behaviour, the lowest proportion across the 7 countries.

Adults in Azerbaijan were the least likely of adults across this study to agree that they consider whether they can afford something before making a purchase. They were also the least likely to report that they always pay bills on time (69% did so) and the least likely to be keeping watch of their financial affairs (59% said they did this). These behaviours should be monitored, and may require an intervention to help people to recognise the potential risks of such behaviours, and the benefits of taking a more cautious approach.

Perhaps somewhat surprisingly, 44% of respondents who had recently made a financial product choice reported that they had used independent advice. Most commonly such

information came from some form of publicised best-buy guidance. This may reflect consumers wish for information given the relatively low levels of financial knowledge but could also suggest that they misunderstood the concept of independence. Further investigation may be useful to understand this finding.

Regression analysis indicates that financial behaviour scores are lowest among younger adults (aged 20-29), non-working adults, respondents without children at home, and those with no education beyond secondary school. Adults who had not used a computer in the last 7 days also had lower financial behaviour scores than those who had.

A booster sample of migrants had lower financial behaviour scores than adults on average in Azerbaijan.

9.2.3. Attitudes

Around a third of adults achieved the minimum target score in Azerbaijan (32%, compared with a mean of 34%).

Regression analysis indicates variation in financial attitudes by the size of commune, with lower scores in large cities than elsewhere.

A booster sample of rural populations had higher financial attitude scores than adults on average in Azerbaijan, supporting the finding above.

9.2.4. Financial inclusion

The proportion of respondents in Azerbaijan that had chosen a financial product in the last 2 years (53%) is below the average across the 7 countries. Far more people in Azerbaijan had turned to family to save or borrow (55%) than on average (37%). A particularly small proportion of the population reported using savings or investment products (2%) and insurance products (5%) and 48% had none of the product types discussed.

9.3. Belarus

9.3.1. Knowledge

44% of adults in Belarus achieved the minimum target score for knowledge. This percentage is considerably higher than the average across the 6 CIS countries and Russia (30%), and only slightly below the G20 average of 48%. However, women were significantly less likely than men to achieve this target, and this finding holds even after taking into account other factors.

Regression analysis indicates that financial knowledge was more problematic for women than men, and lower among those without a university education and those on a low income. Those who did not use a computer in the previous 7 days also had lower financial knowledge than those who did.

A booster sample of SMEs had higher financial knowledge than adults on average in Belarus.

9.3.2. Behaviour

Almost three quarters of all respondents (73%) in Belarus achieved the minimum target score for behaviour, and 64% took responsibility for household money matters and budgeted.

The findings suggest that people in Belarus are already behaving in ways that are likely to maximise their well-being, but need to improve their knowledge in order to avoid potentially costly mistakes.

Regression analysis indicates that financial behaviour scores were lowest in villages, and among non-working adults and those with no education beyond secondary school. Adults who had not used a computer in the last 7 days also had lower financial behaviour scores than those who had.

A booster sample of rural populations had higher financial behaviour scores than adults on average in Belarus.

9.3.3. Attitudes

Around a third of adults achieved the minimum target score in Belarus (34%, equal to the average of the 7 countries).

Regression analysis indicates variation in financial attitudes by the size of commune, with lower scores in large cities than elsewhere. Non-working adults also had lower scores than those in work.

9.3.4. Financial inclusion

The proportion of respondents in Belarus that were aware of at least five types of financial product (92%), and the proportion that had chosen a financial product in the last 2 years (87%), were higher than average across the 7 countries. Far more people in Belarus were using financial products than on average, particularly payment products (75%) and insurance (39%). Consequently Belarus had the lowest proportion of respondents that held none of the products listed (13%).

9.4. Kazakhstan

9.4.1. Knowledge

Slightly more than two in five adults (41%) in Kazakhstan achieved the minimum target score for knowledge. This percentage is considerably higher than the average across the 7 countries (30%). However, people were not particularly aware of how knowledgeable they were, which could lead some to overestimate their abilities, and underestimate their need for up-to-date information and guidance when making financial decisions.

Regression analysis indicates that financial knowledge was highest among those with a technical or vocational education. It was more problematic for those on a low income. Those who did not use a computer in the previous 7 days also had lower financial knowledge than those who did.

