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Child & Youth Finance International

Insights Into Financial Behavior and Knowledge of Children and Youth In Selected Countries from South-Eastern Europe

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Joint study by Child & Youth Finance International (CYFI) and the Development Facility of the European Fund for Southeast Europe (EFSE DF)

Summary

The current report represents the findings of the study conducted by Child & Youth Finance International (CYFI) and the Development Facility of the European Fund for Southeast Europe (EFSE DF) about the financial behavior and knowledge of young people in 7 countries from South-Eastern Europe (Albania, Croatia, Kosovo, Macedonia, Moldova, Montenegro and Serbia). The study included in-depth focus groups and interviews with children and youth between 10 and 24 years old, as well as a wide quantitative study of more than 2,000 children and youth people across 7 countries.

The study showed that despite the fact that the level of financial literacy of young people across the region is quite low, some positive aspects can be found: about 70% of the youth from the region save some part of their money (via piggy banks, with parents or at banks) and show interest in learning about money management and receiving financial education in school. Although the entrepreneurship plans of youth in the region are generally quite limited, 3 out of 4 respondents have at least considered starting their own enterprises – whereas approximately half of the youth across the region consider starting their own business to be very difficult or nearly impossible. Attitudes towards financial institutions are generally not positive, especially among the respondents older than 18, and those attitudes are largely based on negative experiences within their social circles and perceptions that they receive through media.

The study also revealed the levels of experience of children and youth with various financial products. Youth that have personal experience with owning and using their own bank account were found to be stronger with money management and saving habits, they showed better perceptions on the importance of savings, and they had a deeper knowledge about financial products and formal financial education. However, further studies are needed to understand the levels and reasons for such correlations. The report also provides interesting insights into the cohort differences by age, gender, and geographical location of youth in each studied country.

Acknowledgements

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Child & Youth Finance International

About CYFI

Child & Youth Finance International (CYFI) is a global multi-stakeholder network promoting economic citizenship for children and youth. CYFI leads the world's largest movement dedicated to enhancing the financial and entrepreneurial capabilities of children and youth.

CYFI has been active in South-Eastern European region since its inception. CYFI is leading and coordinating its Regional Working Group for Youth Economic Citizenship for South-Eastern Europe since 2014. Currently the group consists of more than 20 governmental institutions from 10 countries of South-Eastern Europe (Albania, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia). Over the period of 2015-2016, two meetings of the Group were organized in Romania (Sinaia, 2015 and Bucharest, 2016), hosted by the National Bank of Romania, regional training for the National Financial Education Strategies (Podgorica, 2016), hosted by Central Bank of Montenegro in Podgorica, as well as the current study that was initiated by CYFI and EFSE DF for the countries of the Working Group during Global Money Week 2016.

About the EFSE DF

The Development Facility of the European Fund for Southeast Europe (EFSE DF) was created in 2006 to support the fund's development finance mandate. It deploys effective, targeted and innovative technical assistance to maximize the impact and extent of the fund's development finance mandate in target countries. The services of the facility encompass capacity building and training, financial sector support and applied research with the aim to strengthen the internal capacities and operations of the fund's partner lending institutions.

The facility operates independently from the fund in a fiduciary arrangement under Luxembourg law. The Development Facility Committee, comprising members from KfW Development Bank, the Swiss Agency for Development and Cooperation, the development bank of Austria OeEB, and the Dutch development bank FMO, is responsible for assessing and approving all project proposals and providing strategic guidance to the facility.

For more information about EFSE and the EFSE DF, please visit: www.efse.lu.

1. Introduction

The importance of financial capability[2] for young people has been recognized by international organizations, public authorities, and international development organizations as an essential component for the next generation to achieve their full economic and social potential.

The financial environment has become increasingly complex while also becoming more accessible due to technological advances and changing procedures, as the OECD/INFE already noticed in 2005.[3] While access barriers to financial services are being lowered thanks to widespread innovations such as mobile money, online access and fintech solutions, there is also an increase and a shift of responsibilities from the financial sector towards the end consumers in terms of financial matters. This issue is even more relevant for the young generation of digital natives. In this context, financial education and consumer protection have become two of the highest priorities for financial regulatory authorities all around the world.

On one side, actions to enhance the financial capabilities of the consumers are driven from a consumer protection logic. On the other, from an international development point of view, a wide literature outlining the benefits of financial inclusion and education at the individual and microeconomic level has further incentivized public and private organizations to focus on providing financial education courses, especially ones targeted to young people. Still, little is known about which programs are the most effective and which of them could bring the longest lasting change in behavior in the target groups. It is recognized that financial education should start as early as the age of 7.[4] Some studies[5] suggest that a combination of financial education and access to financial products would be the most beneficial in terms of behavioral change and knowledge retention.[6] The difficulty of providing recommendations on program implementation in this field lies also in the fact that most of the programs, in order to be effective, need to be contextualized and adapted to the cultural background of the countries in which the programs are running. While several studies have been carried out on programs in the United States of America and various countries in Africa and Latin America,[7] very little or no research has been done in Central and Eastern Europe, a region which remains relatively unexplored in this context.

[2] Financial capability has both individual and structural components. It combines a person's ability to act with the opportunity to act. To be financially capable, people must have financial knowledge and skills as well as access to appropriate financial services to enhance social and economic well-being. While empowerment is portrayed as a separate construct in the CYFI model of economic citizenship, financial capability actually incorporates empowerment at the individual level and access and opportunity at the structural level. Essentially, financial capability occurs when young people are personally empowered and simultaneously experience financial inclusion, or real access to appropriate financial products and services along with the opportunity to practice using those services.

[3] OECD. Improving Financial Literacy: Analysis of Issues and Policies. Paris. OECD Publishing. 2005.

[4] David Whitebread and Sue Bingham. Habit Formation and Learning in Young Children. London. Money Advice Service. 2013. https://mascdn.azureedge.net/cms/the-money-advice-service-habit-formation-and-learning-in-young-children-may2013.pdf; OECD. OECD/INFE Guidelines on Financial Education in Schools. Paris. OECD Publishing. 2012.

[5] Adele Atkinson and Flore-Anne Messy. Promoting Financial Inclusion through Financial Education. OECD/INFE Evidence, Policies and Practice. OECD Working Papers on Finance, Insurance and Private Pensions, no. 34 (2013): doi: http://dx.doi.org/10.1787/5k3xz-6m88smp-en

[6] Margaret Sherraden and David Ansong. Research evidence on the CYFI Model of Children and Youth as Economic Citizens (CSD Research Report 13-04), (St. Louis. Washington University, Center for Social Development, 2013.

[7] Brown et al. State Mandated Financial Education and the Credit Behavior of Young Adults. Rochester. Social Science Research Network. 2014.

Minimal information is also known about the level of financial literacy of young people around the world. One attempt to overcome this gap is the OECD's Programme for International Student Assessment of 15-year-olds (PISA). Since 2012 it includes questions that assess the knowledge, skills and attitudes of students towards matters concerning money matters.[8] However, currently only a limited number of countries participate in this assessment, and only Croatia from the Balkan region.

An important dimension to take into consideration when designing financial education and inclusion programs for young people are their wants, needs and attitudes towards money. To CYFI's knowledge, no efforts or studies for the region have been led by any national or international organization exploring this dimension. Therefore, this study is one of the first attempts to gain insight into what motivates, interests and drives young people in the countries of South-Eastern Europe around the topics of money management and livelihoods.

This study was initiated by CYFI and EFSE DF in order to gain insights concerning financial knowledge, financial behavior and attitudes towards entrepreneurship of children and youth (10-24 years old) in seven countries of the region – Albania, Croatia, Kosovo, Macedonia, Moldova, Montenegro, and Serbia. The choice of the countries has been motivated by different factors. Firstly, we looked at the similarities existing between the countries in terms of culture, country population, GDP and the average salary as well as financial inclusion rates (see Figure 1 below). It is worth noting that Croatia is the only one of the seven countries measured to have acceded into the European Union.[9] Secondly, the choice of the countries was influenced by the countries of operation of the EFSE DF.

	Albania	Croatia	Kosovo	Macedonia	Moldova	Montenegro	Serbia
Population (2015) (Millions)	2.889	4.224	1.797	2.078	3.554	0.622	7.098
Urban vs Rural	54% vs 46%	58% vs 42%	39% vs 61%	60% vs 40%	42% vs 58%	54% vs 46%	56% vs 44%
Male vs Female	50% vs 50%	41% vs 59%	45% vs 55%	51% vs 49%	48% vs 52%	50% vs 50%	49% vs 51%
Country GDP (2015)	11.40 billion USD	48.85 billion USD	6.40 billion USD	10.09 billion USD	6.47 billion USD	3.99 billion USD	36.51 billion USD
Average Salary	394 EUR	743 EUR	453 EUR	540 EUR	220 EUR	480 EUR	365 EUR
Unemployment Rate (End of 2015)	17.7%	17.9%	32.9%	24.6%	4.2%	17.8%	17.7%
Personal Internet Usage	62.7%	75%	84.4%	68.1%	47%	61.4%	66.2%
Youth (ages 15-24) account at financial institution	30.0%	57.8%	41.1%	46.7%	12.2%	41.3%	77.8%
Youth (ages 15-24) saved at a financial institution	7.2%	16.6%	5.3%	7.5%	4.8%	2.9%	2.7%

Figure 1 Basic country statistics | * Sources: Albanian Institute of Statistics (INSTAT); Internet World Stats (2015); Croatian Bureau of Statistics; IMF World Economic Outlook Database (2016); Kosovo Agency of Statistics; National Bureau of Statistics of the Republic of Moldova; Republic of Macedonia State Statistical Office; Statistical Office of Montenegro; Statistical Office of the Republic of Serbia; Trading Economics; World Bank Global Findex (2014); The World Bank: World Databank.

[8] OECD. PISA 2012 Results: Students and Money (Volume VI). Financial Literacy Skills for the 21st Century. Paris. OECD Publishing. 2014.

[9] At the time of writing, Croatia is the only country that is a Member State of the European Union. Albania, Macedonia, Montenegro, and Serbia are official candidate states for accession into the EU but they are each at various stages of their respective accession negotiations. Kosovo is a potential candidate state and has signed a Stabilization and Association Agreement (SAA) with the EU. Moldova is in the process of pursuing EU membership. The EU considers Moldova to share a "European perspective" (see Article 49 of the Treaty of Europe).

CYFI sees the three elements (financial knowledge, financial inclusion, and attitude towards entrepreneurship) as key interlinked components which can contribute to the development of a responsible, confident and empowered economic citizen. In fact, CYFI's Theory of Change (see Figure 2 below) states that the way to achieve economic citizenship of young people is by providing them with financial, social and livelihoods education, as well as access to appropriate formal financial products (see Figure 3 below for a brief description of what CYFI considers the key characteristics of a child-friendly banking product).[10] Research shows that children and youth are more likely to continue using financial products when financial education is complemented by opportunities to apply what is being taught.[11] In addition, it also shows that financial education, when complementing other educational components, is more effective in achieving changes in behavior and attitude than as a standalone subject.[12] Thus, full economic citizenship can improve economic and social well-being, reduce income and asset poverty and lead to sustainable livelihoods for children and youth.[13] Therefore, these three dimensions (financial education, financial inclusion and entrepreneurship attitudes) have been studied jointly in the current study and in the interviews carried out with the youth in the six countries.[14]

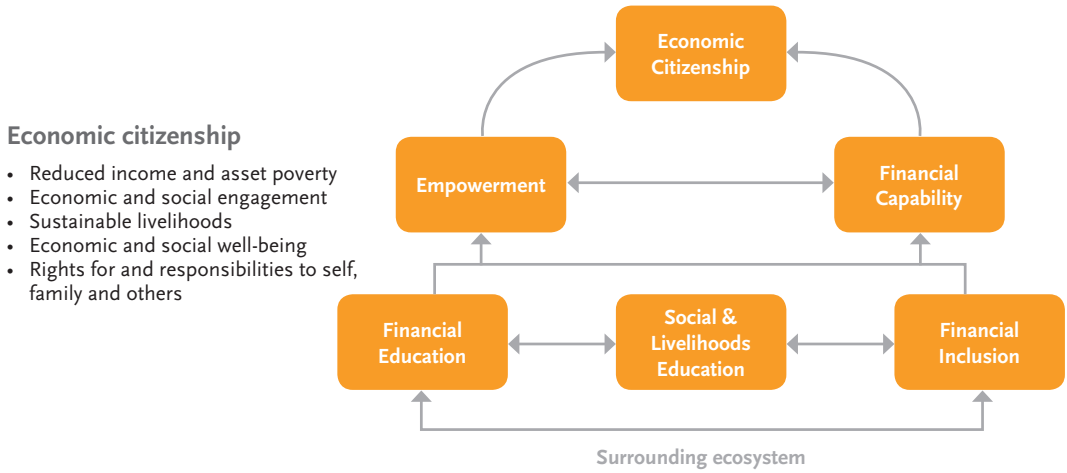

Figure 2 Child & Youth Finance International Model of Economic Citizenship

[10] The model of economic citizenship consists of three components: 1) financial inclusion, 2) financial education and 3) social and livelihoods education, which are the building blocks of empowerment and financial capability that underpin economic citizenship for children and youth. Empowerment is the sense of confidence and efficacy experienced by children and youth through controlling their own lives, claiming their rights, and having empathy toward others.

[11] Child & Youth Finance International. Children, Youth & Finance: From Momentum to Action. Amsterdam. 2013. http://childfinanceinternational.org/resources/publications/children-youth-finance-from-momentum-to-action.pdf; Kasey Wiedrich, J. Michael Collins, Laura Rosen, and Ida Rademacher. Financial Education & Account Access among Elementary Students: Finds from the Assessing Financial Capability Outcomes (AFCO) Youth Pilot. CFED. 2014.

[12] Laurenc O'Prey and Daniel Shephard. Financial Education for Children and Youth: A Systematic Review and Meta-analysis. Aflatoun

[13] Karina Avakyan, Bianca Isaincu and Floor Knoote. The Regional Financial Inclusion Landscape of Youth Bank Accounts: Selected Country Cases from Central and Eastern Europe. Child & Youth Finance International. 2016.

[14] The qualitative portion was not performed in Croatia given limited available funds. The qualitative portion was designed to offer greater insights into the quantitative results. Future studies involving Croatia should involve qualitative methods on top of quantitative methods to maximize the robustness of results and interpretations.

The main objectives of the study were:

- Understanding the level of knowledge and the attitudes of young people in the region concerning personal finances, their sources of financial education and/or information about finance-related matters;
- Understanding the level of interest of young people in the region in the formal financial sector and their behavior in relation to money and sources of income, as well as in relation to formal financial services;
- Understanding the attitudes of the youth aged 19-24 in the region towards entrepreneurship and access to finance linked to the entrepreneurial career;
- Providing recommendations for the work of Child & Youth Finance International and EFSE DF.

The results provide insights that can be used by policy-makers, educational authorities, financial institutions, international donors and development organizations for developing tailor made programs for financial education, financial inclusion and support to youth entrepreneurship in the studied countries. The results could help conceptualize future activities in the area of financial education in a more effective way, determine the priorities and gaps for formulating policies and strategies in the field, but also demonstrate the relevance and need of policies and programs, especially the ones that aim to enhance the economic citizenship of young people in the region.

The paper is structured as follows: In the first part, we present the background of the countries, outlining the policies that have been undertaken by these countries in financial education, financial inclusion and youth employment. The second part presents the methodological approach and the key limitations. The third part outlines some of the most interesting findings from the study. Lastly, conclusions and recommendations for policy-makers are presented. The annex presents the key findings in terms of age, gender and country differences.

1. Availability and accessability for children and youth

Bank accounts are widely available and accessible to children and youth despite their economic, social, cultural or religious situation, gender, age, or ability.

2. Maximum control to children and youth

Bank accounts provide the maximum possible control to children and youth within the boundaries of local jurisdiction and ensure financial ownership.

3. Positive financial incentive for children and youth

To build confidence as children and youth enter the financial system, positive financial incentives (e.g. no overdraft and relatively higher interest rates) are important.

4. Reaching unbanked children and youth

The financial institution will proactively reach out to unbanked children and youth in vulnerable communities as part of a larger financial inclusion agenda, within the boundaries of local jurisdiction.

5. Employing child and youth friendly communication strategies

The communication and marketing materials around the product will be child and youth centred, connecting to their needs, interests and level of comprehension. This will be complemented by the ability of all staff within a financial institution to interact in a child and youthy manner.

6. A component of Economic Citizenship Education

In combination with the product, children and youth are offered a component of Economic Citizenship Education, with elements of financial, life skills, and livelihood education.

7. Monitoring of child and youth satisfaction

The financial institution monitors the extent to which the product and relating services satisfy the needs and interests of children and youth.

8. Internal control

The financial institution has internal controls in place on all these Principles.

Figure 3 Characteristics of a child and youth friendly bank account according to CYFI[15]

[15] Child & Youth Finance International and MasterCard. Banking a New Generation: Developing Responsible Retail Banking Products for Children and Youth. Amsterdam. 2014.

2. Current state of programs and policies: financial inclusion, youth unemployment and financial education in selected countries

Drawing on data already available, this chapter outlines the level of financial inclusion, financial education and youth unemployment. It also gives a brief overview of the policies for financial education which national regulatory authorities and ministries of education have undertaken in order to enhance the level of financial literacy of the young population.[16]

The region of Eastern Europe and Central Asia consists of 23 countries with a total population of about 367 million people, of whom 19.6 percent live below their national poverty line.[17] The seven countries that participated in the study account for 22 million people, 3,751,666 of which are youth making up 16.1% of the overall population of the studied countries.

Financial inclusion of youth

Financial inclusion rates for the analyzed countries are lower than the OECD high-income countries (see table below with data from the World Bank Findex, 2014). Moreover, we observe a clear difference between the level of financial inclusion of the general population (15+) and that of the young adults (15-24). This difference is of particular note in countries with relatively high levels of financial inclusion. On average, in all of the studied countries (with the exception of Serbia and Croatia), more than half of the young adults (15-24) do not have a bank account at a financial institution. In Albania, Kosovo, Moldova, Montenegro and Serbia less than 10% of the population is saving money in an account at a formal institution (with an even lower percentage for young adults between 15-24), again, considerably lower than 48% on average in the high-income OECD countries.

[16] This information was gathered in December 2016.
[17] The Consultative Group to Assist the Poor. Eastern Europe and Central Asia. http://www.cgap.org/countries/eastern-europe-and-central-asia.

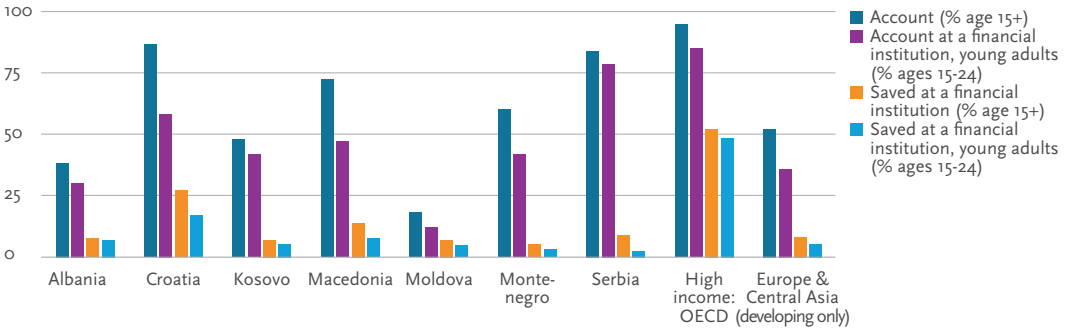

Figure 4 Financial Inclusion Indicators: account at a formal financial institution and saved at a formal financial institution across countries – adults (15+) and young adults (15-24). Source: World Bank Findex (2014), w2.

In a previous study led by CYFI in Central and Eastern Europe, results showed that although some countries from the region have a financial regulation that allow financial institutions to serve young people with bank accounts between the ages of 14 and 18 (as for example Moldova – see Figure 5 for countries in the current sample), very few financial institutions are actually taking this opportunity to expand their client base.[18] Some of the reasons provided by financial institutions for this are outlined in Figure 6. More reasons and some consideration regarding this particular topic can be found in "The Regional Financial Inclusion Landscape of Youth Bank Accounts" (2016).[19]

Country	Minimum age to independently open and operate a bank account
Albania	18
Croatia	18
Kosovo	18
Macedonia	18
Moldova	14
Montenegro	18
Serbia	18

Figure 5 Legal age to open and operate a bank account

This study presented an opportunity to test these perceived barriers from the youth perspective as well: do youth in the analyzed countries perceive the same barriers and are motivated by the same opportunities and challenges to enter the financial system? What are the differences between the perceived challenges by the financial service providers and the young consumers? Part three of this chapter will be exploring these questions.

Main barriers for banks to serve youth:	Regulatory and legislative barriers
	Low level of financial literacy of youth
	Lack of disposable income
	Low interest of youth for the financial system

Figure 6 Barriers for banks to develop products for children[20]

[18] Karina Avakyan, Bianca Isaincu and Floor Knoote. The Regional Financial Inclusion Landscape of Youth Bank Accounts: Selected Country Cases from Central and Eastern Europe. Child & Youth Finance International. 2016.

[19] Karina Avakyan, Bianca Isaincu and Floor Knoote. The Regional Financial Inclusion Landscape of Youth Bank Accounts: Selected Country Cases from Central and Eastern Europe. Child & Youth Finance International. 2016. http://childfinanceinternational.org/resources/publications/CYFI-Regional-FI-Landscape-Central-Eastern-Europe.pdf.

[20] Ibid. For more details, interesting information on the barriers for youth to access financial services are outlined in: United Nations Capital Development Fund and the MasterCard Foundation, Insights from UNCDF's YouthStart Programme: Policy Opportunities and Constraints to Access Youth Financial Services. New York: UNCDF. 2012. http://www.uncdf.org/sites/default/files/download/access-stoyfs_05_for_printing.pdf.

Youth unemployment

High levels of youth unemployment in the region raise concerns. In fact, according to the World Bank and ILO estimates in 2014, while the regional average for unemployment is above 20%, in some Balkan countries, including Kosovo, Macedonia or Serbia, the youth unemployment rate reaches almost 50% or more (World Bank 2014). At the same time, micro and small-medium enterprises (MSMEs) are the main drivers of employment today. In 2014, 99% of the total amount of European private enterprises were MSMEs,[21] and such enterprises create approximately 8 out of every 10 jobs in the EU.[22]

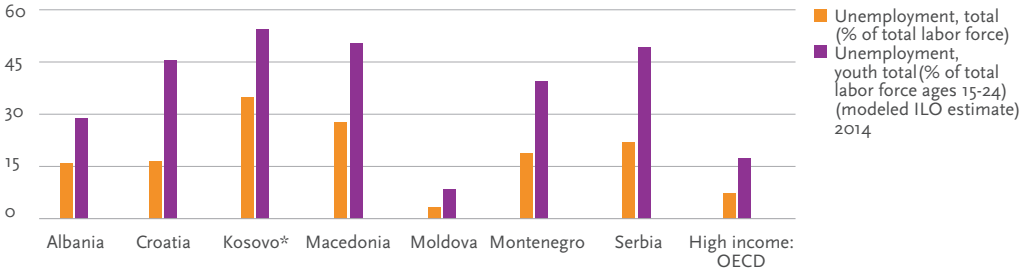

Figure 7 Unemployment rates for total population and youth (age 15-24) Source: World Bank database (2014)
*Kosovo data – World Bank Country snapshot (2015)[23]

[21] Sabine Vinck. Importance of SMEs Is Grossly Underestimated. Forbes. Last modified December 12, 2014. http://www.forbes.com/sites/lbsbusinessstrategyreview/2014/12/12/importance-of-smes-is-grossly-underestimated/#799f85032 6e9.
[22] World Economic Forum. Enhancing Europe's Competitiveness: Fostering Innovation-driven Entrepreneurship in Europe. Geneva. 2014.
[23] World Bank. Country Snapshot: The World Bank in Kosovo. 2015. http://pubdocs.worldbank.org/en/739371475757000674/Kosovo-Snapshot-Oct2016FINAL.pdf.

Policies to support youth employment as well as structural reforms are necessary to help stimulate the economic environment and create more jobs. While not a panacea, in many European countries where a similar trend of high youth unemployment has been observed, support to youth entrepreneurship has increasingly gained momentum, with national and European funds being dedicated to programs to enhance and stimulate entrepreneurship (e.g. Youth on the Move). A similar solution could be suggested for the South-East European region. However, according to the results of this study, just as in many other European countries,[24] the attitudes of youth towards an entrepreneurial career are not very encouraging in South-East Europe. This study aimed to test the attitude of young people from the countries of South-Eastern Europe towards starting their own business and entrepreneurship in general. This study therefore includes a section on attitudes to entrepreneurship, perception of the feasibility of an entrepreneurship career and youth opinions on the potential sources of funding for a business (see IV in chapter 4 of the current report).

[24] OECD and European Commission. Policy Brief on Youth Entrepreneurship: Entrepreneurial Activities in Europe. Luxembourg: Publications Office of the European Union. 2012.

National Financial Education Strategies and Policies

Albania

Albania was one of the first countries in the Balkan region to prioritize financial education on a national level, with a particular focus on youth. The Central Bank of Albania (BoA) has been developing the national program for financial education of Albanian citizens through awareness activities and various projects, aimed to increase awareness and draw attention to the significance and impact of financial literacy on individual well-being and on the countries' economic health. Since 2007, the BoA has been developing various financial education materials and actively disseminating them to the public. In 2010, the BoA started a major educational program in partnership with the Ministry of Education and Sports for high school students. For this program, specialists from the BoA, together with experts from the Institute of Education Development, designed the curricula and the textbook, which served as the basis for the elective subject and was introduced for the first time in the Albanian high schools in the 2011/2012 school year. The elective school subject 'Personal finance in your hands' is taught in 36 classes and students may chose it in any of the three years of high school. During the second year of the project it was chosen by 9,500 students in 127 high schools compared to 7,000 students in 82 high schools in previous years. Furthermore, the BoA introduced the educational package 'Cufo Piglet is learning to save' for pupils aged 7-9 years. It was launched during the 2013/2014 school year. In the last two years, the BOA has decreased their activities in the field of financial education despite the opening of its new Money Museum in 2014. The full integration of financial education in the compulsory school curriculum has not yet happened in Albania.

Croatia

Currently, the 'National Strategic Framework for Financial Literacy for Consumers 2015–2020' and the 'Action Plan for 2015' with the particular attention to the target group of children and youth (primary, secondary school and university students) is being implemented in Croatia under the leadership of the Ministry of Finance. Moreover, the Ministry of Education, Science, and Sports of Croatia started integrating the elements of Economic Citizenship Education into the compulsory subject of civic education both for elementary and high schools. The new revised 'Curriculum for Cross-curricular Implementation of the Citizenship Education for Primary and Secondary Schools' was developed and published in 2014 and made the curriculum obligatory for schools. At the moment, the obligatory curriculum is being drafted but the implementation of it has not yet started in Croatian schools.

Kosovo

There is no national policy or national strategic framework in Kosovo for enhancing the financial education of its young citizens. Although the Central Bank of Kosovo is active in promoting financial education and financial inclusion for adults and young people, its initiatives and activities are still sporadic and mostly have an awareness-raising character. There are several initiatives in the country aimed at enhancing youth financial capabilities (e.g. trainings, projects, savings products) by the Kosovo Bankers' Association, some financial institutions, and NGOs.

Macedonia

The National Bank of the Republic of Macedonia (NBRM), with approval from the Ministry of Education and Science, began their active involvement in the enhancement of financial literacy for children and youth in 2011 with lectures and special programs for elementary and secondary school students being organized. In December 2013, at the initiative of the NBRM, the Ministry of Finance, the Insurance Supervision Agency, the Securities Commission and the Pension Funds Supervision Agency jointly established the 'Coordinating Body of the Regulatory Authorities for Financial Education' with the aim of coordinating and expanding the reach of financial education initiatives in the country. The Coordinating Body is a full member of the International Network for Financial Education of OECD and has implemented a policy for financial education according to the high-level standards and principles of the OECD/INFE. The purpose of the Coordinating Body is to ensure that the institutions responsible for regulating financial services raise the level of financial literacy of the population. In the coming years, the Coordinating Body aims at drafting and implementing the national strategy for financial education for the overall population. The NBRM has undertaken many activities on financial education since the beginning of the project itself. It intensifies the cooperation with other institutions and organizations through various agreements at the local level such as that with the Macedonian Chamber of Commerce, the Alliance of Microfinance Organizations, and with CYFI and Aflatoun at the international level.

Starting in 2017, a closer collaboration with the Bureau for Education Development is envisaged. In 2014, the NBRM together with Child & Youth Finance International organized the 3rd Child & Youth Finance International Regional Meeting of Europe and Central Asia and in 2015 the first Europe and Central Asia Regional Forum on Financial Inclusion Policy together with the Alliance for Financial Inclusion.

Montenegro

Montenegro does not yet have a national policy aimed at promoting financial literacy and inclusion of youth. However, the Central Bank of Montenegro (CBM) began to implement activities on financial education for children and youth in 2013. Since then the CBM has been actively involved and is executing awareness raising and educational activities for young people all over the country, within the period of Global Money Week (GMW) and beyond. In 2014, the CBM set up the Financial Education Working team that is planning the steps for advocating and promoting financial education on the national agenda. In 2016, the CBM hosted a CYFI/GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) training on National Financial Education Strategies for the members of the CYFI-led Working Group on Youth Economic Citizenship for South-Eastern Europe with ten institutions from seven countries participating in the training. CYFI closely monitors the developments and policies in the area of financial education and inclusion following the training.

Moldova

The Republic of Moldova, in its development plan 'Moldova 2020', has identified four main areas which require structural changes that will lead to an increase in foreign investments and sustainable growth. One of these areas is the improvement of financial inclusion and financial access for the population, linked to the enhancement of the competition in the financial sector. The definition of financial inclusion can include access for children and youth to "quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients".[25]

[25] Child & Youth Finance International. Child & Youth as Economic Citizens: Review of Research on Financial Capability, Financial Inclusion, and Financial Education. Amsterdam. 2012.

The Moldovan National Commission for the Financial Market has conducted an analysis with regard to the level of development of financial education in the Eastern European countries and has further engaged in discussions with the Ministry of Education of Moldova on the importance of financial education for children and the need for its delivery through the school system. As a result of such efforts, the Moldovan Ministry of Education, in collaboration with the Institute of Educational Sciences and other partners, has developed a methodological guide on financial and social education based on which the national curriculum has been revised and adopted. Social and financial education is now an optional subject for high school students. Moreover, in 2016, the Institute of Educational Sciences revised the mandatory curriculum for middle school students (age 10-15) in order to identify the possibilities for the integration of social and financial education as a cross-curricular subject.

Since 2015, the National Bank of Moldova (NBM) is in the process of drafting the national strategy for financial education and inclusion, which entails a particular focus on children and youth. Since 2013, the NBM has been leading many initiatives to enhance the financial literacy level of children and youth in the country in collaboration with different partners such as EFSE DF and CYFI.[26]

Serbia

At the moment there is no policy or coordinated stakeholder approach on a national level to address financial literacy and inclusion of young people in Serbia. However, there are many separate activities led by the National Bank of Serbia (NBS) that aim at enhancing the financial education of young people. The NBS developed a series of workshops, organizes various interactive events and activities for children and youth and launched a financial literacy website for the general

[26] EFSE. EFSE Development Facility Map: Moldova. European Fund for Southeast Europe. http://www.efse.lu/fileadmin/user_upload/File_Attachments/project-examples/efse-development-facility-map/efse-development-facility-map/EFSE_Final_foto/Moldova_EX.html.

public and for students.[27] Moreover, the NBS, together with other members of the Working Group for Corporate Social Responsibility in Banking and Finance, developed and implemented a project on education for secondary school children within Global Compact activities related to financial education. At the moment there is no ongoing process for integrating financial education in the obligatory school curriculum. The Association of Serbian Banks in also actively involved in financial education, and is involving its member banks into the field by encouraging them to organize various educational activities for youth, such as bank visits, 'open days' at the bank branches and workshops.

Country	Leading organizations	No of children/youth reached (2016)[24]
Albania	Bank of Albania, Ministry of Social Welfare and Youth, Albanian Banking Association, Ministry of Education and Sport	13,000
Croatia	Ministry of Finance	8,941
Kosovo	Central Bank of Kosovo	2,700
Macedonia	National Bank of the Republic of Macedonia, Ministry of Finance, Securities and Exchange Commission, Insurance Supervision Agency, Agency for Supervision of Fully Funded Pension Insurance	10,000
Moldova	National Bank of Moldova	1,929
Montenegro	Central Bank of Montenegro	11,000
Serbia	National Bank of Serbia, Association of Serbian Banks	240

Figure 8 Basic information on the participation of the countries in Global Money Week Source: http://www.globalmoneyweek.org/regions/europe.html

[27] National Bank of Serbia. http://www.tvojnovac.nbs.rs/edukacija/cirilica/index.html.

3. Summary of methodology

A combination of both qualitative and quantitative methodological approaches was chosen, ensuring better insights into various aspects of the researched topic. The data collection was mostly conducted by the research agency Valicon (Croatia) and its branches or partners in other countries. CYFI partners organized recruitment of the participants for the focus groups in 4 countries – Montenegro (Central Bank of Montenegro), Serbia (Association of Serbian Banks), Macedonia (Center for Human Rights and Conflict Resolution), and Moldova (Institute of Educational Sciences), in line with the requirements outlined by the researchers.

a) Qualitative approach

- 3 focus groups for different age groups (10-14 years; 15-18 years; 19-24 years) were conducted in 6 countries – Serbia, Montenegro, Moldova, Kosovo, Macedonia, and Albania;
- Each focus group discussion lasted about 1.5 hours and was recorded for subsequent analysis;
- All focus group discussions took place in the capital city of the country;
- Focus groups were conducted over the period March – May 2016.

b) Quantitative approach

- In 5 countries of the region (Serbia, Montenegro, Kosovo, Macedonia, Albania) face-to-face interviews with respondents (10-24 years) were conducted;
- In Croatia, face-to-face interviews with respondents 10-14 years were conducted. An online-based survey was used to collect responses from older youth;
- In Moldova a survey was distributed to young people in schools and universities under the supervision and direction of school staff;
- Total sample size was about 2,100 children and youth across 7 countries (approx. 100 respondents per age group in each country);
- Data collection took place in the period April-May 2016;
- The set of questions was larger for age group 19-24, including questions about formal loan products, employment and entrepreneurship plans of young people.

Limitations

Overall, the approach to data collection was quite consistent across the region, with the exception of quantitative data collection in Croatia and Moldova. While the web-based and pen-and-paper approaches used in these countries could have caused some bias in the results obtained, the authors do not believe they were substantial enough to cause any concern. As in the case of face-to-face interviews, quantitative data collection in Croatia was also conducted throughout different regions of each country and weighted to be nationally representative for all age groups. In Moldova the researchers were unable to have representative samples from each age group. Thus, the data is representative only for 15-24 age group, while the 10-14 years of age target had a small and non-representative sampling.

4. Key findings

The study questions were structured around four major topics – I) financial involvement of youth, II) personal money management, III) knowledge about and attitudes towards financial products, and IV) entrepreneurship attitudes and plans of young people. The sections below present the main findings of the study on each topic, divided by sub-topics where applicable.

I. Financial involvement of youth

The first section explores the participation of young people in the decision-making process and financial matters in their households, their understanding of household finances, their familiarity with financial education in school and out-of-school, as well as the peer influence – how important young people in the region consider having similar things with their peers and how much that correlates with their savings and spending behavior.

Participation and understanding of household finances

> **"I think that one should know about incomes of his/her family, and to know how to manage the money."**
>
> *Albanian youth, 15-18*

The involvement of youth (aged 10-24) across the region with household finances is only partial. Many actively participate in conversations about finances with their families, but they usually do not make any more relevant or important household finance decisions. The oldest age group tends to participate in decision-making regarding household finances more often than the younger groups, with no significant differences among gender. Most of the interviewed youth seemed to understand the difference between regular monthly expenditure and occasional expenditure (most of them indicated food for household, mobile phone bills, utilities and buying clothes as regular monthly expenses), which could indeed be an indication of the fact that they have actively participated in conversations about expenses with their families.

The fact that most of the children gather their knowledge about financial matters from their families is also confirmed by the finding that 80 to 90% of the youth across the region feel that formal education has not helped at all or only to some extent in understanding personal finance management (see Figure 9 below).

	Total Region	Albania	Croatia	Kosovo	Macedonia	Moldova	Monte-negro	Serbia
A Lot (Have Some Courses)	11%	18%	9%	21%	5%	19%	6%	2%
Somewhat (Topics Within Other Subjects Helped)	41%	50%	30%	50%	37%	50%	38%	36%
Not at All	48%	32%	61%	28%	57%	30%	56%	62%

Figure 9 Support from formal financial education to understand money management
Question asked: To what extent has your school/education help you in understanding personal finances management or financial products?

Interest in financial education

However, many children and youth across the tested countries indicated that they would be interested in receiving more formal financial education. Across the region 56% of youth show high levels of interest and an additional 31% show partial interest in receiving financial education at school.

The country comparison showed that:

- Respondents from Albania and Kosovo mentioned slightly more often than respondents from other countries (in about 20% of cases) that they believe formal education might have helped them in better understanding finances.
- Youth from Kosovo have the highest interest in formal financial education compared to other countries, even at a primary school level, while Serbian respondents showed the lowest level of interest in the region for receiving financial education.
- In Albania (for the children at primary school level), Montenegro (for the secondary school youth) and Kosovo (for youth of 18 or older), the level of education of the parents is positively correlated to the interest of the child in receiving financial education: children who had at least one parent with a university degree or higher expressed greater interest in financial education.
- In Serbia, young people with parents who had a low level of education, were more likely to mention that they were not interested in financial education.

The majority of young people surveyed did not use any innovative apps or games for financial education, nor were they aware of them.

Other studies have found that young people start to form their financial behavior around the age of seven.[28] When it comes to financial issues and money management, it is also believed that a series of factors are influential, such as one's family background, peer influence, school and whether or not financial education is being taught consistently in school. Peer influence is a very relevant indicator because it appears to strongly correlate with money management and saving habits, as well as the perception of savings. In this study, about two-thirds of the youth interviewed agreed that fitting in was more important than not. Peer influence was tested by asking respondents about the importance of fitting in with peers or being different. Fitting in seems to be more important for youngest age groups (10-14), while the eldest group (19-24) finds other things more important in life and appreciate individuality more.

Some interesting differences between countries:

- Youth from Croatia were the least likely to indicate that fitting in was important to them. Only youth from Macedonia, Albania and Kosovo agreed that fitting in was the most important. In Kosovo, youth who see fitting in as very important are more likely to spend all their money and not to save (about 22%).
- In Moldova, females consider fitting in less important than males do. However, they consider savings to be more important than males do.

In the first set of questions, we tried to capture which of the above mentioned factors (family, school, and peers) were the most influential factors in money management for young people in the region. This allowed us to put in perspective the behaviors of the youth which are outlined in the sections below. Results from the questionnaire suggest:

- Most youth from the region receive their information and knowledge about money matters from their families and they often participate actively in household conversations about money despite not being involved in any actual financial decisions.
- Most youth are interested in receiving more financial education in school, especially the oldest group of 19-24 year olds. However, the responses were favorable overall for Kosovo (85%), Moldova (76%), Albania (59%) and Croatia (58%) in this category. The least interested youth in financial education are the youth from Serbia (27% of them are not interested at all).

[28] David Whitebread and Sue Bingham. Habit Formation and Learning in Young Children. London: Money Advice Service. 2013. https://mascdn.azureedge.net/cms/the-money-advice-service-habit-formation-and-learning-in-young-children-may2013.pdf.

- Youth from Albania, Macedonia and Kosovo are the most influenced by their peers, while the youth from Croatia and Moldova are the least influenced by their peers when it comes to financial habits.

II. Personal budget management

The second section explores the ways young people in the region manage their personal finances, budget and what their savings and spending behaviors are.

The study shows that most young people in the region do have access to money. Most young people receive regular allowances (usually smaller amounts on a daily or weekly basis for teens and larger amounts on a weekly or monthly basis for older youth) or gifts from relatives (a few times a year, slightly larger sums than allowances). Figure 10 shows an overview of personal money sources in each of the observed countries.

	Total Region	Albania	Croatia	Kosovo	Macedonia	Moldova*	Monte-negro	Serbia
Regular Allowance	66%	78%	46%	90%	62%	32%	62%	58%
Occasional Pocket Money	44%	18%	44%	62%	43%	59%	46%	49%
Gifts	48%	12%	53%	47%	60%	27%	59%	60%
Regular Income (From Work)	18%	18%	18%	16%	13%	18%	20%	21%
Occasional Income (Student Work)	7%	2%	15%	9%	6%	17%	3%	6%
Occasional Income (Other Work)	1%	0%	1%	0%	2%	19%	1%	1%
Scholarships	5%	0%	10%	3%	8%	2%	7%	3%
Government allowance	0%	0%	1%	0%	2%	1%	0%	0%

Figure 10 Sources of personal money Question asked: Do you have your own money (that you can spend)? What sources of money do you have on disposal, regardless of their frequency? *The difference of the Moldovan data could be explained by the fact that only the data for the age group 15-24 has been analyzed, being the only segment considered representative.

The majority of youth in the region, especially the youngest group, receive up to EUR 10 a week. Amounts of EUR 10-20 (in Croatia, Serbia and Montenegro up to EUR 25) are more common for 15-18 age group, while larger weekly amounts (EUR 25 and even EUR 50 or more) are more common for the 19-24 age group, which are also more likely to earn extra money from occasional part-time jobs.

The majority of youth (about 70% on regional average) do save at least a little, or sometimes. The majority of respondents indicated that they mostly try to save variable amounts of money, according to their abilities and needs at that particular moment. However, it is interesting to note that differences exist between youth in rural and urban areas. Overall, respondents from urban areas tend to save first (having in mind some pre-determined goal), and only afterwards spend money. Meanwhile, in rural areas young people tend to spend first and then they will consider saving if there is money left. This trend is particularly significant for Croatia, Macedonia and Kosovo.

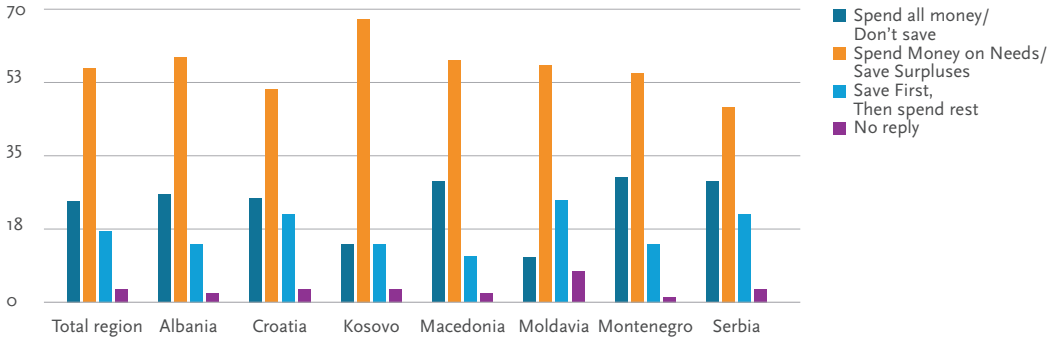

Figure 11 Money Management Habits
Question asked: Which statement best describes how you manage your money?

Savings are mostly sporadic and the majority of young people only save surpluses, according to needs and abilities. Youth from Serbia and from Montenegro save more for specific purposes (hence they are more likely a have a savings plan) while there is a similar share of youth from Macedonia and Albania who save either for a specific goal or have a non-dedicated savings box. As indicated by qualitative insight (n=24 per country), money saved mostly comes from some larger amounts received such as gifts and small occasional income. Some interesting country and age differences are outlined below:

- In Croatia and Kosovo, rural youth tend to spend all of their money. The youth living in urban areas tend to first save and spend the rest of the money after saving;
- In Montenegro, male respondents tend to spend more and save less than female respondents;

> **"I really do not have that habit of budget planning. Often I do not even know where my money went!"**
>
> *High school student from Montenegro*

- In Serbia and Albania, the youngest respondents (10-14) are more likely to state that they first save instead of spending their money, compared to the older groups in both countries that are more likely to not save. Other studies have found similar tendencies, confirming that responsible money management should be taught as early as possible;[29]
- In Macedonia, female respondents are more likely than male respondents to state that savings is crucial and a must.

Regardless of personal abilities or savings habits, the vast majority of youth in all countries (about 80%) agree that saving is either smart, important or crucial but only if you can afford it. Youth from Kosovo generally consider bank savings to be important and are more motivated to save than youth from other countries. The main obstacle to more regular/larger savings is the lack of regular income or larger sums at their disposal.

During in-depth focus group discussions it was found that most young people use notes in applications on their mobile phones and notes in physical notebooks as a way to keep record of their budgets. Thus, youth awareness of various online sites, web and mobile applications on this topic is still limited.

[29] David Whitebread and Sue Bingham. Habit Formation and Learning in Young Children. London: Money Advice Service. 2013. https://mascdn.azureedge.net/cms/the-money-advice-service-habit-formation-and-learning-in-young-children-may2013.pdf.

When asked if they are using a budget planning tool to manage their money, 19-24 year olds showed greater awareness of such tools than those younger than them. Moreover, 19-24 year olds were more likely to record their income and expenses. Financial records are mostly not kept (they only calculate the cash-flow mentally) and only a minority keeps financial reminders. The most common bookkeeping method is through the 'Notes' app on their mobile phones or on notebooks. The amounts for personal disposal, as well as financial record awareness and track keeping usually increase with age.

Overall, from examining some habits linked to the personal budget management, we observe that:

- The majority of the youth in the region have money that they can save and spend, especially from their families or from occasional work (for the older groups). However, most of them have not developed the habit of saving: they first spend their money on 'needs' and only save what it is left
- A minority of the respondents (regional average 16%) use some bookkeeping tool for their available cash (mostly in their 'Notes' app on their mobile phones). The rest, either does not record at all, or they do so mentally.

III. Familiarity and attitudes towards financial products

This section assesses the knowledge of young people with regard to basic financial services (savings and credit products, bank cards, etc.), as well as their attitude towards and experience with such products.

a) Familiarity with basic banking products

Several studies have tried to explore the correlation between owning a current/savings account and the level of financial literacy.[30] While it is known that there are many benefits to the individual, there is no agreement yet on the direction of the correlation between the two (if owning a bank account helps with financial literacy or if more financially literate youth are more likely to open a bank account); more studies should explore this further.

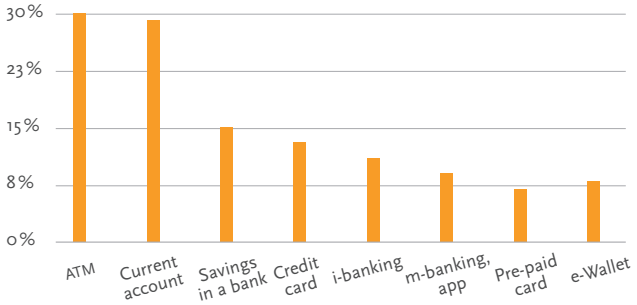

Figure 12 Usage and experience with financial products

[30] OECD. PISA 2012 Results: Students and Money (Volume VI): Financial Literacy Skills for the 21st Century. Paris. OECD Publishing. 2014.

In the current study we examined the familiarity of the respondents with the financial products independently of their level of financial literacy, with the objective of mapping what the level of understanding of basic financial products by the youth in the analyzed countries is. Familiarity with financial products differs among countries and usually increases with age. Of various financial services, the most familiar are basic traditional financial products, such as current accounts and ATMs, followed by savings accounts and payment cards. It is interesting to note that ATM usage in Serbia is the most commonly mentioned by the youth (34%), even more than the usage of the bank accounts (sum of current and savings accounts, 28%), which could indicate that the youth are actually using ATMs with their parents' cards. Youth in Macedonia and Montenegro are more familiar with current accounts than with ATMs. More modern financial products, such as pre-paid cards, e-wallets, etc., are not very clear or familiar to the interviewed youth. Naturally, the older group is more experienced with using financial products. Youth in Croatia, Moldova and Macedonia are slightly more experienced in using financial products than youth in other tested countries.

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ATM is the most commonly mentioned by the youth in most countries, even more than the usage of the bank accounts, which could indicate that the youth are actually using ATMs with their parents cards. Only in Macedonia and Montenegro bank accounts are mentioned more often than the usage of ATMs. More modern financial products, such as pre-paid cards, e-wallets, etc., are not very clear or familiar to the interviewed youth. Naturally and consequently to age, the older group is more experienced with using financial products. Youth in Croatia, Moldova and Macedonia are slightly more experienced in using financial products than youth in other tested countries.

When asked for reasons for their lack of experience with these products, the respondents mentioned having no money available (especially in Albania and Kosovo) and having a lack of familiarity with products or bank operations (the latter most emphasized in Serbia and Kosovo). However, it was indicated that the information that banks provide about their products is usually understandable: slightly less than 75% of the group aged 19-24 across countries usually understand information about products provided by banks at least to some extent, while about one in three respondents find it too complex or not clear.

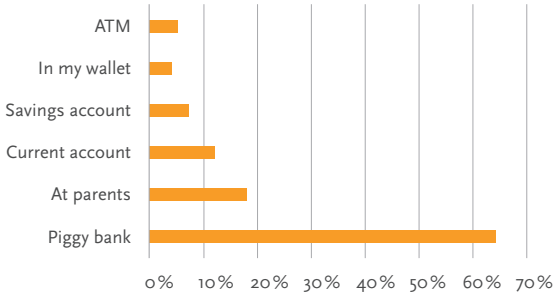

Figure 13 Location of savings

As seen in the previous section, about 70% of the youth from the region save some part of their money. When asked about the location of their savings, around 65% of the youth indicated that they use a piggy bank to save. Within the studied countries only 19% of young people, on average, use a bank account to save their money (with 38% in Croatia and 26% in Macedonia). Older groups more often use their bank account for savings, compared to the younger ones (see Figure 13).

Although most of the respondents do not have access to savings or bank accounts, 48% across the region think that it is important for young people to have a savings account and 47% believe that having a savings account would help them save more (see Figure 14).

	Total Region	Albania	Croatia	Kosovo	Macedonia	Moldova	Monte-negro	Serbia
Important to have a savings account	48%	64%	44%	78%	44%	58%	35%	22%
Savings account would help to save	47%	67%	38%	75%	39%	19%	39%	26%

Figure 14 Importance of having a bank account

Participants within the 19-24 age group feel stronger about the fact that having savings accounts is important, more so than the younger age groups. Amongst the countries studied, respondents from Albania (64%), Kosovo (78%) and Moldova (58%) find it more important to have a savings account than respondents in the other tested countries do. Moreover, they are also more motivated to save if they have a savings account. Conversely, only 22% of youth in Serbia consider it important to have a savings account at a bank.

Correlations between financial education, financial inclusion and their impact on behavior indicate whether CYFI's Theory of Change support the assumption that financial education alone cannot have long-lasting impact as financial education and financial inclusion go hand in hand.[31]

The combination of the two is of relevance from both an educational perspective (the experiential theory, as mentioned above), as well as from a financial inclusion perspective. From the data collected through this research, some correlations were found,[32] namely:

- Youth who have received some formal financial education in school tend to place greater importance on formal saving (in Croatia, Serbia, Albania, and Kosovo). In Macedonia, youth who have received financial education in school are more likely to save at a bank (bank account users state that school has played an important role in their financial education);
- In Macedonia, bank account owners save more than those without savings accounts;
- The youth who think that is important to have a savings account and to save formally, also show more interest in receiving more financial education, especially in Croatia and Montenegro. In all countries bank account owners claim to understand the financial information observed and that the bank provides on accounts and other products, compared to non-users;
- On average, bank account users in Croatia and Serbia state that they only spend money on needs and they were found to save more than their non-banked counterparts. Other countries did not show significant differences;
- Bank account users, on an above average basis, continually add money to their accounts (in all countries).

[31] See CYFI's Theory of Change. Child & Youth Finance International. Children, Youth & Finance: From Momentum to Action. Amsterdam. 2013.
[32] Results are based on two-sided tests with significance level 0.05.

b) Borrowing

Respondents were asked about what they do when they run out of money, who they turn to, and if they rather borrow money or delay a purchase. Only 19% would either ask someone else to pay for the purchase (like parents for the youngest group) or borrow the money (for the 19-24 age group). The results from this section seem to be consistent with the findings mentioned above regarding the differences between countries: Youth from Kosovo not only seem to better understand the importance of savings, but they are also least likely to borrow money and, instead, just cancel their purchase. Overall, most of the respondents from all countries seem to prefer delaying the purchase instead of borrowing: 79% of all youth from Croatia, 78% from Serbia, 80% from Montenegro, 77% from Macedonia, 85% from Albania and 85% from Moldova.

However, in situations where they had to borrow money, most youth borrow from parents and friends, while almost half of the interviewed youth (45%) never borrowed any money and only 1% borrowed from a financial institution. Of those that borrowed money, 79% always repay as agreed. Insights from the qualitative data suggest that the reason why most youth do not consider borrowing is mostly due to the fear of causing negative feelings/relationship disruptions in the potential case of not being able to repay as agreed.

c) Payment cards

Experience with payment cards is quite rare across the region (see Figure 12) for youth aged 10-24. Experience with payment cards increases as the youth's age. The majority of respondents say they understand the difference between bank cards and credit cards. Pre-paid cards are less familiar to them, but they do consider pre-determined limits to be an interesting option. Respondents generally indicated that they would not like to share spending habit information and billing reports with their parents.

It is the highest for the 15-24-year-olds who usually use their parents' additional member cards. Most card-users only use cards to withdraw money from ATMs and they still prefer to pay with cash, even for online purchases.[33]

Payment cards usage for online purchases is slightly more common in Macedonia and Croatia than in other tested countries.

IV. Entrepreneurship attitudes and plans (for age group 19-24)

In this section, questions were addressed to 19-24 year-olds in an attempt to understand what their attitude towards entrepreneurship is (and whether they ever considered becoming one) and what are their perceived obstacles to becoming an entrepreneur.

Even though the majority of respondents (3 out of 4) across all countries have at least once considered starting their own business, the majority of those considerations were 'what if' situations, while more certain entrepreneurship plans were quite rare. When asked about the main obstacles to starting a business, respondents most commonly mentioned unstable, unsupportive economies and a lack of available financing. Approximately half of the youth across the region consider starting their own business to be very difficult or nearly impossible. However, the other half sees potential entrepreneurship prospects as challenging but not impossible. Their lack of more definitive plans are usually based on a lack of financial means. In the case of starting a new business, respondents indicated that they would prefer to finance themselves through

[33] Paying with cash for online purchases refers to paying to the mailman when he delivers item ordered online, so the recipient does not need to pay in advance.

earnings or savings (and more rarely borrow from other people), while bank loans were only preferred by 33% of the respondents. Thus, bank loans are only third most preferred financial option, mostly due to fear of not being able to repay and due to the perception of unfavorable interest rates. There are some interesting differences in ideas and expectations between the countries:

- Respondents from Croatia and Moldova are the most positive about the climate for opening a business (63% of respondents from Croatia and 71% of respondents from Moldova respondents find it quite easy, relatively easy, or challenging but not impossible) and would prefer to have their own (earned/saved) money to start.

> **"And what do you see as the greatest obstacle?"**
> **– "Money and bureaucracy"**
> *Student from Serbia*

- Youth from Croatia would seek a formal investment such as a loan more often (17% of respondents) compared to respondents from other countries.
- At the low end, 63% of youth from Kosovo and 58% of youth from Macedonia find starting their own business very difficult.
- In the case of Croatia, Macedonia and Kosovo, bank account users were more likely to state that they would open their own business as soon as possible or have thought about it a lot, in comparison to non-bank account users. For these same countries, bank account non-users were more likely to state that they have never thought about starting their own business, thus re-enforcing theories about entrepreneurial education and livelihoods having a close correlation with access to basic financial products (e.g. CYFI Theory of Change).

V. Overall attitude towards financial institutions

Banks are perceived by the respondents as institutions with various purposes, such as financial management, savings vehicles, money transfer services and loan providers. It was found that the knowledge about banks is becoming more elaborated/accurate with age, but the three age groups in all studied countries[34] base their perception of banks and their scope of business mostly on the experiences of other people, families, parents, and on what they hear in informal conversations. Bank services and loans are not considered to be very relevant or interesting by respondents in the region. However, bank savings are seen as more prudent. Additionally, cards are seen as useful tools in making payments. Generally speaking, it was found through qualitative portion that attitudes of young people towards financial institutions are mostly negative in the majority of countries, and especially among the respondents older than 18. This could help explain why most of those interviewed above the age of 18, would rather not borrow money from financial institutions, and also partially explain the low levels of financial inclusion of young people in the region. Only the youngest respondents, who have the least amount of financial knowledge and are the least familiar with banks, have slightly more positive attitudes. The general attitude towards banks does not differ significantly across the tested countries.

