THE ROLE OF FINANCIAL LITERACY IN ENSURING FINANCIAL SECURITY OF THE POPULATION

Sartanova N.
Candidate of Economic Sciences, Associate Professor, Professor of the Department of Economics and Finance
https://orcid.org/0000-0002-4342-1134
Baitursynov Kostanay Regional University Kostanay, Kazakhstan
Kenzhebekova D.
Candidate of Economic Sciences, Associate Professor, Head of the Department of Economics and Finance
https://orcid.org/0000-0002-4213-4520
Baitursynov Kostanay Regional University Kostanay, Kazakhstan
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Abstract

Financial literacy is an essential skill needed for financial security, personal well-being, economic growth and sustainable development. This article considers the significance of financial literacy in preventing fraud among the population. With the increasing number of financial crimes, especially in the digital space of Kazakhstan, the development of knowledge and skills in personal finance management becomes an urgent task. The results of the study confirm that systematic training in the basics of financial planning, development of critical thinking and the ability to identify signs of fraud play a key role in protecting citizens from financial losses.

Keywords: financial literacy, financial education, analysis, youth, gender, fraud, education level, financial security.

Introduction

In the context of rapidly developing modern technologies and digitalization, the risk of financial fraud is also rapidly increasing, which determines the relevance of this study. Financial ignorance and illiteracy puts citizens in a vulnerable position in relation to fraudsters and leads to the loss of significant sums of money. Improving financial literacy among the population serves as a tool for awareness of economic threats and critical assessment of financial decisions.

In his Address to the people of Kazakhstan on 2 September 2024, President Kasym-Jomart Tokayev stressed the importance of improving the financial literacy of citizens in the growing number of digital frauds. He noted that knowledge of the basics of economics, finance and possession of basic digital skills are becoming particularly relevant [1]. In addition, Tokayev noted the project ‘Karyzsyz qogam’ (‘Debt-Free Society’), initiated by the Amanat party, aimed at improving the financial literacy of the population. In 2023, this project covered 65 thousand people, and in 2024 it was planned to significantly expand [2]. The aim of the study is to identify the key aspects of financial literacy that contribute to reducing the vulnerability of citizens to various types of fraud. The paper considers the main factors affecting financial literacy, including the level of education, availability of information resources and involvement of the population in educational initiatives.

The scientific novelty of the study lies in the development of an integrative approach to the study of financial literacy as a key tool for fraud prevention in the conditions of socio-economic specifics of Kazakhstan.

This project is the result of the work of the Organization for Economic Co-operation and Development (OECD) and is being implemented within the framework of the Roadmap of the Republic of Kazakhstan on the implementation of the strategy for improving financial literacy. The implementation of the first phase of the project was carried out by creating an educational website www.fingramota.kz and mobile application ‘Fingramota Online’, which were aimed at improving the financial literacy of citizens, awareness among users of financial services and promoted the protection of their interests to avoid the growth of financial fraud [3].

Research methodology and results

The main objectives of the study conducted are to identify the key pillars of financial literacy and fraud, to analyse trends, developments in financial literacy literature on youth financial literacy, gender, access to financial services, financial security. The main research method is a literature review (monographic) which aims to improve the understanding of existing academic works by aggregating, integrating, interpreting and explaining the available knowledge on financial literacy from education, gender, age, fraud. The abstract-logical method allows us to quantify the level of quantitative indicators and suggest key areas for reducing/avoiding fraudulent transactions.

Empirical studies show that low levels of financial literacy have negative consequences not only for individuals but also for the well-being of the population as a whole. Income instability is a consequence of uncertain economic conditions and that a direct consequence of this is a decline in the financial well-being of the population. According to them, OECD, financial education is the first line of defense and the importance of financial literacy is increasing [4].

Level of organisation of financial literacy in the Republic of Kazakhstan

Since 2020, Kazakhstan has been implementing the "Concept of Improving Financial Literacy for 2020-2024", which aims to form rational financial behavior among citizens when making decisions regarding personal finances, increase the efficiency of using financial services and strengthen confidence in the country's financial system. As part of the implementation of the Concept, the following areas are being implemented: the development of the institutional framework through the creation and support of educational and methodological resources, including digital platforms, to improve financial literacy; conducting training events for various target groups, including schoolchildren, students, employees and the general public; disseminating information about financial products and services, as well as the rights and obligations of consumers of financial services; conducting regular research on the level of financial literacy of the population and evaluating the effectiveness of implemented activities [5]. The implementation of the Concept was continued by the Karyzsyz Kogam (Debt-Free Society) project, initiated by the AMANAT Party in cooperation with Halyk Bank. Table 1 shows the key results of the implemented activities aimed at improving financial literacy in Kazakhstan [6].

Table 1.

