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Project title: DigiFinEdu - 2021-1-LT01-KA220-SCH-000034366

## National Report on Financial Literacy: Bulgaria

### 1. General aims, period, and scope of the research

In May 2020 PISA 2018 announced its results from the module “Financial literacy”. That was the third time this module has been included and Bulgaria participated for the first time. The results from 20 countries showed that the level of financial knowledge and literacy in Bulgaria is one of the lowest (16<sup>th</sup> place). The country was followed only by Brazil, Peru, Georgia and Indonesia. According to PISA 2018 financial literacy is knowing and understanding financial concepts and the related risks, skills, motivation and confidence to apply this knowledge and understanding for the sake of making effective decisions in the context of a wide spectrum of financial concepts for the purpose of improving the financial wellbeing of individual people and society as a whole, as well as for ensuring a more effective participation in the economic life. (PISA,

The lack of financial literacy, which this research and the project as a whole is trying to ameliorate, is present not only in Bulgaria, but in Europe in general. Yet, if in Europe around 50% of the adult population has financial skills, in Bulgaria this share is smaller – about 35%.

The educational system in the country at present, despite financial literacy being recognized as a key competence within Bulgaria and Europe, is not at a level providing adequate skills for adult life, which has to be compensated via extracurricular activities, such as the ones to be proposed by DigiFinEdu. Understanding the needs and the current state of the art in the digital literacy domain is crucial.

Financial literacy means building a proper attitude towards money, i.e. eliminating money taboos and the understanding that money is bad. Children should be taught from as early age as possible that money is just a means and carry no positive or negative value. Besides the proper attitude towards money, there is a great need for basic knowledge about the main financial terms: savings, budgeting, investments (how and why to invest, attitude towards risk, etc.), insurance and others. It is important also to not only receive knowledge, but also to practise what you learn. Additionally, there are a few habits that need to be instilled – saving a part of the income and developing a budget and a spending plan, as well as earning more and investing. These habits require time to be adopted and developed. According to research, children who are more literate financially, are also more disciplined and responsible. Building money-related habits with children is much easier than developing such habits in adults.

The desk research, the results of which are presented further, took place during the months of April and May and covers documentation and information from existing practices and approaches in the country as well as policy level decisions and strategies for financial literacy improvement.

### 2. Country level data on primary and lower secondary education students’ financial literacy

Up to this moment in Bulgaria there is a lack of surveys on financial literacy of students based on a common methodology and conducted periodically in a way that can encompass certain trends and give a full picture. The only two representative studies have been conducted by PISA together with OECD in 2018 and by Junior Achievement (JA), OECD and the Bulgarian Ministry of Education and Science in 2015.

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The survey conducted by JA as part of the Financial IQ project studied 10,000 students from 200 schools in three age groups - 10-11, 12-13 and 17-18 years old. The study shows that the average financial literacy score of students was very good - from 1.76 to 2.54 where 1.60-2.40 is Very good and above 2.40 is Excellent. Specific areas were pinpointed for each age group where students need to develop their knowledge and skills. The first age group had a significantly lower result than the other two groups, and the study shows a clear trend of higher financial literacy as a child progresses in the educational system. The study further showed that ethnic background plays an important role in the scores in all three groups. (JA Bulgaria, FIQ project, 2015)

**Comparison between the three educational levels (average score of the questions)**

	Cinema promotion	Purchasing a backpack	Need for knowledge about money
Primary level classes	2.19	1.76	2.05
Lower secondary level classes	2.30	2.05	2.22
Upper secondary level classes	2.34	2.09	2.54

Fig 1 Comparison between the average score of the three groups of students studied in the JA survey in 2015 in three of the main questions

Three years later, the PISA study cited above measures the financial literacy of students at the age of 15-16, when they leave middle school. Compared to the JA study conducted three years earlier, the PISA study shows that in Bulgaria by the time students leave middle school, they are still not exposed to adequate financial education. The study points out considerable discrepancies in relation to gender - girls notably score higher than boys - and some differences according to mother tongue - children who indicate that Bulgarian is the main language spoken in their households rank higher. These are also trends studied on an European level, as shown in the study cited in the JA report. It is worth pointing out the results of the confidence factor also measured in the PISA study. While Bulgarian students are significantly below the OECD financial literacy average, their confidence score about their financial performance is in some aspects higher than the average. This trend of lack of awareness of personal financial knowledge and skills is also confirmed by the field research carried out by CuBuFoundation. In the surveys, teachers respond that they consider their students' literacy to be average, while the PISA study shows a very low level. (Petrova, 2020) A big percentage of parents are interested in taking a course in Financial education, however would mostly do so if the course features topics of their interest. A parallel to the PISA study project, conducted by OECD/INFE in 2018, which researched financial literacy among adults in South East Europe shows that adults need solid basic knowledge of the subject and are not at a level to choose specific topics. (OECD, 2020)

