

THE CURRENT STATE OF FINANCIAL LITERACY AMONG GRADUATING STUDENTS IN CONNECTION WITH THE EFFECTS OF CRISES

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Abstract

Recently, society has been seriously affected by global crises. These facts also affected students in the final years of high schools and universities. The paper presents the state of knowledge in the field of financial literacy in the research sample with a specific focus on personal bankruptcy and the amount of pension. The survey took place in Slovakia in 2022-2023 and presents statistically relevant results. The conclusions confirm serious deficiencies in the scope of knowledge of financial literacy and in the decision-making process associated with critical thinking. The reason for researching and writing the article is to identify a possible path for education in the area of financial literacy and critical thinking for students entering the labor market and making serious decisions about their future quality of life. One of the suggested features is the development of an application for education in the field of pensions and similar bankruptcy. It should consider competences in the decision-making process in the area of financial literacy.

Keywords: *Financial literacy, education, critical thinking, quality of life, IT resources.*

1. Introduction

Curricular reform is underway in Slovakia, which is intended to improve the quality of results in the field of education, especially by developing the competencies of graduates of educational cycles. This reform is taking place simultaneously with a change in the quality of education at universities. That is, graduates of secondary education and higher education are focused on improving personal competences according to the needs of the labor market, and I am focused on increasing the quality of life. Under the influence of societal events all over the world, Slovak society underwent serious changes that had an impact on the quality of life. The economic crisis in the form of the energy crisis, the health crisis during the global pandemic and the consequences of political decisions had an impact on the entire society. The article is dedicated to describing the state of financial literacy in which high school and university graduates who enter the labor market find themselves. It mainly focuses on examining two important aspects, namely decision-making in the area of pension security and understanding personal bankruptcy.

2. Theoretical starting points and the current state of the investigated issue

Since 1989, the Slovak education reform has been underway in Slovakia. The need was a transformation from a model of a totalitarian way of education and training focused on the development of competences and skills of individuals who were easily manipulated and controlled even by an ideologically colored interpretation of scientific facts and realities.

The transformation had several goals and stages. We are currently in the stage of curriculum reform, the concept of which has been in the making since 2008. The main point of the reform was the introduction and creation of educational areas and the creation of interdisciplinary so-called cross-sectional relations and models of education. Curricular reform should therefore represent, or be aimed at the transformation of education in order to introduce effective methods of personal development of pupils and students. However, analyzes of school reforms implemented during the last three decades in various countries of the world point to a strong connection between state ideology and curricular innovations (Rýdl, 2003; Průcha, 2004; Le Métails 1999; OECD, 2011). These goals of the reform are the

basic pillar for improving the quality of education. The quality of education and training is considered an indicator and key determinant of the maturity of economic systems and society as a whole. On the one hand, this brings many positive impulses for the development of education, education, schools and educational sciences. On the other hand, however, it also brings such tendencies that do not respect the traditionally understood value of education by narrowing it down only to a person's qualifications as a prerequisite for their employment on the labor market. According to the analyses, the reform is never an isolated modification of the curriculum, but a philosophical and ideological change that must be accepted by all actors involved in its implementation (Hošková, Lukáčová, 2022).

After the analysis, after testing in Slovakia on the basis of the analyses, the Ministry of Education, Science, Research and Sport of the Slovak Republic set as a priority the creation and introduction of a new program of the State Education Program, while the creation and introduction of this program was also included in the framework of the Recovery and Resilience Plan of the Slovak Republic, which the government SR directs and activates reforms for the coming years (<https://www.planobnovy.sk/kompletny-plan-obnovy/kvalitne-vzdelavanie/>). The State Pedagogical Institute started working on the creation of a new framework for the state educational program in 2021.

The method is the implementation in the creation and also in the current educational programs is Financial Literacy. According to UNESCO (2023), literacy is a human right, but financial literacy can also serve as a tool for personal empowerment and a means for social and human development. Literacy is at the core of basic education for all, and its understanding and mastery is essential to eradicating poverty, reducing child mortality and slowing population growth.

The results of the PISA study in OECD countries ranked Slovakia in 38th place out of 83 countries, where we fell below the average of the OECD results and we fell the most in mathematical literacy by 22 points compared to 2018. It follows that the situation regarding the declining financial, mathematical and scientific literacy and this also has an impact on decision-making in the area of financial literacy. (<https://www2.nucem.sk/sk/merania/medzinarodne-merania/pisa/roky/2023-2024>).

The transformation of higher education taking place in Slovakia has significant changes in the area of improving the quality of internal systems at the universities themselves. Interdisciplinarity and the updating of the quality system became the goal for the menu with an accent on educational areas according to the needs of the labor market and the development of personal competences. (Osvaldová et al., 2024) (Závadská Z., 2020).

Within the framework of solving the problem of financial literacy, the use of modern IT tools is shown as one of the possibilities of testing the state of literacy and as a source for obtaining information for the subsequent education of the respondent, e.g. application. Correct setting of the application and appropriate popularization creates prerequisites for a suitable form of education of respondents and thus creation of prerequisites for correct decision-making in the field of financial literacy. (Katrenčík et al. 2023)(Zatrochová, 2023).

