

Youth Financial Literacy as a Key to Human Potential Development

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Abstract—Human and human development are of great importance in modern society; many different programs and strategies are aimed at it. In this article, the authors consider the possibility of developing human potential by increasing the financial literacy of the population in the region. The influence of financial literacy on one of the human development parameters characterizing the level of the region’s human potential – human development index (human potential development index) – was revealed. Also, the analysis of possibilities to increase financial literacy level of youth was performed, and on its basis a development option was proposed – a quest project that can ensure the growth of financial literacy of youth, which will result in the increase of human potential in the region.

Keywords—human potential, financial literacy, quest project, impact on potential, human development index (human potential development index).

I. INTRODUCTION

At the present stage of social development, human development as an individual, personal growth, as well as raising personal living standards come to the fore. In this regard, much attention is paid to the development of different theories, strategies and programs aimed at the development of human and human potential. Talking about the definition of human potential, it can be considered in a narrow (at the level of individual) and wide (at the level of territorial community) sense. “In characterizing personal potential, rights, abilities and opportunities, style and lifestyle as a set of conditions and a mechanism for the accumulation and realization of human potential are of essence for it” [9]. In a general way, human potential is a combination of fundamental competencies, abilities and capabilities of an individual or of territorial communities with the level of development and implementation that increases or decreases the productivity of social reproduction. Human potential can be also understood as “the totality of physical and spiritual forces of citizens that can be used to achieve individual and social goals, both instrumental and existential, including the improving human potencies themselves and the possibility of his/her self-realization” [9].

If we talk about the growth of human potential level, then first we need to determine how this level can be assessed. Currently, there are different approaches to assessing the level of human potential, but it can be argued that this level cannot be assessed accurately due to many

reasons. One of the approaches to assessing the level of human potential is an integral index – human development index (previously –human potential development index) which was created to reflect the main characteristics of the human potential for a certain territory [11]. This index includes three basic parameters: standard of living, literacy level, education and longevity. Thus, it can be argued that in order to increase human potential in a certain area, the growth of these three abovementioned characteristics is required. These issues are especially important in terms of economic differentiation and social polarization [13].

Based on the foregoing, the purpose of our study is to define the mechanism of human potential growth by influencing one or more parameters of human development index concerning such a process as increasing the level of youth financial literacy [12].

II. MATERIALS AND METHODS

Human development index includes three parameters; influencing each of them separately has a cumulative effect on the level of human potential. There are many factors that have an effect on these parameters, but we lay the special emphasis on the financial literacy of population. Financial literacy is a combination of knowledge, skills and attitudes in the field of human financial behavior leading to better welfare and higher quality of life [4]. By increasing youth financial literacy, we can have an effect on two parameters of human development: the literacy of population itself which includes financial literacy; as well as the level of well-being of population due to the fact that a financially competent person manages his income more rationally, and can also have an additional income, for example, from investments [10]. Correlation between financial literacy and human development index is shown in Figure 1.

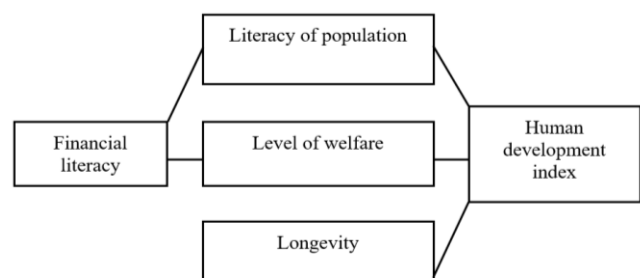


Fig. 1. Correlation of financial literacy and human development index

Thus, it can be argued that by influencing the financial literacy of population, we can have an effect on the level of human potential. Due to the fact that population is a fairly broad concept, the scope of investigation should be limited; for this, we have chosen one of population groups: youth (from 18 to 35 years). This choice is associated, first of all, with the fact that young people are, on the one hand, the future generation and the force for progress, and, on the other hand, they are at the age when one can realize the necessity and importance of information and education [13].

