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THE ROLE OF FINANCIAL LITERACY ON YOUTH'S INVESTMENTS

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I declare that I have compiled the thesis independently and all works, important standpoints and data by other authors have been properly referenced and the same thesis has not been previously been presented for grading. The document length is 8629 words from the introduction to the end of conclusion.

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TABLE OF CONTENTS

ABSTRACT

Financial literacy has captured the attention of most countries around the world, it has great benefits on the individual, society and global economies in the short and the long term. The financial literacy expansion and spreading are, however, facing several challenges. These challenges are standing as barriers in front of increasing the financial literacy in worldwide societies.

This thesis analyses the concept of financial literacy and the obstacles to acquire effective financial literacy. Furthermore, it analyses how financial literacy and financial education have impact on the financial wealth and the decisions of young people.

In order to reach the thesis's purposes, the author uses theoretical background and a survey as methodological tool. The author's results showed that the financial literacy and financial education levels have a huge impact on the young people's financial choices, financial decisions and financial attitudes. In addition, thesis addressed the benefits of financial literacy, as it pushes the youths' intentions toward investments in the future.

Results of this thesis revealed that there are several factors, which affect the spread of financial knowledge between youths. For example, financial education is often affected by family and cultural background. Finally, the results of this thesis reached out to some recommendations that would help in the spread process of financial literacy among youths in the short-term and ensure remain with them when they grow up.

Keywords: financial literacy, financial education, financial knowledge, investment, youth

INTRODUCTION

Nowadays, most of youth are facing some degree of financial challenges or difficulties, as a result of the development in the financial products and the appearance of a diversity of financial tools. When youth want to turn their investment ideas into a business plan, many of them will be confused of the different financial tools available to them. The main challenge that youth are facing is deeply related to their capability and knowledge to choose the best tool available with knowing the later consequences of the chosen tool. For many of youth, it is not an easy step to manage their own financial affairs and choices concerning a new project or decision due to the lack of financial education, financial experience and some other factors that might affect the individual choices for funding future investments.

Furthermore, youths mainly give their attention to the short-term plans instead of thinking about the future and the long run plans. Accordingly, saving habits among youth have been decreased and spending money habits have been increased. On other hand, youths' desire to live upon their financial levels and their chances for indebtedness are increasing. In this regard, advertisements and marketing approaches have very big roles in the decrease of saving levels and increase in the consumerism. Marketing approaches put a great pressure on youth and pushes them to spend more than their financial possibilities. (Rabtšinski 2015)

There is, hence, a deep link between the individual financial literacy and youths’ investments’ plans. When financial literacy is improved along with the knowledge regarding financial matters, young people will make better choices and have more courage to invest and start their own projects. Is this, however, easy to achieve? Many obstacles stand in the way. To gain an effective financial literacy program for youth, a comprehensive study should include factors such as society and culture, the quality of education and the recent developments in the financial systems, that highly attract youth, i.e. smart banks, loans, etc.

It must be noted that today, there are broader financial services and various loans and debts opportunities such as credit cards, debts cards, student loan and mortgage. With recent technologies and modern fast life, financial services are very open with an ease of access to everyone. Nowadays, however, not all of youth are ready to deal efficiently with all the available opportunities or not ready in the near future. Many of them, unfortunately, lack of an adequate financial knowledge and management skills, which lead them to make the wrong choices and a possible failure in their financial plans.

The objective of this study is to investigate a bit more the concept of financial literacy for youth and highlight the challenges that an individual face to obtain an effective financial literacy. It is well known that financial literacy is important, and some previous studies talked already about this importance, such as the study of Lusardi (2009) and the study of Mandell (2006). Youth behavior after receiving the financial literacy still need attention due to complex factors that might affect their investing decisions and results. Therefore, throughout this study the author tries to answer the following questions:

1. How is the young individual behaviour affected by financial literacy?
2. What are the obstacles to acquire an effective financial literacy?

In this research, the author intends to employ a literature review from previous studies to collect all information and discuss the literary part, in order to create a theoretical structure for this thesis. For this study, the author created a survey that was sent out and addressed to youths between ages 16 to 26 years old, to examine their answers and their financial literacy level and understanding of needs. In addition, it is also an important tool to evaluate the youth's ability to face challenges in the market, especially regarding their attitude toward financial matters. In addition, an analytical method will be employed as a complementary method that is important to achieve a richer meaning of financial literacy.

This thesis starts with introduction, which is followed by two chapters and conclusion. The first chapter of the thesis is divided into three subchapters. First subchapter introduces the background information and covers the theoretical overview of the definition of financial literacy, while the second subchapter introduces the relation between financial literacy and youths and market. The third subchapter introduces the impacts of financial literacy on youths and financial market. The second chapter describes the methodological part, how data were collected. In the second part of this chapter, thesis discussed and analyses the survey questions and its results. Finally, thesis has constructive conclusion, where research questions are clearly and comprehensively answered.

1. THEORETICAL OVERVIEW

This chapter is divided into three subchapters. The first subchapter introduces a short background information and definitions of financial literacy. It is followed by the second subchapter, which analyses deeply the relationship and link between the financial literacy and youths. In this context, it explains the financial literacy between theory and implementation and an observation for youth choices. The last sub-chapter analyses the impacts of financial literacy on youths and consequently on the financial market as well.

1.1. Background information and definition

Throughout the ages, the finance system has played a big role in people's lives and their choices (Rabtšinski 2015), especially at the end of the 20th century. Many circumstances and factors happened at that time, such as the financial crises and the interconnection between the global markets and the global economies, spurred change, restructure and renewing reforms of financial services and financial markets. (Williams 2007) These factors caused to financialize economies and develop it, which led to have many and more complex definitions in the financial education, especially nowadays (Rabtšinski 2015).

For example, in the past the cash was prevalent between people (Zucchi 2019), while nowadays, borrowing and paying options are broader. Furthermore, the financial transactions options are today more perilous than before. Consequently, financial risks and debts that individuals may be suffering from, especially when they think about how to fund their investments and planning for their future, are increasing more and more. (Zucchi 2019; Fernandes et al. 2013) Therefore, financial knowledge and the education of financial options must be strengthened between people, for the aim of suiting and know how to deal with the new complex developments in financial matters and services. (Williams 2007)

Besides that, financial investment depends on different elements. Among all, it is also affected by emotions, feelings, experience and rationality. However, it must be noticed that, the best choice is the rational choice where a person chooses his/her funding source based on a tangible reason, i.e. based on real fact, statistics, data and financial knowledge. (Darmawan et al. 2019) The rational choice is more realistic and effective, so many experts recommend increasing financial literacy, in order to educate individuals about the fundamentals, avoid mistakes and increase the dependency on rational choices instead of the irrational ones. (Fernandes et al. 2013) For that reason, one of the most important policies to improve the people well-being and countries welfare is to increase the financial literacy between individuals (Huston 2010).