A booster sample of SMEs had higher financial knowledge than adults on average in Kazakhstan.

9.4.2. Behaviour

Almost three quarters of all respondents (73%) in Kazakhstan achieved the minimum target score for behaviour.

Regression analysis indicates that financial behaviour scores were lowest among men, people living in villages, and among non-working adults, those with no education beyond secondary school, and those on a low income.

Booster samples of migrants and SMEs had higher financial behaviour scores than adults on average in Kazakhstan.

9.4.3. Attitudes

Just 3 in 10 adults achieved the minimum target score in Kazakhstan (30%, compared with a mean of 34%).

Kazakhstan (with Armenia) had the largest proportion of adults reporting that they totally agreed that they tend to live for today and let tomorrow take care of itself (25%). However, considerably more respondents totally disagreed with this statement (41%) indicating significant differences in attitude across the population.

Regression analysis indicates variation in financial attitudes by the size of commune, with higher scores in villages than elsewhere. Adults without a university education had lower scores than others.

9.4.4. Financial inclusion

The proportion of respondents in Kazakhstan that were aware of at least five types of financial product (91%), and the proportion that had chosen a financial product in the last 2 years (80%), were higher than average across the 7 countries. Far more people in Kazakhstan were using financial products than on average, particularly savings and investment products (45%). Consequently Kazakhstan had the highest proportion of respondents that held 4 or more of the products listed (10%).

9.5. Kyrgyz Republic

9.5.1. Knowledge

Fewer than one in five adults (17%) in the Kyrgyz Republic achieved the minimum target score for knowledge. Furthermore, 21% responded that they did not know the answer to four or more of the seven questions.

Respondents in the Kyrgyz Republic were less likely than average to identify that no interest had been paid on a loan, and also much less likely to correctly calculate simple interest. Policy makers may consider increasing familiarity with the concepts of interest and principal, and confidence working with numbers and simple calculations.

Regression analysis indicates that financial knowledge was particularly problematic in rural areas, and for those who do not have an education beyond secondary school. Those on median income and below also had lower financial knowledge than those with a higher income. Those who did not use a computer in the previous 7 days had lower financial knowledge than those who did.

Booster samples of rural populations and SMEs had lower financial knowledge than adults on average in the Kyrgyz Republic.

9.5.2. Behaviour

Slightly more than a half of all respondents (52%) in the Kyrgyz Republic achieved the minimum target score for behaviour. Three out of 10 adults (30%) were not always paying bills on time, a larger proportion than in most of the other countries and even more were failing to keeping watch of their financial affairs (37%).

Perhaps somewhat surprisingly, 40% of respondents who had recently made a financial product choice reported that they had used independent advice (17% of all respondents). Most commonly such information came from some form of publicised best-buy guidance. It could be useful to find out more about the sources of advice that are being used.

Regression analysis indicates that financial behaviour scores were highest in cities. They were lowest among 18-29 year olds, and among non-working adults, those with no education beyond secondary school and those on a low income. Adults who had not used a computer in the last 7 days also had lower financial behaviour scores than those who had.

Booster samples of migrants and SMEs had higher financial behaviour scores than adults on average in the Kyrgyz Republic.

9.5.3. Attitudes

Two in five adults achieved the minimum target score in Kyrgyz Republic, above the average of the 7 countries (40%, compared with a mean of 34%).

Regression analysis indicates variation in financial attitudes by the size of commune, with higher scores in small towns than elsewhere. Adults with low income had lower scores than others.

A booster sample of SMEs had lower financial knowledge than adults on average in the Kyrgyz Republic.

9.5.4. Financial inclusion

The proportion of respondents in Kyrgyz Republic that were aware of at least five types of financial product (63%), and the proportion that had chosen a financial product in the last 2 years (43%), were below the average across the 7 countries. Far fewer people in Kyrgyz Republic than the other countries were using payment products (24%), and the proportion of respondents with none of the products listed is the highest among the 7 countries (60%).

9.6. Tajikistan

9.6.1. Knowledge

Just one in ten adults in Tajikistan achieved the minimum target score for knowledge. Furthermore, 17% responded that they did not know the answer to four or more of the seven questions, and respondents were much less likely than those in other countries to know what would happen to the purchasing power of money if inflation stayed the same (31% gave a correct response). Surprisingly few respondents understood the relationship between risk and return (just 31% gave a correct response, compared with an average across the 7 countries of 67%). In addition, women were significantly less likely than men to achieve the minimum target score, and this finding holds even after taking into account other factors.

