

EDUFIN PROJECT

*Developing participative processes for the
generation of a financial education curriculum
addressed to young adults at risk*

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Financial education for young people at risk

Bulgarian National Report

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1. Introduction

Financial literacy is quickly becoming an essential tool necessary for youth to compete in today's financially centered world. In some countries there is still not developed financial education, provided by the national education institutions. Young people can still leave the educative system without a basic financial knowledge and/or principles such as personal savings, earnings, and spending (Channell, McCormick, Parot, & Gierzynsk, 2008). Furthermore, this question is especially aggravating in adding patterns such as gender, level of education, ethnic or racial component: women are less financially literate than men and are aware of this shortfall; more educated people are more informed, yet education is far from a perfect proxy for literacy (Lusardi & Mitchell, 2011).

At the same time, the responsibility and risk for financial decisions that will have a major impact on an individual's future life are being shifted increasingly to workers and away from government and employers. That means that individuals will not be able to choose the right savings or investments for themselves, and may be at risk of fraud, if they are not financially literate. But if individuals do become financially educated, they will be more likely to save and to challenge financial service providers to develop products that truly respond to their needs, and that should have positive effects on both investment levels and economic growth (OECD, 2006).

The project has as its main goal of planning and developing a learning programme on financial literacy addressed to young people of disadvantaged groups in society to promote entrepreneurship education, to build up active citizenship, employability and new business creation, supporting future learning and career paths for individuals in line with their personal and professional development.

The project puts accent on young adults between 18 and 30 in situation of social risk, being part of training programmes (formal and non-formal), and with the objective of having access to the labour market.

The present project aims at the establishment of a learning curriculum on financial education based on the experiences/expectations of young adults at risk themselves in order to meet their real needs on financial literacy.

This report aims to map out the policy and practice in relation to the financial literacy and education programmes in Bulgaria for young people and especially those aimed at marginalised groups of young people who are at risk of social exclusion, such as Roma. It will identify good policy and practices across Bulgaria providing basic features of each. Last but not least, this report will draw on the examples of good policy and practices in order to make recommendations to improve policy and practice at national and European levels in relation to financial education curriculum for young people.

2. An Outline of the National Context

In the years after the global economic and financial crisis successful integration of young people to the labour market and ensuring a smooth transition between education and employment were outlined as key challenges to the stable development of the labour market and social systems.

This process is of particular importance for the European Union(EU) and Bulgaria in particular, owing to negative demographic processes taking place on the continent, and because the challenges facing the European social model in conditions of high public debt and low economic growth.

The dynamic nature of modern labor markets increases the need for early integration of young cadres. Namely their inclusion in the labor market is seen as a leading prerequisite for the successful reduction in the future of the share of persons, living at risk and in poverty, material deprivation or those heavily dependent on social welfare systems.

In medium term, reducing unemployment and increasing employment among young people is seen as a major factor to achieve the objectives set in the Europe 2020 strategy.

The essence of the problem "youth unemployment" requires a comprehensive approach to its authorization, which includes reforms in the social welfare system, education system, labor market, the tax system and institutional structure on which policies, conducted in these areas are based.

In addition, development of new measures and methods aimed at increasing economic activity and employment among young people, suggests introduction of clear defined indicators to assess their effectiveness.

At least at this stage methodological tools with which institutions work in some of the new EU Member States (including Bulgaria), are not flexible enough to allow better assessment and equivalent adaptation on implemented policies.

2.1 Youth Unemployment Rate in Bulgaria

Following information is based on National Statistical Institute Labour Force Survey (NSI LFS) data. The main target groups are youngsters aged 15–24 and 25–29.

Youth unemployment increased in 2012 for the fourth consecutive year. In the first quarter of 2012 the youth unemployment rate for those aged 15–24 reached its highest level since the third quarter of 2008, when the economic crisis began, exceeding 30 per cent for the first time since the first quarter of 2003. At present, about 74,800 young people aged 15–24 are unemployed. If we expand our observations to youngsters up to 29 years of age, we add another 44,200 unemployed and the youth unemployment rate 25–29 reaches the record level of 14.8 per cent for the past eight years.