> **„Did our parents' opinion influenced on your attitudes toward banks?"**
> **–„Yes, banks are like a safe house for our money, but we should be very careful with credit and they are ruthless when it comes to refund! "**
> *High school student from Montenegro*

Overall, personal experience with banks in the region is low partly due to the above mentioned general attitudes in addition to the fact that most youth state to not need services from banks yet or do not have a regular/formal income to necessitate it.

[34] These observations are based on the qualitative insights obtained from focus group discussions that were conducted in 6 countries (with the exception of Croatia, where focus groups did not take place).

5. Final remarks and observations

Although countries do differ in terms of the level of income, financial system development, and individual characteristics (such as money amounts in personal disposal) reported by youth, there are a few common observations that can be made in relation to the financial knowledge of young people in the region and their attitudes towards money:

- The level of financial literacy of youth is quite low, mainly related to a low understanding of traditional products, and the fact that the main sources of information and understanding of finances are derived from family and household experiences. Financial knowledge also increases with age (as maturity and independence increase). At the same time, youth from all of the tested ages across the region expressed interest in more formal education or advisory services about personal budget management and finances in and out of school.
- Young people who experience higher levels of peer influence tend to save less and consider saving to be less important in comparison to their peers. This could represent an interesting finding for education practitioners, stakeholders and behavioral scientists involved in the creation of financial education programs for this target group.
- Young people having a personal bank account as an indicator was found to positively influence a number of important variables such as money management and saving habits, the perception of the importance of savings, knowledge about financial products, and formal financial education. Children who reported to have a personal bank account are much more likely to spend money primarily on needs while saving the remaining amount. In contrast, unbanked youth frequently indicated to spend all the money received. In addition, it was

found that bank account users in the countries studied reported having an above average understanding of financial product information provided by banks.

- In the region as a whole, children and young people reported a positive saving behavior. Having a piggy bank and using it as the primary source for saving money was the most popular way of saving across the region. Providing youth with safe and accessible bank products such as savings accounts at formal financial institutions alongside educating both children and parents about the benefits of it can provide young people with a formal and safe means to save money. Despite positive saving behaviors, children and youth in the region only save occasionally out of potential surpluses.
- Borrowing money is not preferred amongst most children and youth mostly due to the fear of not being able to repay the loan as agreed and disrupting relationships with family members and friends. Attitudes in the region towards banks and financial institutions are generally quite negative. These attitudes are typically based on the experiences of family and friends and what they hear in the media.
- Entrepreneurship plans of young people in the region are limited. When asked about the main obstacles to becoming an entrepreneur, youth across the region typically mentioned unstable, unsupportive economies and lacking financing needed to start a business. With high youth unemployment and more than 80% of new jobs in Europe being created by MSMEs,[35] it is important to boost youth confidence in their entrepreneurial potential and prospects and to equip them with the necessary tools, knowledge and skills, as well as provide access to finance to succeed.
- This study also revealed that access to finance could be improved in order to boost entrepreneurial (and prospective MSME) activity by young people in the region. At the moment, most young people are either unaware or unable to source financing for their entrepreneurial ideas through the formal financial system.

From the previously identified barriers to youth financial inclusion in other regions (see Figure 6)[36] we can conclude that only two barriers are relevant for the analyzed countries: regulatory and legislative barriers, although some country exceptions remain, and the low level of financial literacy of youth. Yet, these challenges can be overcome. Youth in the region seem to be interested in receiving more financial education and seem to be aware of the benefits of formal savings. For the studied region, one of the big barriers to youth financial inclusion is the low level of trust in the financial sector. This barrier can only be addressed through a coordinated and joint effort between the public and private sectors aimed at increasing the stability of the financial sector and the confidence of the consumers.

Finally, this study does not allow us to make any generalizable conclusions with regard to the attitudes of young people towards financial education and access to basic financial products. Thus, more research is needed into the topic of financial behavior and knowledge of children and youth, especially in South-Eastern Europe.

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[35] World Economic Forum. Enhancing Europe's Competitiveness: Fostering Innovation-driven Entrepreneurship in Europe. Geneva. 2014.

[36] See Figure 6: Regulatory and legislative barriers, Low level of financial literacy of youth, Lack of disposable income, Low interest of youth for the financial system.

Annex 1. Segment differences by country

Albania (Age 10-24)	Age differences • The 10-14 age group, unsurprisingly, appears to be relatively unaware of financial products compared to the older age groups. They have the least experience with online purchasing, but mention school and education as regular household expenses more often than their older counterparts. Members of this age group typically spend money based on their abilities and they rarely borrow. • The 15-18 age group saves the least out of the three age groups in Albania. Members of this group relatively often pay with cash to courier and they hardly ever borrow money. • The 19-24 age group reports that their money-spending habits are dependent on their abilities. They have the most experience with budget planning tools, financial products, current and savings accounts, and payment cards compared to the younger age groups. Members from this group report that they rarely borrow money, but when they do it is usually from family or close acquaintances and they frequently repay in full or partial. This group states that school has helped a lot in understanding personal finances. Moreover, they state that they are aware of some of the repercussions of not repaying a bank loan.	Gender differences • The most common savings medium for female respondents is their piggy bank. They also mention school and education as the most common regular household expense. Male respondents mention leisure more frequently as a regular household expense, use the e-wallet more often for online purchases and they show more entrepreneurship plans than female respondents. Additionally, male respondents typically find it more important to be different than to fit in with peers. Urban/rural differences • Urban youth were found to be more interested in financial education than rural youth. • Urban youth state education as a regular household expense more often than rural youth. Moreover, urban youth use i-banking and m-banking more often than rural youth and they report having a higher awareness of how banks work.
Croatia (Age 10-24)	Age differences • Members of the 10-14 age group are the least aware of financial products and are also, unsurprisingly, relatively unexperienced with them compared to the older age groups. They typically save their money with parents or in piggy banks. They borrow money more often but pay back less frequently compared to their older counterparts. However, 10-14-year-olds do assign the most importance to school and educational expenses. • The 15-18 age group stands out in some aspects. Members of this group are generally aware of financial products, but have little to no experience using them. Most of them save in piggy banks and with parents. When they are low on funds they are more likely to wait until they have money to make purchases compared to the other age groups. • The 19-24 age group is the most experienced of the three groups when it comes to the use and awareness of educational apps, credit cards, and other financial products. Members from this group typically record all or some cash flows and they generally consider saving money in bank accounts to be relatively important. The group borrows more from friends when running out of money compared to other groups. Lastly, this is the only age group in Croatia to have a majority indicate that scwhool has helped them to a certain degree in understanding personal finance management.	Urban/rural differences • Respondents from rural areas have more regular sources of money, are more likely to spend all their money without saving, have little experience with financial products and mention clothes as a regular household expenses more often than urban respondents. • In contrast, urban respondents have a tendency to save before spending, have more experience with financial products, save more in a savings account, and they usually do not borrow money. Overall findings • Primary school youth that consider having a savings account to be important are typically more interested in formal financial education. • Youth looking to fit in are more likely to state that saving money is not important. • Bank account users were found to have a better understanding of bank loans. Moreover, they were found to be more likely to spend money on needs and save surpluses. In contrast, non-bank account users are more likely to spend all their money.

Annex 1. Segment differences by country

Kosovo (Age 10-24)	Age differences • Members of the 10-14 age group relatively often indicate that not knowing how banks work is the primary reason for their lack of experience with financial products. This group typically saves money with parents and considers having a savings account to be unimportant. However, they are aware of financial products to some extent. • Respondents from the 15-18 age group often stated leisure as a regular household expense. They typically blamed their lack of experience with financial products on the fact that they do not know how banks work. Members from this group are more likely to borrow from their parents. Nevertheless, they are relatively aware of financial products and some of the repercussions of not repaying bank loans. Moreover, they say that school has somewhat helped them in understanding personal finance management. • The 19-24 age group is relatively positive about the helpfulness of school in understanding personal finance management, they save more in bank accounts, and they are aware of some repercussions of not repaying a bank loan. When borrowing money, members from this group mostly borrow from their parents. Lastly, leisure was reported to be the primary regular household expense amongst this group.	Gender differences • Female respondents mention school and education as a regular household expense more often than other expenses. They also state that not having enough money available as a primary reason for their lack of experience with financial products compared to their male counterparts. • Male respondents are more likely to show more concrete entrepreneurship plans than female respondents. Urban/rural differences • Urban youth borrow more from their parents compared to rural youth. However, they state education as a greater regular household and are more interested in formal financial education than rural youth. Additionally, urban youth are more aware of the repercussions of not repaying bank loans. They are also more aware of their spending habits than rural youth. Overall findings • Youth that think that it is very important to have the same things as friends are more likely to spend most of their money and not to save. • Youth from Kosovo were found to be more likely to record their spending habits and to have some kind of budget planning tool compared to the youth in the other countries measured.
Macedonia (Age 10-24)	Age differences • The 10-14 age group saves the least, finds school relatively unhelpful in understanding personal finance management, and has a higher tendency of asking someone to pay for them when running out of money. This group plays financial games relatively often and they mention school and education as a regular household expense more often than the older groups. • The 15-18 age group is also found to frequently play financial games. Compared to the two other groups, they are the most likely to borrow money. • The 19-24 age group finds school to be more helpful in understanding personal finance management compared to the two younger age groups. This group also has the highest awareness and usage of budget planning tools and financial products and is found to save more in bank accounts. Members from this group are more likely to cancel a purchase or delay buying something if they are running low on money.	Gender differences • Male respondents are more likely to use an e-wallet. Additionally, they more often mention a lack of money as a primary reason for little experience with financial products. • Female respondents consider school to have been more beneficial in understanding personal finance management, find saving money to be more important, and they more frequently pay cash to courier or have someone else take care of it when purchasing online compared to male respondents. Urban/rural differences • Rural youth are more likely to spend money on needs first and to borrow money from friends than urban youth. • Urban youth are more likely to save before spending, make use of financial products, and use i-banking, m-banking or let someone else take care of their online purchases compared to rural youth. Overall findings • Children and youth in Macedonia that have a bank account appear to have more dedicated savings or both dedicated and non-dedicated savings to a future purchase compared to youth without a bank account.

