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The Level of Financial Literacy of Russians: Before and During the Crisis of 2008-2009

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Abstract

The main goal of this paper is to address the issues of defining and measuring the concept of 'financial literacy' in all-Russian surveys as well as to reveal the changes in the level of financial literacy of Russians during the period of 2008-2010.

The main finding of these surveys is that the level of financial literacy of Russians is low. During the crisis it started growing but only in terms of self-estimation and perception. In 2009 people thought that they were more financially literate than before the crisis. However, when they answer questions in the objective tests, a substantial change in attitudes, knowledge and skills can hardly be noticed.

Introduction

Since the beginning of the 1990s and, especially after the current economic and financial crisis, the issues of financial education have risen on the agendas of different actors in many countries in the world. The growing complexity of financial products has become one of the factors of the increased concern. On the one hand, a lot of new retail products widen the scope of tools for increasing the economic well being of individuals, on the other – it has become the responsibility of individuals to use them appropriately. However, many people still lack the basic understanding of what matters for their finances. For example, the conversion of the pay-as-you-go pension system into the current accumulative one assumes that people save and invest money for their retirement. However, it has become a common case in many countries that individuals are saving too little for

their pensions. Another example is the overcrediting on credit cards which also indicates that financially illiterate consumers are not making the good decisions for their families and are undermining their economic security and well-being.

Growing concern about the low level of financial literacy resulted in the implementation of national strategies for the promotion of financial literacy in many countries. In Russia, such a strategy is about to be announced. To make the national strategy more efficient one needs to know the existing level of financial literacy of the individuals, the areas of their strengths and weaknesses as well as their preferences and needs regarding the learning process. The main goal of this paper is to address the issues of defining and measuring the concept of 'financial literacy' in all-Russian surveys as well as to reveal the changes in the level of financial literacy of Russians during the period 2008-2009 of the current financial crisis. The first part of the paper discusses the conceptual and operational problems in measuring the concept of 'financial literacy' in consumer surveys. The second part summarizes recent trends in the level of financial literacy in Russia over the crisis period.

1 Defining and measuring the concept of financial literacy

Even though we can find examples of empirical research on financial literacy in the 1990s it is only in the early 2000s that the first attempts to elaborate standardized instruments to measure financial literacy were made. However, even today there is no agreement between the scholars about both conceptual and operational definitions of the 'financial literacy' concept (Huston, 2010, p.296). Let us consider some of the debates in this field.

1.1 Financial literacy or financial capability?

The concept of 'financial capability' was developed in the UK by the FSA which extended the concept of 'financial literacy' beyond the scope of financial knowledge only to include behaviour and attitudes of people.

The rationale for this approach was based on the idea that if people do not practice what they know they can not be considered financially literate. For example, if people know that they have to keep track of their finances but they do not do that – this knowledge could not be marked as an indicator of financial literacy. The same approach can be applied to retirement savings, provision for an unexpected expense, seeking advice from an appropriate professional adviser before buying financial products, taking individual responsibility for financial decisions and etc. So, to assess financial literacy one needs to assess the ability to apply knowledge to take effective decisions in managing personal finances.

An interesting methodological question is whether the similar approach can be used for measuring the level of financial literacy in the institutional contexts of middle and low income countries. At first sight it is obvious that this should be generally true for all countries. However, it is not so because of the peculiarity of the institutional settings of the financial markets in these countries. Weak financial markets institutions result in the lack of financial savings or the presence of paternalistic attitudes of people. However, this 'deviant' behaviour and 'wrong' attitudes do not necessarily have to be considered as signs of the financial illiteracy of people. For example, in volatile financial markets and under high inflation rate the lack of savings for retirement or not enough money provision for unexpected expenses could be motivated by individuals' risk aversion rather than by the lack of financial sophistication. When financial institutions are weak financial literate people may prefer to rely on their social networks or collective actions based on paternalistic attitudes as effective decisions regarding the use and management of money rather than individual financial strategies. For example, a lot of small investors who participated in the IPO of VTB bank later experienced rapid decline of prices on their shares. Some of them addressed the government to force the bank to buy their shares back at a price which they bought them during the IPO. In terms of financial literacy paradigm this is clearly an example of illiterate behaviour since people do not understand the individual responsibility for taking financial decisions. However, if markets are manipulated by powerful players, collective actions of minor shareholders could be considered as effective financially literate response.

Since the National Foundation for Educational Research (UK) defined financial literacy as "the ability to make

informed judgments and take effective decisions regarding the use and management of money" (Noctor et al, 1992) one has to accept the rejection to buy financial products as a sign of financially literate behavior.

1.2 Attitudes or preferences?

In the previous section of this paper we argued that behaviour may not be a proper indicator of financial literacy in the middle and low income countries. But what about attitudes? The term 'financial capability' was introduced to emphasize that not just knowledge, understanding, practical skills but also proper attitudes which were included into the concept.

In the light of the problem of defining the financial literacy concept it is important to understand if 'proper' attitudes (savings for the rainy days, insurance against the unexpected expenses, individual responsibility in financial issues, etc.) to financial planning and savings should be considered as part of a financial literacy concept or they should be conceptualized as preferences which economists usually assume as given and be excluded from this concept. One may argue that overcrediting or saving too little may be considered as effective financial decision for consumers which are impatient and deliberately acts in accordance with their impatient preferences. The same argument may be developed for risk tolerance and paternalism in financial issues. The main question is whether in the process of measuring financial literacy we can consider the lack of savings, risk taking behaviour or paternalistic attitudes as signs of financial illiteracy or it is better to assume that those people act in accordance with their preferences and nothing can be said about their level of financial literacy. This approach is based on the concept of rationality in Economics which assumes that individuals attain their goals with the least possible costs, whatever these goals may be. If a person aims at going bankrupt and does it efficiently with overcrediting and risky investments his or her actions cannot be considered as non-rational and illiterate.