Youth unemployment continues to rise, although economic development has reversed the negative tendency towards weak growth in 2011. While at the beginning of the economic crisis, in 2008, there was a stark reversal of most positive labour market achievements, now there are no signs of improvement, especially for young people.

Moreover, there is a tendency for faster growth of youth unemployment in comparison to unemployment overall. The latter could mean that youth unemployment is determined not only by the business cycle but also by powerful structural factors such as experience and skills. This thesis is defended also by the fact that even in the growth years youth unemployment remained two to three times higher than adult unemployment and the activity and employment rates in the youth labour market were too low compared to most EU27 countries. Generally, young people are in an unfavourable situation compared to adults with regard to employment prospects. This was the case during the growth years and it has continued during the crisis period. The ratio between the youth unemployment rate and the adult unemployment rate has remained stable over the past 10 years, keeping its values in the range of 2.33 (2003) and 2.71 (2009). This indicates that young people are approximately 2.5 times more likely to be unemployed compared to adults in Bulgaria. Moreover, the younger one is, the worse one's situation on the labour market. We calculate a similar ratio between the youth unemployment rate for 15–24s and the youth unemployment rate for 25–29s. The figures illustrate that young people below 25 are almost twice as likely to be unemployed compared to those aged between 25 and 29.

According to Eurostat Youth Unemployment Rate in Bulgaria decreased to 22.30 percent in April of 2015 from 23.20 percent in March of 2015. Youth Unemployment Rate in Bulgaria averaged 24.33 percent from 2000 until 2015, reaching an all time high of 38.90 percent in May of 2001 and a record low of 10.80 percent in August of 2008.

There are two major sets of reasons for such low employment rates. The first concerns the causes of youth unemployment (insufficient number of job places, particularly

in times of crisis, lack of skills and experience) and the second concerns absence from the labour force, mainly due to participation in education or simply discouragement from participating in the labour market.

The highest unemployment rate in 2011 among young people (15–24) was in the group with primary and lower education, at 65.3 per cent. Those with lower secondary education registered the second highest unemployment rate, at 44.6 per cent, and the highest inactivity rate, at 53.57 per cent. To summarize, the lower a person's level of education, the greater their likelihood of unemployment and inactivity.

Education is probably the most important factor determining whether one will be employed or not. In Table 1 one can easily see that being a young person with a higher or specialised upper secondary education means that one is more likely to be employed. Young people with only a primary or lower education are marginalised on the labour market: 65.3 per cent of them are unemployed and only 4.4 per cent are employed.

Another important issue is that a specialised upper secondary education provides many more opportunities on the labour market compared to a general secondary education. The data confirm the common supposition that the closer one's education is to the real economy, the higher the demand for one's skills on the labour market.

Table 1 Population aged 15–24 by education and labour force status, Bulgaria, 2011 (%)

Level of education	Persons not in labour force	Youth employment rate	Youth unemployment rate
Higher education	1.02	58.8	19.5
Secondary	37.96	33.7	23.6
Upper secondary specialized	11.55	45.7	22.5
Upper secondary general	26.41	25.3	24.9
Lower secondary	53.57	3.7	44.6
Primary or lower	7.46	4.4	65.3

Source: NSI LFS 2011

2.2 Roma Unemployment Rate in Bulgaria

As per the 2001 census, of Bulgaria's total population of 7,973,673, some 4.6% (358,815) identified themselves as Roma and 9.5% (757,499) declared to be of Turkish ethnic origin on a 2% representation basis. According to expert estimations, however, the number of Roma is in reality between 700,000 and 800,000. The political and economic reforms initiated in 1990 were accompanied by sharp falls in economic activity and a sharp increase in unemployment and poverty. The social impact of reforms in Bulgaria was particularly high compared to other Central and Eastern European countries due to frequent political changes and capacity shortfalls in developing effective national and macro-economic policies in relation to the restructuring of the economy.