Regression analysis indicates that financial knowledge was lower among women than men. It is also lower in villages and small towns, among those with children at home, those on a low income and those who do not have an education beyond secondary school.

9.6.2. Behaviour

Slightly more than a half of all respondents (53%) in Tajikistan achieved the minimum target score for behaviour. Significantly more men than women achieved this score, even after taking into account other characteristics.

Tajikistan had the lowest proportion of adults who take responsibility for household money management and have a budget (44%). In addition, fewer than half of adults (48%) were active savers at any point in the previous 12 months. This suggests that most adults could be encouraged to be more aware of basic money matters and the basic tools to manage income and expenditure. However, fortunately, adults in Tajikistan were not spending impulsively, suggesting that they used mental accounting to decide whether they could afford to make a purchase.

Consumers in Tajikistan were particularly likely to report that speed was important when making a financial product choice (75% of those who had recently made a product choice reported this). They were also less likely than average to seek independent information or advice (27%), a combination that could signal a risk of choosing inappropriate products.

Regression analysis indicates that financial behaviour scores were lowest among women, among 18-29 year olds and those on a low income, and among non-working adults and those with no education beyond secondary school.

A booster sample of SMEs had higher financial behaviour scores than adults on average in the Tajikistan.

9.6.3. Attitudes

42% of adults achieved the minimum target score in Tajikistan, the highest proportion across the 7 countries.

Tajikistan had the largest proportion of adults reporting that they totally disagreed that they tend to live for today and let tomorrow take care of itself (51%); the proportion totally agreeing is also relatively high (24%) indicating considerable variation in attitude across the population.

Regression analysis indicates variation in financial attitudes by the size of commune, with lower scores in small towns than elsewhere. Adults aged 20-29 had higher scores than others.

A booster sample of rural populations had higher financial attitude scores than adults on average in the Tajikistan.

9.6.4. Financial inclusion

The proportion of respondents in Tajikistan that were aware of at least 5 types of financial product (45%) was the lowest across the 7 countries. Far fewer people in Tajikistan were using payment products (36%) than in most other countries, and the proportion of respondents with none of the products listed was 47%.

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OECD governments officially recognised the importance of financial literacy in 2002 with the launch of a unique and comprehensive project on financial education. In 2008 the project was further enhanced through the creation of an International Network on Financial Education. The OECD/INFE has high-level membership from over 240 public institutions – including central banks, financial regulators and supervisors, ministries of finance and ministries of education - in over 115 countries. OECD/INFE methodology and high-level principles on financial education have been endorsed and/or supported by G20 leaders and other international and regional fora. Members meet twice a year to share country and member experiences, discuss strategic priorities and develop policy responses.

About the Technical Assistance Project on Financial Education in the CIS

Building on internationally-recognised expertise and longstanding commitment to advancing financial literacy around the world, the OECD/INFE is leading a three-year technical assistance project on Financial Education in the Commonwealth of Independent States (CIS)/Eurasia. The project will provide dedicated guidance and technical support for the design, implementation and review of evidence-based financial education strategies and policies in six CIS/Eurasian economies: Armenia, Azerbaijan, Belarus, Kazakhstan, the Kyrgyz Republic and Tajikistan. This project will draw on OECD/INFE outputs and the expertise and experience of its wide membership to support the design, implementation and evaluation of effective financial education strategies and policies as a complement to financial consumer protection and inclusion approaches.

The project involves four work streams focused on the following priority areas to be adapted to each country context and particularities:

- Advanced data collection and analysis of financial literacy levels and gaps
- Developing, implementing and reviewing effective national strategies for financial education
- Addressing youth's financial literacy needs through schools and out-of-schools initiatives
- Identifying and meeting the financial literacy needs of migrants and their families

Where relevant, the project will benefit from the global expertise of the G20/OECD Task Force of Financial Consumer Protection. This project is being undertaken with financial support from the Ministry of Finance of the Russian Federation and benefits from its technical expertise and participation in project activities.

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