In 1787, John Adams mentioned the importance of financial education in the country in his letter to Thomas Jefferson (Adams 1787). He was one of the earliest people who discussed it and the way of overcoming the financial problems in the United States of America through financial literacy. Over time, the term financial literacy has become more popular many governments, institutions and researchers employ it in different ways. (Garg, Singh 2018)

Although the world lacks a clear unified definition of financial literacy, in general, financial literacy is known as the knowledge of how to read, write and understand the financial matters, plus to know the analysis of economic and financial information in order to use this information in the financial planning process and financial investment decisions, such as choose the funding sources. (Darmawan et al. 2019)

There are different sources that provide different definitions for financial literacy. Each one of these sources focusing on different elements. Previous writers and experts concentrated on different and diverse dimensions in the education, experience and financial behaviours while they define the financial literacy. (Stolper, Walter 2017)

Some of them, consider the financial literacy meaning as financial knowledge, while other experts consider financial literacy as the essential and main financial calculations and concepts such as Widdowson and Hailwood in their study in 2007. In this regard, they made a list of the important skills that must be possessed by the person who has a financial literacy. This list includes the following (Widdowson, Hailwood 2007; Rabtšinski 2015):

- Essential calculation skills;
- Comprehension of the benefits and dangers linked with some financial decisions;
- The capacity to understand the essential financial concepts;
- The capacity of recognizing when it needs to get professional advice and seeking it when necessary.

In addition to the previous mentioned study, there are also other experts made their own study on the financial literacy. Those experts are Vitt, Anderson, Kent, Lyter, Siegenthaler and Ward, they consider the financial literacy as capabilities and skills such as the ability to analyse, the ability to distinguish choices, and ability to manage the financial factors that impact on wealth, in order to choose the best options. (Vitt et al. 2000)

There is also a literature reviews article by Remand who reviewed articles published between the years 2000 to 2010, he arrived at the conclusion that there are five groups that the financial literacy's definitions can fall into it. These definitions are the following (Remund 2010; Rabtšinski 2015):

1. Financial concepts awareness;
2. The mastery to exchange and speak about financial concepts;
3. Efficiency in administrating the personal finances;
4. Skill in choosing suitable financial decisions;
5. The knowledge and the trust in the importance of financial planning to satisfy the financial future needs.

The most common definition comes by the Organization for the Economic Co-operation and Development (OECD) (Garg, Singh 2018; OECD 2014). The OECD covers the definition widely to include financial behaviours, financial attitudes and financial knowledge (Garg, Singh 2018; OECD 2014). Based on the OECD, the financial literacy is the understanding and the awareness about the financial concepts, information, ventures and the ability, incentive, and confidence to apply these financial skills and knowledge in the real-life, in the aim of make the right and effective financial decisions in order to improve the wealth of people and society and increase the involvement in the economic life. (OECD 2014)

In this context, individuals are more likely to assimilate and understand the financial matters in certain circumstances. These special conditions can be considered as teachable moments, such as opening a new bank account or filling in a loan application. However, the entrepreneurs are less effective and active with the teachable moments, they need to understand financial information and concepts in their planning processes such as credit maters. For that reason, entrepreneurs are characterized by highly managerial and planning skills. (ACCA 2014)

Developed countries have realized the importance of financial literacy for their citizens. Governments have requested to improve and increase financial knowledge and education among people, in order to solve financial problems among their citizens. Citizens with good financial knowledge might become easily able to improve their income and wellbeing. They are important human capital to increase wealth and develop the economy of their countries. At the same time, developing countries are trying to catch up developed countries and improve their educational systems and the financial knowledge in some society level, especially between youth and women. (ACCA 2014)

1.2. Financial literacy and youths

There is a widespread risk of low level in financial literacy between both adults and youth in various countries. In recent years, many youth face financial challenges associated with the recent financial technologies. (Rabtšinski 2015) In this regard, author took the studies of Professor Lewis Mandell on the financial literacy levels on the 12th grade students in the United States of America (USA) as an example. The results of his studies showed that the levels of financial literacy in the year 1997 was approximately 57%, while in 2002 the levels of financial literacy have decreased to approximately 50%. Later, the percentage slightly increased in 2004, but nonetheless, the results remained not reassuring and pessimistic about what will happen in the future for Mandell. (Rabtšinski 2015; Mandell 2006) According to his studies, students between the ages 17 and 18 do not make critical financial decisions and therefore do not retain the information they have learned in the financial literacy courses. As a result, they faced many financial problems caused when they grew up, especially those students who did not continue their financial education later. (Mandell 2006)

The importance of financial literacy is on many levels, in which bad decisions might cause financial consequences and financial misery. To avoid the bad consequences, individuals should know how to make the expensive and complex financial decisions independently and in the best way. (Mandell 2006) Through presenting and increasing the financial education among people, wealth and standard of living will increase as well in the societies. Furthermore, increasing the level of financial literacy will make understanding of the differences between the financial products, investment products and the ability in identify the risks of the choices easier. This will prompt the individual to choose the best option with fewer risks. (Rabtšinski 2015) On other hand, shortage of financial literacy can pull the financial markets to the destruction and push investors into irrational behaviours, e.g. when an investor who lacks the financial literacy buying a losing stock or rejecting to sell it. Thus, suitable financial education can reduce these bad behaviors. (Mandell 2006)

It must be noticed that the aim of financial literacy is to provide people with different tools and facts that will support and help their financial decision-making skills (Rabtšinski 2015). As each person intends to make his/her financial decisions in a good way without mistakes, individuals must increase their financial capability (Hilgert et al. 2003). To increase financial capability, individuals should increase their financial knowledge, especially among youth who are the backbone of any nation (Hilgert et al. 2003). In this regard, one must say that it is not an easy task to improve the financial literacy later, if there is no explicit measures and steps taken towards its development and strengthening its presence among individuals in the nearest future. (Rabtšinski 2015)

According to a study done in 2003 by Hilgert, Hogarth and Beverly, the more financial knowledge acquired, the more financial capability obtained. On the other hand, less financial knowledge, provides less financial capability and more mistakes in the individual's financial decisions are noticeably increased. (Hilgert et al. 2003)

Youths with a high level of financial literacy are better in handling their businesses than others who lack financial literacy (Hilgert et al. 2003), the financial literacy enhances and helps individuals in identifying their financial needs and how to reach these needs and to know how to avoid the risks during reaching these needs (Rabtšinski 2015). Based on the study of Hilgert, Hogarth and Beverly, it has been proven that the impact of financial education, financial literacy and financial knowledge on the financial attitude and financial behavior of youth and their courage to invest in the market is super huge. (Hilgert et al. 2003) Youth with high financial literacy are more confident to invest in stocks than others. Their financial behaviors characterized by the independence, organizing and advance planning. On the other hand, the youth with low financial literacy tends more to base their financial attitude and their financial behavior on friends, family and other devices. (Mandell, Klein 2009)

In that connection, financial behavior of youth is affected in several various economic, demographic and social factors (Garg, Singh 2018), further, the financial environment and demographic elements are constantly changing, and the financial sectors became more complex. For example, money indebtedness increases while the personal savings decreases. (Rabtšinski 2015)

Young people at an early age suffer significantly from their poor level of financial knowledge. Furthermore, the changes in the demographic profiles will put pressure on government budget and its financial treasury. (Garg, Singh 2018) For example, when there is a decrease in birth rates and a decrease in mortality rates that will lead to fewer manpower versus retirees. Thus, the need to plan for retirees will increase to be able to support themselves. On the other hand, the increase in the financial literacy impacts positively on these changes in the demographics. (Rabtšinski 2015) Therefore, improving and focusing on being financially educated is very important. The current financial environment is unfriendly with people who are characterized by low financial education and knowledge levels. In fact, to adapt to these changes, the societies use financial literacy. (Rabtšinski 2015)