Unemployment and poverty particularly impacted the Roma minorities. The concentration of those minorities in certain areas and in declining economic activities resulted in the emergence of numerous pockets of severe unemployment and poverty in rural areas and in many Bulgarian towns. The Roma neighbourhoods (mahali) of many Bulgarian towns, where at least 600,000 Roma live (according to expert estimations), have gradually transformed into informal settlements. Several rural areas of Bulgaria are also characterised by compact

concentrations of Roma in small isolated villages, which are to a large extent disconnected from Bulgarian society. According to a representative sociological survey carried out by the International Centre for Minority Studies, 48% of the Bulgarian ethnic Roma population in 1994 lived in rural areas.

Over the last ten years, the unemployment rates among Roma have been systematically higher than those for ethnic Bulgarians. In 2001, 31.1% of the total number of unemployed in Bulgaria was of Roma ethnic origin. Compared with ethnic Bulgarians, the unemployment rate among the Roma is 77% (World Bank, 2002). The deteriorating social condition of the Roma is reflected by the fact that in 1992 only 30% of them relied on social assistance. In 1994, this figure reached 45%, while in 2001 it peaked at 60% (MLSP, 2002).

The results of a survey (“From Social Assistance to Employment” – Ministry of Labour and Social Policy Survey, January 2003) carried out among the Roma population show that the prevailing part of this group is not professionally oriented. They often do not have a clear idea about the profession they would like to have and usually choose professions that require low or no qualification and are related to the Roma traditions. The prevailing part of the Roma population assigns greater value to obtaining vocational skills than education. For 30% of the respondents, obtaining a profession is the first and most important condition for finding a job. As for professions requiring specific skills, these include construction workers, welders and turners, drivers, farmers, carpenters, barbers and plumbers for the men, and sewing, cooking and hair dressing for the women.

Therefore the main solutions related to professional orientation and qualification would come through the provision of training courses in professions that require mostly specific production skills and a low level of literacy. Positive results are expected from training courses that combine training with employment, like apprenticeships.

According to the survey, Roma NGOs play an important role as intermediaries between the local authorities, businesses and the Roma community. Their primary function would have been to identify people with a certain level of education and qualification, especially people without certificates to prove their skills. The objective would be to include such persons in training courses or apprenticeships.

Efforts were made to integrate the Roma population through fulfillment of the Government commitments related to the improvement of Roma access to the labour market, to develop measures promoting the special and economic integration by improving the access to education and training – the best preparation of individuals for their entry into the labour market and the encouragement of the tolerance and mutual understanding among the Bulgarian citizens of different ethnic origin and religious beliefs.

In 2007, the government made efforts to build institutional capacity at a central level for coordinating the implementation of the Decade Action Plan; an intergovernmental working group was established with the aim of monitoring its implementation. The activities in all priority areas included in the National Decade Action Plan are under discussion by the Council for Roma Integration in Bulgarian Society and the Ministry of Labour and Social

Policy. A major achievement in securing the financial sustainability of Roma integration activities has been the incorporation of some activities, especially in the fields of education and employment, into the EU Structural Funds programs for the period 2007- 2013. Activities in other Decade priorities, however, such as access to healthcare and housing, remained underfunded and a systematic approach in these areas has not been achieved.

2.3 National Terrain of Financial Literacy and Education

Financial literacy has been an issue that hasn't received the necessary attention by the policy makers in Bulgaria, although there was a great need of financial education, especially to young people, who were stepping into their lives without knowledge of simple financial operations.

Universities and some vocational schools in Bulgaria are the ones that provide some kind of financial education to youngsters, even to young people of marginalised groups, such as Roma. There is no national policy on financial literacy and education that is targeted extremely to Roma youngsters in Bulgaria.

Moreover in the compulsory and general secondary education, financial education is not provided as a separate subject in the compulsory curriculum. It is generally taught under the economics classes. But the emphasis is very low and teachers are not qualified to teach. Financial education is provided explicitly in vocational secondary schools called economic schools and accounting colleges. In those schools, following subjects are covered; Business studies, Accounting/Controlling, Economics, and Informatics. Universities also provide financial education within the following subjects: Economics, Accounting/controlling, Bank accounting, Finance, Business Management and administration, etc...

