

2021

FINANCIAL LITERACY

The Central Bank of the Republic of Kosovo
and The World Bank Group
with the support of the
Government of Switzerland



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

This brochure is a product of The Central Bank of the Republic of Kosovo and the Payment Systems Development Group (*PSDG*) in The World Bank Group's Finance, Competitiveness and Innovation Global Practice.

The State Secretariat of Economic Affairs (*SECO*) of Switzerland provided funding for the material in the context of the Remittances and Payments Program.

www.remittanceprices.worldbank.org



The Central Bank of the Republic of Kosovo

Address: Rr. Garibaldi nr. 33,
Prishtinë, Kosovë

www.bqk-kos.org

E-mail: info@bqk-kos.org
Telephone: +383 38 222 055
Fax: +383 38 243 763



The World Bank Group

1818 H Street NW
Washington, DC 20433 USA

www.worldbank.org

paymentsystems@worldbank.org
Telephone: +1 202 473-1000

Cover photo by Spencer Montero

© The World Bank Group, 2021

WHAT IS FINANCIAL LITERACY AND WHY IS IT SO IMPORTANT?

Financial literacy is a **set of knowledge, skills, attitudes, and behaviors** necessary for making sound financial decisions.¹

In practice, financial literacy means that a person has basic knowledge and can **understand basic financial terms**, characteristics of financial services and products, and has healthy habits and a positive attitude regarding personal finance management, savings, investments etc.

In the context of personal and responsible financial management, financial literacy is critical. Income, expenditures, keeping track of expenses, agreements, speed, price, interest rates, and security are essential factors that should be considered when using financial products and services and when responsibly managing one's finances. You can make informed decisions only if you can understand the features of financial products and services.

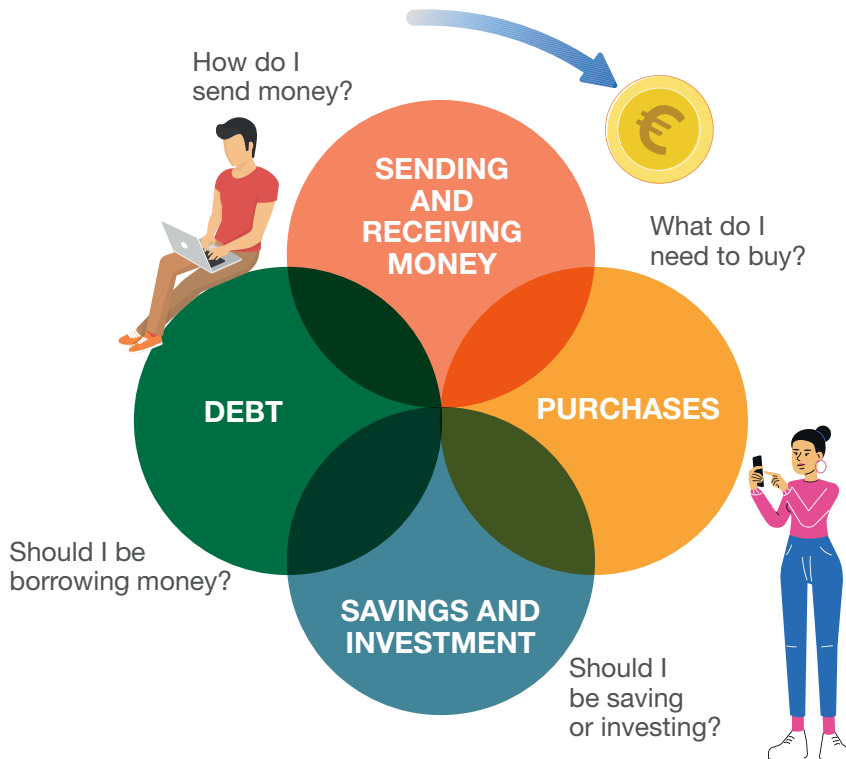
¹ The OECD INFE has defined financial literacy as “A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.”, <https://www.oecd.org/finance/financial-education/49319977.pdf>



THE MOST COMMON FINANCIAL CHALLENGES WE FACE DAILY

No matter what the challenge, financial literacy requires:

1. Needs assessment;
2. Being well informed;
3. Understanding the options;
4. Sound decision-making.



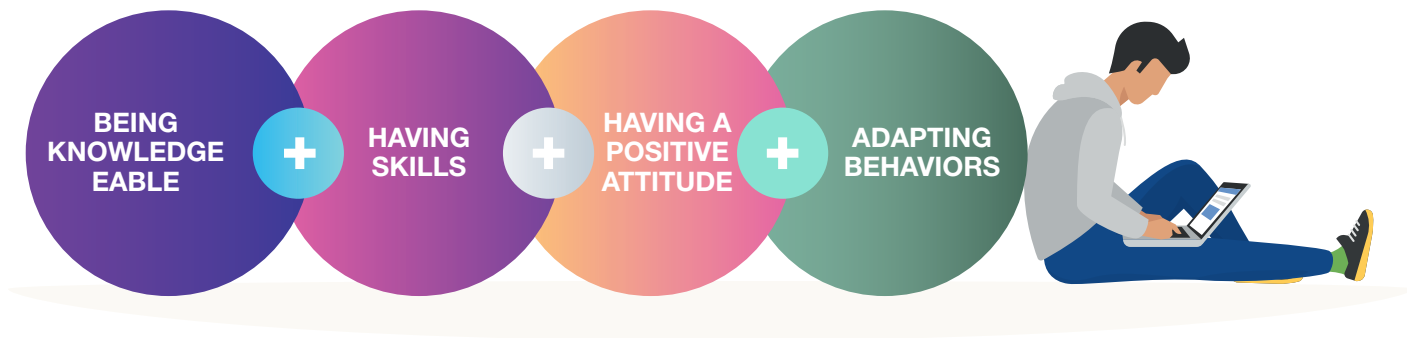
THE MOST COMMON FINANCIAL CHALLENGES WE FACE DAILY

If you are insufficiently financially literate:

- You do not explore market options and offers well enough;
- You fail to understand the scope of your rights and obligations;
- You pay for more expensive financial services and products;
- You prefer unregulated channels for sending and receiving money;
- You make decisions solely based on kinship and acquaintance;
- You harbor prejudices and fears, and avoid using modern technologies.