There are two ways of dealing with these questions. We can assume that attitudes, since it is impossible to differentiate between them and preferences, should be excluded from the concept of financial literacy and the operationalisation should be based on the knowledge and skills only. However, I think that we may do more than taking into account that rational behaviour assumes

logical consistency of individual preferences. The example of a person who aims at going bankrupt on purpose and does it efficiently with overcrediting and risky investments may be considered financially illiterate if he or she nevertheless wants to secure his or her investments by the state patronizing schemes because this will prevent him or her from achieving the initial goal of going bankrupt. To conclude, given perceived opportunities, attitudes which prevent people from optimisation may be considered as a part of financial literacy whereas evaluation preferences from a normative standpoint (risk tolerance or lack of savings or insurance) better to avoid. To label behavior as financially illiterate because of the inappropriate aim we will need to evaluate his or her preferences from a normative standpoint which is difficult to justify. It is better if financial literacy will be a new enlightenment, not a new religion – we therefore need to focus more on how people seek information and make decisions rather than if their attitudes are right from the normative standpoint.

However, even if we focus on decision making process it will quite difficult to judge whether decisions people make are financially literally or not since people operate in different social and economic circumstances and their access to financial products varies. So the external observer may not be aware of the hidden costs or hidden utilities which people take into account when they make financial decisions and the survey method has no possibility to reveal these reasons.

1.3 Financial literacy or financial education?

Another important distinction should be made in the component of financial knowledge. Financial literacy is sometimes referred to as basics of financial education ranging from basic budgeting to financial investments. There are studies which found that people with major degrees in Economics and Finance show better results in management of personal finances. However, it is not clear if there is a genuine influence of economic education on personal finances or people who choose Economics and Finance as their university degree are different from other professionals by their social and economic characteristics. If so if economic education will be given to the general population it will not end up with the same results.

1.4 A concept of financial literacy and its operationalization

Huston (Huston, 2010) found out that over the last decade (between 1996 and 2008) there were 52 surveys in which financial literacy was measured. Most surveys were collected in the USA. The main conclusion of the author was that “the majority of studies (72%) did not include a definition of financial literacy. Although 15% included some discussion beyond identifying the specific elements in their measure, only 13% provided a formal definition of the construct operationalized” (Huston, 2010, p.303).

The lack of attention to the definition and the operationalization of the concept of financial literacy during the latest decade is explicable and unavoidable. Financial literacy is not an easy concept to define even though intuitively it seems to be quite clear what it is about. So during the initial stage of research it was much more useful to measure different aspects of financial capabilities in different groups and setting to accumulate this information for further conceptual work.

The model of ‘financial capability’ was developed within the Adult financial capability framework by the FSA and the Personal Finance Research Centre, University of Bristol (Measuring financial capability: an exploratory study, 2005). Following FSA methodology ‘financial capability’ covers the following aspects:

“Managing money – which was primarily concerned with being able to live within one’s means

■ Planning ahead – which was required to cope with unexpected events and to make provision for the long term.

■ Making choices – which involved being aware of the financial products that were on offer, and being able to choose those that were most appropriate to an individual’s circumstances.

■ Getting help – which had two dimensions: self-reliance and using third parties”. (Kempson, E., Collard, S. and Moore, N., 2005, p. 3)

Managing money component was operationalized by the questions on incomes and expenditures record keeping, planning for ‘lumpy’ expenditure, such as quarterly

or annual bills; and living within one's means. Planning ahead included preparations for dealing with an unexpected drop in income, or an unexpected expense, accumulating money for anticipated expenses; and savings for retirement. Making choices questions collected information about how people monitor the products that they hold; and choose products. Getting help explored how people keep abreast of changes, use information and advice, and deal with complaints.

The National Survey of nearly 1,500 American adults in 2009 which questions were partly based on the FSA methodological approach reported that nearly half of survey respondents reported facing difficulties in covering monthly expenses and paying bills (managing money). The majority of Americans do not have "rainy day" funds set aside for unanticipated financial emergencies and similarly do not plan for predictable life events, such as their children's college education or their own retirement (planning ahead). More than one in five Americans reported engaging in non-bank, alternative borrowing methods (such as payday loans, advances on tax refunds or pawn shops). Few appear to be knowledgeable about the financial products they own and 62% of individuals said that, when obtaining their most recent credit card, they did not collect and compare information about cards from more than one company (making choices). Low levels of financial literacy of Americans - lack of ability to understand basic financial concepts such as the importance of retirement savings, and poor judgment in borrowing decisions - were revealed in other surveys as well (Lusardi & Mitchell, 2007; Lusardi & Tufano, 2009).

In Australia the surveys which uses an operational definition of financial literacy in the form of a framework developed in the UK reveals that Australians generally are financially literate (ANZ Survey of Adult Financial Literacy in Australia, 2008). However, it is quite difficult to compare the level of financial literacy in Australia and US since there are very few questions to compare. The survey shows that the majority of Australians have savings and make provisions for their retirement, very few are engaged in non-bank borrowing, are well informed about their consumer rights and obligations. There are certain groups who lack knowledge on financial issues. Financial literacy was well below the total sample average among those aged 70 years or over and a bit less among those aged 18-24 years. Individuals with a university degree got higher scores than those who did not

go beyond Year 10. Financial literacy scores were lower among the unemployed, those whose main source of income was a government benefit or payment, those with less than \$2,000 in savings and investments, those with household incomes of less than \$25,000 per annum, those from areas exhibiting the greatest socio-economic disadvantage and those who do not use the internet.

Another important component of the concept of financial literacy is questions on financial arithmetic originally designed by Lusardi and Mitchell (2006, 2008) for the 2004 health and retirement survey (HRS) and later were used to measure financial literacy in many surveys across the world. The questions tested the understanding of nominal and real interest rates, compounding, and the ability to compare absolute and relative values. For example, in 2005 in the National survey in the UK respondents were asked the following question: 'If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have at least as much buying power in a year's time?' to assess their understanding of nominal and real values. More than one in five (21 per cent) of all respondents did not give the correct answer, this figure almost doubled amongst 18- to 20-year-olds - 41 per cent of whom did not answer correctly (Atkinson, A., McKay, S., Kempson, E. and Collard, S., 2006).

The third very important measure of financial literacy is linked to the self-assessment of level of financial literacy. Many surveys verified that consumers often think they know more about financial issues than they really do. Respondents in the United States, the United Kingdom, and Australia feel confident in their knowledge of financial issues even though when given a test on basic finance it is clear they have only a limited understanding of these issues. If they do not realise they need information, they will not be in a position to seek it (OECD, 2005). When asked to assess their financial knowledge, 37 per cent of Americans in 2009 rated their financial knowledge at the high end of the scale.

Based on the general acceptance of the idea that financial literacy is a "meaning-making process" and that financially literate individuals are able to obtain, understand and evaluate the relevant information necessary to make financial decisions with an awareness of the likely financial consequences (Mason and Wilson, 2000) it is necessary to measure knowledge and skills the lack of

which may prevent consumers from taking effective decisions. What are those indicators?

A habit of keeping personal financial records could be one of them. This is a very important skill which forms the basis of financially literate behaviour. Money tracking helps to optimise spending but what is even more important – without it planning for long term goals is not possible.

An ability to read and to understand the text of the contract before signing it. For example, when taking out a loan one needs to understand while reading a contract if his/her interest rate is fixed or floating, what the size of effective interest rate compared to the declared one is, what the penalties are if s/he delays the monthly payment, etc.

A practice to shop around and compare offers from different financial providers in terms of costs and benefits of their products before purchasing. When people do not collect and compare information they tend to engage themselves in less profitable financial strategies. Shopping around indicates the ability to make informed financial decisions. People may not shop around for particular products if they use professional financial advice. However they need to be able to differentiate between independent advisers and those who 'hide the cost of their advice' behind the cost of the products they sell.

An understanding of personal rights and obligations in using financial products. People may think that they can stop paying back their loans because of such externalities as financial crisis, or they may believe that they may cheat the bank because the bank cheated them by putting into the contract (which they did not read) of higher interest rates than they saw in the advertisements.

Knowledge of the existence and the rules of the state deposit insurance in banks. If people do not know that deposits in banks are insured against the risk of the bankruptcy of a bank or think that not only bank deposits but also mutual funds' investments or savings in credit unions are covered by this scheme they may wrongly estimate the risks attached to these products.

Ability to discern the indicators of a financial fraud if a company claims to offer high and risk-free

rates of return on their financial products. It not a sign of financial illiteracy if people are engaged in these "high yield investments" being aware of their Ponzi scheme nature. Financial illiteracy becomes obvious if they are misled by high returns which they consider to be risk-free.

Safe usage of payment cards – not writing the PIN-code on their bank card in order not to forget it. In this case, they risk jeopardizing their financial well-being if, e.g. the card is stolen or lost. In Russia in 90% of cases banking plastic cards are issued by banks as a part of the contracts with enterprises which pay wages through them. Employees are given these cards but many of them do not use them except for taking their money from the ATM once a month. The problem is that they have is to remember the PIN-code. That is why they write it on the card in order not to forget it in one month period.

This is not an exhaustive list of indicators of financial literacy rather few examples of those indicators which are not interfering into the sphere of individual preferences.

It is also necessary to measure how people assess their level of financial literacy subjectively and to compare these estimates with the results of the objective tests. If the results of both subjective assessments and objective tests are low but consistent this is a minor problem. The worst situation is when the subjective grades are much higher than the objective ones. This indicates that people overestimate their abilities to control their finances.

Apart from measuring the level of financial literacy it is very important to reveal what people want to know and from whom they want to learn. These questions are necessary in the surveys for the proper targeting of the programs of financial enlightenment, especially for adults. It is difficult to teach adults what they do not want to know or what they do not think is important to know.

1.5 The methodology of the research

The all-Russian cross-section survey data have been collected for almost two years. The first survey was undertaken in July 2008, on the eve of the financial breakdown, the last one dates from August 2010. The wording of questions as well as the sampling design was kept

the same during the period of measurement. In each survey 1600 respondents were interviewed face-to-face at 140 sampling points in 42 regions of Russia. The total sample size has a sampling error $\pm 3.4\%$ estimated at the 95% level of confidence. The samples reflect the characteristics of the Russian population aged 18 years or over (see Appendix 2, Table 1).

1.6 Some of the key findings

These are some of the key findings:

Less than half of the Russians keep systematic accounts of their individual finances and their number has fallen during the years of the crisis (2008-2009). Why? Intuitively one may suppose that in the time of crisis incomes fall and in the view of the uncertainty about the future incomes more people prefer to keep control over their finances. However, this logic contradicts the results of the observations – we observe the falling rate of individuals who keep their family budgets. One of the possible explanations is that keeping a budget is an appropriate tool for reaching long term financial goals. If incomes do not fall (which is the case in Russia) the need for budgeting is declining since people do not experience the difficulties in making the ends meet. While in the presence of higher uncertainty they postpone big purchases for better times.

Figure 1: Keeping record of family budgets, % of all respondents (N=1600) see Appendix 2

The wording of the question: Is your family used to keeping records of income and expenditures? Look at the card and say which option is the most accurate description of your (your family's) practice?

Many consumers (27% in November 2009) did not read or did not understand the text of the contract before signing it. If taken as a percentage from those who had an experience of signing the contract 2 out of 5 did not read or understand the contract before signing it. Probably the percentage of people who sign contracts without understanding is higher since we can not be sure that those who answered that they understand may be mistaken. The situation has not much changed in August 2010 when the same question was asked again. There is a slight reduction in the proportion of those who signed the contract without reading or understanding it – 21% compared to 27% - however it happened

at the expense of rising the number of people who had no experience in signing the contract or those for whom it was difficult to answer this question.

Figure 2: Reading the contracts before signing it, % of all respondents (N=1600) see Appendix 2

The wording of the question: When buying financial products do you read or you do not read the contracts before signing them? Look at the card and say which option is the most accurate description of your practice?

Before the crisis four out of ten never compared terms and conditions offered by various sellers of financial products. During the crisis this is the only one indicator that has slightly changed for the better: in February 2010 only 16% said that they never compared terms and conditions offered by various sellers of financial products. This change could be considered even more optimistic if the percentage of those who were at a loss had not doubled.

Figure 3: Comparing terms and conditions offered by various companies when using financial services, % of all respondents (N=1600) see Appendix 2

The wording of the question: How often do you compare terms and conditions of the financial service offered by various companies when buying financial products?

In case of a conflict with a financial industry organization (a bank or an insurance company) three out of four do not believe in a fair resolution of their problem. Which means that people either do not know their rights as consumers when they buy financial products or they do not think that their rights are secured by the state or market institutions. There is some positive dynamics between June 2008 and November 2009 which may be linked with the fact that those people who on the pick of this crisis wanted their money back could get it due to the existence and adequate work of the system of state deposit insurance.

Figure 4: Having confidence in a fair resolution of a conflict when using financial services, % of all respondents (N=1600) see Appendix 2

The wording of the question: In case of a conflict with a financial industry organization (a bank or an insurance company) are you sure that it will get a fair resolution?

The majority of consumers can not differentiate between a fraud scheme and non-fraudulent financial company. Only one in four was right in pointing to a company which was not a bank but offered a fixed high rate of return on the investments. During the crisis people did not manage to understand these issues better. What is also interesting is that in November 2009, a year after the beginning of the crisis, there was a bigger percentage of people for whom it was difficult to say which company to suspect. Since in February 2010 the structure of answers returned to the pattern which was similar to the one in December 2008, it means that people's answers to this question are influenced by their estimates of the market stability rather than measure their knowledge on the indications of frauds.

Figure 5: Suspecting fraud, % of all respondents (N=1600) see Appendix 2

The wording of the question: Imagine that you want to invest money on financial market and while looking for a better option you found out a number of offers. Could you please say which one in your opinion looks like a fraud scheme?

People in general do not know and do not understand how the state deposit insurance scheme works. This was completely unexpected result for me as a researcher. The highest percentage of people who reported that they had heard about it was achieved in November 2008, in the period of the liquidity crisis when Russian government tried to prevent the bank run: almost 80 per cent of Russians said that they know about the state deposit insurance system. While in February 2010 a half of consumers reported that at that moment it was the first time when they heard about this system. It means that people's estimation of knowledge and understanding is rather superficial – only a good media campaign can get people remembering about these issues.

Figure 6: Knowledge of the State Deposit System, % of all respondents (N=1600) see Appendix 2

The wording of the question: How well do you know what the State deposit insurance system is?

The lack of knowing and understanding of the state deposit insurance system is confirmed by the results of the objective test. In order to find out if people know that the state insures deposit in banks only I asked them if they know what kinds of losses are covered by the state insurance system? Only 22-23% respondents gave the right answer that only deposits in banks were insured by this system.

Figure 7: Understanding of what kinds of losses are covered by the state insurance system, % of all respondents (N=1600) see Appendix 2

The wording of the question: Do you know what kinds of losses are covered by the state insurance system?

Even though the objective tests show that the level of financial literacy has not changed over the crisis period and for some indicators it has even declined, the subjective self-assessment of the level of financial literacy has grown during the period of financial crisis. If our objective tests measure the important indicators of financial literacy this is an alarming result of the growing overconfidence of Russian consumers. Why did people start to perceive themselves as more financially literate during the crisis? I think that it comes from the growing volume of financial information which people were exposed to during the financial crisis. As this is the most important event covered by the Russian and international mass media it is more likely to catch the attention of consumers. Being bombarded by this information people started perceiving themselves as more financially literate. When the scope of information in mass media reduced the self-estimation again went down.

Figure 8: Subjective assessment of the level of financial literacy, % of all respondents (N=1600) see Appendix 2

The wording of the question: Do you consider yourself to be a financially literate person? Please evaluate your knowledge and skills using a five-point system, as the one at school, where 1 stands for the complete absence of knowledge and skills in management of personal finances and 5 stands for excellent command of the subject in question.

What do people want to know about financial matters? We asked people about the most important topics they would like to get information about to increase their level of financial literacy. The respondents were given

the long list of possible options covering different aspects of financial issues. The majority of people were not interested in getting information on stock market and specific financial products like bank credits, deposits, insurance products, mutual funds, mortgage and the like. Only three options interested more than a half of respondents (index of the interest to the topic above zero). On the top of the list people put information on consumer rights protection. The second place was given to the tips about reading and understanding contracts. The top list was closed with the information on how to make savings for the retirement.

How can we improve financial literacy of the general public? If we want to increase their financial literacy first of all we need to focus on issues of consumer rights protection and prevent programs from turning into outright 'advertising' campaigns for certain products and services. If consumers are better informed about their rights they will be more likely to take more effective decisions. Educational programs on consumer rights protection could be used as a trigger for further development of financial capability.

Figure 9: Topics which people are interested in to increase their level of financial literacy (N=1600) see Appendix 2

1.7 Conclusion

The aim of this paper was to compare and analyze the changes in the level of financial literacy of Russians during the period 2008-2010 in the period of global financial crisis. Following the idea that the concept of 'financial literacy' should not be limited to financial knowledge only and has to be extended it to include behavior and attitudes, I argued that in the institutional context of Russia the lack of financial savings or the presence of paternalistic attitudes of people do not necessarily have to be considered as signs of the financial illiteracy of people.

Based on the idea that financial literacy is a "meaning-making process" I propose to operationalise this concept by measuring knowledge and skills the lack of which may prevent consumers from taking effective decisions. For example, the lack of understanding of how the state insurance system works, or the absence of practice of keeping tracks of family expenditures and incomes, etc.

The estimations of financial literacy indicators made on the basis of all-Russian surveys show that the level of financial literacy of Russians is very low. During the crisis it started growing but only in terms of self-estimation and perceptions. In 2009 people thought that they were more financially literate than a year before. However, when they answered questions in the objective tests a substantial change in attitudes, knowledge and skills could hardly be noticed.

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Appendix 1

1 Is your family used to keep records of income and expenditures? Look at the card and say which option is the most accurate description of your (your family's) practice? <ONE CHOICE> Card #1

Interviewer: If a respondent has any problems with defining a family, then explain that a family is interpreted as a household or a group of people who share revenues and expenditures.

1.1 Yes, we keep records of everything, entering all revenues and all expenditures

1.2 Yes, we keep records of everything, but not all revenues and expenditures are entered

1.3 No, we don't keep records of everything, but we know in general how much money is received and spent during a month.

1.4 No, we don't keep records of family's resources, and we don't have even a vague idea of how much money is received and spent during a month

99 I find it difficult to answer this question

2 When buying financial products do you read or do you not read the contracts before signing them? Look at the card and say which option is the most accurate description of your practice? <ONE CHOICE>

2.1 Sign after reading the contract carefully and making clear that I understand what it says, if it is necessary I consult with the third party.