The bank system in Bulgaria also provides financial education under the form of internship of students, teaching Economics, Bank accounting, Accounting and control and Finance in the universities.

There are also several enterprises and organizations that provide economic and financial education, such as Junior Achievement Bulgaria and Financial Literacy Initiative Foundation. Although their scope is extremely addressed to young students, they also have some programs, which targets are young adults at the age of 18 and up. Their good practices are given as examples in section 4 Identification of examples.

3. Literature Review

3.1. Conceptual review

There are various terms used interchangeably with financial education in Bulgaria. Especially the use of *economic education* is quite common; *education on economics*, *economy education*, *economy as a subject*, *economics and business*, *entrepreneurship* are some of the

common terms. In the Bulgarian school system, economics education “икономическо образование“ is used widely as the term. However according to some Bulgarian bank experts, financial education can be distinguished from economic education:

Economic education promotes the general understanding of macroeconomic and microeconomic principles comprising finance, trade, accounting and production units, many of which lie far beyond the requisites of daily life, while financial education has a strong instrumental attitude, seeking to address the practical needs of individual citizens. It focuses only one sector of the economy: financial services, and facilitates the skills and knowledge based on the needs of the consumers and it tries to enable them to use financial services in a way which suits their needs. Economic education is usually introduced with the abstractions of labour, property, industry and capital, while financial education starts with money.

During the conference “Financial education for stable economics”, Ivaylo Kalfin, Minister of labour and social policy in Bulgaria stressed that financial education is extremely useful for Bulgarian social policy. In this regard he gave the example of the need for knowledge of the pension system, the ability to plan and allocation of income in a future period of time, knowledge of the banking system in order to have confidence in the stability and soundness of financial institutions, etc. (<http://www.bgonair.bg/economy/2015-05-11/ivaylo-kalfin-finansovata-gramotnost-e-vazhna-za-po-dobar-zhivot-i-planirane>)

In Bulgaria financial education is referred as “general finance education” (*общо финансово образование*). But the commonly used terms are “financial education” (*финансово образование*) or “financial literacy” (*финансова грамотност и финансово оgramотвяване*) and also „entrepreneurship” (*предприемачество*).

3.2. National Studies on Financial Literacy and Education

Financial literacy is one of the main prerequisites for ensuring more effective protection of financial services consumers. Most important is the better regulation, generally aimed at ensuring good and fair treatment of consumers, improvement of quality, accessibility and usefulness of financial information and establishing effective mechanisms for resolving consumers’ disputes. But even the best regulatory framework may not be sufficiently effective if consumers are not aware of their rights and responsibilities, do not know or do not possess enough knowledge to be able to choose the most appropriate financial products for them. And ultimately their financial well-being and future financial security depend on their own choices.

We live in a much different and complex world than our parents and grandparents lived in. Each life situation we encounter - a new job, birth of a child, buying a car or a home - requires us to make financial decisions. Simultaneously, financial products and services, from among which we choose, are more and more numerous, complex and risky. Unlike the past, the responsibility for our good health and secure old age becomes our concern, not only of the state.

This reality requires us to have new knowledge related to finances and their rational management as well as new skills so we can implement our financial knowledge in practice.

Financial literacy has become one of the key competences of the people of the 21st century because the quality and satisfaction of our lives largely depend on it.

Several studies have suggested direct positive relationship between financial literacy and the well-being of the individual. People with financial expertise are usually in a better financial situation because they more skillfully manage their personal finances, choose financial products whose nature they understand and which match their needs, seek information and take account of the possible risks.

Viewed more broadly, financial literacy is a factor that stimulates the demand for financial products because of the perceived benefits, thus positively impacts on market growth and economic prosperity. Financially literate consumers, through an informed and rational choice and through conscious exercising of their rights, create conditions for increasing market competition, innovation and improving the quality of the services.