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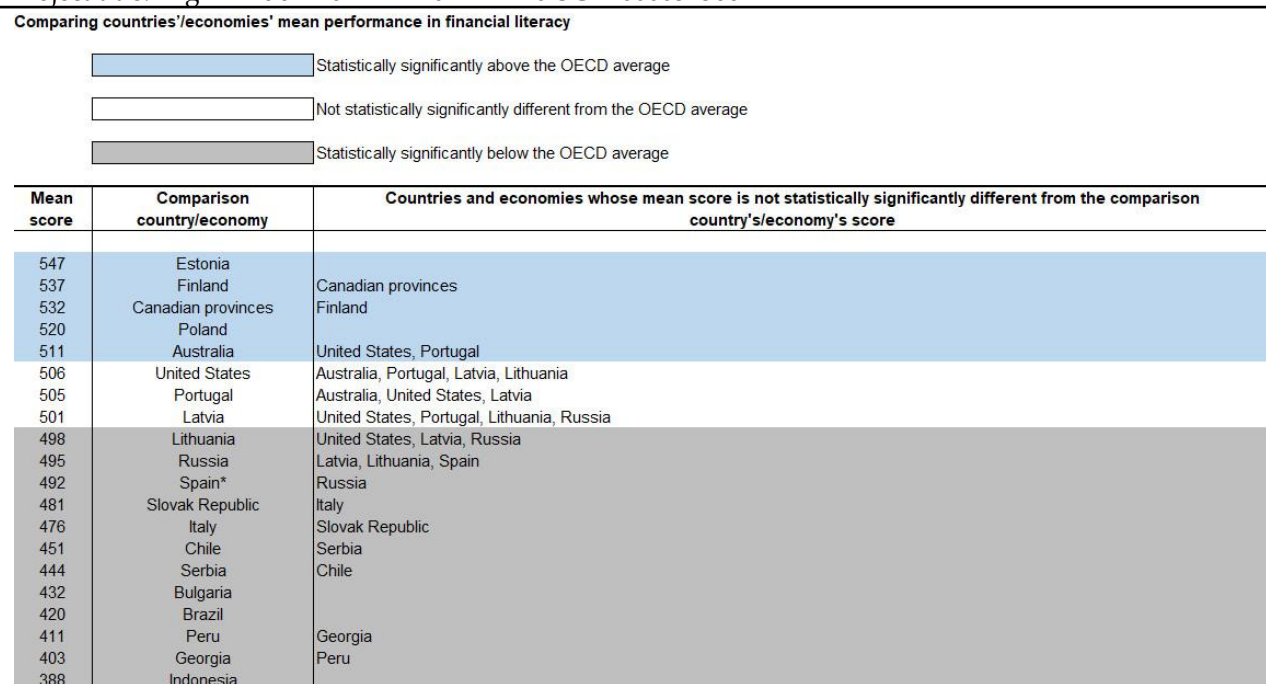


Fig.2 PISA 2018 financial literacy component study results (PISA, 2020)

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### 3. Country's current measures to address the improvement of financial literacy of students in primary and lower secondary education

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The Financial IQ Project launched by Junior Achievement in 2015 aimed to further raise the levels of financial literacy of students in grades K-12 by first studying the current financial literacy levels and then collaborating with the Ministry of Education to design a subject called Technology and Entrepreneurship to meet the needs of the students. The subject became part of the national curriculum for grades 1-12 and was adopted in all public schools in 2016.

In 2018 the Ministry of Education partnered with OECD and the Ministry of Finance of the Netherlands to draft a National Strategy for Financial Literacy of the Republic of Bulgaria. The Strategy is accompanied by an Action Plan for 2021-2025, which outlines the main priorities to be executed aiming at raising the levels of financial education. The Strategy and the Plan were adopted in the beginning of 2021 and their results are reported annually.