There are several studies by Garg, Singh (2018), Zissimopoulos, Karney, and Rauer (2008) and Lusardi and Mitchell (2008) that agreed upon the gender gap regarding financial literacy (Fonseca et all. 2012; Lusardi, Mitchell 2008; Zissimopoulos et all. 2008; Garg, Singh 2018). Young men are more familiar and interested in the financial matters, and thus their financial literacy level is higher than young women (Garg, Singh 2018). Zissimopoulos, Karney, and Rauer discovered that less than 20% of middle-aged women are educated and have the ability to answer the question related to the basic information on the compound interest. On the other hand, approximately 35% of middle-aged men answered on the same on the question. (Zissimopoulos et all. 2008; Fonseca et all. 2012) Based on a study of Chen and Volpe (2002), women are scored lower answers than men. This refers for many reasons such as, they do not know the essential facts, concepts, or terms of the personal finance, plus to women do not implement well in mathematics compared to men. (Chen, Volpe 2002; Fonseca et all. 2012)

Moreover, financial innovation plays a big role in the impact of financial education and knowledge between people (Rabtšinski 2015). Financial innovation is the process of making, creating and producing new financial services, products and processes, such as the developments in the payment systems of funds and mobile banking (Chen 2019). Financial innovation can be an obstacle in front of the financial literacy, also it may increase the difficulties that face financial education. The innovation of the financial industry needs customers to be updated with the information about these new innovations. They always must be able to recognize the tools themselves, how they are used and how to look up right professional advice. (Rabtšinski 2015) The biggest problem that can arise from the developments and changes in the financial matters, is to keep the education prosses updated with the new developments to both old and new users. The problem that financial developments are rapid and associated to the recent technologies, while process of education can be slow and for long term. In this regard, it is a challenge to keep financial literacy up to date to include the huge number of new financial tools, changes and developments in the market. (Willis 2008)

Despite all previous factors, the study by Garg and Singh showed that there is no direct relation between the job type and financial literacy, rather than a deep connection between financial literacy and the practical experience in the job market. Furthermore, family background has a big impact because families are the fundamental base of their children behaviours. (Garg, Singh 2018)

1.2.1. Financial literacy between theory and implementation

The development that has taken place in the life and financial matters, the strong competition in the job market and the technology revolution in the present era are all factors called for necessary increasing in the personal qualifications and skills. Developing skills and knowledge also on financial matters will increase the chances of having a better life and more integrated people into recent rapid changes. (Lusardi 2019)

Financial education and financial literacy have many criticisms that stand as a barrier in front of increasing their levels in the society. First, the financial literacy programs have high costs and require a lot of effort. Secondly, the financial literacy programs' results are not guaranteed. (Rabtšinski 2015) In addition, changing the bad and incorrect habitual financial habits and behaviours is hard to achieve and financial information are hard to held in the individual's mind (Lusardi 2019).

However, there is still one more important obstacle and challenge stand in front of increasing financial literacy according to Rabtšinski (Rabtšinski 2015). This is the difficulty of measuring and comparing the financial literacy levels among countries, due to the different situations and lifestyles around the world. Because of that, they need to have questions that help and simplify the identifying process for the shortage levels and comparing process between countries. (Lusardi 2019)

Based on a study by Lusardi and Mitchell on how to measure the financial literacy between different countries efficiently, the financial literacy measurement should not only include the understanding of the financial knowledge of individuals, but also an understanding of what individuals need to know in the future about financial matters. (Lusardi, Mitchell 2011)

Lusardi and Mitchell in their study are translating three basic financial concepts into three questions called the "Big Three". The three questions must be simple, relevant, abbreviated and capacity to differentiate between people. The big three included these three concepts, the ability to realize the interest rate compounding, to know how to do the interest rate calculations and understand the inflation and diversity of risks. The big three questions are important not just for measuring the financial literacy, but the big three go broader to help to determine the weaknesses areas, that need to be improved in order to and get better results in financial education. (Lusardi, Mitchell 2011; Lusardi 2019)

In 2014, Lusardi and Mitchell started their international project to compare the financial level around the world by depending on the big three measures with different wordings known as "Flat world". The Flat world included 15 countries from around the world with different authors who show in the table 1, in addition, table 1 displays the results' summarized. (Lusardi 2019)

Table 1. Finding from the Flat World project across 15 countries

Authors	Country	Year of data	Interest rate Q		Inflation Q		Risk divers. Q		All 3 correct (%)	At least 1 do not know (%)	N
			Correct (%)	DK (%)	Correct (%)	DK (%)	Correct (%)	DK (%)			
Lusardi and Mitchell (2011c)	USA	2009	64.9	13.5	64.3	14.2	51.8	33.7	30.2	42.4	1488
Van Rooij, Lusardi, and Alessie (2011)	Netherlands	2010	84.8	8.9	76.9	13.5	51.9	33.2	44.8	37.6	1665
Bucher-Koenen and Lusardi (2011)	Germany	2009	82.4	11.0	78.4	17.0	61.8	32.3	53.2	37.0	1059
Sekita (2011)	Japan	2010	70.5	12.5	58.8	28.6	39.5	56.1	27.0	61.5	5268
Agnew, Bateman, and Thorp (2013)	Australia	2012	83.1	6.4	69.3	13.0	54.7	37.6	42.7	41.3	1024
Crossan, Feslier, and Hurnard (2011)	New Zealand	2009	86.0	4.0	81.0	5.0	49.0	2.0	24.0	7.0	850
Brown and Graf (2013)	Switzerland	2011	79.3	2.8*	78.4	4.2*	73.5*	13.0*	50.1*	16.9*	1500
Fornero and Monticone (2011)	Italy	2007	40.0*	28.2*	59.3*	30.7*	52.2*	33.7*	24.9*	44.9*	3992
Almenberg and Säve-Söderbergh (2011)	Sweden	2010	35.2*	15.6*	59.5	16.5	68.4	18.4	21.4*	34.7*	1302
Arrondel, Debbich, and Savignac (2013)	France	2011	48.0*	11.5*	61.2	21.3	66.8*	14.6*	30.9*	33.4*	3616
Klapper and Panos (2011)	Russia	2009	36.3*	32.9*	50.8*	26.1*	12.8*	35.4*	3.7*	53.7*	1366
Beckmann (2013)	Romania	2011	41.3	34.4	31.8*	40.4*	14.7	63.5	3.8*	75.5*	1030
Moure (2016)	Chile	2009	47.4	32.1	17.7	20.9	40.6*	N/A*	7.7	53.1	14,463
Boisclair, Lusardi, and Michaud (2017)	Canada	2012	77.9	8.8	66.18	16.13	9.36	31.29	42.5	37.23	6805
Kalmi and Ruuskanen (2017)	Finland	2014	58.1	6.1	76.5	6.4	65.8	10.25	35.6	14	1477

***Questions that have slightly different wording than the baseline financial literacy questions listed in the text**

Source: Lusardi 2019

The table above shows the number of people who answered positively or negatively, or they answered unknowingly in each of the participating countries. Overall, when comparing the three areas in the table, the percentages vary from country to another. However, it can be summarized that in the most participating countries, people who answered the questions about "risks" are less than those who answered about "inflation" and "interest rate". (Lusardi 2019) However, in very few countries, the result was different. For example, in France 66.8% are responded correctly on the risk diversifications question which is more than who responded on the interest and inflation questions. In general, when one looks at the rates of individuals who answered unknowingly or wrongly, it shows the enormous need to increase financial literacy around the world. (Lusardi 2019)

This means that people with low financial literacy are more likely to pay higher transaction costs and fees, and they tend to use high costs borrowing methods. They are also probably having a bigger chance to fall into the trap of expensive mortgages or expensive student loan. (Lusardi 2019)