Each of us has dreams and life goals. They may be different- a successful business, secure life, serene old age, better education for our children, nice home, exotic trips. We have in common, though, that in order to achieve them, we should be able to "finance" them. This means that it's necessary to have sufficient financial knowledge and skills, in other words, to be financially literate enough, to be able to make the best financial decisions for us and effectively manage our personal finances.

Financial literacy is defined as the sum of financial knowledge and skills that helps us understand the financial risks and opportunities, to make rational and informed decisions, to know where we can get help and to be able to take other effective actions to increase our well-being.

In general, research in many countries, including those countries with highly developed financial markets like the U.S., shows that the average consumer's financial knowledge and skills are relatively low. The situation in our country is not very different. Data from a 2010 World Bank study of financial literacy presents the following picture for Bulgaria:

- Low level of financial literacy - 47% of respondents identify their financial knowledge as poor or none. Particularly disturbing are the data for the group of 16-17- year olds, in which over 53% have identified their financial literacy as weak, namely young people are the corner stone of future active use of financial services and face a long term consumers' prospective.

- Relatively weak skills in planning and managing personal budget - 73% of the people claim to be making a financial plan for their monthly income and expenses. In practice, however, 39% of them say they rather have an overview of their revenues and expenditures and a

further 22% just keep their financial documents without monitoring the movement of their funds.

- Inability to cope with the loss of income - It is also a concern how long a period within which the majority of the households could cope with a sharp drop of income. Only 11 percent believe they will be able to withstand more than six months - mostly high-income level citizens of most big cities.

- Poor awareness of consumers' rights and services - Low awareness goes hand in hand with the mistrust of institutions to handle a problem adequately. 39% of people are not convinced that the problem would be resolved quickly, and 40% do not believe the problem be resolved fairly.

- Poor knowledge and sharing of financial information - Bulgarians are less active in seeking information on financial matters and 35% never discuss financial issues with friends and family. For the majority of Bulgarians financial information is too specialized and difficult to understand.

The self-assessment of the Bulgarian citizens about their financial literacy is predominantly negative. Only narrow social groups have a more positive self-assessment than the average. In other words the use, the trust, and the awareness of financial services is concentrated among a small part of the Bulgarian citizens - 10% - 15% of the country's adult population.

Higher than the average assess their financial knowledge:

The residents of the capital city (23%)

31 – 50 year'-olds (18% - 22%)

People with higher education (30%)

Officers (20%), company owners (34%), free lancer professionals (28%)

High income groups (35% - 49%)

Active users of financial products (25%)

The lowest self-assessment have the residents of the smallest settlements, the eldest citizens, but also the young generations, low educated people, manual workers, unemployed, pensioners and the people with the lowest income. The share of people in these social groups who assess their financial knowledge as more or less unsatisfactory exceeds 60% and even reaches close to 80% in the one of the lowest status groups, namely the Roma (77%) and the households with the lowest income (78%).

Predominantly negative is likewise the self-assessment of the 16 – 17 year' old youth that are supposed to join the financial service market within years. 53% believe their knowledge in the field is unsatisfactory versus 9%, who think of it as very good or excellent.

Due to the not very well developed financial service market in Bulgaria, the Bulgarian citizens are relatively unprepared when entering on it and only later, with the practice of consumption, do they gradually enrich their financial knowledge.

The low awareness level of the Bulgarian citizens justifies the necessity for implementing a financial literacy program. The first challenge will be to identify the target groups of his program. It shall fully depend on its key objectives:

If the main goal of the program is to educate the poorest and illiterate social groups whose financial literacy is close to zero, it should consider the fact that those people have serious difficulties defining what exactly they want to learn about. This is largely due to their lack of knowledge but also to their disinterest in the topic. Because of their exclusion from the financial market the people with lower social and economic status show nearly no interest in this sphere.

If the main goal of the program is to improve the knowledge of the current users of financial service, it should consider their interest in a wide range of issues.

According to a survey made on the preference to topics to be included in the financial literacy program fourteen possible topics were named to be included in the financial literacy program.

Depending on the interest they generate, the topics were classified in three main groups:

The most attractive topics for the public are: „what should I do, so that I don't sink deep into loans" (75%), „what are the active consumer protection laws and what should one do when their consumer rights are violated" (74%), „what kind of information should the user pay attention to when signing a contract with a bank or some other financial institution" (74%), „which are the main bank services – payment accounts, deposits, cards" (70%) and on what principle does the pension system function and what opportunities does a person have to secure income for their old age" (69%). These are the main issues for the people regardless of their financial literacy level and current activity. Therefore these topics could form the mandatory basis for financial education of the population. These topics will attract the broadest possible public interest and, on the other hand, will create the necessary conditions for achieving efficient results. The only exception in this group of topics is the understandably weak interest of the 16 – 17 year' old group to the principles of the pension security system.

The second group includes questions related to information about specific products and services – how can you get a consumer or mortgage, loan, how to utilize the insurance products, what should one pay attention to when comparing the offers of various banks and insurance companies, how differentiate between advertising and objective information. The interest to these topics is greater among the actual users of financial services: the better educated and economically active residents of the urban centers who utilize most actively the

opportunities created by the financial market. Therefore it would be best to include them in the program mostly in the form of practical examples and cases, helping the users get orientated in a life situation.

The third group includes development of skills for financial goal-setting and planning, private pension security funds, opportunities for joining the capital market. They were pointed out by the best informed citizens for whom the participation on this market is a form of investment. Those are the people with the highest income and high ranking positions in the occupational hierarchy and generally speaking the most attractive clients of the financial institutions. It would be most effective for the program respectively to include such topics in the form of consulting rather than training.

An important element in the planning of the financial literacy program is to analyze the people's opinion of the most appropriate trainers on these matters. No single institution appears as the respondents' favorite for the purpose. The expectations are directed at several main training and information channels. The top three positions in this classification are occupied by the media (29%), the public regulators of the financial market (29%) and the universities with economic or financial profile (29%). NGO, the commercial banks and the independent financial consultants form the second group of appropriate trainers. The opinion of the most appropriate trainers on financial matters is heavily dependent on two factors: accessibility of the training institutions and confidence in them. The media and state institutions are the most accessible for the wide range groups of people, i.e. as pointed out earlier in the analysis, they enjoy the greater trust of the users compared with the private financial companies.

At the same time there is a small difference in the preferences of the different social groups, resulting mostly from their social status and economic activity. The broad public prefers the media, while the better acquainted with the financial matters citizens prefer the higher education institutions, NGOs and independent financial consultants. The large majority of the adult population routinely makes a financial plan of their household income and expenses. The only exception are the Roma who say they make no financial plans.

4. Identification of programmes

As it was stated before, there are some examples of financial education providers in Bulgaria. In addition to official financial education programs offered in the public education system, the bank system, organizations and foundations run programs to offer financial education. Most of them are not integrated into an institutional framework like school curricula but rather use a variety of other channels (such as the mass media and/or internet, courses and information campaigns) to reach target groups.

A closer look at these programs shows that, in terms of target groups, majority of these programmes address children at secondary school age or students and adolescences or young adults. There are very few programs designed for adults. It is important to note that there are

no single projects that target the young adults with low income. There is no specific program that addresses young adults at risk or Roma youngsters.

In terms of setting and methods of delivery most of the programmes utilize traditional teaching settings such as classrooms, offices and indoors and traditional delivery methods and instruments as leaflets/ brochures etc., printed toolkits/ hand-books etc., and websites and online tools.

4.1 Best practice examples in financial education in Bulgaria

4.1.1 Junior Achievement Bulgaria

Junior Achievement is the world's oldest, largest and fastest-growing nonprofit economic education organization. JA Bulgaria educates and inspires young Bulgarians to value free enterprise, business, and economics to improve the quality of their lives. It prepares them to succeed in a global economy.

