

Financial Literacy and Its Impact on Czech Population

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Abstract

In recent years, developed and emerging countries and economies have become increasingly concerned about the level of financial literacy of their citizens. This paper was focused on the level of financial literacy among the young and working Czech population between 18 and 33 years of age. This group of people was specifically chosen because of the importance of knowing the level of financial literacy of this generation, as it is starting life, along with all of its difficulties, and out of which will arise the next generation. The results can be used at the Ministry of Education, Youth and Sports as the base for the evaluation of the level of financial education of this generation and for the possible adaptation of the Strategy. This survey was conducted at the Universities in České Budějovice, with the aid of a questionnaire and was statistically evaluated. From the result of it follows big area for the educational process in the raising of young people.

Keywords: Financial literacy; Impact; Czech population; Financial education; Financial stability

Introduction

In recent years, developed and emerging countries and economies have become increasingly concerned about the level of financial literacy of their citizens. This has stemmed in particular from shrinking public and private support systems, shifting demographic profiles including the ageing of the population, and wide-ranging developments in the financial marketplace. Concern was also heightened by the financial crisis, with the recognition that lack of financial literacy was one of the factors contributing to ill-informed financial decisions and that these decisions could, in turn, have tremendous negative spill-over effects [1]. As a result, financial literacy is now globally acknowledged as an important element of economic and financial stability and development.

There are lot of changes after the introduction of lot of new financial products [2]. The securitisation of debts came to be the financial instruments for anybody, there are lot of difficult and exotic financial instruments in the market [3]. But individuals are increasingly in charge of securing their own financial well-being mostly after retirement. With the shift from defined benefit to defined contribution pensions, today's workers have to decide both how much to save and how to allocate their retirement wealth. Financial markets have become more complex and individuals are faced with a proliferation of new investment products, many of which are new and often fairly complex. Investment opportunities have expanded beyond national borders, permitting individuals to invest in a broad range of assets and currencies. However, as the financial crisis has made it clear, it is very hard to navigate this new financial system and the consequences of mistakes can be devastating. But how well equipped are individuals to make financial decisions, and how much do individuals know about economics and finance [4] emphasizes that for the first time in the world history more people live in urban areas than in rural areas. As a result, financial system connected with housing becomes more and more important part of the whole economy. Housing loans will increase, because urban expansion intensifies. This cannot be covered by government expenditures solely. On the other hand, we can notice that the traditional role of a bank as a lending institution declines. Household savings are not invested in banking deposits because of the offered profit (rate).

Sørensen [5] have found a slight evidence that smaller concentration

in banking sector might lead to lower mortgage rates. They research is based on the Eurozone countries. Calza [6] have found that the features of residential mortgage markets differ significantly across industrialized countries. Moreover, the transmission of monetary policy shocks to residential investment and house prices is stronger in countries with more flexible and developed mortgage markets.

Favara et al. [7] have found that branch banking deregulation can lead to increase in house prices, due to increase in mortgages. They have researched house prices in the U.S. between 1994 and 2005. The bank branching deregulation was measured by methods of Rice et al. [8]. Bergstresser [9] has analyzed the period between 1980 and 1994 in the U.S. It has been found that the increase in bank concentration reduced the flow of bank capital to construction and land development loans. Iacoviello [10] has found significant impact of tight monetary policy on decrease of real house prices in France, Germany, Italy, Spain, Sweden and UK for the periods covering late 1970s till 1998.

The debate on links of housing and macroeconomics dates back to Fischer [11] and his debt deflation theory. Residential capital stock plays an important role in the economy, housing expenses constitute an important part of household expenditures, etc. [12-14]. Relationship of macroeconomics and housing market has been extensively studied for developed countries [15-18].