In a study for the US about the growth in using financial technology (Fintech), it is shown that the people who use technology and mobile payments apps, have costly financial behaviors and have less financial education. (Lusardi 2019) Although youth are so confident in using the recent technologies, and despite their high knowledge on the procedures and processes of the usage of the high-tech components, they lack to financial literacy. The reason behind this is that the high-tech components knowledge may be complement to the financial literacy but not a replace with it. (Lusardi 2019)

Despite the interest in financial literacy in many countries, inclusion of youth in financial literacy is still at low levels, indicating that there are challenges and obstacles ahead to develop and increase the financial literacy. In fact, what suits you, it does not have to suit others, everyone has a certain way of understanding and realizing the things that differ from the others. Because of that, individuals should be divided into similar groups to facilitate their financial education. Each financial literacy awareness system must be targeting a specific group, with keeping in mind, its objectives and incentives must be clear. For instance, financial education and financial needs of youths are differing from those who in middle age with having more financial experiences. (Lusardi 2019)

1.2.2. Youth’s choices

As previously mentioned in this chapter, there are many factors having a direct effect on the financial literacy, financial decisions and the target group whom the awareness program is directed. Before drafting the awareness program, there is a duty to simplify and identify the challenges that stand as obstacles in front of improving the financial knowledge between youth. There is a need to find out the approaches and methods that may be used to smooth the handling with challenges and eliminates the possible obstacles, to build effective financial literacy program that fit with youth's incentives and their goals. As youth are the future of their countries, it is very important to educate them in the financial area and providing them with the needful financial tools to direct them toward the right financial decisions, such as the student loans. (Lusardi 2019)

Based on the Programme for International Student Assessment (PISA) by the OECD 2012-2015, the result was 15% of pupils under 15 years old was on good level of financial literacy, i.e. 85% of them needed to improve their financial knowledge. In 2015, one between five students do not have the basic financial knowledge. (Lusardi 2019)

It is also necessary to increase financial awareness and educate students in schools to be ready to make financial decisions in their near future after graduating from schools. This increases students' understanding of the reasons' behind making financial decisions before making the decision. It ensures that all people have the financial awareness and that the basic financial principles are built for all groups, even if they do not complete their high education. (Lusardi 2019)

Ensuring that all students have the same level of financial knowledge received from school is a first early step toward better financial literacy. As building a program for universities and colleges is an advanced step. The program given in the university shall be more specific to fit the major studies and future needs. As a result of this balance and systematic controlled approach, the costs of the future financial education programs and the waste power will be reduced. (Lusardi 2019)

The International Federation of Finance Museums (IFFM) is a good source of programs to strengthen financial education in the society as whole and around the world. The IFFM are making programs though fun and different way to teach financial education to young people and elderly by way of museums’ shows and exclusive sources. (Lusardi 2019)

1.3. Impacts of financial literacy on youths and financial market

According to a study by Bernheim, Garrett and Maki, early financial education in the high schools has a good impact on the saving behaviors (Bernheim et all. 1997). Students who were obligated by attending lessons related to financial matters in their high school studies, tend to save higher proportion from their income compared to those who are not required to attend financial education classes in their high school period. (Mandell 2006)

An early financial education is useful and helpful for the students in their future life when they become adults, it has the power to alleviate the problems that resulted from the lack of knowledge and required skills. Furthermore, it promotes the familiarity and the sense of know regarding the financial matters. Thus, enhancing the individual's sense of comfort towards financial situations, avoid and delete the psychological barriers that hinder making the right financial decisions. (Bernheim et all. 1997)

On the other hand, the financial classes sometimes do not make a difference in making decisions. This happens when students do not take the financial literacy seriously, and when the topics of the courses are boring, cursory and inaccurate. (Mandell 2006) Thus, there is a need to focus on the financial matters that are interesting for the youth in the early ages. These topics must be immediately relevant to their lives, so they do not forget them or put them behind their backs. In this context, it must be noticed however that the financial education for youth in an early age is characterized by its difficulty to define the long-term effects on the youth's behavior. (Mandell 2006)

According to Lewis Mandell, the stock market games have a positive impact on the youths aged of 17 and 18 years. Youths who play such games tend to collect higher scores in the financial literacy than who do not play. These games considered to be enjoyable for that age. They can learn financial matters through fun and interaction approach. On the other hand, this approach is highly risky. Despite that, these types of games stimulate investment and spending, they also can cause for loss sometimes, which will reduce saving between the players. Indeed, the Mandell's results display that those students who played a stock market game and gets high scores in financial literacy, they tend to have lower levels of saving and thrift compared to who did not play the stock market game. (Mandell 2006)

The low levels of financial literacy lead to have many disadvantages. The lack in financial knowledge impact badly on the financial health in any country. It pushes people to take many wrong financial decisions and many mistakes in the financial behavior in general. Furthermore, low levels of financial literacy affect badly on individual wealth and on the general economy of the state and the world. Therefore, the decreases in financial literacy lead to poor and inefficient management of the budget and funds, plus to have negative effect on the local and global markets. (Fraczek and Klimontowicz 2015)

Taking a rational financial decision is very hard, because it needs for extensive knowledge and accurate and in-depth analysis of available information. This analysis process is very hard in general, and for youth especially. Youth are the future of the countries and they are in a period of transformation from the financial subordination to financial freedom. Thus, focusing on educating the youth is very important and must be one of the priorities of any country. (Fraczek and Klimontowicz 2015)

It is important to note that previous studies explained that young people tend to make their financial decisions based on promotions and advertising rather than thoughtful choices and analyses. In addition, the previous studies stated that there is a huge impact of the personal finance education in schools on his financial behavior. These kind of finance courses in schools shall have a positive effect on the individual’s financial behavior in the long-term. In this regard, students who got a personal finance education in high school, they tend to save money from their income in the future more than those who did not take such courses. At the end, the studies present that if financial courses do not have an impact on personal finance in the short term, it will affect positively on the financial and saving behavior of the same person in the long term. (Fraczek and Klimontowicz 2015)

2. SURVEY’S METHODOLOGY AND DATA

The survey is an instrument to study, measure and analyze the attitudes, thoughts and lives of people. In that perspective, this thesis inducts a survey, as an important method to help the author for answering the research questions. In this chapter, at first, the author displays the survey’s methodology and data. The author shows how the survey’s responders have been collected. In the second part of this chapter, author discusses and analyses the survey questions and its results.

2.1. Methodology and data

The survey's respondents were collected on a web-based survey, and the questions were prepared on the SurveyMonkey website. Survey was later published and shared by using social media websites, such as Facebook, Instagram etc. In contrast to traditional methods of collecting information, author decides to use social media. The electronic surveys are economic, convenient, easier to be spread among youth, as the internet and the social media occupy most of the youth’s time nowadays. In addition, youth of nowadays tend to lean more by non-traditional methods and tools, because it is the only logical way to use when the survey is oriented towards youth groups.

The survey included ten parts. Some of these parts included more than one question, as it appears in appendix 1. The survey was conducted on a group of 104 people. Four of them were deleted as they were above the survey's age criteria, which was youth between 16 and 26 years, while the other 100 were included in the results. The survey's groups consist of (39) males and (61) females, they were in a different studies levels where 19% high school, 64% bachelor, 15% master and 2% others.

The respondents were from different regions, as it is shown on the figure 1. The figure shows the percentage of participants from each country. Different regions are selected to make comparisons between the different cultures to see the impact of different culture and background environment of youths on the financial literacy and knowledge levels.