Established in 1997, Junior Achievement Bulgaria is a member nation of Junior Achievement Worldwide (JAW) and its regional entity Junior Achievement –Young Enterprise Europe (JA-YE). Junior Achievement Bulgaria is the first and foremost organization in Bulgaria offering top-notch programs and courses in business, economics and the development of the entrepreneurial spirit through educational and hands-on activities in economics, financial literacy, business skills, leadership and strategies for success. JA-YE enterprise and economic education programmes are designed for young people ages 6-25 and are implemented through a partnership between local businesses and schools.

Founded in the U.S. in 1919, Junior Achievement has reached over 80 million young people. For the current academic year more than 8,5 million students in 400,000 classes and over 300,000 business volunteers in 123 countries are involved in JA activities.

Started with 10 pilot classes, today JA Bulgaria offers 24 educational courses and business programs and has over 33,000 students throughout Bulgaria. JA programs are taught by 2000 teachers in 450 cities in more than 1100 schools during the academic 2012-2013. Since its inception, more than 160,000 students, 1197 student companies and 3740 business mentors have benefited from JA Bulgaria programs.

4.1.1.1 JA StartUp Program

(JA StartUp Program) is a practical course in entrepreneurship, which is based on one of the oldest and most established JA Programmes "School Company".

The course aims to introduce students to entrepreneurship in practice as they create and manage their own school company. Within a year / semester they form teams and develop their business ideas, develop a prototype of a product / service and provide business and financial justification of the project. Their work in the program is assisted by a teacher/mentor and volunteer business consultants.

In the working process, participants acquire the following competencies and skills:

leadership qualities;

communication skills;

skills for decision-making;

skills for negotiating;

organization, time management

Introduced as a pilot project in Bulgaria in 2008, today the program has reached over 20 universities in the country.

4.1.2 Financial Literacy Initiative Foundation

The **Financial Literacy Initiative foundation** is a non-profit organization registered in 2012 and working for the public benefit.

The foundation believes that if a person has a good level of financial knowledge and a rational, informed and responsible decision-making approach to managing personal finances, he can provide a stable and secure life for himself and his family.

The team of the foundation also believe that the financially literate person not only helps himself, but is the foundation of economic prosperity for society. When a reasonable approach and choice improves his own welfare, a person increases the welfare of society. His rational and informed consumer's behaviour encourages healthy market competition and stimulates economic growth.

The mission of **Financial Literacy Initiative foundation** is to work to improve the financial literacy of citizens and increase the level of consumer protection in financial services so that the result would be positive for the welfare of individuals and society, and ensure fruitful participation of individuals in the economy.

“A MinuteFinance”

The project is realized by Financial Literacy Initiative Foundation and the educational site www.spesti.li. The main idea of the project is to present the personal finance topics in attractive and engaging way – in short one-minute videos. The topics include areas like budgeting, saving and investing.

Developing a financial education website www.semeinifinansi.bg

This is a joint project between the Financial Literacy Initiative Foundation and Provident Financial Bulgaria for the development of specialized financial education website: www.semeinifinansi.bg

The project is implemented by the Financial Literacy Initiative Foundation, the only NGO in Bulgaria that focuses on financial literacy, and Provident Financial Bulgaria, which is part of International Parsanal Finance (IPF), a leading international provider of consumer credit, listed on the London stock Exchange and one of Britain's biggest employers in Central and Eastern Europe with more than 2.6 million customers worldwide.

Project “Say No to the Debt, Say Yes to the Money”

A unique national scale program “Say No to the debt, Say Yes to the Money” started on April 15, 2014. The program gives opportunity to everyone who wants to improve his personal finance knowledge to attend free one-day seminars.

The program is realized by Financial Literacy Initiative Foundation, the only Bulgarian NGO focusing on financial education, and EasyCredit, leading Bulgarian company in the area of non-banking consumer loans.

The training program is developed by the Financial Literacy Initiative Foundation. It covers the following topics: personal budget, credit and management of credit indebtedness, investments, savings and insurance. The program is informative and entertaining at the same time – it envisages games, tests, movies.

It is planned at least 300 adult Bulgarian citizens from 11 cities to attend the seminar in a period of one year.

5. Recommendations for Policy and Practice

As it was stated in the national report financial literacy and education in Bulgaria still requires attention at the policy level, not only nationally but also both at the global and the European level. At the European level, European Commission (EC) has taken active part in promotion of financial education in Europe; they adopted a communication on financial

education in 2007 and formed an expert group on Financial Education (EGFE). The communication sets out the economic, societal and personal benefits of increased financial literacy and gives an overview of the provision of financial education in the EU. It highlights some basic principles to guide providers of financial education, based on existing best practices. We believe that these principles are important to provide good quality financial education in general and in the case of our target groups.

In addition to these recommendations, Expert group on Financial Education formed by European Commission (EC) provided some practical recommendations to facilitate the development of successful national strategies (for a detailed look, see National Strategies for Financial Education Report, 2008). These are important as Bulgaria is one of the countries that do not have a national strategy on financial education. Thus, it is noteworthy to underline the following recommendations to be able to formulate a successful national strategy for financial education in Bulgaria:

§ A national strategy on financial education should be developed and adopted with a special clause for financial education for marginalized groups, such as Roma. It should be centrally coordinated to ensure the active involvement and cooperation of all relevant stakeholders - both from the public and private sectors. The national strategy should be developed in cooperation with representatives of the NGO sector.

§ Relevant evidence should be gathered to identify the priority needs in the society, for example, through surveys at the national level;

§ Comprehensive long term action plans should be developed which clearly state the objectives and how these are to be achieved;

§ Single programmes should be targeted to specific groups, such as Roma, according to their differing needs;

§ Direct and proactive provision of financial education should be encouraged, as much as maximising effectiveness of other provision channels,

§ Marketing strategies should accompany each initiative to maximise the effectiveness of their impact on the target groups;

§ Appropriate funding must be ensured to guarantee the effectiveness of programmes;

§ Evaluation must be planned in the early stages of developing each national strategy as well as individual scheme.

6. Summary

The low awareness and trust of the Bulgarian citizens towards the financial institutions and services justify the necessity for a financial literacy program. Depending on the interest in the tested financial topics three priority areas were outlined: 1/ Topics related to basic financial

knowledge – household budgeting, planning a loan, consumer rights, the opportunities of bank services, principles of the pension system etc. A broad group of citizens are interested in the above topics, mostly people with a lower economic and educational status, not using actively any financial services; 2/ Information about specific products and services. Interest in them was demonstrated by the urban residents, employees, people with medium income and status, using some financial services who would like to develop their consumption. 3/ Acquiring skills for financial goal-setting and planning, private pension funds, opportunities to join the capital market. The latter are the focus of the citizens with the best knowledge of financial matters. For them the participation on this market is a form of investment.

The main sources of information used by the Bulgarian citizens are: television (90%), radio stations (35%), newspapers (20%), and for 16-17 year' old internet (74% - use it every day versus 29% for the main sample). In spite of the fast penetration of the World Wide Web in the country (its users have increased from 24% to 44% in five years), the huge part of the people with poor financial literacy, coming from the low-status social groups, do not use computers and internet and only pay attention to the television.

Bulgarians are not active in the search of specific financial information. 35% never discuss financial services with friends and relatives. The financial institutions are as well not active in informing the people of their services and products. 57% have never talked with bank officers and 83% - with insurance agents.

For the majority of the Bulgarians the financial information is too specialized and difficult to understand. Therefore, depending on the specific cases and needs, they use different sources of information. Thus for example those 53% of the Bulgarians who follow some financial trends (mostly the fluctuations in the taxes, securities, pensions and inflation rate and, to a lesser extent, interest rates on loans and deposits), use mainly the media. When information about financial services is needed, the people prefer the brochures of the financial institutions and for a choice of a bank or other institution – “the advice of friends and relatives”.

The absence of clear information preferences is evident in the people's opinions of which will be the most appropriate training institution to implement a financial literacy program. The broad public has preference for the media and the state regulatory institutions, while the citizens more knowledgeable of financial matters are more in favor of the higher education institutions and independent financial consultants.

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