2.2 Sign after reading the contract regardless of whether I understand it or not, do not consult with the third parties.

2.3 Sign without reading, rely on what the seller said.

2.4 Do not have an experience of signing such contracts.

99. I find it difficult to answer this question.

3 How often do you compare terms and conditions of the financial service offered by various companies when buying financial products?

3.1 Always

3.2 Sometimes

3.3 Seldom

3.4 Never

99 I find it difficult to answer this question

4 In case of a conflict with a financial industry organization (a bank or an insurance company) are you sure that it will get a fair resolution of the dispute? < ONE CHOICE>

4.1 completely confident

4.2 rather confident

4.3 50 /50

4.4 not quite confident

4.5 completely unconfident

99 I find it difficult to answer this question

5 Imagine that you want to invest money on financial market and while looking for a better option you found out a number of offers. Could you please say which one in your opinion looks like a fraud scheme?

5.1 A bank which offers 12% interest rate on deposits

5.2 Mutual fund which announced about 35% increase of its shares during the previous year

5.3 Financial organisation which promises to pay a 35% interest rate on your investments in one year time

5.4 Bank mutual fund of asset management which offers certificates on share holding

5.5 Non of the mentioned

5.6 All mentioned

5.7 Difficult to say

99 I find it difficult to answer this question

6 How well do you know what the State deposit insurance system is?

6.1 Know everything about it

6.2 Know roughly about it

6.3 Heard about it but cannot say anything specific

6.4 It is the first time when I hear about it

99 I find it difficult to answer this question

7 Do you consider yourself to be a financially literate person? Please evaluate your knowledge and skills using a five-point system, as the one at school, where 1 stands for the complete absence of knowledge and skills in management of personal finances and 5 stands for excellent command of the subject in question. < ONE CHOICE>

1	2	3	4	5
No knowledge and skills	Unsatisfactory Knowledge and skills	Satisfactory knowledge and skills	Good Knowledge and skills	Excellent Knowledge and skills

99 I find it difficult to answer this question

8 Currently many organizations related to capital markets declare their preparedness to deal with improvement of financial literacy of the people. What kind of trainers do you see as the most suitable to deliver financial literacy program? Card # 2 Not more than 3 choices

I would like the program to be delivered by employees of:

8.1 a commercial bank

8.2 pension fund and/or insurance companies

8.3 unit investment funds (management companies)

8.4 non-government organizations or public organizations involved in consumer rights protection

8.5 government entities regulating these markets

8.6 higher education institutions of economic and financial profile

8.7 independent financial consultants

8.8 mass media (journalists and TV presenters)

8.9 other people (what kind?)

99 I find it difficult to answer this question

9 Can you identify any of the following as a pyramid scheme? < ONE CHOICE>

9.1 A bank which offers 12% deposit interest rate

9.2 Mutual fund reporting 35% returns over the last year

9.3 A financial organization guaranteeing 35% growth of investments per year

9.4 Bank mutual fund of asset management which offers certificates on share holding

9.5 None of the above

9.6 All of the above

99 I find it difficult to answer this question

Appendix 2

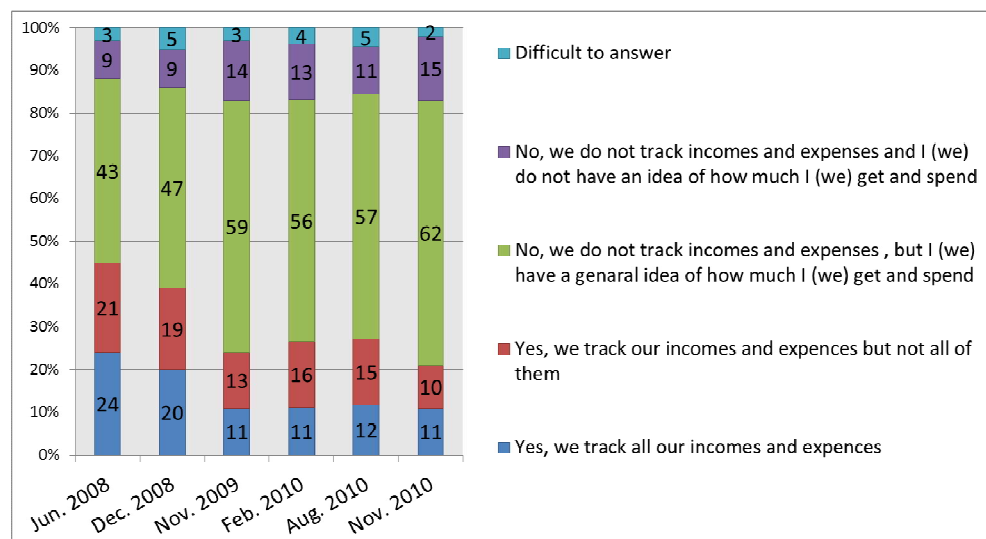


Figure 1 Keeping record of family budgets, % of all respondents (N=1600)

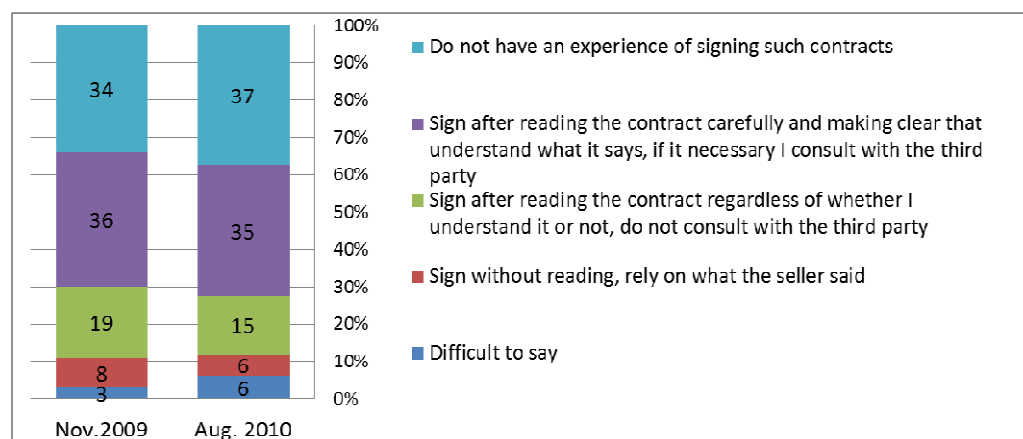


Figure 2 Reading the contracts before signing it, % of all respondents (N=1600)