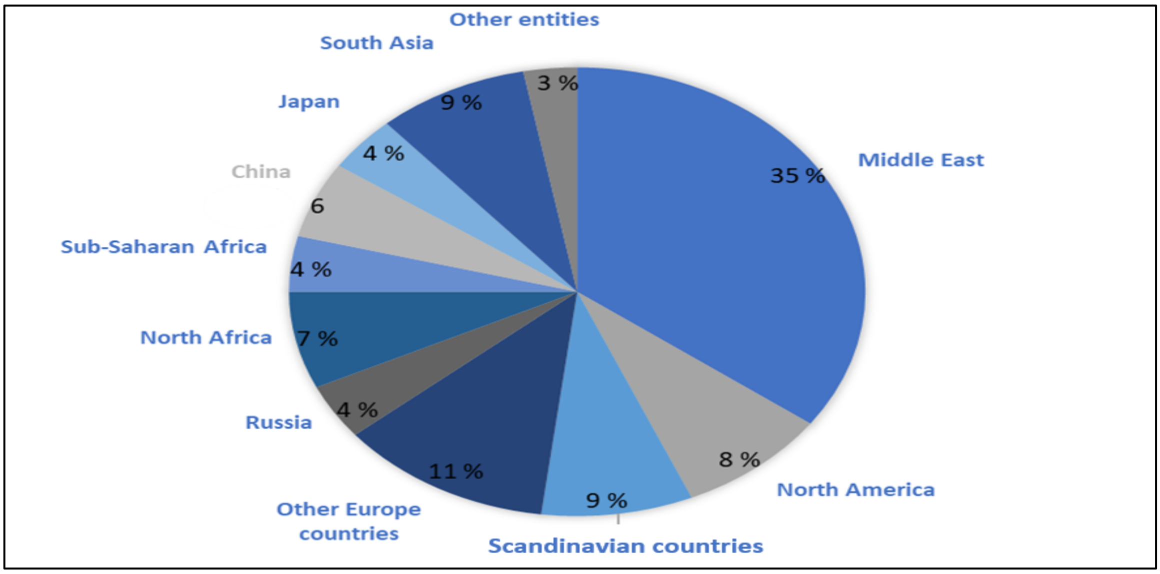

Figure 1. The percentage of participants from each country

Source: prepared by the author

2.2. Results

Results in figure 2 show that the group of youth aged 23-26 years had the largest number of interaction and response to the survey with 47%, then followed by group aged 19-22 years with 30%, and the group aged 16-18 years with 23%. This shows consequently that the age of youth has a big role to affect the interest in financial education. The younger age the youth has, the more difficult is to identify his ideas and opinions. Result show that younger youth were being less cooperative and interested in filling out the questionnaires related to financial matters.

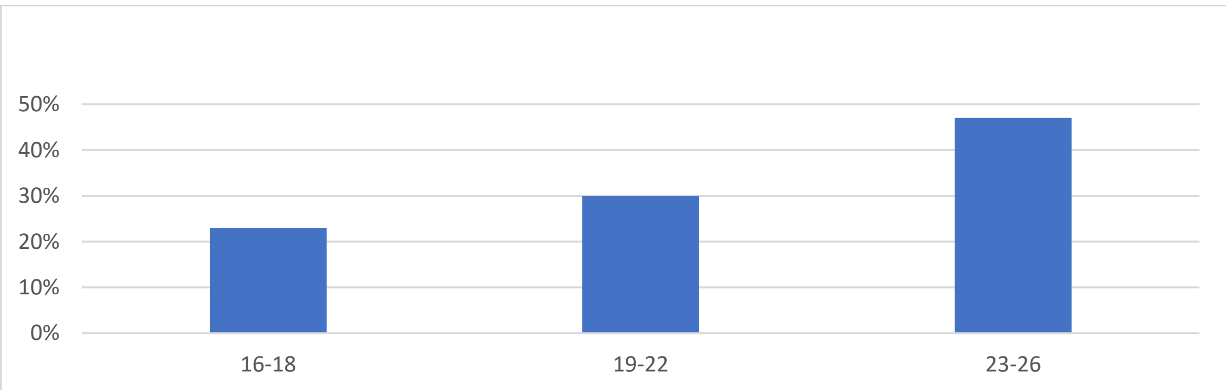

Figure 2. Participants age groups

Source: prepared by the author

The first category of the survey included three questions, in this category, the answers must be either always, usually, sometimes, rarely, or never. These results are displayed in the table 2. The first question asked the responders about their perspective on how often their family gave them financial advice. The results found that most families are offering financial advice for their kids with a disparity in duration and abundance. The percentage of the answers were different from country to another, as it shows in the figure 3. For example, when one looks at the answers in North America, middle east and European countries excluding the Scandinavian countries.

The percentage of the answers were different from country to another, as it shows in the figure 3. For example, when one looks at the answers in North America, middle east and European countries excluding the Scandinavian countries, these countries had respondents who responded by never gotten any advice from their family. The number of youths who said this answer was much more compared to other countries in Scandinavian countries, Russia, African countries, China, Japan and South Asia, while the percentage of the families who are never advising their kids was zero.

Table 2. How often participants are?

	ALWAYS	USUALLY	SOMETIMES	RARELY	NEVER	TOTAL
your family offering for you a financial advice?	25.00% 25	25.00% 25	31.00% 31	16.00% 16	3.00% 3	100
you get any knowledge relate to financial management?	14.00% 14	30.00% 30	34.00% 34	17.00% 17	5.00% 5	100
you are involving in a financial situation?	28.00% 28	22.00% 22	35.00% 35	7.00% 7	8.00% 8	100

Source: prepared by the author

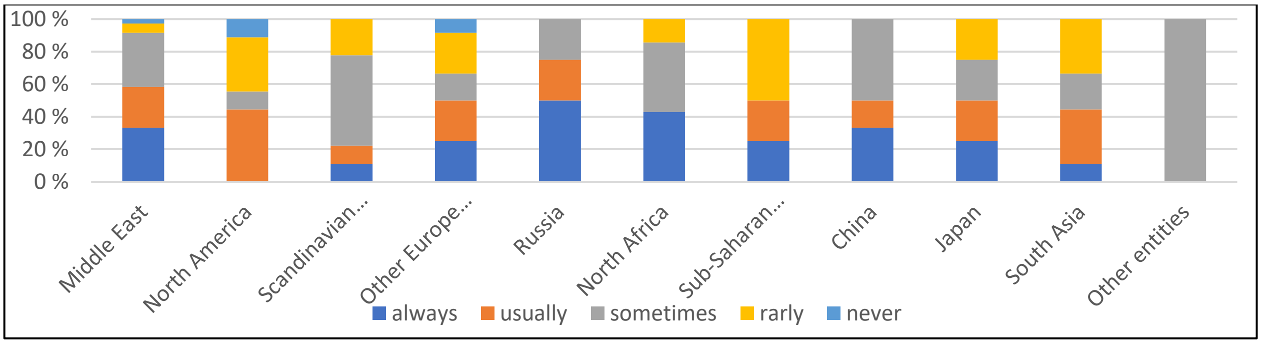

Figure 3. Family percentage offering a financial advice in different entities

Source: prepared by the author

As for the rest questions on table 2, there was a question asked youth about receiving financial management advice. The vast majority replied sometimes and usually, while 5 of 100 responded as they have never gotten advice related for managing their money. The last question from this category shows, that the youngest people are involved from time to time in financial situations and 28% of them are always facing financial situations.

The second category of the survey is presented in table number three below, in this category, the answer must be yes, no or do not know. The answers of all these questions tended to be affirmative, with 68% of responses having a good habit such as saving money and budget planning. Thus, this shows that the majority of young people have a relatively acceptable awareness of the management and arrangement of personal funds even though this behavior is spontaneous and unlearned from prior education. The results of the last question in this category show that only 49% of those who rely on the financial education they receive to make their financial decisions, while 13% there is no answer and 38% do not use financial education as a source and auxiliary to them when making financial decisions, which is a relatively large percentage. These results indicated the existence of the problem is either how to use the data available to them or that the information is not sufficient and not strong enough, so these participants are averse away from using what they have learned. More than half of the participants found it easy to find financial information when they need, therefore, this is a good indicator, that when faced with tough financial situations that they have not encountered before, the majority of the youth have the ability and the know how to obtain the required financial information required. On the other hand, the results show that 30% answered no and 8% do not have an answer and this is not a small amount, so it is necessary to provide compulsory education to youth at an early age not just about the financial matters but also on how to reach to the financial information when it is needed.

Table 3. The results of questions' answers "Yes", "No", or "No Answer" from the survey questions

Question	Yes	No	N/A
Do you have a good financial habit, e.g. saving money, budget planning and record expenses, etc.?	68%	26%	6%
Do you think it is easy to access for financial information when it needed?	62%	30%	8%
Financial literacy is common in my country for youth	52%	38%	10%
My financial decisions are based on my financial education	49%	38%	13%

Source: prepared by the author

As displayed in the figure 4, the family is the primary source of financial information because the family is often the source of the trust and the security for children. Therefore, as a result of that the families with good education and good income usually produce children with good or excellent financial knowledge, while the families with low financial literacy will be transferring this lack to their children. So, we must reliably increase the number of trusted sources and methods of financial information such as schools, as they can create equal opportunities among young people in terms of financial knowledge, which ensures that this increase is an increase of reliable, correct and trusted information. Also, in the case of increased financial education through schools at an early stage, will have a long-term impact in such when these young people become parents, they in turn transfer and create a good image of proper financial behavior to their kids, thus creating a new generation more aware in the financial matters. Also, 8% of the participants answered "other", they mentioned some sources of financial information from their perspective are playing a role in increasing the financial literacy beside the mentioned sources such, the personal experiences, people's experiences, previous mistakes, books, social relationships and banks advice.

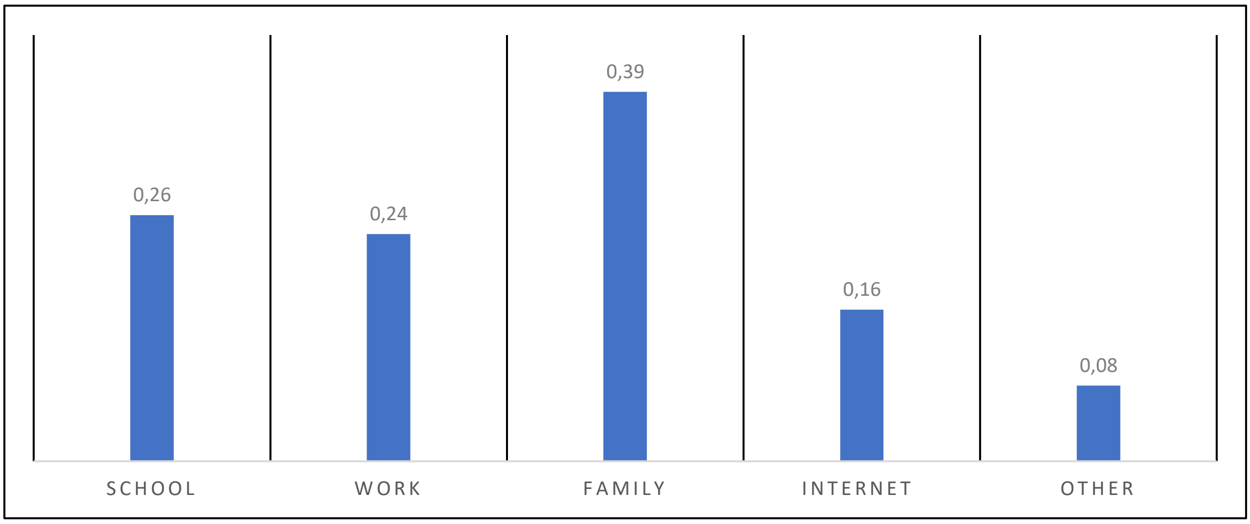

Figure 4. Youth financial information sources

Source: prepared by the author

Figure 5 below displays the basic incentives of the youths to increase their financial knowledge and seeking to improve their financial education, and some of them chose more than one answers. According to the results, the budget is the biggest incentive for them with 50 scores, followed by investing with 46 scores, funding sources 26 scores, debt and loans 20 scores, while 6 select the answer other, and they mentioned incentives like how others look at them, is a study requirement and the need for financial knowledge when working. Knowing what is motivating young people to study financial matters helps in the process of increasing the financial literacy between youths via introducing courses, seminars and lectures based on these incentives thus youths will be able to understand and benefits more from courses, seminars and lectures of financial literacy. In addition, these results show a large number of young people are interested in the investment and financing matters, as 46 points for investment and 26 points for funding sources collected, i.e. there are 72 points they are thinking of investing and founding personal projects in the future, thus they are, willing to increase their investment knowledge, financial expertise and increase the financial literacy and financial education in order to reach their target in the future. Therefore, the focus must be on helping young people in achieving their future financial objectives and increasing the financial education special of investment matters and financial management of the projects in order to benefit the young people when investing and building projects in the future.

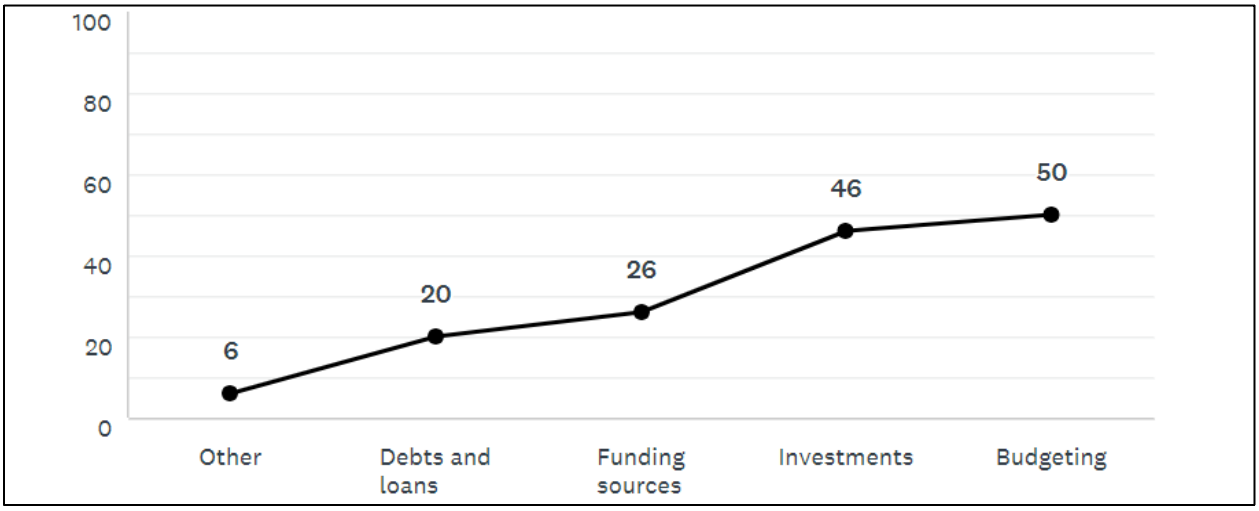

Figure 5. The basic incentives for youths to increase their financial knowledge
Source: prepared by the author

Figure 6 presents the results of self-evaluating to the benefits' level that respondents got from the financial education they got in their lives and their financial performance level from their perspective. The results show that responses majority are considering their financial performance and the benefits they have gotten from financial education, in a middle level neither excellent nor bad, i.e. the majority answered 3 and this is due to the fact that it is hard for people to assess their performance accurately, people broadly tend to overestimate their performance and skills (Dunning 2007), this means that there is a high probability that their performance in actuality is worse than they answered, also that the effectiveness of financial education is not enough for the young people they need to increase financial literacy using more effective education programs. Thus, the financial performance of youths will increase as a result of improving financial education.

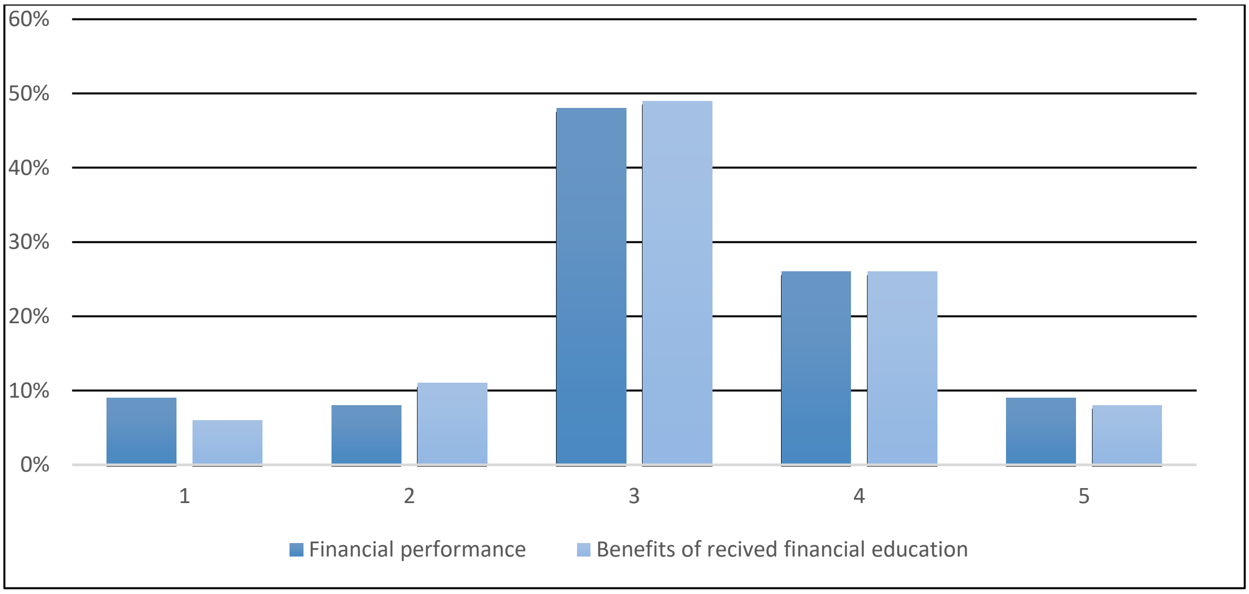

Figure 6. Self-evaluation results
Source: prepared by the author

On the survey, more than the half answered yes on the question about having a debt, with 10% had a big debt, 30% had a small debt, and 12% still have the debt at the moment, while 48% of the participants they had never have a debt in their lives. This displays the need of getting financial education at an early age, as it shows youths are vulnerable to make crucial financial decisions at an early age.

With regards to the participant opinion about their satisfaction with their financial behavior, the majority opinion was relatively good with regards to their financial performance, 39% answered by normal, and 31% satisfied, 13% very satisfied, on other had the 17% was not satisfied with their financial performance, (10% dissatisfied and 7% very dissatisfied). The proportion of participants that replied “normal” or “dissatisfied” make more than 56% even though they are still relatively too young and lack the knowledge to be able to determine accurately their financial performance. They need to improve their financial performance to be satisfied with their financial performance, in order to solve that, financial literacy and financial education must increase with people at early ages.

Table 3 shows the percentage of the people who answered by “yes”, “no” and “no answer” on the question about if they have a good financial habit as saving money, budget planning, regulating money and record expenses etc. The author found that there has been a correlation between the answers and countries, as it is presented in figure 7 below. The majority of young people in countries such as North America, Scandinavian countries, South-Asia and China they have good financial practices where the answer yes was more than 80% of the youths of these countries. This followed by Japan, other European countries, and the Middle East. The least percentage of youth’s practices good financial habits was 50% or less in Russia, Sub-Saharan Africa and North Africa.

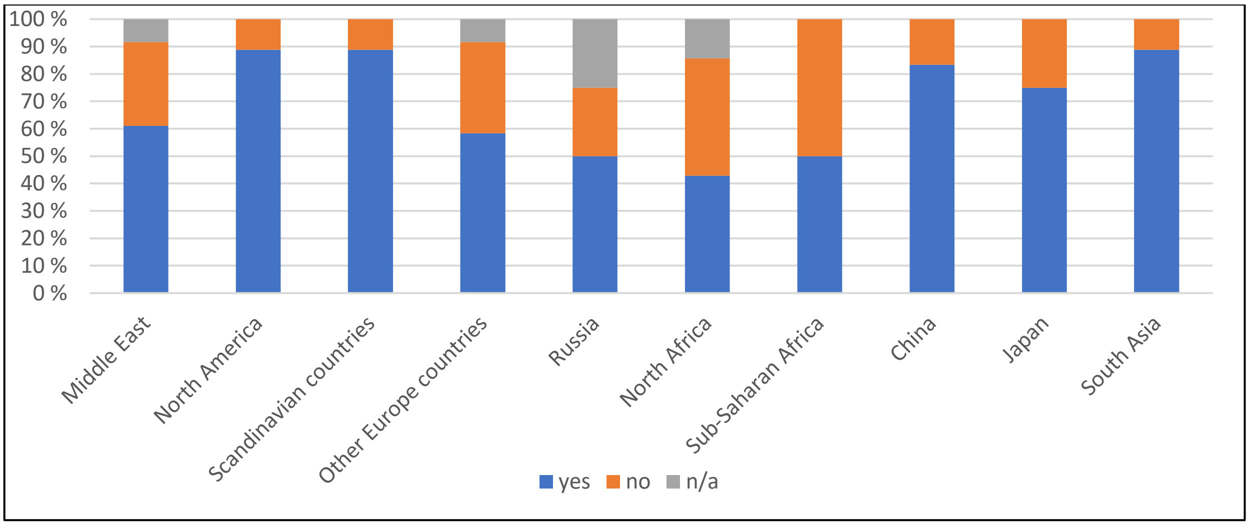

Figure 7. compering between entities’ participants having good financial habits
Source: prepared by the author

The financial attitudes are different between the different cultures, as culture influences on the economic behavior of people (Guiso et all. 2006). In this regard, each culture has its various values and practices about money and own effect on the individual's financial decisions on how the individual manages his financial matters and the way of the use of the money. From culture to culture, the way of the family in making financial decisions differ, as author mentioned previously in this thesis, family has a big role in influencing their kid’s behaviors and attitudes. To end, one must keep in mind the cultural differences when applying a financial education. (Theodore D. s.a.)

CONCLUSION

There are many reasons that pushed the world to an increase in the interest of financial literacy among people, especially among the youth. Financial literacy for youth must be comprehensive to aid and support them in the challenging points that they face while they are trying to achieve their goals in business. According to author's survey, financial management, indebtedness, financial saving, future financial planning are the most critical topics that interest the youths. The purpose of this thesis is to help for improving the financial literacy that is directed to youth by defining the financial challenges, which face them. Thesis observes the conduct and needs of youth by answering on the research questions.

Regarding the research question on how is the young individual behavior affected by financial literacy? Financial literacy has a great effect on youth financial behaviour. It provides youth with the necessary tools to make the right and suitable financial decisions. It increases their ability to understand the basic financial calculations and helps them to determine their financial needs and the way to reach these needs. Furthermore, financial literacy teaches how to find the possible risks of the financial decision in order to avoid it and helps in avoiding financial failure and bankruptcy. It leads to an increase in good financial habits and practices such as budgeting, recording revenue and expenses. It makes youth avoid making financial decisions based on irrational grounds and increase the self-reliance in making financial decisions, thus increasing the confidence during making the financial decisions or during investing.

It must be noted that financial literacy also enhances investing in the market and establishing own projects. It is encouraging youth to invest and increase their existence and influence in economic life and enhancing the youth's ability to plan for future financial. As a result, this will lead to major benefit on the society as a whole, because of income increases, which will increase the welfare of the individuals and societies and improve the economy in general.

Thus, financial literacy is so important not only to deliver information to the youth, but rather to teach them how to find the required financial information when it is needed and how to manage and face problems. Financial literacy must teach youth how to find suitable alternative to suit their situations. In this regard, during this thesis, it is clearly noticed that people who lack for financial knowledge they spend more than the others who have financial knowledge on the transaction costs and expensive borrowing fees.

Regarding to the second research question, what are the obstacles to acquire an effective financial literacy? The answer could be referred to the problems, challenges and obstacles, caused by the continuous development of financial matters and the financial environment. These developments require continuous learning, and thus youth must be updated with the newly available financial information. Otherwise the previous financial education will be useless, and youth again will suffer from a lack of financial knowledge and in this case, the results of the financial literacy programs will be not guaranteed.

Second problem is that sometimes, it is arduous to encourage youth to educate. The challenge is on how to make the financial literacy attractive to youth and simple to adapt in the practical life. Finding the balance is so difficult, especially for those who study finance in high level of education. The lack of practices for things they learned make them not sure regarding holding the information they have learned in their minds or to forget it till they use it in the future.

Furthermore, the economic, demographic and social factors influencing significantly in the financial literacy and financial education levels. There is a gap between men and women, the men are more familiar with financial matters and they have more interests in financial matters than women. This gap must be solved and found ways to encourage women to educate and know more about the financial matters.

Another problem is pressing on budgets, it has a financial cost to prepare, plan and implement the financial literacy programs for different ages and for the long term, especially those countries who are suffering from financial problems and poor economy. These cause a difficulty of measuring and comparing the financial literacy levels among countries and individuals; thus, this impedes the construction of financial education systems and the difficulty to divide individuals into groups to facilitate their financial education. Finally, the difficulty of understanding what individuals need to know in the future about financial matters. In addition to everyone has a different way to understand the matters, this makes it difficult to increase financial knowledge.

In the end, individual needs vary according to age, gender, family and social background. For this reason, individuals should be divided into similar groups to facilitate the process of financial education and facilitate their financial matters understanding. Each financial literacy education program should be targeting a specific group with clear objectives and incentives. The financial education must be started at an early age and extend into adulthood, ensuring that long-term financial financing increases without interruption.

The thesis included a survey to examine youth choices according to their financial literacy level and understanding of needs. Survey is an important way to evaluate the financial levels for the youths and their ability to face challenges in the market. The survey results showed that the families compose the basic impact on the youths as a source for the financial knowledge for the majorities of the participants, with different proportions from country to country.

Furthermore, the results of survey showed that most youths having at least one good financial habit, and a big proportion of them do it without basing on a systematic education, rather than automatic feeling and inner mind behaviour. Most of the youth do not rely on what they have learned in the past to make financial decisions.

It also showed how young people are interested in future investment and projects. Therefore, financial education should be increased in relation to these matters. The results also showed that despite the young age of the participants in the questionnaire, there is large number of participates at least took a debt once in their lives. It is important here to stress on the need of young people to know further and study about debt matters at very early age.

The thesis stresses on the need to increase the financial education between youths in early ages as a long-term plan to increase the financial literacy levels in the society. Second, increase financial education in schools to ensure providing an equal level of knowledge between the youths regardless of their cultures and families backgrounds. Use young people's interest in certain financial matters as an incentive to increase their financial information. The final point is ensuring that financial information is easily accessible at any time to the young people and teaching them how to access professional financial advice when they need it.

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APPENDICES

Appendix 1. Survey's questionnaires

Financial literacy

The author serves to examine youths between ages 16 to 26 years old experiences with financial literacy and its impact on their choices. Thanks in advance for your help.

* 1. Respondent's .....

Gender

Age group (16-18 or 19-21 or 22-26)

* 2. The region of the respondent's home country

- ☐ Middle East
- ☐ North America
- ☐ Scandinavian countries
- ☐ Other Europe countries
- ☐ Other entities
- ☐ Russia
- ☐ North Africa
- ☐ Sub-Saharan Africa
- ☐ China
- ☐ Japan
- ☐ South Asia

* 3. Respondent's studying level

- ☐ High school
- ☐ Bachelor
- ☐ Master
- ☐ Other

Which studies you have taken?

Appendix 1. continued

* 4. How often?

	Always	Usually	Sometimes	Rarely	Never
your family offering for you a financial advice?	◯	◯	◯	◯	◯
you get any knowledge relate to financial management?	◯	◯	◯	◯	◯
you are involving in a financial situation?	◯	◯	◯	◯	◯

5. Yes or No

	YES	NO	N/A
Do you have a good financial habit, e.g. saving money, budget planning and record expenses, etc?	◯	◯	◯
Do you think it is easy to access for financial information when it needed?	◯	◯	◯
Financial literacy is common in my country for youth	◯	◯	◯
My financial decisions are based on my financial education	◯	◯	◯

* 6. Have you ever had a debt?

◯ No, never

◯ Yes, it was a big debt

◯ Yes, but small debt

◯ Yes, now I have debt

* 7. Are you satisfied with your previous financial decisions?

◯ Very satisfied ◯ Satisfied ◯ Normal ◯ Dissatisfied ◯ Very dissatisfied

Appendix 1. continued

* 8. From which of the following sources did you receive more financial education?

- [ ] School
- [ ] work
- [ ] Family
- [ ] Other (please specify)
- [ ] Internet
- [ ] All

* 9. Which of the following fields have an incentive for you to increase your financial knowledge?

- [ ] Investments
- [ ] Budgeting
- [ ] Debts and loans
- [ ] Funding sources
- [ ] Other (please specify)

* 10. From one to five

	1	2	3	4	5
Evaluate the benefits you received in your life from the financial education	○	○	○	○	○
Evaluate your financial performance	○	○	○	○	○

Done

Powered by SurveyMonkey