Annex 1. Segment differences by country

Moldova (Age 15-24) (two age groups)	Age differences • Members of the 15-18 age group mention education and utilities more often as regular household expenses. They are more likely than the older group to save their surpluses, they are more aware of the possibility to record cash flows and they borrow money more according to their abilities. This group is also more aware of the repercussions of not repaying a bank loan. They state that not having enough money and not being allowed by their parents to have bank accounts as the primary reasons for their lack of experience with financial products. Members of this group are also less interested in formal financial education and do not find it to be necessarily helpful. • Members of the 19-24 age group, more often than their younger counterparts, state rent and social activities as regular household expenses, they receive more income from their own work and scholarships, have more experience with – and interest in – financial products (except with credit cards and e-wallet). They are also more likely to postpone a purchase when running out of money. Lastly, they report that they do not always repay a loan in full when borrowing money. Gender differences • Male respondents have slightly more experience with apps and games for financial education, financial products (except for credit cards) and borrowing money (especially from acquaintances). Additionally, they save more in bank accounts and they are more likely to mention work as a source of income. • Female respondents mention school and education as regular household expenditure more. They are more likely to save money in piggy banks and repay loans according to their abilities. Female respondents also frequently indicated that not having enough money was the main reason for their lack of experience with financial products.	Urban/rural differences • Urban youth mention snacks/drinks, going out and leisure as a regular household expense more frequently than their rural counterparts. Compared to their rural counterpart, they are also less interested in formal education about personal finance management. However, they are more interested in – and experienced with – financial products. Urban youth also use payment cards for online payments more frequently, are more aware of cash flows, and save more in bank accounts than rural youth. • Rural youth, compared to urban youth, typically have more disposal income, have more experience with borrowing money from friends, and are more aware of some of the repercussions of not repaying a bank loan. Overall findings • Youth that think that it is very important to have the same things as friends are more likely to spend all of their money and not save. However, some do save first according to their needs. At the same time, youth that do not find fitting-in as important appear to find saving more important. • Youth without a bank account are more likely to state that they save their money with their parents and have more trouble understanding financial products. Youth with a bank account are typically more aware of some of the repercussions of not repaying bank loans.

Montenegro (Age 10-24)	Age differences • The 10-14 age group has relatively little experience with apps and games for financial education. They indicate that their lack of experience with financial products is primarily caused by their parents not allowing it. 10-14 year olds tend to ask someone else to pay for them when running out of money and they are less likely to pay back in full. They relatively often mention school and education as regular household expenses. Gender differences • Male respondents are more likely to mention entertainment as a regular household expense. They are also more likely to spend all of their money without saving any of it. When running out of money they are more likely to cancel their planned purchases and they also are more likely to borrow money from friends compared to their female respondents. • Female respondents record their cash flow more often than males and they are more likely to spend money on needs and saving the remaining amount. Female respondents tend to wait to make purchases more often than male respondents when they are running low on funds.	Urban/rural differences • Rural youth are more aware of recording cash flows and they are more likely to save with their parents compared to urban youth. • Urban youth are more likely to consider themselves too young for financial experience despite being more aware of financial products than rural youth. Overall findings • Youth in secondary school generally think that having a savings account at a bank is very important. They also frequently state that they are interested in formal financial education. • Youth that do not use a bank account report that they frequently have trouble understanding information provided by banks.
Serbia (Age 10-24)	Age differences • The 10-14 age group regularly mentions that their lack of experience with financial products is due to a lack of knowledge about them. Members from this group typically save in piggy banks and they are more likely to ask someone to pay for them when running out of money. Members from this group often mention school and education as a regular household expense. • The 15-18 age group often mentions school and education as regular household expenses. They consider formal financial education to be the most helpful out of the three age groups. They are aware of cash flow management/budgeting, but they typically do not do it. Their lack of experience with financial products is mostly attributed to the fact that their parents do not allow it. Consequently, they are much more likely to save money in piggy banks. Members of this age group report to frequently borrow money from friends. • The 19-24 age group mentions rent more than the other two groups as a regular household expense. Members from this group usually do not save, but they do typically record cash flows. When 19-24 year olds save, they often do in bank accounts. When running out of money, this group tends to borrow money (mostly from friends/relatives) and they have the highest probability of paying back loans.	Gender differences • Male respondents more frequently mention entertainment as a regular household expense, they make more use of financial games and i-banking, they save more with their parents, they more frequently borrow money from friends, and they borrow money slightly more often than females do. Urban/rural differences • Rural youth find school to be more helpful in understanding personal finances, make more use of educational apps and pre-paid cards, save more in bank accounts and they typically deposit more at the bank. • Urban youth typically were found to have more disposable income than rural youth. Overall findings • Youth that do not frequently use a bank account are much more likely to state that they spend all of their money. In contrast, bank account users frequently say that they spend money on needs and save their surpluses. • Bank account users show a deeper understanding of the repercussions of not repaying bank loans.

Annex 2. Glossary

Term	Definition
Banking Product	Any retail product offered by a Financial Institution.
Child	An individual under the age of 18, or under the age of majority as prescribed by national law (UNCRC, http://www.ohchr.org/EN/ProfessionalInterest/Pages/CRC.aspx).
Child and Youth Finance Movement Theory of Change	The theoretical foundation upon which the Child and Youth Finance Movement is built. The Theory delineates how the various interventions of the Child and Youth Finance Network lead to the Movement's desired outcomes.
Child and Youth Friendly Banking	A system of financial services that promotes the creation and provision of financial products and services designed to promote safe Financial Access and Financial Capability for all children and youth under the age of majority.
Child and Youth Friendly Banking Product	Savings and current accounts which meet CYFI's minimum set of Standards, as defined by the CYFI Regulation and Inclusion Working Group. These Standards ensure that Banking Products remain inclusive and appropriate, and are designed in the best interest of the child.
CYFI Education Learning Framework (ELF)	The structured set of desired learning outcomes and competences in Economic Citizenship Education, as defined by the CYFI Education working Group.
Economic Citizenship	Economic and civic engagement to promote the reduction of poverty, sustainable livelihoods, sustainable economic and financial well-being and rights for self and others.
Economic Citizenship Education	An education curriculum combining the three modules of Financial Education, Social Education, and Livelihoods Education, as defined in the CYFI Education Learning Framework.
Financial Access	A means of safely accumulating, controlling and acquiring assets.
Financial Capability	Combining the competences of knowledge, skills, attitudes, and behaviors that increase Financial Literacy. Financial capability has both individual and structural components. It combines a person's ability to act with the opportunity to act. To be financially capable, people must have financial knowledge and skills as well as access to appropriate financial services to enhance social and economic well-being. While empowerment is portrayed as a separate construct in the CYFI model of economic citizenship, financial capability actually incorporates empowerment at the individual level and access and opportunity at the structural level. Essentially, financial capability occurs when young people are personally empowered and simultaneously experience financial inclusion, or real access to appropriate financial products and services along with the opportunity to practice using those services.
Financial Education	CYFI adopts the OECD definition: "the process by which individuals improve their understanding of financial products and concepts; and through information, instruction and/or objective advice develop the skills and confidence to become more aware of Financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being and protection." OECD (2005), Recommendation on Principles and Good Practices for Financial Education and Awareness (http://www.oecd.org/dataoecd/7/17/35108560.pdf).
Financial Inclusion	Access to financial products and services which are affordable, usable, secure, and reliable.
Financial Institution	A deposit-holding institution with a license from the relevant national financial regulatory authority and that provides financial services for its clients or members.
Financial Literacy	CYFI adopts the OECD Definition of Financial Literacy: financial concepts, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve financial wellbeing of individuals and the society; and to enable participation in economic life," OECD (2012). PISA 2012 Financial Literacy Framework (http://www.pisa.oecd.org/dataoecd/8/43/46962580.pdf).
Financial Service Provider (FSP)	Organization providing financial products, including deposits. This includes both Financial Institutions and non-regulated organizations offering financial services.
Financial Services	Services offered by Financial Service Providers both complementary to and comprising of Banking Products.
Global Money Week	Coordinated annually during the second week of March by CYFI, Global Money Week is dedicated to the promotion of Financial Inclusion and Economic Citizenship Education for children and youth around the globe.
Livelihood Skills	CYFI has adopted the UNICEF definition of Livelihood Skills: Capabilities, resources and opportunities to pursue individual and household economic goals. Livelihood skills relate to income generation and may include technical / vocational skills, job seeking skills, business management skills, entrepreneurial skills and money management skills." UNICEF (2011), Lifeskills Definition of Terms (http://www.unicef.org/lifeskills/index_7308.html).
Livelihoods Education	Programs aimed at developing employability skills and entrepreneurial behavior.
Young People	Anyone between the ages of 10 and 24 (United Nations, http://www.un.org/esa/socdev/documents/youth/fact-sheets/youth-definition.pdf).
Youth	Anyone between the ages of 15 and 24 (United Nations, http://www.un.org/esa/socdev/documents/youth/fact-sheets/youth-definition.pdf).

Note: Unless otherwise indicated, definitions contained in this glossary come from the CYFI Secretariat in conjunction with the CYFI Academics Experts Council.

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