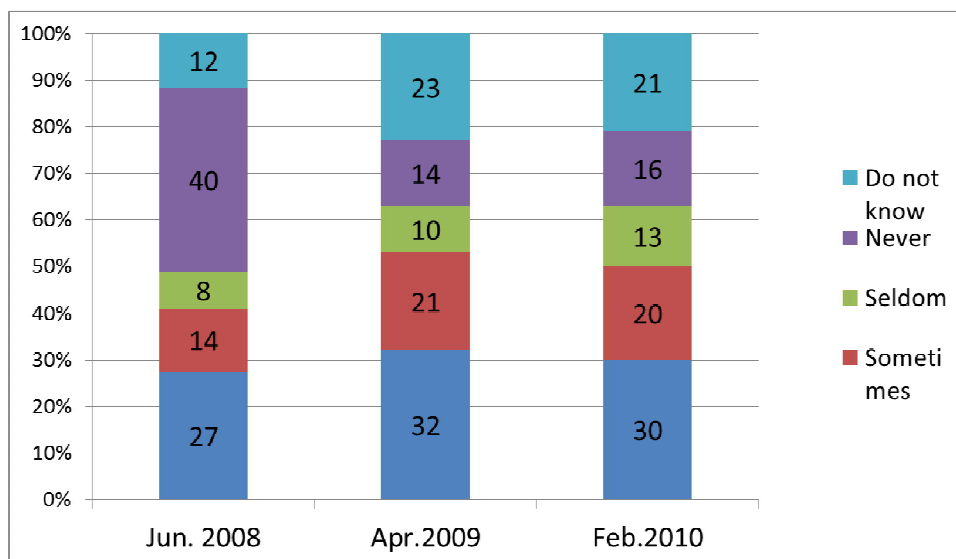


Figure 3 Comparing terms and conditions offered by various companies when using financial services, % of all respondents (N=1600)

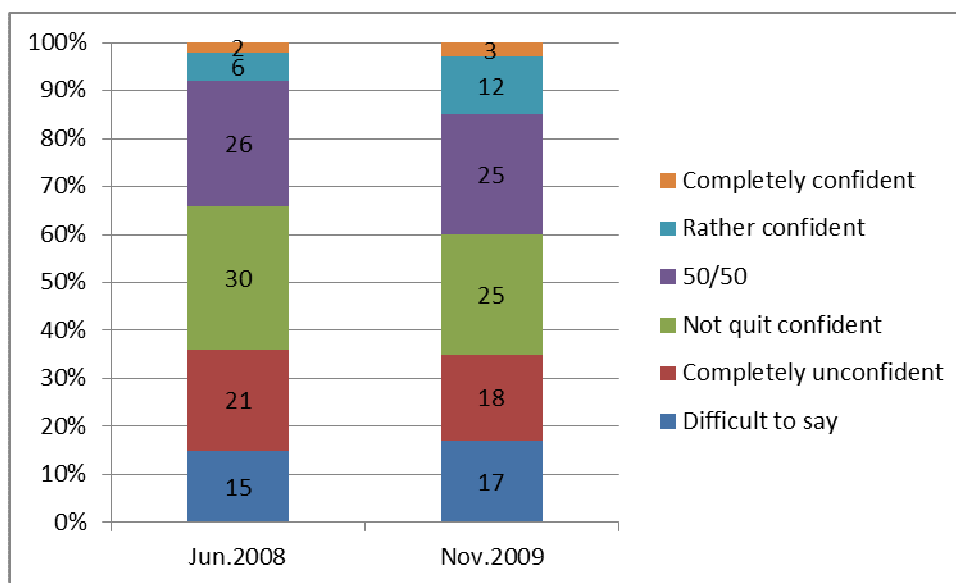


Figure 4 Having confidence in a fair resolution of a conflict when using financial services, % of all respondents (N=1600)

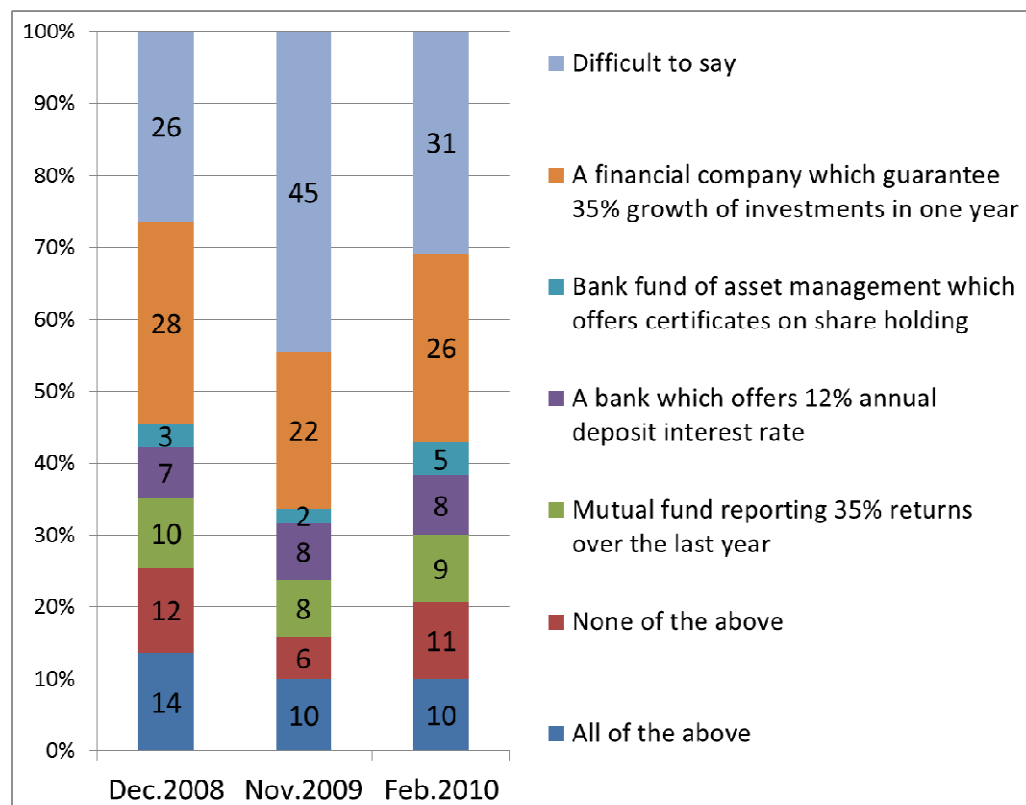


Figure 5 Suspecting fraud, % of all respondents (N=1600)