BEING FINANCIALLY LITERATE MEANS:



Acquire knowledge:

Seek information and educate yourself in different ways, e.g., the CBK educational platform www.edukimifinanciar.org or via other reliable websites, by making inquiries to financial service providers, or attending financial training programs or public presentations.

Build skills:

Improve your money management skills by using specialized tools such as mobile apps, online calculators, or simply monitor your personal finances by keeping track of income and expenses, and creating short-term and long-term objectives.

Maintain a positive attitude:

Be a pro-active service user, explore the market, ask questions and search for answers.

Adapt your behavior:

By keeping records of your income and expenses and analyzing your habits and financial behaviors, you can assess whether you are financially responsible and what needs to change.

BENEFITS OF FINANCIAL LITERACY



USER

- Makes the right decisions in line with their economic interest;
- Plans and analyzes, reducing potential financial risks;
- Prefers regulated money transfer channels and modern technologies
- Negotiates with financial institutions.



FINANCIAL INSTITUTIONS

- Faster at adapting to the needs of financial service users
- Operate more transparently and responsibly
- Negotiate with the users regarding their products and services
- Offer innovative and modern services, which, in principle, are less costly than traditional services



SOCIETY

- Greater financial inclusion, especially of youth and women;
- Reduced activity of the unregulated market, especially in the context of remittances;
- Greater financial stability of financial institutions, the society and the country;
- Lower unemployment rate and alleviated poverty.

THE IMPORTANCE OF FINANCIAL LITERACY IN THE CONTEXT OF RESPONSIBLE PERSONAL FINANCE MANAGEMENT

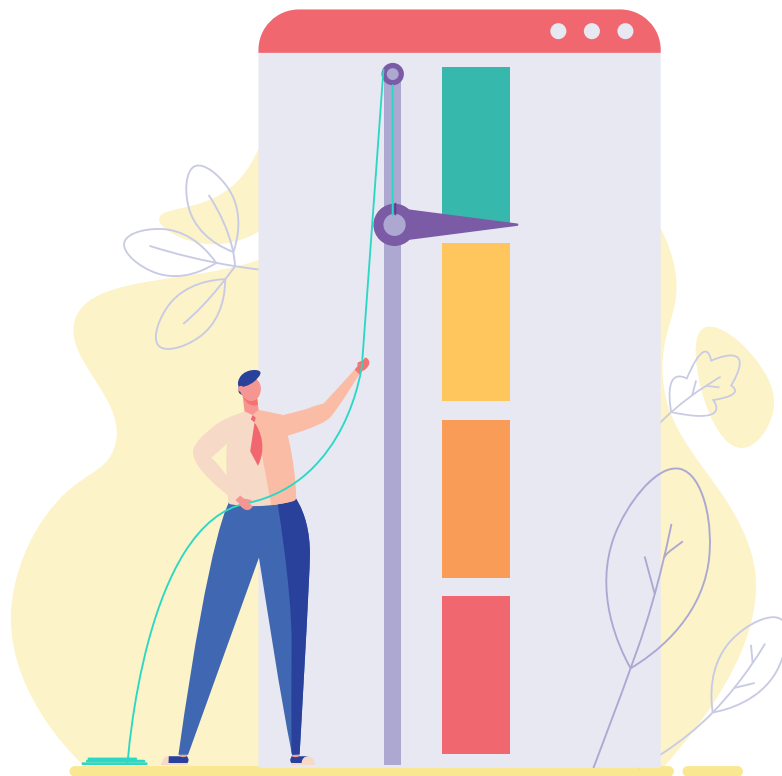
- Educate yourself and learn the commercial financial terminology;
- Financial institutions have different offers;
- Seek and compare information about financial products and services from multiple sources;
- You can analyze the options and seek information before making a decision;
- When accessing financial products and services, the client is often the negotiator, so negotiate;
- Fees, payment plan, purpose, income and expenditures planning, contracts, speed, and safety are important factors;
- Adjust your financial behaviour based on analysis and keeping records;
- Modern technologies open up new opportunities and pose new risks;
- Laws protect service users.



WHAT YOU NEED TO KNOW

Countries with high financial literacy levels have these characteristics:

1. They are financially more stable and wealthier;
2. Have low inflation and stable currencies;
3. Have more dynamic and modern financial markets;
4. Financial uncertainty and anxiety are less present among individuals.





BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

**The Central Bank of the
Republic of Kosovo**

Address: Rr. Garibaldi nr. 33,
Prishtinë, Kosovë

www.bqk-kos.org

E-mail: info@bqk-kos.org

Telephone: +383 38 222 055

Fax: +383 38 243 763



THE WORLD BANK

IBRD • IDA | WORLD BANK GROUP

The World Bank Group

1818 H Street NW
Washington, DC 20433 USA

www.worldbank.org

paymentsystems@worldbank.org

Telephone: +1 202 473-1000