Main results of improving financial literacy in Kazakhstan

Directions	Description of the results
Increasing public awareness of financial risks	Through the implementation of educational campaigns, seminars and trainings, citizens' awareness of the signs of financial fraud, ways to prevent it, and rules for the safe use of digital financial instruments has significantly increased..
Development and implementation of educational programs	Specialized financial literacy courses have been created for various target groups, including schoolchildren, students, working citizens and pensioners. The programs are adapted to age and social characteristics, which has made it possible to reach a wide range of the population.
Availability of training materials	Online platforms and mobile applications have been launched that provide access to training materials, tests, and interactive courses. This provided residents of remote regions with the opportunity to participate in educational initiatives.
Intersectoral cooperation	The active interaction of government agencies, the banking sector, educational institutions and NGOs has made it possible to create a stable financial education support system.
Building a culture of financial literacy	A culture of conscious personal finance management is gradually being formed. Citizens began to use financial planning tools more often, analyze risks and control their expenses.
*summarized according to the Portal of Legal Statistics and special accounting authorities [6]	

About 40% of the project participants were able to reduce their debt burden, and 70% reduced the amount of monthly loan payments, which indicates the practical effectiveness of the program [7]. It is noted that the work of the Karyzsyz Kogam project in order to improve financial literacy has made a significant contribution to improving the economic well-being of the citizens of the Republic of Kazakhstan, which once again emphasizes the importance of working in this direction in an effort to ensure the economic security of the population. However, it should be borne in mind that although the level of financial literacy among the population has increased significantly, the total number of fraud cases is steadily increasing. Fraud scenarios are becoming more confusing and complex, and financial literacy does not save citizens from these sophisticated schemes. Fraudsters cannot be denied the recognition of their constant improvement and learning new things. This conclusion is supported by data from the Agency for Regulation and Development of the Financial Market, which note that in 2018 the level of financial literacy of the population was 34.5% and increased to 39% by 2020 and 40.5% by 2023. At the same time, according to the results of 2023, an increase in crimes under the article "fraud" was recorded by 8.63%, compared with the previous year, the total number of such crimes amounted to 49,272 cases [7].

Discussion

The analysis shows that the majority of the victims – 55.4% - were women, and there is a further increase in this indicator. According to the latest data, the number of female victims amounted to 27 thousand victims, which is more than 3.5 thousand more than in 2021. There has also been an increase in the number of victims among males, but it is not as rapid. In particular, the number of male victims also increased from 16.7 thousand in 2021 to 17 thousand in 2023. Based on this, it can be assumed that the female part of the population is most vulnerable to such crimes and needs more protection. The analysis also showed a correlation between the level of education and exposure to financial fraud. A significant proportion of victims at the hands of fraudsters do not have higher education [8].

According to the results of the Russian Federation's study of the level of financial literacy of the population in 2023, the section "financial fraud" remains relevant for research due to the use of more sophisticated and complex methods of deceiving citizens. According to the agency, the victims of fraud are most often young people from 18 to 29 years old (23.1%) and older people aged 50-63 years (24.9%) [9].

In general, low financial literacy is a serious problem that affects different age groups to varying degrees. Insufficient knowledge and skills in the field of financial security often lead to financial losses and negative consequences for people of different ages. Educational programs and measures to improve financial literacy should be designed and implemented taking into account these characteristics of different age groups in order to effectively combat the problem of low financial literacy. Proposals for improving financial literacy for different age and social groups, taking into account international practice, are summarized in table 2.

Table 2.

Proposals for improving financial literacy for different age and social groups

Indicator	Directions
For young people (schoolchildren, students):	- the introduction of mandatory financial literacy courses in the school curriculum, starting in the 8th grade, for college students and students of non-economic specialties with an emphasis on personal budget management, the basics of investing and the recognition of fraudulent schemes;
	- creation of mobile applications and online games that simulate real financial life in order to educate young people through gaming methods;
	- conducting regular seminars and workshops at universities and colleges with the involvement of financial experts and representatives of banks.
For the working population:	- development of corporate training programs, including trainings on financial security, budget planning and fraud protection in the digital environment;
	- organization of mass information campaigns on social networks aimed at raising awareness of current fraudulent schemes;
	- create videos and podcasts on the topic of financial literacy, taking into account the preferences of the audience of different genders and age categories.
For the older generation:	- conducting free classes in community centers or libraries on the topic of protection from fraud, the basics of using digital financial instruments (ATMs, online banking);
	- development of simple instructions in booklet format with key tips on fraud detection and recommendations for safe interaction with financial institutions;
	- organization of regional consultation points where specialists will help senior citizens to sort out personal finances and answer their questions.
Gender specific:	- programs for women that focus on long-term financial planning, family budget, and protection from emotionally manipulative financial proposals;
	- for men, the inclusion of topics related to risk management and investment strategies.
Based on gender:	- creation of a platform combining educational materials, tests and webinars for all categories of citizens, with the possibility of individual choice of the level of complexity and subject matter.;
	- regular holding of national Financial Literacy Days with the participation of banks, government agencies and public organizations; contests and Olympiads for students.

These proposals will take into account the specific needs of different population groups and make financial literacy more accessible and effective.

Conclusion

Improving financial literacy is an important tool in ensuring the financial security of citizens and reducing the risk of falling into fraudulent schemes. The development of rational personal finance management skills, knowledge of the basics of financial products and the ability to assess their risks contribute to the formation of a sustainable economic environment.

Effective improvement of financial literacy is possible through the implementation of comprehensive measures, including educational programs, information campaigns, interaction with public organizations and improvement of the legislative framework. It is important to take into account modern challenges such as digitalization and the growing number of cyber threats, which requires the introduction of new approaches to education and public awareness.

It is also necessary to consider and study in the light of the latest research trends: artificial intelligence for finance, digital finance and digital financial literacy in a special section.

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