The next question is about who should influence the financial literacy of population. On the one hand, young people should make progress by themselves but just having intention is often not enough; in such situations support is required. Such support can be provided by the authorities of the state, region or municipality, in accordance with the powers exercised. Among the programs implemented within the framework of national socio-economic policy is the project named “Contributing to the increasing the level of financial literacy of population and financial education development in the Russian Federation” [5] which was implemented by the Ministry of Finance of the Russian Federation together with the World Bank. The goal of this project is to create the right behavior of population in the field of financial issues.

Within the framework of the National Program, Russian citizens should fulfill the following requirements:

- to effectively manage personal funds;
- to optimize the relationship between their own savings and expenses;

- to calculate household expenses and incomes, to make short- and long-term plans, to draw up financial plans for personal needs;
- to make informed decisions regarding products and services, to recognize responsibility for decisions made;
- to make long-term and retirement savings [4].

The aim of this project is to increase the financial literacy of Russian citizens, to promote their reasonable financial behavior and informed decisions. At the same time, it should be taken into account that it is more reasonable to increase financial literacy on the basis of educational organizations with economic profile, for example, economic universities, as it is they who have required infrastructure, specialized areas of training and appropriate academic staff.

When considering a project, attention should be paid to the problem that it solves. At present, Russia has a critical problem of the development of population literacy in the field of financial competence. This is due to complex economic information which cannot be acquired fully and immediately by non-experts in this field. This primarily concerns urban population, especially of large cities because they are the centers of accumulation of different resources – human, material, financial, etc., what results in more active development of financial activities.

This problem is confirmed by the results of the All-Russian population survey conducted in 2015 by the Ministry of Finance of Russia. These results are shown in Figure 2; percentages specified reflect the number of correct answers and understanding the problem.

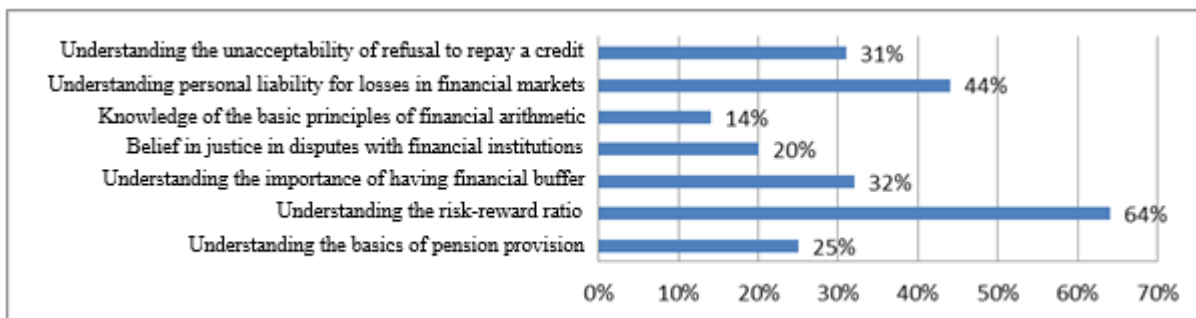


Fig. 2. Results of the All-Russian population survey [5], [18]

Results of this survey indicate that the majority of the population does not understand: the basics of pension provision; the importance of having financial buffer; basics of financial arithmetic; personal liability for losses; unacceptability of refusal to repay a credit. But at the same time, more than half of citizens understand risk-reward ratio. Thus, we can conclude that the problem exists. First of all, it is necessary to solve this problem in large cities because of its severity, and it is also necessary to form a segment of financially competent citizens who are able to consciously and efficiently manage their financial resources.

The project under consideration involves the opening in certain constituent entities of the Russian Federation of regional centers that will improve the financial literacy of population in this region. However, it is inappropriate and expensive to open such centers in several cities of the subject. The most logical way is to open a center in one large city, for example, the capital of region. There can be many reasons for

acting this way: it is in the largest cities of region that higher educational institutions are concentrated, so, young people entering higher education institutions move to these cities. Large cities also attract resources, including human ones. Thus, we can conclude that large cities have the greatest potential for implementing projects in the field of improving financial literacy. In general, the largest cities, being new industrial cities, are the drivers of the development of Russian economy [16].

Regional Center for Financial Literacy (RCFL) was created in the Sverdlovsk region for organizing and coordinating the implementation of “Improving the Financial Literacy of the Population in the Sverdlovsk Region for 2018-2023” complex program [8].

Therefore, our regional center is located in the administrative center of the subject of the Russian Federation. It also functions on the basis of the Ural State Economic

University due to the fact that an economic university is the best for it because it has all the resources, including labor ones, required for teaching the population financial literacy.

This program is aimed at creating reasonable financial behavior among the citizens of the Sverdlovsk Region, at the development of responsibility concerning personal finances, and at increasing efficiency in the field of protecting the rights of the consumers of financial services.

The main objectives of RCFL are:

- development and implementation of educational programs to increase the level of financial literacy of the population of the Sverdlovsk region;
- organizing and conducting activities that contribute to raising the level of financial literacy of certain target groups of the population of the Sverdlovsk region;
- attracting public attention to the topic of financial literacy by informing the public, organizing public events, contests and other popularization activities in the field of financial literacy;
- organization of financial education for the citizens of the Sverdlovsk region;
- organization of events aimed at improving the financial literacy of different segments of the population in the Sverdlovsk region;
- organization and conduct of research, participation in scientific and social events corresponding to the activities of the Center and much more [8].

Thus, for the development of human potential, we need to solve the issue of the financial literacy of the population, namely, it is necessary to increase the level of financial literacy of the population [10]. One of the institutional solutions is the creation of regional centers of financial literacy.

III. RESULTS

As a part of this study, we developed a project for improving the financial literacy of population. We used the method of expert assessments in order to identify how people prefer to acquire information: a sociological survey was performed. This survey included five questions that relate to the financial literacy project itself. The target group was young people aged 18 to 35 years, the type of sampling was probability one. The size of sample was total 50 people aged 18 to 35 years, 24 women, 26 men. The survey was conducted within two weeks, sampling error was 14%.

The first question was as follows: do you know about the project named “Contributing to the increasing the level of financial literacy of population and financial education development in the Russian Federation”? The results showed that almost half of the respondents (46.8%) know about the existence of this project. At the same time, the majority of respondents (74.5%) replied to the second question (Would you like to know more about the project named “Contributing to the increasing the level of financial literacy of population and financial education development in the Russian Federation”?) in the way that they would like to know more about this project. Thus, many of them have heard about the project but do not have enough information about it.

The third question was as follows: What way of acquiring information on financial literacy do you consider the most useful and interesting? For this question, respondents could choose several answers; the results are shown in Figure 3.

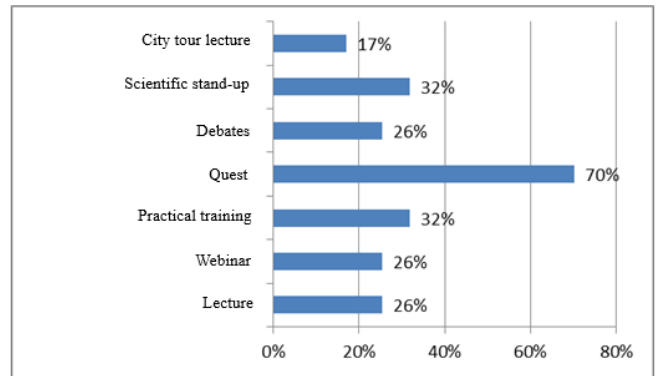


Fig. 3. Attractiveness of the ways of acquiring information for youth

As we can see in this figure, the most part of people would like to gain knowledge in the form of quest; the second most popular answers were scientific stand-up and practical training. Results for the following question (Would you like to participate in one of such events and gain new knowledge?) are shown in Figure 4.

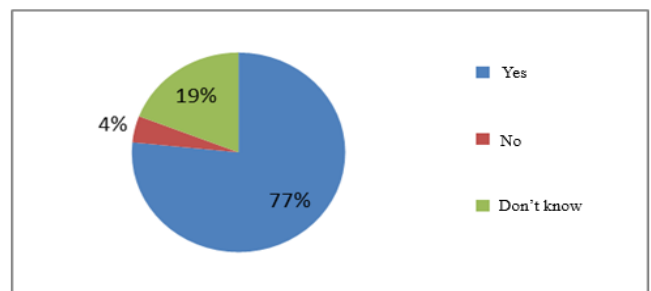


Fig. 4. Distribution of respondents by their answer to the question: “Would you like to participate in one of such events and gain new knowledge?”

This figure shows that most part of people want to gain knowledge and to participate, for example, in a quest. The final question (Do you consider yourself to be a financially competent citizen?) was asked to summarize the independent assessment by people of their knowledge in financial sphere. Results for this last question are shown in Figure 5.

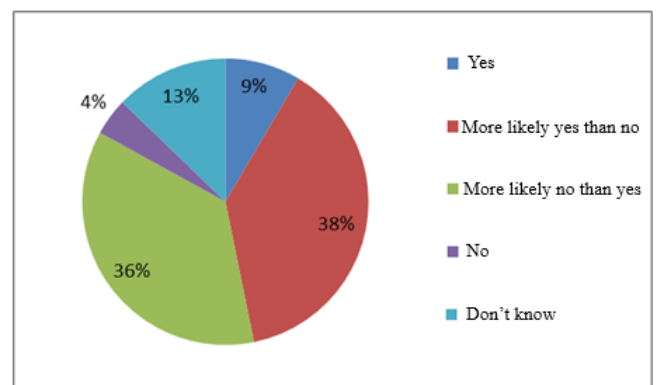


Fig. 5. Distribution of respondents by their answer to the question: “Does the youth consider themselves to be financially literate?”

Thus, we see that young people strongly agree with the fact that they do not have enough knowledge in the financial sphere, while the most part of them would like to participate in different events aimed at improving their knowledge. The main way to do this that most of respondents like is a quest; therefore, there is a need to perform activities aimed at increasing financial literacy in this format, so it will raise the interest and result in the increased human potential.

This justifies the relevance of the following our project:

- Our project focuses on the target population – youth. The young population of our country being a potential subject of the parameter of stable and strong economy is a key tool for the implementation of leadership and policy in the future, that is, by raising and educating a literate generation we will ensure positive future for our country.
- The project we propose has theoretical and practical significance and it makes sense to be implemented both to increase financial literacy and to increase the level of human potential.

This project has a large theoretical base ranging from terminology to important conclusions that are reflected in economic relations in different fields. It also involves practical implementation in order to achieve best results.

The project has applied significance because it is developed directly on the basis of the Ural State Economic University with its available resources and can be used for career guidance work.

This implies the goal of our project: contributing to improving the financial literacy of youth through the implementation of Quest Project and, as a result, increasing human potential.

Thus, it is obvious for us that the need for such project is not in doubt. It should also be noted that this project being implemented on the basis of an economic university will provide additional experience in the field of educational processes and presentation of information, as well as strengthen the business reputation of university.

IV. IMPLEMENTATION AND EXPECTED RESULTS

The story of this quest will center around the group of young people who have a goal: to avoid bankruptcy and provide a “happy” future for themselves. 5 classrooms of the University are planned to be used for the whole action.

Before the start of this game, participants are immersed in a thematic atmosphere. The organizer being a show presenter will invite the team to the starting point, tell them about their roles and outline the situation.

- The first task for the team will take place in the reading room of the library. Among books and quotes of great writers, tasks where you need to end a sentence and other hints, the team will need to find the encrypted name of the work and its author. After finding the right book, the team will have documents hidden between its pages. In these documents information will be specified – items for their planned expenses / income and amounts. The task will be to process the data and draw up a budget plan on their basis. The team will add up all the values, and then it

will receive the total amount of income and expenses which will be a code for the lock to bed-side table where the number of next location is specified. After completing this task, the team understands that expenses exceed revenues.

- Then the team gets into a computer class. The task to reduce losses, so that the team should go to the surplus, namely, that their costs do not exceed revenues. To do this, there will be computers with opened Internet shops and websites (for example, Government Services) with similar goods and services that are specified in cost estimate (for example, paying Internet tariffs, similar clothing/grocery stores with lower prices, etc.). The task will be to select the most profitable product and draw up a new budget based on it. The new budget implies a situation where revenues exceed expenses. On the table there will be a lot of letters, with a total number equal to the difference in income and expenses. In this letter, the team will find the following clue with the encrypted message that saved money should be invested in some way.
- Having successfully completed the task, the team goes to a new location. During the previous task, the team learned how to manage their income and expenses, but at the moment there is still not enough money. Show presenter will ask you to choose one participant who will be locked in a cage and will receive the room number of the next location. It turns out that in order to go on to the next task; the team needs to free this participant. Different offers of banks on loans and their conditions, as well as offers of “fast money” loans will be hidden in the room. In addition, the papers required for settlements will be also hidden. The team will need to calculate the overpayment for each variant and to choose the best one. Each offer will have its own number. The number of the correct answer will be a code, i.e. a password from the cell lock.
- The next task will be choosing a job for them; in order to do this they will get to a catering company (cooking laboratory). The team will be offered a number of vacancies for the position of cook. Participants will be given three cases. Each case will contain a specific vacancy. The following will be specified: the size of salary, the size of deductions from salary, and the most important thing – pension contributions. Moreover, in all three proposals, an unofficial salary will be specified, while in the documents attention will be paid to the fact that in all proposals they remain without a pension or with a minimal one because there will be no contributions to the pension fund. Having decided on a vacancy, the team approaches the actor and voices their choice and argues for it. The actor, in turn, should explain why their choice is not correct (for example, a shadow salary may result in liability for deceiving the tax service). After all the cases are offered, the team will have to find a brochure with a “perfect” vacancy where the next room is specified.
- At the end, the team gets into a chess room where are stands with already placed chesspieces, and the team will need to mate in one. For each mate, the team will be offered one deposit option to the bank with basic

conditions. Among them, there will also be “financial pyramids”. After five games, the team will receive 5 different deposit options and it will need to choose the best one, since there will be different terms and percentages. Accordingly, in certain brochures there will also be information that “financial pyramids” are an ill choice for investments which will lead to loss of savings. Information on calculating compound interest, etc. will also be provided. After the team makes the choice, it will need to find out the number of this offer. This will be possible with the help of an ultraviolet lamp which the team will receive in the case of a right choice. We have chosen chess because it develops logical thinking, and also because in the structure of USEU there is the Department of Chess Art and Computer Mathematics, and it is a unique experience for Yekaterinburg.

After the team opens the last lock, show presenters will meet the participants and thank them for their participation and take a souvenir photo.

Based on the tasks themselves, the person who completed the quest will gain some necessary knowledge in the field of financial literacy in order to increase human potential.

- During the first task, participants get acquainted with how the budget plan looks like and how it is drawn up.
- In the second task, participants gain knowledge in the field of planning and optimizing their expenses and incomes, and also understand the need for awareness of the features of different products.
- The third task is to help people understand credit offers and teach them how to correlate risk and potential income.
- The fourth task is to send a message that it is better to work officially, and also to inform them about what taxes they pay, this will probably strengthen their civic position.
- The fifth task is designed to develop people’s thinking aimed at making informed decisions [14].

V. CONCLUSION

Thus, conducting of such educational events should arouse the interest of young people in improving their own financial literacy. It is important to remember that today’s youth are future participants in financial markets, taxpayers, depositors and borrowers.

Via this project, we can influence personal financial literacy and, as a result, human potential. As a result, we want our project to contribute to the acquisition of new knowledge. We expect that by practical implementation of this project, we will gradually draw the attention of the younger

generation to the issue of their well-being. With the help of this project, we will give the necessary information in an interesting way for young people.

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