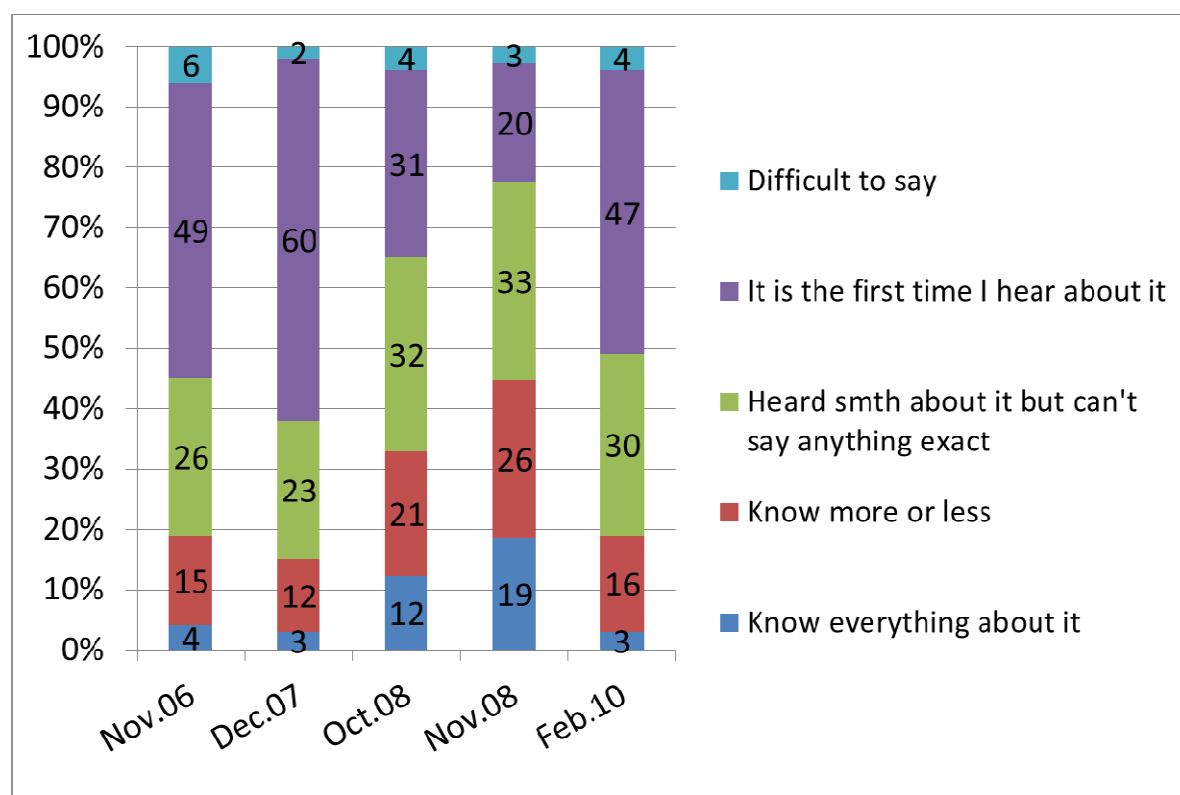


Figure 6 Knowledge of the State Deposit System, % of all respondents (N=1600)

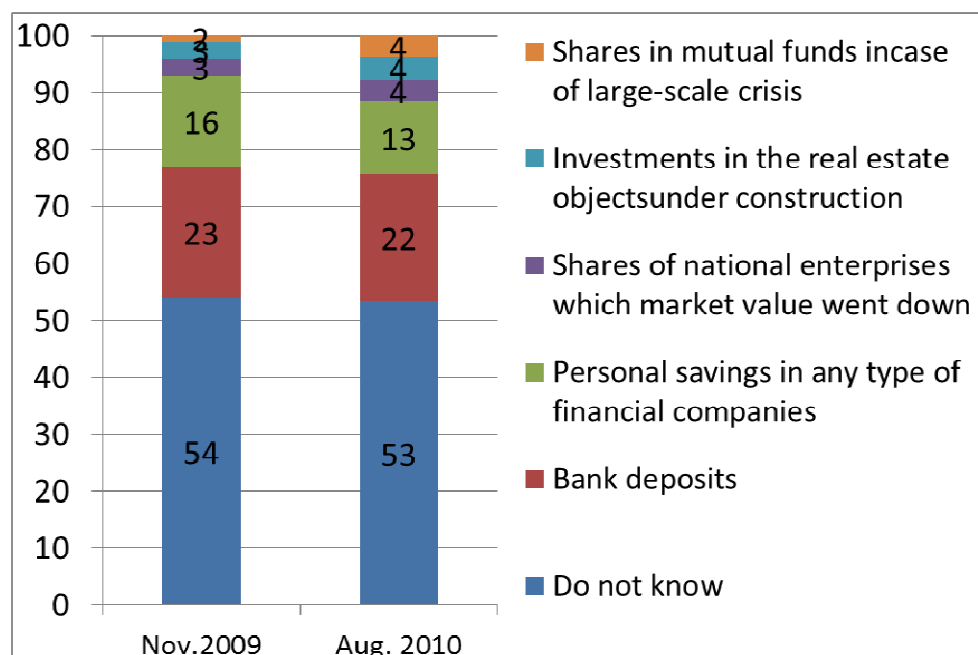


Figure 7 Understanding of what kinds of losses are covered by the state insurance system, % of all respondents (N=1600)