Aside from the "crisis effect", a series of tangible trends underpin the rising global interest in financial literacy as a key life skill. These can be summarised as follows: risks shift, individual responsibility, increased supply and demand of a wide range of financial products and services [19]. There are lot of risks associated with longevity, credits, financial markets, and out-of-pocket healthcare. The number of financial decisions that individuals have to make is increasing as a consequence of changes in the market and the economy. And new problem is coming in the society - consumers must confront

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complicated financial decisions at a young age in today's demanding financial environment, and financial mistakes made early in life can be costly.

In the USA the financial situation of today's youth is characterized increasingly by high levels of debt. Between 1997 and 2007, average undergraduate student loan debt rose from \$9,250 to \$19,200 - 58% increase after accounting for inflation; average debt for college students graduating with loans rose 6% in just one year between 2006 and 2007, from \$18,976 to \$20,098. In addition, median credit card debt among college students grew from \$946 in 2004 to \$1,645 in 2009 (both figures in 2004 dollars), a 74% increase family's education was strongly associated with financial literacy, especially if youth's parents graduated from college. Each of the proxies for family wealth and family financial sophistication also was associated with financial literacy [20].

Even with little personal knowledge, individuals can avoid making financial mistakes by consulting with more knowledgeable individuals, including financial professionals. It is not enough to recognise that financial knowledge is low; we must also understand whether financial literacy matters in decision-making. Addressing this question is particularly difficult because financial literacy is not distributed randomly in the population: those who possess high levels of literacy are likely to possess characteristics, such as high talents and ability, or patience, which are also correlated with financial decision-making. Moreover, individuals may choose to invest in gaining financial knowledge; thus financial literacy can itself be a choice variable and it may be those who have high wealth, rich pensions, or investments in financial markets who care more about improving their financial knowledge. By Grifoni et al. [21,22] countries implemented their National Strategy on Financial Education.

The Situation in the Czech Republic

The Czech banking sector is under great evolution since 1989. Not only globalisation processes intensified, but also a transition in economy had started. Some of banks was privatised, after Czech banking crises plays here and now the most important role foreign capital.

Lacic [22] argues that bank concentration leads to various pathological situations: abusing credit system, mechanism of interest rate, derivative market, etc. High banking concentration leads towards monopoly. Moreover, in practice there is no real control over such huge institution by the official authorities. Big banks, knowing that they are "too big to fail", can take too high risk.

Nowadays is the situation changing evrywhere. The financial crisis after 2008 and following economic crisis leader banks decreased price of money. People in the changing society wanted to reach as soon as possible the level of west-european countries in the life style and the situation leader from the conservative behaviour of the Czech citizens to the general mention – it is better to have loans, than to save money. This general idea was assigned by lot of economic experts in the Czech media. As the last one was the governor of the Czech National Bank Mr. Singer at Monday 17th of February 2013. This mention leads to the situation of loans in the Czech Republic.

The red line describes the consumption debt, the blue one mortgages and the green line shows the rest of debt of households. From this chart is clear, that people in the Czech Republic in the last years found as the best investment the mortgage – the level of finance borrowed from bank sis growing from year to year. In the beginning of 2014 the level is nearly 1 billion of CZK. The total of loans for Czech citizen is now about 2,6 billions of CZK. This result can be seen as good, because

mortgages are the best loan from point of any financial specialist. The level of mortgages is all the time growing without any respect to crisis or recession. All other loans are stagnated after the crisis.

The specific nature of Czech society in the area of financial literacy is strictly correlated with the socio-economic changes that have occurred since 1989. It was the development of the free-market economy that forced the government and financial institutions to increase their interest in financial literacy. The other historical event having a significant impact on financial literacy was Czech entry to the European Union and, connected with that, the necessity of ratifying certain acts. There are too much new products in the financial markets and – unfortunately – the moral of new based companies in this field is not the best.

The author should to say, time is changing and the behaviour of people and their professional skills too. There are a poor legislation, aggressive advertising and behaviour, small professionalism, fraud on one side and debts and problems on the other. Decline of morality can be seen anywhere – in banks in case of their mistakes nobody wants to accept the responsibility. Staff lies to client. The author have many cases in her neighbourhood such this - after client's order his partner does not receive any payment and complain it to him. This client can wait months and months, without any apology, with the explanation mistake is on other side, we (a bank) are perfect.

Insurance agent will describe to his client a product in pink colour, but he forgets to say some basic information or is signed the agreement with most important part for client (such how to terminate your agreement) in so small font, he is not able to note it.

In the stock and bonds market is common do not say to clients right results of the company or fund or the staff forgets to remind, that the result and expected profit is necessary to decreased for duties, inflation, cost of funds [23].

The Czech past system of education was not enough, but it is changing nowadays, slowly, but it starts to work. There is a new Strategy of Ministry of Education, Youth and Sport, support from the central bank and Ministry of Finance and finally starts work of special department on the Ministry of the Interior.

One generation deducated between 90 and first decade of 3rd century is not educated enough. To help to this people the author works also in some non profit organisation and as expert at Ministry of Labour and Social Affairs. Of course, the autor should to point out her mention – it is possible to help only such people, which wants to know and co-operate. There are many people, which do not want it.

In the education and protection of the Czech citizens the crucial role in shaping financial literacy should be played by the National Bank of the Czech Republic and realised in co-operation with the public and private sector through government and self-government institutions, professional and customer communities as well as infrastructure institutions of the financial market. In financial education it is necessary to co-ordinate activities, to set objectives, educational standards, to encourage non-government organizations to participate in a program of raising the financial literacy of Czech citizens, partially supported with public funds. Focus on this aim is paid by media too.

In the Czech Republic and associated countries in the Eastern part of the Europe have parents of children and youth different experiences and education comparing to new rules and products, too much news in the markets is coming. Parents are fully oriented to their job and don't have enough time to raise enough their children. The role of financial

education is going over to school and other state institution. 4 ministries are involved now – Ministry of Education, Finance, Labour and Justice. This is attested to by the dynamic growth of property seizures to over 300 thousand annually – naturally, some of these were attributed to the development of legislation and the solution of comparatively insignificant liabilities arising from various fines; nevertheless, the amount of resources in seizure rulings is gradually increasing [24]. In 2012 it was each tenths citizen of the Czech Republic. Similarly, the amount of registered loan agreements is dynamically increasing in general and we should take into consideration the fact that more than 150 thousand families currently have serious difficulty fulfilling their obligations [25].

Financial Education in the Czech Republic

In the Czech Republic, The Ministry of Finance has started to discuss financial education within the care of consumer protection in the financial market. Based on the recommendations of the publication *Improving Financial Literacy* a document *Strategie finančního vzdělávání* (Strategy of Financial Education) was published as well as its updated version *Národní strategie finančního vzdělávání* (National Strategy of Financial Education) [26]. The aim of the strategy, which is presented in this document, is an integrated system of financial education, which would help increasing the level of financial literacy in the Czech Republic. The proposed action is based on two pillars - initial education (preschool, primary, secondary and higher education) and further education (educational activities focused on the adult population that are not within the initial training). This chapter should focus on initial education. The document *Strategie finančního vzdělávání* was followed by a document *Systém budování finanční gramotnosti na základních a středních školách*. The System of Creating Financial Literacy in Primary and Secondary Schools [27] created together by the Czech Ministry of Finance (MF), the Ministry of Education, Youth and Sport (MŠMT) and the Ministry of Industry and Trade (MPO) on behalf of the Government of the Czech Republic. This document defined the standards for financial literacy for three different target groups:

- Standard financial literacy for the first stage of primary schools (age 6 - 10).
- Standard financial literacy for the second stage of primary schools (age 11 - 15).
- Standard financial literacy for secondary schools (age 16-19) - corresponding to the standard of an adult person.

Standards for those target groups include the following areas: *Money, Management of household and Financial products*. The standard of financial literacy for secondary education also includes the topic of *Consumer rights*.

Standard of financial literacy for the first stage of primary schools

Money

Content: cash and non-cash forms of money, methods of payment, a bank as a money manager.

Outputs: a student uses money in common situations estimates and checks the purchase price and the charge.

Household management

Content: Budget, income and household expenses, eligibility to

make a claim.

Outputs: a student can say with examples why it is not possible to implement all wanted spending.

Financial products

Content: savings, loans.

Outputs: A student can explain why to save money when to borrow and how to return debts.

Standard of financial literacy for the second stage of primary schools

Money

Content: Money management, production rates, inflation.

Outputs: A student can show with examples the appropriate use of various instruments of cash and cashless payment. Also, they can show the formation of prices as the sum of the cost, profit and value added tax (VAT). A student can explain the influence supply and demand on the formation of prices and their changes, and describe the impact of inflation on the value of money.

Household management

Content: Household budget, budget types and their differences.

Outputs: A student can draft a simple household budget with the most important income and expenses, distinguishing between regular and one-off income and expenses and consider the necessity of individual expenditures. Furthermore a student can illustrate the principle of a balanced, deficit and surplus, and explains how to defend themselves in case of violation of consumer rights.

Financial products

Content: Services of banks. Active and passive operations, financial market products for investment and to obtain funds, insurance, interest.

Outputs: A student can give examples of the use of debit and credit cards. They can explain their limitations. Furthermore a student can define and compare the most common ways of dealing with free resources (consumption, savings, investment), and the most common ways to cover the deficit (loans, hire purchase, leasing), explain the significance of interest paid and received and indicate the most common types of insurance, and suggest how to use them.

Standard financial literacy for secondary schools

Money

Content: Payment in national and foreign currency, pricing, inflation.

Outputs: A student uses the most common payment instruments. They are able to exchange money using the exchange rate; they can determine the price as the sum of the cost, profit and value added tax (VAT). Additionally, students can explain how the price varies by customer, location, season, etc. Recognize common price tricks (excluding VAT ...) and misleading offers. They can explain the nature of inflation and its impact on the incomes of the population, deposits, loans and long-term financial planning. They provide examples of how to struggle with the consequences of inflation.

Household management

Content: Household budget

Outputs: A student can distinguish between regular and irregular income and expenditure and on the basis of this resolution they can define the household budget. A student suggests how to solve the budget deficit and how to deal with the budget in surplus household.

Financial products

Content: Surplus funds. Lack of funds. Insurance.

Outputs: A student will propose utilizing of available financial resources (savings products with state contributions, securities, real estate...). They can choose the best product for the investment of available funds and explain why. They can select the best loan product based on their needs and justify the choice. They can judge the ways of securing a loan and explain how to avoid over-indebtedness. They can explain methods for determining interest rates and the difference between the interest rate and annual percentage rate (APR). They can select the best insurance product with regard to their needs.

Consumer rights

Content: Consumer protection law. Content of contracts.

Outputs: A student can explain with examples how to apply the rights of the consumer (when purchasing goods and services, including financial market products). They can show the possible consequences of ignorance of the contract including the general conditions.

All of these standards of financial literacy have been implemented into the curricula documents of Czech educational system, which are the framework educational programs for different levels and types of schools (FEP). Full integration into the FEP for grammar schools and secondary vocational schools was implemented during 2008 and 2009. The standards were implemented into educational areas “*Man and the World of Work*” and “*Mathematics and its Applications*”.

The area of “*Man and the World of Work*” defines knowledge and skills related to the management of funds, the market economy, the national economy and the role of the state in the economy, that students of grammar schools and secondary vocational schools have to gain. The area of “*Mathematics and its Applications*” provides the necessary mathematical tools that allow students to understand the rules of the functioning of financial relations and analysis products offered. Implementation in the framework educational programs with financial standards become mandatory for all schools of the corresponding type and must be properly transferred to their school curricula [28].

For more information about integrating into the FEP for grammar schools and secondary vocational schools see Dvorakova et al. [28].

The standards of financial literacy were implemented into the FEP for primary education in January 2013. From September 2013, the schools are obliged to implement them into school curricula. The standards were included in the FEP for the first stage of primary school in the area of “*Man and His World*” and into the area of “*Man and Society*” for the second stage of primary education.

The educational content in the area of “*Man and His World*” is divided into five programmes. One of them is “*The people around us.*” In this circuit the students, get acquainted with the fundamental rights and duties and the world of finance. One of the goals of “*People around us*” is to lead the student to understand problems of money and prices and responsible managing personal budget. The educational area of “*Man and His World*” is directly connected to the area of “*Man*

and Society”, which should contribute to the development of financial literacy and master the rules of behaviour in normal situations and at risk. Financial literacy standards were implemented in one of the programmes of this area, “*Citizenship Education*”.

One of the targets of the educational area of ‘People and society’ is education aimed at forming and developing key competencies by guiding students to understand problems of money and prices, and responsible administration of personal (family) budget with a view to changing life situations.

It is obvious that financial literacy is related to mathematical literacy. If an individual does not have some degree of knowledge of basic numeracy (mathematical literacy) and they cannot compete in the financial world. Huston states that if an individual struggles with arithmetic skills, it will certainly have a negative impact on its financial literacy. The educational area of “*Mathematics and its Applications*”, in connection with financial literacy, helps students to deal with difficult situations and tasks from everyday life, to understand and analyze problems, to sort data and conditions, draw sketches of situations, solve optimization problems.

The outputs and issues of the programmes related to financial literacy are discussed below.

a. Man and His World/ People around us, first stage of primary education

Outputs: A student is familiar with the basic forms of ownership. They use money in everyday situations, estimate and check the price of purchase and charge, they can show the impossibility of the realization of wanted expenses, explain why to save money when to borrow and how to return debts.

Curriculum: Law and Justice - the legal protection of citizens, including the right to complain. Ownership - private, public, private, joint; tangible and intangible assets. Budget, income and household expenses; cash and non-cash form of money, payment methods; Bank as money manager, savings, loans.

b. Man and Society/ Citizenship education / People, State and Economy, second stage of primary education

Outputs: A student can

- distinguish between different forms of property, including intellectual property, and methods of their protection,
- draft a simple household budget, provide the main income and expenditure, distinguishing regular and one-off income and expenses, consider the necessity of individual expenditures in household management, illustrate the principle of a balanced, deficit and surplus household; comply with the principles of economy and avoid risks in money management.
- show with examples appropriate use of various instruments of cash and non-cash payment, give examples of the use of a debit and credit card, explaining their limitations.
- explain the role of banks and the services they provide, explain the significance of interest paid and received, list the most common types of insurance, and suggest when to use them.
- state and compare the most common ways of dealing with free resources and ways to cover the deficit.
- explain the fundamental function of the market with an example of

the behaviour of buyers and sellers, illustrate the influence of supply and demand on the formation of prices and their changes, the formation of prices as the sum of costs, profits and VAT, describe the impact of inflation on the value of money.

- distinguish the sources of state revenues and areas of state expenditures, provide examples of allowances and benefits for citizens from the state budget.
- distinguish between the roles of production, trade and services, provide examples of their cooperation.

Curriculum:

- property ownership - ownership forms; material and intellectual property and its protection; money management, property and various forms of ownership.
- money - functions and forms of money, methods of payment.
- economy - household budget, savings, investments, loans, hire purchase, leasing; national budget, budget types and their differences; the importance of taxes.
- banks and their services - the active and passive operations, interest, insurance, financial market products for investment and fundraising.
- production, trade, services - their function and continuity.
- the principles of the market economy - supply, demand, market; creating price inflation; the essence of the functioning of the market; the most common legal forms of business.

c. Man and Society/ Citizenship education / People, State and law, second stage of primary education

Outputs: A student can reasonably assert their rights, including the right of a consumer. They can perform simple legal procedures and understand their implications, give examples of agreements regulating civil relations - personal transport; purchase, repair or hire.

Curriculum: Right in everyday life - the importance of legal relations; important legal relationships and obligations arising there from; basic consumer rights; contact with authorities.

As discussed above, there is a relation between content and financial and mathematical literacy.

Important parts of the area of “*Mathematics and its Applications*” from the FEP for primary education related to dealing with financial problems are cited below.

d. Mathematics and its Applications / Dependence, relations and work with, first stage of primary education

Outputs: A student can describe the simple dependencies from daily life, complete tables, and diagrams. He can search for the data, collect and sort them, read and compose simple tables and diagrams.

Curriculum: dependencies and their properties, charts, graphs, tables.

e. Mathematics and its Applications / Nonstandard application tasks and problems, first stage of primary education

Outputs: A student can solve simple word problems and practical problems; their solution is largely independent of the normal procedures and algorithms of school mathematics.

Curriculum: Word problems, numerical and image series.

f. Mathematics and its Applications / Number and variable, second stage of primary education

Outputs: A student can solve applied problems using percentage (even if the percent is greater than the whole). They can apply mathematical form to simple real situations using variables; formulate and solve real-life situations using equations. They can analyze and solve simple problems and specific model situations using mathematical tools.

Curriculum: Ratio - scale, proportion, rule of three. Percent - percent, per mille; basis of the percentages, percentage; simple interest. Expression - numeric expression and its value; variables, expressions with variables, polynomials. Equations - linear equations.

g. Mathematics and its Applications / Dependence, relations and work with data, second stage of primary education

Outputs: A student can seek, evaluate and process data. They can compare data sets. They can determine direct or indirect correlation. They can express functional relationship using tables, equations, graphs. They can apply mathematical form to simple real situations using functional relations.

Curriculum: dependencies and data - examples of dependencies from everyday life and their properties, drawings, diagrams, charts, graphs, tables. Function - direct and indirect correlation, linear function.

h. Mathematics and its Applications / Nonstandard application tasks and problems, second stage of primary education

Outputs: A student can use logical consideration and combinatory logic to solve tasks and problems and find different solutions to presented or analyzed situations. They can apply and combine knowledge and skills from various thematic and educational areas.

Curriculum: Logical and unusual tasks.

Problem Formulation

There has been a lot of debate about the definition of financial literacy and many definitions are accepted.

The OECD (INFE) has defined financial literacy as follows: a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Because of the situation that financial literacy is increasingly considered to be an essential life skill, the focus of OECD is from 2005, when the *OECD Recommendation* advised that “financial education should start at school. People should be educated about financial matters as early as possible in their lives”.

There are lot of activities targeted to the search and evaluation of the level of financial literacy by youth.

By PISA [19] is financial literacy composed from 2 components:

1. *Literacy* is viewed as an expanding set of knowledge, skills and strategies that individuals build on throughout life, rather than as a fixed quantity, a line to be crossed, with illiteracy on one side and literacy on the other. Literacy involves more than the reproduction of accumulated knowledge, although measuring prior financial knowledge will be an important element in the assessment. It involves

also a mobilisation of cognitive and practical skills, and other resources such as attitudes, motivation and values.

2. *Knowledge and understanding of financial concepts* can be assumed that they (youth) have some awareness of the financial environment that they and their families inhabit. All of them are likely to have been shopping to buy household goods or personal items; some will have taken part in family discussions about money and whether what is wanted is actually needed; and a sizeable proportion of them will have already begun earning and saving. Some students already have experience of financial products through a bank account or a mobile phone contract. A grasp of concepts such as interest, inflation, and value for money are soon going to be, if they are not already, important for their financial well-being.

A.M. Lusardi [20] says, that the main point she wants to have in the definition is the explanation what is “good” behavior or, optimal behavior, which depends on a lot of factors, making it very hard to come up with a set of behavioral guidelines that are applicable to everyone. The other part is financial knowledge and skills.

