



For Immediate Release

Survey Reveals Ukrainians Lack Knowledge of Finance, Consumer Rights

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The average Ukrainian lacks knowledge about finance, uses only basic financial services, is largely unaware of his/her consumer rights, and has very weak trust in the financial sector. This is the portrait that emerges from the first national financial literacy and consumer rights survey, carried out by the United States Agency for International Development (USAID). Leading journalists of the Eastern region, bankers, and NGO representatives attended a forum to discuss the survey results.

“Certainly this is a very timely survey which is extremely useful for the financial market regulators”, commented Valentyna Stepanova, Head of the Securities and Stock Market State Commission Regional Office in Kharkiv Oblast, in her address to the forum participants. In her opinion, the population has a lack of knowledge of and trust in the financial instruments, which is one of the key reasons why people in the Eastern region continue to keep their savings in cash. ***“It is too bad that this money is not working for the economy. People do not understand how and in which instruments they can invest their money. This poses a significant problem”***. Valentyna Stepanova is confident that there is a strong link between the attraction of long-term funds into the national economy and financial literacy. She also thinks that any government program to improve financial literacy of the Ukrainian people requires a comprehensive approach. ***“Firstly, this work should be done in parallel on both levels - the national level and the regional one. Secondly, it is very important that in addition to the financial regulators the Ministry of Education should take care of these issues”***.

USAID/Ukraine commissioned the national survey as the first step towards developing a national program in Ukraine for financial education and consumer protection. “By composing a detailed picture of the Ukrainian financial services consumer, this baseline data will help evaluate needs and priorities, develop a comprehensive strategy, and take effective action in the field”, said Robert Bond, Chief of Party of the USAID FINREP Project.

Key findings of the survey include:

- Financial services coverage in Ukraine is low. Thirty-nine (39) percent of Ukrainians do not have a bank account.
- Most of the population uses only simple financial services. The most frequently used financial services include: the payment of utility bills through a bank (78 percent); use of a bank account and a plastic card (61 percent); payments through payment system terminals (38 percent); and currency exchange (31 percent).
- Only 11 percent have bank savings deposits, and 28 percent have loans.
- Fewer than 2 percent own shares, bonds, or investments in Non-State Pension Funds and investment funds.
- More than 60 percent of the respondents consider themselves to be financially literate. However, less than a quarter of those surveyed could correctly answer five out of seven questions necessary to be able to manage one’s finances.
- