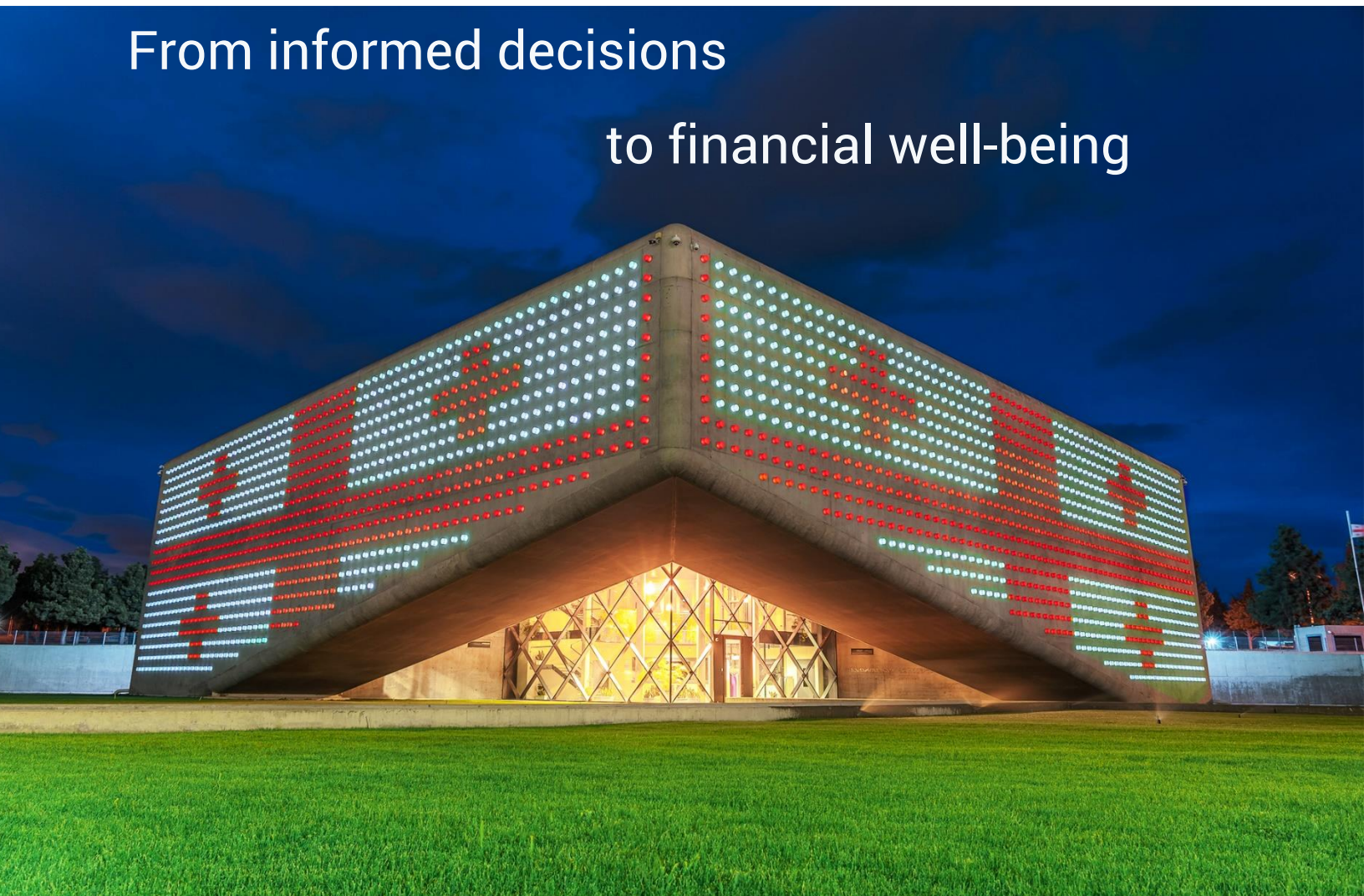


# National Strategy for Financial Education of Georgia 2023

From informed decisions

to financial well-being



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## Introduction

### ***Importance of Financial Education***

One of the tasks of the National Bank of Georgia (hereinafter - "National Bank") is to protect the rights of consumers in the financial sector<sup>1</sup>. And financial education is viewed as an integral part of the framework of consumer rights protection. As financially educated consumers better understand the essence of financial issues and products; Have the knowledge, skills and confidence to make informed choices; Make responsible financial decisions; They know where to get help and act in a way to improve their financial well-being.

As a result, raising the level of financial education is important not only for the consumers, but also for the financial sector, as it will be much more favourable and less risky for it to deal with a consumer who is aware and responsible.

Ultimately, a healthy economic environment is formed in the country, in which both individuals and the financial sector act savvy and make mutually beneficial decisions.

### ***Activities for Financial Education in Georgia,***

In order to protect the rights of consumers, the National Bank developed the rule<sup>2</sup> approved by the order N35/04 of the Governor of the National Bank of Georgia "On the Approval of the Rules for Providing Necessary Information to the Customers by Commercial Banks when Providing Banking Services", dated as of May 13, 2011, and the first national strategy for financial education of Georgia (hereinafter - "Strategy") was approved in 2016. It is truth that the National Bank was carrying out activities aimed at raising the financial literacy of the population even before the drawing up the strategy, however, after developing the strategy, these activities became more organized and systematic. The purpose of drawing up the first strategy was to raise awareness about the benefits of financial education, to deepen coordination and cooperation between interested parties, and to expand opportunities for receiving financial education. It can be said that after drawing up the strategy, more interested parties became involved in providing financial education to the population, including representatives of the financial sector and donor organizations of the relevant profile, as well as higher education institutions and public institutions. In addition, the number and scale of measures implemented in the direction of raising financial literacy increased year by year. Moreover, it should be noted, that most of them were initiated by the National Bank, however, experience of implementation of financial education activities independently by stakeholders also exists.

The developing of the strategy and the deepening of cooperation between the stakeholders contributed to the process of taking a number of important steps in the direction of increasing

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<sup>1</sup> [Organic Law of Georgia on National Bank of Georgia](#), article 47

<sup>2</sup> Current consolidate version of the [updated rule](#) was approved in 2021

financial literacy: including, financial education topics were integrated into the national curriculum of the secondary education and the relevant training of teachers was initiated; The first financial education web-portal - "Finedu" ([www.finedu.gov.ge](http://www.finedu.gov.ge)) and its supporting pages on social media were created; Annual awareness-raising events, competitions, webinars and trainings have become traditional; Financial education programs, online and printed educational materials were created, videos, games were developed for different target groups. During the COVID-19 pandemic, "FinEdu" became an important channel for the digital delivery of financial education, through which financial education activities were carried out online, such as: informational campaigns, competitions, webinars, lives etc.

### ***The Level of Financial Literacy of the Population and Existing Challenges***

Despite a number of activities carried out in the direction of increasing financial literacy, it remains a challenge to broaden its scale: to cover all target groups, to implement activities customized for them and to ensure the sustainability and continuity of these activities. All the above, in turn, requires the active involvement of more stakeholders and their coordinated action.

In addition, a repeated study of the financial literacy of the population<sup>3</sup>, which was conducted in 2019, based on the methodology of the International Network of Financial Education of the Organization for Economic Cooperation and Development (OECD/INFE Toolkit), showed that the level of financial literacy of the population of Georgia is still below average of the one of OECD countries, as well as the 26 countries participating in the international study and does not significantly differ from the indicators of a similar study conducted in 2016. Georgia also participated in the "PISA" (OECD's Program for International Student Assessment) study<sup>4</sup> in 2018, which, among other areas, measures financial literacy among 15-year-olds. According to this indicator, Georgia ranks 19<sup>th</sup> among the 20 countries participating in the study. Moreover, it should be noted, that at the time of the research, financial education topics were not yet integrated into the national curriculum and school textbooks. A survey of the level of financial literacy was also conducted among micro, small and medium entrepreneurs<sup>5</sup> in 2021. The financial literacy score of entrepreneurs is lower than the average of the 14 countries participating in the study.

### ***National Strategy for Financial Education 2023***

Some experience concerning activities carried out in the direction of financial education has been accumulated over the past years, in addition, new challenges have emerged, especially in the context of the new coronavirus (COVID-19), when the behaviour of consumers has changed and, therefore, opportunities for delivering financial education remotely, "online", have been activated, new priority areas and target groups have been identified, financial literacy topics

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<sup>3</sup> [OECD/INFE 2020 International Survey of Adult Financial Literacy](#)

<sup>4</sup> [OECD PISA 2018 financial literacy assessment of students](#)

<sup>5</sup> [OECD/INFE 2021 Study of Micro, Small and Medium Entrepreneurs' Financial Education](#)

have been specified, etc. Taking into account all of the above, there was a need to revise the national strategy for financial education and develop a new strategy. The updated strategy is a basic recommendation document for any party interested in distribution of financial education, which defines priority directions and objectives, principles of compliance of financial education programs, activities and resources with the strategy, monitoring and evaluation mechanisms of financial education programs, and will promote cooperation between stakeholders in a more flexible and practical manner.

**The National Strategy for Financial Education of Georgia 2023** was developed by the National Bank, in active cooperation with the Steering Committee of the National Strategy for Financial Education and consultations with stakeholders and the public.

## The Importance of Financial Education

For the purposes of this strategy, the term "**Financial Literacy**" is stemmed from the definition developed by "OECD/INFE": "a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being"<sup>6</sup>.

And "**Financial Education**" is the process by which individuals improve their understanding of financial products and concepts, and through available information, instructions and objective advice, develop the skills and confidence to make informed choices, to know where to get help and to take other effective actions to improve their financial well-being.

Financial education in Georgia can:

**Increase the financial resilience of the population and improve their financial well-being<sup>7</sup>.** A large part of the population is worried about how they will be able to cope with daily household expenses and believes that finances control their lives. Financial education helps people take control of their own finances and reduces their level of financial dependence on family members and close ones.

**Reduce the level of poverty, especially among vulnerable groups.** People living in rural areas, the elderly and the poor are more prone to poverty and depend on the financial support from family members and close ones. Improving knowledge and skills related to money management, budgeting, and short-term savings can help reduce financial stress and over-indebtedness, and increase individuals' financial confidence.

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<sup>6</sup> [OECD Council Recommendation on Financial Literacy 2020](#)

<sup>7</sup> Recommendations and information given in this chapter is based on document - Financial Education Mapping of Georgia, developed in 2020 by OECD/INFE, based on the various studies, including population's financial education studies and consultations with stakeholders.

**Increase the volume of savings, including formal savings.** The level of formal savings in Georgia is low, people mostly save in cash and without specific long-term goals. Financial education, including raising awareness of formal savings and ways to save, may have long-term benefits for society in general and facilitate the development of capital markets in a country.

**Increase financial inclusion by raising awareness of and providing access to financial products.** Access to finances is relatively low for rural population, low-income individuals or households, and young people. When it comes to lending or saving, most of them depend on family and friends. Encouraging the use of formal financial products can be considered part of financial education. This can be achieved by raising awareness of benefits of financial products, explaining how the product works and how the product can meet the customer's needs. It is also important to provide information about insurance products, as a very small part of the population uses at least one insurance product, which creates the need to borrow money in case of unexpected events. Using insurance may help protect households from unexpected events, which in turn can increase their financial resilience.

**Facilitate strengthening of the framework for the protection of consumer rights** by raising the awareness of the population about consumer rights and, moreover, about responsible (based on the assessment of the lender's solvency) lending. There are still risk related to the consumer rights protection on the Georgian financial market, such as over-indebtedness, predatory lending practices, cross-selling of financial products, financial frauds related to digital transactions etc<sup>8</sup>. It is important that financial education activities build consumer capability to navigate safely in the digital world, do comparison shopping, borrow responsibly and read financial agreements. Financial education can support consumer-protection objectives by helping consumers have knowledge and skills to use appropriate financial products, delivered by responsible financial service providers.

**Improve the personal finance management skills of the younger generation as well as of micro and small business owners.** Financial education can increase the economic and financial capabilities of the younger generation, as well as strengthen the entrepreneurial skills that lead them to create businesses.

**Increase the awareness of individuals about the importance of long-term savings.** In Georgia, the population tends to have a short-term view - they think that money is there to be spent, and they do not save for long-term goals. Moreover, if we compare with other South-East European countries, the population of Georgia has the least feeling of readiness for retirement age. Financial education activities can be used for the adult and employed population to raise their awareness of saving for long-term needs, including retirement. Financial education can help individuals make important decisions from a yearly age, which will help them become ready for retirement age.

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<sup>8</sup> World Bank FCP TA mission

**Ensure that women have similar levels of financial knowledge and financial confidence than men.** In the component of financial knowledge, women have a lower score compared to men, however, despite this, their financial behaviour is similar. Financial education activities can contribute to raising women's self-confidence, better use of their financial and economic opportunities.

**Help emigrants and their families manage remittances.** Financial education programs may be targeted at both expatriates and their family members to improve their knowledge of exchange rate risks, different types of remittances, and to improve their skills in personal budgeting and financial planning.

**Facilitate the dissemination of financial education through distance channels.** Remote channels can increase access to the rural population as well as to younger generation, as well as reduce the cost of financial education delivery. However, when reaching out the older population, it should be considered use of traditional channels as well, such as radio and television.

**Facilitate the development of basic financial skills from an early age.** According to the "PISA" 2018 study, Georgian students still have a lot to improve in terms of financial knowledge, attitudes and behaviours. Developing financial skills and healthy financial habits from an early age is critical for developing sound financial behaviour and long-term stability. Financial education of youth can also have positive impact on their families. The results of the "PISA" study show that financially educated students are more prudent and more aware of the importance of personal financial management (making and managing money on their own). Research also shows that improving the financial literacy of students with low academic performance may be one of the ways to reduce income inequality. The results of the "PISA" also show that advantaged students (belonging to higher income families) performed significantly better than disadvantaged students. By implementing financial education in schools it is possible to reach both of above mentioned groups.

## **A Brief Overview of the Strategy**

A large part of the population in Georgia controls the family budget, however, in terms of financial attitudes, the majority is focused on short-term results. The majority of the population rarely saves for long-term goals, including retirement age. In case of loans and savings, the share of informal ways is high. Stress related to finances is also high.

Financial education can contribute to improving the level of financial inclusion, reducing poverty and income inequality, managing financial risks and protecting consumer rights, creating and developing micro, small and medium businesses, as well as preparing the young generation for the future life.

The National Bank has developed a National Strategy for Financial Education within the framework of the mandate to protect consumer rights.

**Strategy Vision:** Using financial education, people can make informed financial decisions that will reduce their financial stress and improve their financial resilience and well-being.

**Strategy mission:** to facilitate the creation of an environment in which the National Bank and stakeholders can take coordinated action to disseminate financial education among the broader populace, resulting in the population having adequate information, knowledge, behaviours, attitudes and skills to make informed financial decisions and act in their own best financial interests.

In order to complete the mission of the strategy, **the main priority areas are:**

1. Delivery of financial education of the young generation and preparing them for future life;
2. Encourage reasonable financial behaviour and promotion of savvy financial attitudes of the population;
3. Increasing the use of publicly available, impartial financial information, resources and channels;
4. Creation and development of cooperation mechanisms with stakeholders.

For each priority area, the strategy sets objectives and desired results.

The completion and implementation of the strategy mission is carried out through an annual detailed action plan, which defines and describes the financial education activities to be carried out for the implementation of the strategy and the resources and timelines required for their implementation, as well as the stakeholders involved in the process.

For the development of financial education activities by stakeholders, the strategy defines the main topics of financial education, as well as the principles of compliance of financial education programs, activities and resources with the national strategy.

The implementation of the strategy is coordinated and monitored by the National Bank. In order to facilitate the effective implementation of the strategy, as well as to deepen the cooperation between the stakeholders, the steering committee of the strategy is functioning.

The results achieved within the framework of the strategy will be evaluated by the National Bank, including periodic financial literacy surveys carried out throughout the country.

When evaluating results, it is also important to evaluate individual financial education activities directly by the stakeholder(s) implementing the activity.

According to the mechanisms developed for the purposes of evaluating and measuring the results, it will be assessed whether the mentioned activity has achieved the set goals.



## The Level of Financial Literacy of the Population of Georgia

A study of the level of financial literacy of the population of Georgia was carried out in 2019, based on the "OECD/INFE" methodology. The results of the study were compared to 7 countries of the South-East European region<sup>9</sup>, as well as to 26 countries participating in the global study. The financial literacy score of Georgia was 12.1 out of total 21 points (57.6%), which is less than the average financial literacy score of the countries participating in the global research (12.7 points), as well as the OECD countries (13.0 points).

### *Overall Level of Financial Literacy*

If we present the score of financial literacy according to the components, we will see that Georgia's score in the knowledge component is higher than the average score of all countries. In the behaviour component, it is slightly below the average. As for attitudes, in the mentioned component, Georgia showed the lowest result compared to other countries.

### *Financial Knowledge*

In terms of knowledge, the majority of Georgia's population understands well concepts such as: time value of money (76%), interest payable on a loan (89%), risk and return (79%), inflation (87%). Almost half of the population of Georgia understands risk diversification (54%), however, the majority found it difficult to calculate simple interest (44%) and explain the essence of compound interest (43%), and only 24% of the population correctly understand both types of interest. As for self-assessment of financial knowledge, the population of Georgia is more or less confident in their own financial knowledge: more than half think that they have average financial knowledge (65%), 21% considers their level of knowledge as high, and only 12% rate their own knowledge at a low level.

### *Financial Behaviour*

In terms of **controlling** their own **finances**, 57% of the population have a plan on how to control family income and expenses (have a household budget), 88% pay bills on time, 71% control their own financial situation, 70% make considered purchases and consider alternatives.

In terms of **financial resilience**, 66.7% of the population of Georgia are active savers, however, only 33.1% of them set long-term financial goals (in general, 40.4% of the population strives to achieve long-term goals). In addition, More than half of the population (55%) reported that during the last year, there were cases when their expenses exceeded their income. To deal with this situation, they resorted to borrowing, however, most of them borrowed money from informal sources, such as family members, friends or relatives (30.4%) or bringing a product from the store with the condition of paying later (9.2%), while a small number borrowed money from formal sources, for instance, took personal loan from financial service provider (7.7%). As for dealing with financial difficulties without borrowing, compared to other countries in the South-

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<sup>9</sup> [OECD/INFE 2020 Financial Literacy of Adults in South East Europe](#)

Eastern Europe region, only a small number of people in Georgia cut back on spending (16.1%) and more people turned to family members and relatives for help (22.9%).

Concerning the **readiness for retirement age**, only 12% of the population reported that they have confidence for retirement age, which is the lowest rate in the South-East European region. The majority of the population of Georgia at retirement age depends on children and family members (68.7%), spouse (55.6%) and state pension (62.8%).

As for **making an informed choice** when choosing a financial product, despite the fact that in case of other products, the population investigates alternatives, when purchasing financial products directly, only 20% of the population try to compare prices, and only 38% seek independent advice. Regarding the trusted financial education sources, 28% of the population trusts none of the organizations, 27% trusts the National Bank, 10% trusts the government, 8% trusts commercial banks and 21% does not have an answer to this question.

### ***Financial Attitudes***

In terms of attitudes, the majority of the population thinks that money is there to be spent (79%), and many of them completely or partially agree with the statement that spending money gives more satisfaction than saving money for long-term (56%), and 37% tends to live for today and thinks less about tomorrow.

### ***Financial Inclusion***

The level of awareness of financial products among the population is high, 84% of the population knows about at least 5 financial products, however, when they were asked about usage of the products, 47% of the population mentioned, that they recently chose a financial product, and 46% mentioned, that they turned to family members or friends to borrow money or keep savings. As for the most common products, it is current account/debit card (42.1%) and credit products (39.3%), usage of investment/retirement (13.5%) and insurance products (9.8%) is low.

### ***Financial Well-Being***

58% of the population agrees that they are not satisfied with their financial situation, 67% thinks that their financial situation limits their ability to do important things for them, and 59% agree that they worry about paying their normal living expenses. 67% agree that finances control their lives, and 65% is concerned about running out of money. On the other hand, the majority disagrees with the opinion that they have too much debt (62%).

## **Strategy Mandate, Vision and Mission**

**Mandate:** One of the tasks of the National Bank is to protect the rights of consumers in the financial sector<sup>10</sup>. And financial education is considered as an integral part of the framework for protection of consumer rights. Thus, the National Bank has a clearly defined mandate for the

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<sup>10</sup> [Organic Law of Georgia on National Bank of Georgia](#), article 47

implementation of the financial education policy, including for the development of the National Strategy for Financial Education.

**Strategy Vision:** Using financial education, people can make informed financial decisions that will reduce their financial stress and improve their financial resilience and well-being.

**Mission:** To facilitate the creation of an environment in which the National Bank and stakeholders can take coordinated action to disseminate financial education among the broader populace, resulting in the population having the adequate information, knowledge, behaviours, attitudes and skills to make informed financial decisions and act in their own best financial interests.

## **Coordinating Body (National Bank) of the Strategy and Steering Committee**

The National Strategy for Financial Education was created by the National Bank in consultation with stakeholders and the public. Strategy coordination and implementation monitoring is carried out by the National Bank.

The execution and implementation of the strategy mission is carried out by the National Bank and stakeholders through annual detailed action plans. In order to facilitate the effective implementation of the strategy, as well as to deepen the coordination and cooperation with the interested parties, a Steering Committee of the Strategy is functioning.

A member of the Steering Committee of the Strategy can be any interested party from the public, private and civil sectors who will participate in the initiation or implementation of financial education activities defined by the annual action plans, with human, as well as financial and other necessary resources. Strategy action plans will be approved and reports on their implementation will be heard at the meetings of the Committee, news, best practices, experience, advice and recommendations regarding the financial education will also be shared on Committee meetings.

Committee members may be elected for a specific or unlimited term. Committee working groups may be created to implement individual programs.

The functions of the committee include: Initiation of financial education activities in accordance with the key priority areas and objectives of the strategy, implicate them in the action plan and implement them; in addition, involvement in the joint activities with human, financial and other resources; provide recommendations in order to improve and implement financial education activities; monitoring and evaluation of the independently provided financial education activities, etc.

Strategy action plans will be approved and reports on their implementation will be heard at the meetings of the Committee, news, best practices, experience, advice and recommendations regarding the financial education will also be shared on Committee meetings.

The selection of members of, functions, rights and duties of the Steering Committee of the Strategy and other related issues are determined by the relevant order of the President of the National Bank of Georgia.

## **Stakeholders Involved in the Implementation of the Strategy**

In order to fulfil the mission of the strategy and to disseminate financial education in general, it is important to engage a wide range of stakeholders.

Stakeholder implies any party that wants to deliver financial education/implement activities independently or by involvement in the projects of the National Bank, including:

- Public institutions:
  - Ministries;
  - Legal entities of public law (LELPs);
  - Other state bodies.
- Private sector:
  - Commercial banks;
  - Microfinance organizations;
  - Capital market representatives;
  - Insurance companies;
  - Other providers of financial services;
  - Business Associations.
- Civil and educational sector:
  - Non-governmental organizations;
  - Donor organizations;
  - Educational institutions;
  - Research institutions;
  - Other representatives of the civil sector.

## **Priority Areas of the Strategy**

For the purposes of fulfilment of the strategy mission, the main priority areas are:

1. Delivery of financial education of the young generation and preparing them for future life;
2. Encourage reasonable financial behaviour and promotion of savvy financial attitudes of the population

3. Increasing the use of publicly available, unbiased financial information, resources and channels;
4. Creation and development of cooperation mechanisms with stakeholders.

## **Priority area #1: Delivery of Financial Education of the Younger Generation and Preparing Them for Future Life**

According to the recommendation of "OECD"<sup>11</sup>, financial education should start as early as possible, from school age. While, according to the 2018 "PISA" study, the level of financial literacy of Georgian students is one of the lowest among the surveyed countries, moreover, according to the 2020 "OECD" study, young people aged 18-29 have less control over their finances compared to the older population and make less informed purchases, students and young people need to develop their financial skills and healthy financial habits, which are important for their future development as responsible citizens and for long-term financial well-being.

Although according to the OECD study mentioned above, young people experience less financial stress than the rest of the population, this may be caused by the fact that they still have fewer financial responsibilities and may not be fully aware of the long-term consequences of financial difficulties. In addition, the younger generation shows better financial attitudes.

Activities aimed at deepening the financial education of young people can be carried out in schools in both formal and informal ways, as well as in higher education and vocational education institutions.

Financial education activities<sup>12</sup> should be focused not only on providing information, but also on developing skills, changing attitudes and behaviour, should prepare young people to enter the labour market. It is important to cover the basics of financial education, such as budgeting and saving, before explaining complex topics.

Along with the introduction of financial education in schools, it is important to increase the capacity of teachers and prepare the necessary resources for them. It is desirable that these activities take into account the involvement of not only students, but also parents.

The financial upbringing of the next generation includes the cooperation of the National Bank with other stakeholders, including the Ministry of Education and Science of Georgia, the private sector, teachers' and parents' associations, etc.

The objectives to be achieved within the framework of the priority area - **Delivery of financial education of the young generation and preparing them for future life** - are:

- Promoting the introduction of financial education topics in public schools;

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<sup>11</sup> [OECD council recommendation on financial literacy 2020](#)

<sup>12</sup> [Youth Financial Education in South East Europe, OECD/INFE 2021](#)

- Promoting the implementation of financial education in higher and vocational education institutions.

**Desired Outcome:** Young people have command of key financial issues, have developed sound financial habits and attitudes, and are able to make informed financial decisions in adulthood.

## **Priority Area #2: Encourage reasonable financial behaviour and promotion of savvy financial attitudes of the population**

A large part of the population in Georgia has the habit of budgeting and controlling family finances, however, most prefer to focus on short-term results - thinking that money is there to be spent and not save for long-term goals. In addition, only a very small part has the feeling of readiness for retirement age. Awareness of financial products among the population is high, however, their usage rate is average. Also, the share of informal services is high - in particular, the population of the country often turns to their relatives for loans, and a large part of savers keep their savings in cash at home. Financial stress is high - the majority of the population is not satisfied with their financial situation and thinks that finances control their lives.

In addition, there are still risk related to the consumer rights protection on the Georgian financial market, such as over-indebtedness, predatory lending practices, cross-selling of financial products, financial frauds related to digital transactions etc.

Financial education activities can be delivered to the general population, focusing on developing key financial education skills, including budgeting, increasing knowledge about simple and compound interest, risk and diversification; encouraging a culture of long-term planning and saving; managing savings and cash liabilities to reduce over-indebtedness and improve financial resilience.

Financial Education activities for general population can also focus on building consumer skills and confidence, to become more aware of their rights and responsibilities as a financial sector consumer, to navigate safely in the digital world, do comparison shopping, borrow responsibly and read financial agreements. Consumers should be aware of unethical practices on the market and know where to get impartial, necessary financial information or advice.

Financial education activities can also be delivered to specific groups, tailored to their needs and characteristics.

For this purpose, the main target groups of the strategy within the framework of the priority area - encouraging reasonable financial behaviours of the population and promoting the formation of attitudes - are:

- Adults;
- People living in rural areas;
- Women;

- Vulnerable groups (emigrants, elderly population);
- Micro, small and medium entrepreneurs.

## **Adults**

This target group includes both young (24-29) and middle-aged (30-59) population who are employed, self-employed or have some source of income and make up the country's economic wealth. It is true that this age group (30-59) has the highest results in terms of financial knowledge and behaviours, however, financial education activities in this target group can increase knowledge about the importance of long-term saving and retirement readiness, improve budgeting, as well as debt management skills, provide important information about the protection of their rights and financial security<sup>13</sup>.

## **People living in rural areas**

Population living in rural areas is one of the important demographic groups in Georgia, as it constitutes 40% of the total population<sup>14</sup>. Rural residents have lower knowledge and behavioural outcomes than urban residents, and their level of financial inclusion is lower. They are more vulnerable to financial shocks and mostly turn to family members and relatives for financial help.

## **Women**

In the component of financial knowledge, women have a lower score compared to men, however, despite this, their financial behaviour is similar, and in terms of attitudes, on the contrary, women have a better score than men. However, it is important to note that according to the results of the above-mentioned "PISA" study, girls showed better results than boys with regard to the overall level of financial literacy.

At the same time, the share of women outside the labor force<sup>15</sup> is on average 1.5 times higher than that of men, while the level of employment for women is lower than for men, and employed women earn less than men<sup>16</sup>, as a result, the risk that they will face financial difficulties is higher for women.

Financial education activities can contribute to raising women's self-confidence, better use of their financial and economic opportunities<sup>17</sup>.

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<sup>13</sup> [OECD/INFE 2022 Policy handbook on financial education in the workplace](#)

<sup>14</sup> [Geostat, 2022](#)

<sup>15</sup> According to the explanation given by National Statistics Office of Georgia, out of the labor force – a person aged 15 years or older who was not employed during the survey period (7 days before the survey), has not been looking for job in the past 4 weeks, or/and was not ready to start work in the next 2 weeks.

<sup>16</sup> [Geostat, 2022](#)

<sup>17</sup> [OECD/INFE 2013 Policy Guidance on Addressing Women's and Girls' Needs for Financial Awareness and Education](#)

Financial education activities can be focused, in particular, on improving women's financial knowledge, as well as being customized for the specific characteristics of this group and taking into account their needs.

### **Vulnerable groups (emigrants, elderly population)**

The population of older age (60-79) has the worst rate in terms of knowledge, behaviour and attitudes compared to the rest of the population. Improving knowledge and skills regarding financial products, money management, budgeting and short-term savings among both rural populations and vulnerable groups can help reduce their financial stress and over-indebtedness, increase their self-confidence, and raising awareness about financial products can contribute to increasing the financial inclusion of these groups. In addition, financial education activities can be focused on emigrants as well as their family members to improve their knowledge of exchange rate risks, the costs of different types of money transfer services, the importance of comparing them with each other, and financial safety rules associated with transfers. In addition, programs may focus on the savvy use of remittance funds, including investment and consideration of other alternatives.

### **Micro, small and medium entrepreneurs**

The development of small and medium enterprises is one of the priorities of the economic policy of the Government of Georgia<sup>18</sup>. One of the priority areas of the strategy for the development of small and medium entrepreneurship is the improvement of access to finance, which, among other needs, implies the financial education of entrepreneurs.

According to the financial literacy survey of the population, micro, small and medium business owners have higher results in terms of financial knowledge and behaviours than the rest of the population.

As for the study of financial literacy of MSMEs', according to the study conducted in 2021<sup>19</sup>, the score of Georgia is lower than the average score of the countries participating in the study. Research shows that the majority of entrepreneurs understand the essence of financial concepts correctly, however, only half have separate business and personal accounts and finances. Most entrepreneurs have long-term financial plans for their company, however, most report that they prefer to follow their intuition when managing a company rather than developing detailed financial plans. Georgian entrepreneurs have information about various financial products, however, they mainly use bank loans as source of financing.

According to the above mentioned research, financial literacy of business owners is associated with better business results as well as access to loans. Financial education activities can contribute to improving the knowledge, attitudes and behaviours of micro, small and medium business owners, which will help them make the right financial decisions for their business,

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<sup>18</sup> [SME Development Strategy of Georgia 2021-2025](#)

<sup>19</sup> [OECD/INFE 2021 Study of Micro, Small and Medium Entrepreneurs' Financial Education](#)



including planning business finances, selecting financial products, searching for sources of funding or dealing with financial institutions.

When planning and implementing financial education activities for both the general population and specific target groups, it is important to consider a variety of delivery channels and methods that will be tailored to the needs of a specific segment. These can include trainings, consultations at local community centers, training at the workplace, TV and radio programs, print media, brochures, videos, special websites and social networks, applications and games, awareness campaigns, competitions, etc. Providing financial education is also effective at moments in life when individuals are facing important financial decisions or/and transitioning to a new life stage, such as planning to study abroad, starting their first job, getting married, expecting a child, making an important purchase, retiring, etc.

The objectives to be achieved within the framework of the priority area 2 - **Encourage reasonable financial behaviour and promotion of savvy financial attitudes of the population, are:**

- Promoting financial education of the adults;
- Promoting financial education of the people living in rural areas;
- Promoting women's financial education;
- Promoting financial education of vulnerable groups (emigrants, elderly population);
- Promoting financial education of micro, small and medium entrepreneurs.

**The desired outcomes** within the given priority area are: A large part of the population can:

- Manage daily finances, including savings and liabilities;
- Make informed financial decisions regarding choosing of financial products, borrowing, investing and financial risks amongst others; understand their rights and responsibilities as of a financial sector user; seek impartial, necessary financial information;
- Make long-term plans, which includes financial readiness for life events, saving for long-term needs, and preparing for retirement.

### **Priority Area #3: Increasing the Use of Widely Available, Unbiased financial Information, Resources and Channels**

Development of widely available, unbiased financial education materials and resources, and the use of different and diverse delivery channels, is important for the dissemination of financial education. Financial education materials can be developed by the National Bank as well as by various stakeholders. In order to ensure the credibility and impartiality of relevant educational materials, it is important that they are aligned with the (a) objectives of the national financial education strategy, (b) the principles of compliance of financial education programs, activities

and resources with national financial education strategy<sup>20</sup> and (c) the financial literacy competencies framework<sup>21</sup>.

In order to reduce costs and increase the effectiveness of the use of financial education materials, it is important to eliminate duplications (creating materials of identical content and form or dedicating efforts of different stakeholders to the same target group) in order to distribute resources as optimally as possible to cover as many target groups/beneficiaries as possible. For this purpose, the materials created by any interested party should be freely used by other interested parties and distributed free of charge, with reference to the author/initiator of the materials. Mentioned is achievable by collecting financial education materials created by various stakeholders in a single space, to ensure that they are available for the broad population.

The web-portal of financial education created by the National Bank - "Finedu" ([www.finedu.gov.ge](http://www.finedu.gov.ge)) (hereinafter - "Finedu") is considered as one of the unified educational platforms, where the materials and resources prepared by National Bank and any stakeholder are gathered, which are free, public, easy to understand, and accessible to all.

In addition, "Finedu" can be considered as a remote way of providing financial education by any stakeholder, and as one of the opportunities for receiving financial education - for the population.

"Finedu", as a website, as well as its pages in social media, is considered as one of the sources for promoting financial education, communication with the public and raising their awareness.

In addition, financial education activities carried out by various stakeholders should focus on educating consumers on where to look for impartial, reliable financial information, materials or advice.

The tasks to be achieved within the framework of the priority area - **increase in the use of universally available, unbiased financial information, resources and channels** - are:

- Promotion of the development of financial education materials;
- Promotion of remote dissemination of financial education.

**Desired outcomes:**

- Financial education materials are easily understandable and accessible to everyone and the population actively uses them;
- Stakeholders are actively involved in the development and distribution of financial education materials, and the materials created by them are accessible and usable;

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<sup>20</sup> See strategy, p. 19 - principles of compliance of financial education programs, activities and resources with the national strategy

<sup>21</sup> [Core Competencies Frameworks on Financial Literacy](#)

- “Finedu” is perceived by users as a source of widely available, reliable and unbiased information and resources.

#### **Priority Area #4: Creating and Developing Mechanisms for Cooperation with Stakeholders**

For the purposes of broad dissemination of financial education, one of the priorities of the strategy is to create a flexible and practical mechanism for cooperation that will allow any stakeholder to engage in the implementation of financial education activities. Coordination and collaboration of the stakeholder is crucial to achieve synergies and deliver financial education more efficiently. Further, it is important to communicate to the public with coordinated, common messages, in order to avoid delivering conflicting information or creating confusion.

Independent or/and collaborative financial education activities initiated by stakeholders must respond to the strategy's mission and objectives and be set out by the strategy's annual action plan. When developing financial education activities, stakeholders should take into account the principles of compliance of financial education programs, activities and resources with the national strategy and financial literacy topics included in the strategy.

For the effective implementation of financial education activities, it is important to monitor and evaluate them. To this end, the party developing/implementing the financial education activity should have established monitoring and evaluation mechanisms, which will be transparent and accessible to the interested parties, and which will measure the extent to which the activity has achieved the predetermined goal.

In order to facilitate the effective implementation of the strategy, as well as to deepen the coordination and cooperation among the stakeholders, the strategy implies the operation of the Steering Committee of the Strategy, whose members will be those stakeholders who will participate in the development and implementation of the annual action plan of the strategy, with human, as well as financial and other necessary resources. This includes independently initiated or/and implemented activities as well as joint activities.

Additionally, guidelines/rules for implementing financial education programs can be developed to improve cooperation among stakeholders.

One of the directions of strengthening cooperation among stakeholders can be encouraging financial sector to deliver financial education, by improving financial literacy of their employees. Financial service providers could also carry out financial education activities for their customers, e.g by providing information when buying financial product or service: key terms, rules of use, safety rules etc. This information should be provided in a easy to understand and consumer friendly way.

The tasks to be achieved within the framework of the priority area - creation and development of cooperation mechanisms with stakeholders - are:

- Raising awareness of the benefits of financial education among stakeholders;
- Promotion of coordination between interested parties;
- Promotion of effective implementation of financial education activities;
- Encouraging financial sector on implementation of financial education activities.

**Desired Outcome:** Stakeholders understand the need for financial education and engage in the implementation of strategic action plans, resulting in widespread adoption of financial education activities.

## Financial Literacy Topics

In order to create an idea about the concept of financial education, the strategy defines a list of the main topics of financial education:

1. Mitigation of consumer risks: responsibly engaging with financial sector:
  - Consumer rights and responsibilities;
  - Responsible borrowing and loan management;
  - Research and comparing information about financial products;
  - Financial organizations and products;
  - Financial security, financial risks, defence measures against financial fraud;
2. Building Financial capability – Managing personal and family finances:
  - Personal and family budget planning and management;
  - Money and payments;
  - Savings and investment;
  - Insurance;
  - Preparing for retirement age;
3. Knowledge of general economic issues – considering economic issues when making financial decisions:
  - Considering the environmental and social impact when making financial decisions;
  - Currency risk;
  - Inflation;
  - Taxes;
4. Building financial capability of MSMEs
  - Relationship of micro, small and medium entrepreneurs with financial organizations;
  - Financial decision making of micro, small and medium entrepreneurs.

When developing the content of financial education activities, stakeholders should consider abovementioned key topics as well as the core competencies framework on financial literacy<sup>22</sup>, which is a list of core competencies that a financially literate person should possess and which addresses financial education issues in terms of knowledge, attitudes and behaviours.

## **Principles of Compliance of Financial Education Programs, Activities and Resources with the National Strategy**

When developing financial education activities, in addition to the content topics mentioned above, the stakeholders should take into account the following principles:

### **1. The program should consider key topics determined by the national strategy of financial education.**

The program, in general, should be in compliance with the national strategy of financial education, and include the priority areas, objectives and outcomes, as well as financial literacy topics defined by the strategy and other relevant local and international standards.

### **2. The program should be clearly presented and easy to use.**

Financial education programs should be prepared and presented to the members of the target group in a simple and understandable language and form. Complex financial issues should be communicated as easily as possible, and the structure of the program should facilitate the transfer of information easily/understandably. The program should use effective forms of communication adapted to the target groups.

### **3. The program must be tailored to the needs of the target segment.**

The financial education program, its content and delivery channel should take into account the needs, characteristics, life scenarios, challenges, interests and goals of the group or/and group members for which it is intended.

### **4. The program should have a specific vision of achieving positive changes and an evaluation plan<sup>23</sup>**

The authors of the financial education program should have an understanding of the program's logical model, namely, the resources and activities with which they intend to implement the program and the results and long-term goals that should be achieved with this program. They need to know how they are going to evaluate the results of the program. The program should ultimately focus on long-term change.

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<sup>22</sup> [Core Competencies Frameworks on Financial Literacy](#)

<sup>23</sup> [Guideline on Monitoring and Evaluating Financial Education Programs](#)

**5. The program should help people achieve their financial goals.**

A financial education program should help beneficiaries achieve their financial goals, which is one of the prerequisites for financial well-being and security. The program should create motivation and opportunity for the beneficiaries to use in practice and reflect the acquired knowledge in their behaviour.

**6. The program should use various channels and forms for exchanging information**

The financial education program should be proactively offered and widely accessible to the target group. The program should include activities that use different teaching styles and forms.

**7. The program must be free from marketing purposes.**

The financial education program should contain accurate, unbiased, timely and as comprehensive as possible, information. Its purpose should be to increase the financial education of the beneficiaries and not to advertise any product or/and service. Branding should be limited as much as possible, however, the brand may be referenced as the author or sponsor of the program.

## **Monitoring the Implementation of the Strategy and Evaluation of the Results**

The National Bank will monitor the implementation of the strategy and evaluate its results. The progress of strategy implementation will be monitored by reviewing and evaluating annual action plans. The strategy can be evaluated through financial literacy surveys conducted both at the level of the entire population and at the level of individual target groups. When evaluating the strategy, it is also important to evaluate individual financial education activities<sup>24</sup>, which should be provided by the interested party directly implementing the activities.

The financial literacy study of the population of Georgia was conducted in 2016 and 2019 based on the methodology of "OECD/INFE". It is advisable to conduct such research once every 5-7 years. In the future, the National Bank, in cooperation with stakeholders, will ensure the implementation of the study of the level of financial literacy of the population throughout the country.

As for the assessment of particular financial education activities, it is possible to be carried out through so-called "pre" and "post" questionnaires, which will focus on the assessment of the knowledge, attitudes and behaviour of the beneficiaries, it is also possible to use control groups, the results of which will be compared with the results of the group receiving financial education. In addition, the opinion poll of the beneficiaries and the direct implementers of the activity and the analysis of the received feedback, etc., may be used for evaluation. Activities such as, for example, the dissemination of financial education through websites and social networks, can

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<sup>24</sup> [Guideline on Monitoring and Evaluating Financial Education Programs](#)

be measured by statistical information, for example, the number of visitors, subscribers, number of video views, reach and engagement of posts, etc.

For effective monitoring and evaluation, an appropriate target group should be defined for each activity. The activity should have clear, measurable and time-bound goals, as well as result to be achieved in short-term and long-term period. Quantitative as well as qualitative criteria can be used. Considering relevant capacity, financial and other kind of resource needed for implementing the activity, should be determined.

Based on the mechanisms developed for evaluation and measurement, it will be assessed whether the mentioned activity has achieved the set goals.

## Strategy Action Plan Model

The Strategy Action Plan Model is built according to the priority areas and objectives of the strategy. The mission and implementation of the strategy will be carried out through annual detailed action plans, which will be based on the given model and which will define and describe the financial education activities to be carried out for the implementation of the strategy and the resources and deadlines necessary for their implementation, as well as the stakeholders involved in the implementation of the strategy. The action plan will be a flexible document that will be updated as needed.

### Priority area #1: Delivery of Financial Education of the Younger Generation and Preparing Them for Future Life

Objective 1: supporting implementation of financial education at schools						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
Activity 1.1.						
...	...	...	...	...	...	...
Objective 2: supporting implementation of financial education at higher and vocational institutions						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
Activity 2.1.						
...	...	...	...	...	...	...

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**Priority area #2: Encourage reasonable financial behaviour and promotion of savvy financial attitudes of the population**

<b>Objective 1: Promoting financial education of the adults</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 1.1.</b>						
...	...	...	...	...	...	...
<b>Objective 2: Promoting of financial education of the people living in rural areas</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 2.1.</b>						
...	...	...	...	...	...	...
<b>Objective 3: Promoting of women's financial education</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 3.1.</b>						
...	...	...	...	...	...	...
<b>Objective 4: Promoting of financial education of vulnerable groups (immigrants, elderly population)</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 4.1.</b>						



...	...	...	...	...	...	...
<b>Objective 5: Promoting of financial education of micro, small and medium entrepreneurs</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 5.1.</b>						
...	...	...	...	...	...	...

**Priority Area #3: Increasing the Use of Widely Available, Unbiased Financial Information, Resources and Channels**

<b>Objective 1: Promotion of the development of financial education materials;</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 1.1.</b>						
...	...	...	...	...	...	...
<b>Objective 2: Promotion of remote financial education.</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 2.1.</b>						
...	...	...	...	...	...	...

**Priority area #4: Creating and Developing Mechanisms for Cooperation with Stakeholders**

<b>Objective 1: Raising awareness of the benefits of financial education among stakeholders;</b>						
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Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 1.1.</b>						
...	...	...	...	...	...	...
<b>Objective 2: Promotion of coordination between interested parties</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 2.1.</b>						
...	...	...	...	...	...	...
<b>Objective 3: Promotion of effective implementation of financial education activities</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 3.1.</b>						
...	...	...	...	...	...	...
<b>Objective 4: Encouraging financial sector on implementation of financial education activities.</b>						
Act (or activity) to be carried out	Performance indicator	Organization responsible	Partner organization	Deadline for carrying out	Funding source	Budget (amount)
<b>Activity 4.1.</b>						
...	...	...	...	...	...	...

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