One of the most successful countries with regards to financial literacy, i.e., New Zealand, has the “Commission for Financial Literacy and Retirement Income.” The OECD as well, which has been a pioneer in this field, is all about financial literacy and financial education programs.

The Czech Republic brings financial literacy into being of our life in 2008 in the Standards (Ministry, 2007) of Ministry of Education, Youths and Sports. There is stated, that financial literacy is a set of knowledge, skills and behaviour of citizen needed to financial ensuring its family and to its active role in the financial market. One should be oriented in the problems connected with money, prices and be able to manage home households including managing of financial assets and credit and loans with regards to changeable conditions. Financial literacy is composed from three components – currency, prices and budget of home.

Methodology

Research was based on a survey of 329 secondary school students, in five different high schools, and 329 university students, from 4 different faculties of the University of South Bohemia in Ceske Budejovice by means of a questionnaire. Statistical methods were used for its evaluation. The questionnaire contained some shortened versions of questions used by the Ministry of Finance of the Czech Republic. Furthermore, respondents were questioned about their sources of information regarding managing money. Their “knowledge” was assessed according to their answers to the questions.

Results were evaluated by the method used in CANOCO Reference Manual and Cano Draw for Windows User’s Guide: Software for Canonical Community Ordination (version 4.5). Microcomputer Power, Ithaca, New York.

The calculation was made by the CANOCO program for Windows, STATISTICA and StatSoft, Inc. STATISTICA (data analysis software system), version 9.1.

Data were collected in the period 2013 – 2014 in five high schools and four different universities (University of South Bohemia in Ceske Budejovice) - each with a different area of study - in the Czech Republic town of Ceske Budejovice. The participants were selected by way of random choice by agreements with the management of schools and teachers of financial subjects.

Results and Summary

329 high school students and 329 college students from the University of South Bohemia in České Budějovice, the Czech Republic, participated in the survey. It is interesting to note that the relationship between knowledge and the extent of interest in financial education is not as great as expected. The biggest differences are seen in the responses regarding knowledge of the household budget, whereby the lowest levels of knowledge were found in high school students who were without a strong economic education.

Criteria for choosing a bank – There are very comparable answers between the two types of schools with the exception of electronic banking. Students from University chose this more often, probably because of the easier availability of personal computers (PC’s) for them. For University students, it is a more practical option. They often have their own bank account and manage their own money themselves. Both groups are focused on the cost of an account, such as fees, and credibility of the bank. The focus on fees is a positive trend as is, also, credibility. This is probably due to how they were raised by their families, as they may recall the bankruptcies of many Czech banks in the 1990’s.

Criteria for choosing a credit line – There is a clear focus on cost once again. If we summarize the three answers focused on cost, there is a ratio between High School students and University students of 75:86. The higher level of education is probably the reason for the disproportion in answer to the question about knowledge of APRC, which is 21:56. In the comparison of the results of the Ministry of Finance there is a disproportion of 75:86 (students):58. This can be perceived as evidence of the impact of higher student education.

Household budget – A better level of knowledge is displayed by University students, since 82% answered positively. University students are older and can also have their own bank account (according to Czech law) and very often they have a part-time job or help their family to pay for their education and better themselves, so they would be more familiar with managing money and budgeting. In the comparison with the results of the Ministry of Finance there is disproportion of 82:75 (students):37. This would seem to indicate strong evidence for the impact of higher student education.

Before signing of the agreement – In both groups of respondents there are some unexpected answers since the ratio is 9:11. There were no University students who answered “I do not know”. In the current situation in the Czech Republic, it is strongly recommended to read very carefully the full agreement because of the decreased level of professional and moral behaviour of financial institution employees. Again, there is a better level of knowledge by the University students.

Penalties if loan is not paid - The ratio 85:96 tells us again that the level of education has an impact on the thinking and knowledge of students and that educational level is an area of focus.