3. Design. Objectives. Methods. Discussion

The research is aimed at determining the financial literacy of young people entering the labor market in the context of the state of their financial literacy, focusing on two factors: preparation for retirement and personal bankruptcy.

The rationale for choosing the research specification is based on the current situation that is experienced in 2023-2024 as a result of the development of society and its economy based on global shocks by the standards of society, the COVID crisis and the energy crisis.

The survey was conducted in the years 2022-2023 in the final years of secondary schools and universities in Slovakia. The number of respondents was 250 and a representative sample was selected from all over Slovakia.

We tested knowledge in the field of financial literacy on a standardized questionnaire that contained 15 professional questions, 2 questions from the field of education and one question about gender.

When processing the questions, the questions with the highest error rate included: G11: What is the essence of "personal bankruptcy"? G13: Can you get the funds to file for personal bankruptcy from these sources? G3: What part of the monthly household income do you save on average? G4: If it were necessary, for what purpose would you decide to secure a credit card from the bank?

We are interested in questions from the field of personal bankruptcy and its course G11 and G13. In the field of future capacity, securing a lot of money for a future pension is an important question for us G3.

When testing H0, we examined 3 areas.

1. Relationship to correct decision-making in the researched areas in relation to gender. H1: Gender has an influence on the degree of awareness in the given issue. When evaluating H0 using a single factor ANOVA for three groups (man, woman, did not state), it was not confirmed, therefore the conclusion is: gender is not a decisive factor.

2. The relationship between the correctness of the respondents' answers and their perception of the state of their financial literacy. H1: H1: In the monitored groups (a, b, c) the degree of awareness is different. Average values are not equal. There is at least one pair where: $m_i \neq m_j, i, j = 1, 2, 3$. When evaluating H0 using ANOVA single factor at the significance level of 0.05, the conclusion is: The different level of awareness was not confirmed. The real knowledge of the respondents does not correspond to their own ideas about knowledge in the given issue. An important factor that distorts the given results is the abundance in individual classes a,b,c. Differences in groups are statistically insignificant.

3. The third observed characteristic, which we assume can have a statistically significant effect on the level of information of the respondents in the given issue, is education. Respondents stated secondary school (SŠ) education in 68 cases, university (VŠ) in 182 cases. Only one respondent stated a high school education, so we excluded this class from testing.

H0: Education does not affect the results achieved in the area of financial literacy.

H1: Education has an impact on the results achieved in the field of financial literacy.

To verify the hypotheses, we used the t-test of two mean values at the significance level of 0.05. We present the test results in Table 1.

Table 1. Evaluation of the relationship between education and the ability to make correct decisions in the field of financial literacy.

t-Test: Two-Sample Assuming Equal Variances		
	SŠ	VŠ
Mean	66,96429	64,1196
Variance	210,034	125,0932
Observations	68	182
Pooled Variance	147,4461	
Hypothesized Mean Difference	0	
df	57	
t Stat	0,799992	H0
P(T<=t) one-tail	0,213518	
t Critical one-tail	1,672029	
P(T<=t) two-tail	0,427037	
t Critical two-tail	2,002465	

Source: Custom processing.

4. Conclusions

From the aforementioned examination of the results, we found out the state of financial literacy of the respondents. The serious claims were that the respondents themselves do not realize that they do not have the correct information in the field of financial literacy, which we investigated by verifying the correctness of their claims.

Respondents lack basic knowledge of bankruptcy. From the statistics presented in the Bankruptcy Register, we see a significant negative change after the pandemic. In the years 2017-2020, new cases of bankruptcies, that is, personal bankruptcy, fluctuate around the amount of 130. In 2021, it is already 186, in 2022 it is 216, in 2023 it is already 332, and in the first 4 months of 2024 it is 114. (<https://ru.justice.sk/ru-verejnost-web/pages/statistiky/vyhlaseneKonkurzy.xhtml>. cited 05.05.2024).

Thus, the situation after the Covid pandemic has significantly worsened and there is a tendency that it will continue to worsen. One of the possibilities for describing the causes is also ignorance in the field of dealing with finances and making the right decisions to deal with them.

The gender factor of respondents does not affect the correctness of decisions, which we verified statistically.

In the same way, high school or university education does not affect the correctness of the respondents' decisions in the area of financial literacy.

Therefore, it is an interesting question for us whether the curricular reform and the reform of the change in the provision of education at universities has a potential impact on the financial literacy of the respondents and their subsequent correct decision-making in the area of personal bankruptcy and securing a pension.

The proposed education using artificial intelligence, which would be available as an application on a mobile phone or tablet, has the potential to describe (identify) the state of knowledge in the field of financial literacy. A properly configured application could accompany in model situations and educate (educate) in a short but explanatory way and possibly recommend seeking professional help with the help of a financial advisor.

From this point of view, it is possible to propose just such a method of education in the field of financial literacy, which is accessible, modern and understandable for graduates of high schools and universities entering the labor market and making decisions in the field of finances for their future pension and quality of life.

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