

THE DEVELOPMENT OF FINANCIAL EDUCATION AS A NECESSARY CONDITION OF FINANCIAL LITERACY

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ABSTRACT

The current diversity of goods and services requires a person smart management of his own funds. Man is a subject of decision-making process in the economy: there are such questions as how to earn and what to buy. In this aspect a man, his income and expenses are the most important value for the development of the country's economy and growth of national welfare. The objective of this study is the formation of a holistic methodical approach to financial planning and economic behavior that creates the preconditions of competent system planning of households' finances and as a result allows individuals to improve the efficiency of financial activities.

Therefore, a task of population financial literacy increasing, the development of financial education and strengthening the protection of the financial services customers' rights is of particular urgency. One of such target groups for which the task of formation of practical skills in the field of personal and family financial management is particularly important, is a category of students of educational institutions of higher education.

Keywords: financial markets, financial services, financial education, financial literacy.

Introduction

Financial activity and financial literacy of the population directly affect the level of stability of the financial markets of all regions, lead to an increase in the degree of competition between the existing financial institutions and, as a result, intensify the struggle for the client, service quality, increase availability of retail financial products to all segments of the population in all regions of the country.

Today in Russia there is a problem of awareness illusion of citizens in financial matters. It is connected with a huge amount of information that comes from the unlimited flow of the radio and TV, newspaper columns and news reports, numerous interviews and discussions about the volatility of currency and futures with the participation of experts. Unfortunately, this undermines the foundations of financial literacy, as people believe that they are already well informed. In reality, the financial literacy of the population remains extremely low. This is due to the historical facts: state participation and the use of administrative resources in a market economy for a long time, the freezing of the accounts at the time of the reforms, the crisis of 1998, the appearance of financial pyramids on the market. The financial market is developing rapidly, creating conditions for the emergence of new companies providing related services, and sellers with an untested history and reputation. Illiteracy of people is reflected on the level of personal income and state of the economy. Naive expectations of quick profits, rash decisions, loans debts - due to such actions of unenlightened citizen market is filled with money of "poor quality". Increasing number of these customers decreases economic stability, promotes unfair competition. Under these conditions, the market begins to "fever", a risk of massive speculative and panic among the population can occur

Materials and methods

Understanding of financial information requires huge efforts and is connected with the increased awareness and personal responsibility for the decisions making in the sphere of finance [Mihalčová, Csikósová, Antošová, 2014]. The majority of people prefer to avoid taking on extra responsibility, take a passive position, infantile and not ready for a deep understanding of complex financial information, requiring enormous energy, time-consuming concentration. The ability of consumers to make informed financial decisions improves their ability to develop sound personal finance [Klappera, Lusardib, Panos, 2013]

In Russia, recently there has been interest in the issues of financial literacy, there is conducted a series of studies on the subject, among which a special place is occupied with researches of youth financial literacy level. Thus, in 2014 Russia took part in the first international study of the level of financial literacy of 15-year-olds, along with students of 18 leading countries of the world, representing 40% of world GDP. The study was conducted within the framework of the International Programme of the Organization for Economic Co-operation and Development (OECD) on programme for international student assessment (PISA) [Kousina, 2015]. In our country, the study was conducted within the project "Promotion of the level of financial literacy and financial education in the Russian Federation", that has been implemented by the Ministry of Finance since 2011, together with the World Bank.

According to the study, Russia took the 10th place among 18 countries - just over 80% of Russian schoolchildren have demonstrated the presence and readiness to use knowledge and skills in finance, that can be characterized as a positive result for Russia, whose experience in the formation of market-type economy and the development of financial market is estimated only in two decades [Uksusova 2014]. The leaders in financial literacy became students of Shanghai, as well as Australia, Belgium and other countries that have a long-term program of financial literacy, that proves one more time the high effectiveness of such programs. The thematic areas of the greatest difficulties for Russian schoolchildren have caused lending issues, bank deposits, taxation, investment and security when making online purchases. The research results are used in the process of developing "National financial literacy strategy" for the preparation of which the Ministry of Finance is responsible.

Financial literacy is a complex, multifaceted concept that is beyond the specific geographical, political, economic and social boundaries [Guthrie, Nichol, 2015]. The development of the economy of individual countries and the global economic system as a whole depends on the investment, which is sent to them by individuals and groups of people; all this forms a complex network of interconnected and interdependent relationship, and therefore, one should not underestimate the level of financial literacy of individuals and its impact on the world economy [Paiella, 2016].