Insolvency (default) - The highest awareness is, again, students with higher education levels. However, there are warning signs from the answers of high school students. For example, 19% do not know what they should do in the event of insolvency. In this situation, they are vulnerable to credit traps. This group is the most susceptible to credit and financial problems because they are of the generation who may not have a good example from their parents and did not get proper financial education from their school. In the comparison with the results of the Ministry of Finance there is a disproportion in the answer “- I inform the creditors and try to close an agreement” 76:91

(students):51. This can, again, suggest further evidence of the impact of higher student education.

The first two coordinating axes explain 23.5% of the variability (the first one 15.4%). Triangular points express the active variable (economic behaviour of respondents) and the passive variables (sex and education of respondents). The image was somewhat scaled down and the position of three points lying outside of the viewable area is not shown but only described. It is possible to explain most of the variability by the level of financial literacy – by the knowledge or ignorance of some financial terms and the results of financial behaviour. In the left side there are the answers which tend towards the meaning more “literate” (e.g. 5a, 6a, 6b, 7a, 8a), and on the right side more “illiterate” (5b, 6d, 7c, 8b). Literate respondents had mostly the same answers; whereas, those on the illiterate side had answers that were different and variable. Answers with a low or very low level of financial literacy (7c, 7d, 8b) are in an upper part of the described area; while answers of hesitant respondents or those uncertain in the matters of finance (5b, 7b, 8d) are at the bottom. Sex and education were not taken into account in the diagram because of no relation to the result.

The further researches are necessary to find the answers to the question if this situation could be caused by not enough (time, quality) education or if it could be caused by the quality of educational process too – for example there are not enough training and practical samples in the Czech educational system.

Some differences discovered on the age can be caused by own experiences of students in financial markets. Czech students start their independent life later and later as shows data collected by the Czech Statistical office, nowadays in 25, 6 year.

Conclusion

In the current world of economic development, the issue of financial literacy is being discussed and scrutinized more frequently. It is undeniable that an increasing number of countries choose to deal with financial literacy need on their populations through the design and implementation of tailored, articulated and coordinated National Strategies for Financial Education. This happens both in advanced and emerging economies across different financial systems and in response to specific national needs and contexts.

This paper was focused on the level of financial literacy among the young and working Czech population between 18 and 33 years of age. This group of people was specifically chosen because of the importance of knowing the level of financial literacy of this generation, as it is starting life, along with all of its difficulties, and out of which will arise the next generation. The results can be used at the Ministry of Education, Youth and Sports as the base for the evaluation of the level of financial education of this generation and for the possible adaptation of the Strategy. This survey was conducted at the Universities in České Budějovice, with the aid of a questionnaire and was statistically evaluated. From the result of it follows big area for the educational process in the raising of young people.

What is surprising is only the difference in time doing of the household budget and answers of very and not so much young students (age difference). What is more matter of the education and care home, in the family, than at the school. Education, gender and even taking a financial course did not have a significant effect on respondents behaviour in this survey.

It can be assumed that family experience and parental guidance

are the most frequent sources of information on how to manage and handle the finance. The correct model of financial behaviour, which includes discussion of the household budget and the preparation of financial strategies for a family by all its members, is very useful. In this situation can be big help on side of media, not only at schools.

There is big space for some changes in legislation and transformation of banks and non-banking institutions on the way to the transparent financial markets and changes in the moral obligations of start in any bank or fund or other financial enterprise – or official, or in the shadow. It will not be easy work for any government, any central bank and Basel Committee [29,30]. It looks, that economic and financial crisis meets the crisis of morality. The situation causes the need to teach and raise new generation by more sophisticated methods and more practically. It is necessary to give a lectures on practical topics, in the connection with practice and not only on the theory about function of something.

It is necessary to say to students how to avoid problems, what is necessary to know before the signing of any agreement. Where are people able to help them in some situation. What to do in the case of debts if I am unemployed person. To know rights in such situation.

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