According to the Bulgarian Ministry of Finance as published on their official website, the key priorities of the Strategy are:

1. Developing framework of competences in the field of financial literacy;
2. Developing content and providing opportunities for free access to educational and information resources and their promotion, including through digitalisation
3. Increasing the financial literacy of pupils and students;
4. Increasing financial literacy and stimulating financial inclusion of vulnerable groups and other society groups.

The Strategy also aims at building:

- knowledge and skills for short-term management of personal finances and financial control: budgeting and control of household expenses, timely servicing of obligations, reasonable estimation of commitments and purchases.
- knowledge and skills in risk management and building financial resilience.
- financial planning knowledge and skills in the medium and long term: setting objectives, saving and investing, including for the purpose of securing the pension period.
- knowledge and skills for the prudent use of financial products and services.
- awareness of financial products and services: knowledge of the nature, opportunities and risks inherent in the respective products and services, ability to make informed choices of products and services appropriate to the needs.
- awareness of the rights and obligations of consumers of financial services and consumer rights protection mechanisms.
- knowledge and skills on the use of digital technologies to increase financial literacy (Ministry of Finance, 2020)

In 2019 an Interdepartmental Working Group on Financial Literacy at the Ministry of Finance was established with the task of reporting and analysing the implementation of the National Strategy for Financial Literacy and its Action Plan on a yearly basis. Some of the organisations that comprise the working group are: institutions within the executive domain, supervisory authorities, other institutions within the financial sector, branch organisations in the field of financial services and consumer protection, non-governmental organisations in the field of financial literacy, etc. (Ministry of Finance, 2020)

#### SOURCES/REFERENCES

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#### 4. Good Practices

Good practices in Bulgaria, applicable for students 9-13 mainly come from individual teachers and in some cases are adopted by the school as part of the curriculum. Most national good practices from governmental bodies or financial organizations and NGO's are aimed at children 15 and above. Probably this is the key to the low financial literacy levels as there is a wide-spread belief that children should be exposed to money matters only when they are old enough to understand more complex concepts, which experts in the field confirm that is in fact too late. The school subject Technology and Entrepreneurship which was meant to tackle this problem on a policy and national level does not give the desired results.

However, there are a few initiatives aiming at the age group within the scope of this project, which are practical and could be replicated. A very active organization at this moment is the Initiative for Financial Literacy Foundation. It has created a theatrical play, divided into 4 acts representing 4 different but thematically connected lessons-scripts. The play can be studied with students as an extracurricular activity, in the theatre club, as part of the Class's class or in a non-formal setting. Students choose parts in the play in team discussions, rehearse the acts, design costumes, choose decor, music, etc, and stage the performance. Older students can perform for younger ones, educating them financially while also exercising their creativity and teamwork. The Foundation provides the scripts, training and also a financial literacy test for children and adults on their website.

Among emerging financial blogs for personal finances by specialists, banks, financial institutions and tax agencies aimed at improving the financial literacy of the general public, there is one that comes forth because it was specifically developed to serve the needs of young children and their parents who are struggling to raise their own literacy but also to find ways to engage effectively their children on the topic. The blog The Little Chief was created following the personal need of a financial specialist after becoming a mum of two and saw the opportunity to share her expertise and insight in an informal accessible way. After 10 years of consulting misguided struggling adults, the author became inspired to create a unique educational kit on financial literacy that can serve as a board game and continuous educational tool to be used by parents and teachers with progressive difficulty as the children grow and their financial questions become more complex.

Other initiatives are born from within the schools as is the idea to invite a parent of a first grader every week in the lesson of the class who reads to the children a children's book with financial relevance and then discuss it with the children and connect it to his or her own profession. After the book-reading and possible role-play follows a second session with the class teacher of making souvenirs to be offered for sale to the parents at parents meeting. The weekly activity follows throughout the school year and culminates with the children choosing how they want to spend the money earned from all the bazaars.

For other ideas and a detailed description of all good practices, go to the Good Practices folder.

#### 5. Conclusions, building on the research performed and analysing the information gathered

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In spite of introducing a special subject for financial literacy from Primary to the end of Middle school, in Bulgaria financial literacy levels among students are still very low and research and initiatives to assess and improve this field are fragmented. This is the case even though financial literacy is accepted as a key competence from all stakeholders and governmental bodies, the business, schools and NGOs are involved with programmes, competitions, educational platforms, etc. Most efforts are aimed at older students while international research and the modest scope of this research show that financial education should start as early as the age of 3 with appropriate activities. We hope that this project, since it is aimed at students under 15, will add to the effort of bringing financial literacy to the early stages where it is most effective and needed.