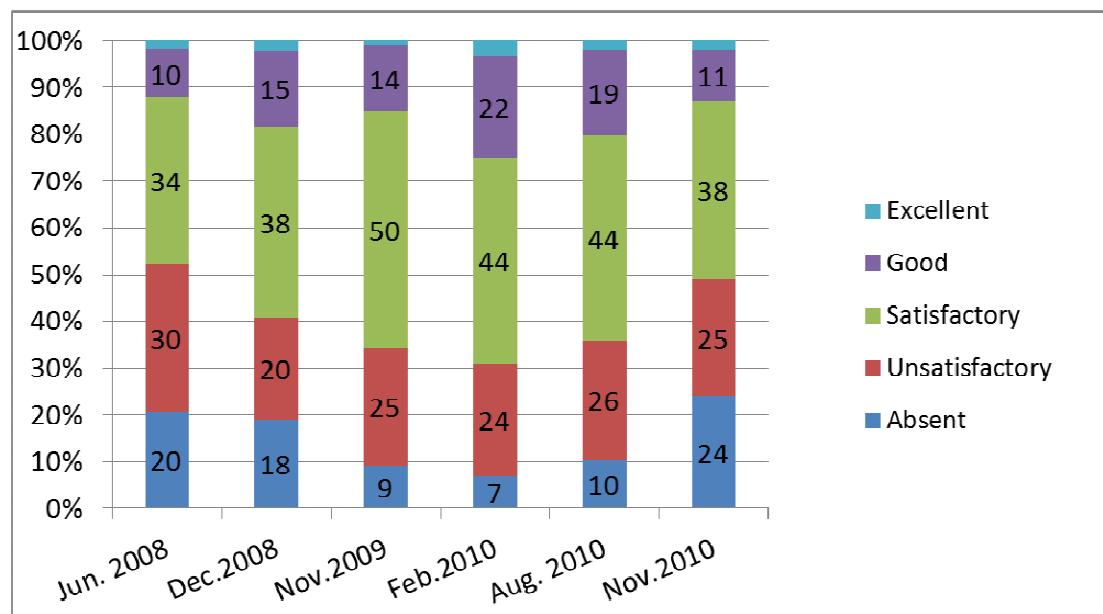


Figure 8 Subjective assessment of the level of financial literacy, % of all respondents (N=1600)

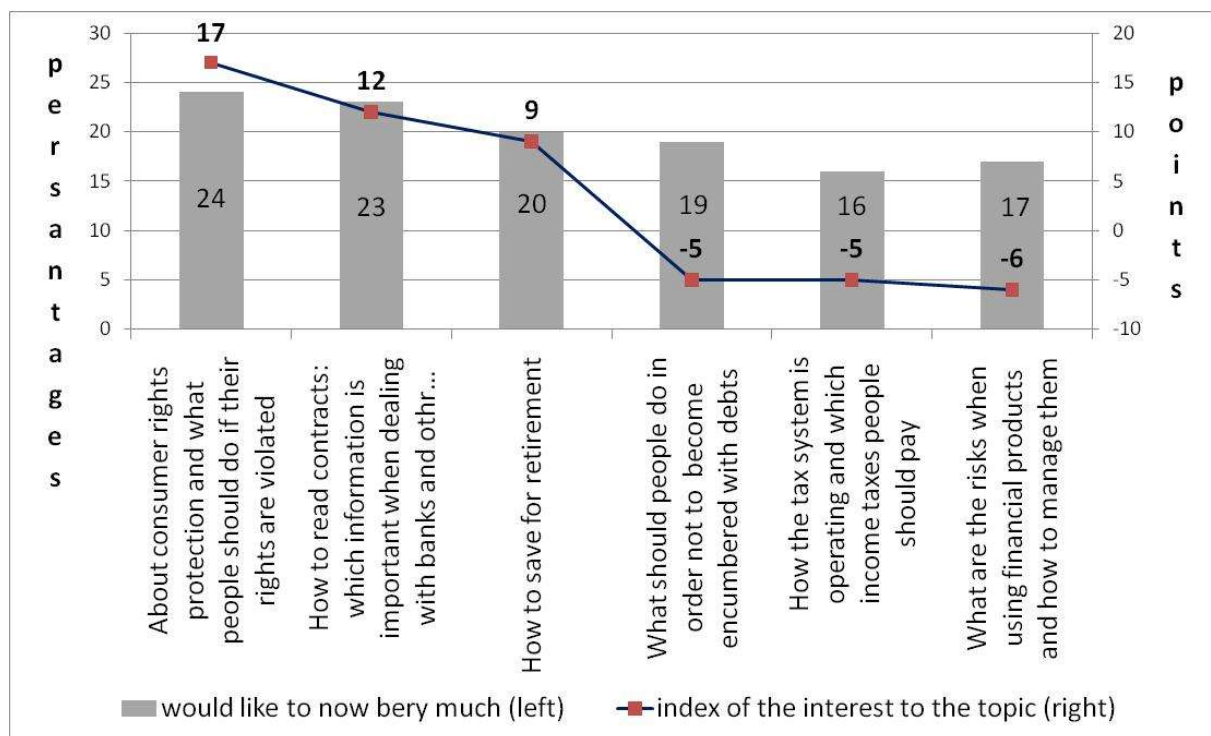


Figure 9 Topics which people are interested in to increase their level of financial literacy (N=1600)

Table 1: Final Samples by Social and Demographic Characteristics

		Official Statistics 2008	June 2008	December 2008	November 2009	February 2010	August 2010	November 2009
Gender								
	Male	46	45	46	46	45	45	45
	Female	54	56	54	54	55	55	55
Age								
	18-24	19	14	15	15	15	14	15
	25-34	18	18	19	19	19	20	19
	35-44	16	20	17	17	17	17	17
	45-59	27	27	28	29	28	28	29
	60+	20	21	21	20	21	21	20
Education								
	Primary and Post-Primary		9	10	7	8	10	8
	General Secondary		31	33	27	33	33	32
	Specialised Secondary		38	33	44	38	37	37
	Tertiary and Incomplete Tertiary		22	24	22	21	20	22
Region								
	Central		26	26	26	28	26	26
	North-West		10	10	10	10	9	10
	South		16	16	16	16	10	16
	Volga		21	21	21	21	21	21
	Ural		9	9	9	9	9	9
	Siberia		11	10	14	14	14	14
	Far East		7	8	5	3	5	5
	North Caucasus		—	—	—	—	6	—
Type of Residence								
	Moscow and St. Petersburg		11	11	11	11	11	10
	500.000+		17	19	20	18	18	17
	100.000-500.000		19	18	18	19	19	20
	Less than 100.000		26	26	24	26	25	26
	Rural Areas	27	27	26	27	26	27	27