It can be determined that financial literacy is a set of skills that, although acquired in the process of financial education at schools and universities, but are developed and tested during lifetime. [Bluea, Grootenboera, Brimble, 2014]. Or to agree that financial literacy has to do with the personal ability to understand financial terms and use them [Servon, Kaestner, 2008]. Financial literacy is the ability to effectively use the financial management knowledge and skills to achieve long-term financial stability [Jump \$ tart Coalition, 2009].

In solving this problem it is very important and very precise to understand interpretation of the concept of "financial literacy", as this allows you to simulate a national system of financial education, subject content and teaching methods, i.e. "What to teach" and "how to educate" can not be understood without a precise definition of "financial literacy".

RESULT

The Republic of Tatarstan is one of the leaders on the education market, including the field of higher education. It was in Kazan, where on the basis of a number of higher educational institutions, was founded Kazan Federal University (KFU). KFU participates in the program 5-100, that suggests including five Russian universities into the top hundred universities in the world, since 2013. Of course, in the educational programs of higher educational institutions, including KFU, in accordance with state educational standards, there are disciplines, aimed on the formation of students' personal finance management skills and increasing financial literacy. Currently, as part of the undergraduate and graduate system for students of non-economic specialties is taught a range of economic disciplines: Economic Theory, Economics, Economics of Education, etc. The purpose of the acquisition of these disciplines is to acquaint students with the basic principles and laws of the functioning of a modern economy, to help in the study of market processes. taking place at the level of both individual economic agents - firms, companies, entrepreneurs, and at the level of the national economy; to give an idea about the infrastructure businesses ,(organizations) resources - material, labor; marketing, innovation and investment policies; reveal economic substance, the content of the basic terms and concepts.

One of the basic general cultural competence, that a student must master is "the ability to use the basics of economic knowledge in the various fields of activity" [MOE, Order, 2009]. However, on the basis of competence approach it is important to adjust the training program on economic subjects and, accordingly, the learning outcomes of students of non-economic specialties, making more emphasis on the mastery of the basics of financial literacy, with a view of increasing the use of various financial instruments, while strengthening consumers' rights protection system of financial services. Based on the analysis of information materials on financial literacy for students of education of higher education institutions [Kokorev et al, 2016], we are presenting a detailed concept of basic knowledge and skills on youth financial literacy, learning outcomes (knowledge, skills), that students should demonstrate are formulated (Table 1).

Table 1. Expected outcomes of study on the subject (module) that characterize the stages of competences formation

<i>Students should know:</i>
1. Basic economic concepts (economic resources, goods and services, demand, supply, revenues, expenses, price, money, profits, interest rate, risk, property ,market, firm, household, government, taxes, transfers, inflation, GDP, economic growth , savings, investments, etc.), the basic premises of behavior of economic agents (the principle of bounded rationality, utility maximization, opportunism, etc..), the basic principles of functioning of the economy (the laws of supply and demand, pricing principles, the principle of opportunity cost, the principle of time variations of the value of money).
2. The main stages of the life cycle of an individual (before starting to work, starting to work, setting up a business, property, family life, children, retirement age, death), to understand the specific problems faced by the individual at every stage, as well as the risks associated with them.
3. The main types of financial institutions and principles of interaction with them (commercial banks, insurance companies, broker, stock exchange, non-governmental pension fund, mutual fund, microfinance organization, consumer credit cooperatives, pawnshops, the Bank of Russia, the Deposit Insurance Agency, the Pension Fund of Russia and etc.), to know the basic personal finance management tools and associated risks (bank account, bank deposit, credit, loan, mortgage, bank cards, electronic payments, shares, bonds, investment share, the individual investment account, the insurance contract, the foreign currency and etc.).

4. The main types of government social and economic policies (monetary, fiscal, foreign economic, social, etc.), Their impact on the economy and welfare of citizens, the basic methods and tools for their implementation, as well as arising from their implementation private responsibilities, citizens' rights and the risks.
5. Alternative ways of financing business, getting consumer loans using Islamic financial instruments, to differentiate such concepts as Murabahah (sale with deferred payment), Mudarabah and Musharakah (trust and co-management), Takaful (insurance) и Sukuk (islamic equivalent of bonds).
6. That the money can act in various forms (including electronic); to know the concepts of "e-banking", "e-government"; operating procedure of the portal of public services; the main advantages of using of public services portal (online); the procedures for requesting subsidies for housing and utility services or reimbursement of expenses (birth grant, allowance for child care, etc.)
<i>To be able:</i>
1. To search and analyze the financial, economic and legal information that is sufficient to make justified decisions at all stages of the life cycle of the individual as an economic agent (the prices of goods and services, foreign exchange rates, interest rates on deposits and loans, tax rates, terms of remuneration when searching job, etc..).
2. To assess and reduce the risks associated with the individual's interaction with financial institutions, as well as in the course of employment or business activity of the individual.
3. To defend the rights when interacting with other economic agents, as well as with government agencies and departments (to be able to detect the fact of violation of the rights, be able to identify effective ways to protect the violated rights; to know how to make a claim or complaint, etc..).
4. To solve common tasks in the field of personal economic and financial planning, emerging at all stages of an individual's life cycle, as an economic agent (choose a product or service, taking into account the real financial opportunities, to find work and to agree with the employer terms of the contract, to open own company or create an individual entrepreneur calculate interest rates, to determine the viability of credit taking, to determine the method of storage or investment of temporarily free funds, depending on the volume and timing of intended use, to determine the viability of the insurance or other forms of risk reduction, the tax burden, to calculate other payments, to find ways to optimize costs and attracting subsidies or free services to keep a personal (family) budget subject to possible situations in life, and others..).
5. To identify the most appropriate operations for the personal use of Islamic banking to meet their own needs; to use Islamic financial instruments for personal purposes.
6. To assess the potential risks and benefits of different ways of payment, including electronic payment methods, register on the portal of public services; obtain the necessary information and services through e-government; check the status of individual personal account in the Pension Fund, details of tax arrears, penalties, etc.

Special attention is paid to formation of map of competences reflecting the specifics of the region. Tatarstan is a multinational and multi-confessional region of Russia, but with a predominance of the population that practise Islam. Therefore, the use of Islamic finance instruments, i.e. the set of institutions and instruments, structured in accordance with Shariah requirements, but used in both Muslim and non-Muslim environment is in demand of the population. In connection with this, such Islamic banking concepts and financial instruments as Murabahah, Musharakah, Takaful, Sukuk [Antaraa, Musab, Hassanc, 2016] require further interpretation and explanation.

It is also one of the priorities of the Government of the Tatarstan Republic to have electronic form of the following services: state, municipal and social

Creation of e-government involves formation of a national distributed system of the social management, implementing solving of full range of problems associated with managing documents and operations of their processing [Maerz, 2016]. The infrastructure of electronic services in Tatarstan includes state services portal of RT, more than 1.5 million people have personal accounts, a mobile application "Services of RT", that has been set more than 65 thousand times, 410 information terminals and contact center of public services, that processed more than 384 thousand citizens' appeals in 2015. E-government (E-Gov) services provide new opportunities to citizens by allowing them to use government services (paying electricity bill, e-filing, e-ticketing, get information about government policies & schemes etc.) anytime from anywhere irrespective of geographical location and releases citizens bound by government official hours [Kumar, Sachan, Mukherjee, 2017]. In this connection, electronic banking (e-banking), are increasingly being provided by financial service providers in the country supported by the creation of the necessary infrastructure, it determines not only the interest in the relevant financial instruments, but also the students' interest in IT sphere as a whole.

CONCLUSION

Analysis of the work programs of courses implemented in the educational programs of bachelor's and master's degrees in KFU led to the conclusion that a number of themes of the disciplines "Economic Theory" and "economy" do not cover the subject areas, universal competence in the field of financial literacy, or are carried out partially. The analysis showed that it is necessary to expand and complement the theme, revealing the formation and distribution of income in society, financial planning and budget, insurance, investment risks. To take into account further universal competence related to regional characteristics, such as, for example, to know and be able to use the financial instruments of Islamic banking, with an increase in Tatarstan of foreign students from the Muslim East studying in KFU (Iran, Pakistan, Tajikistan, Kyrgyzstan, Kazakhstan, Turkmenistan, Azerbaijan); as well as the wide distribution and support of the regional authorities the implementation of e-government services.

DISCUSSION

It is necessary to begin the formation of financial literacy with youth for a number of reasons. The sooner young people learn basic financial concepts, knowledge, skills of personal finance management, the earlier they will have good habits in the field of financial management (e.g., a habit to keep a record of expenditures, income planning, savings, etc.) and, as it is well-known, good habits, as a result, determine whether a particular person is successful or not. The strategic objective should be the formation of a whole generation of successful people, with new useful financial habits that will become the main driving force of the modernization of all spheres of society. Lack of understanding and practical skills in the sphere of consumption, savings and loan and planning can lead to rash decisions, for which we will have to pay over the years (for example, a mortgage in a foreign currency in terms of national currency devaluation). Financial education promotes the adoption of competent decisions, minimizing risks and, thus, is able to improve the financial security of young people, which will increase the level of economic culture in the country, greater involvement of the Russians into the activities of financial institutions.

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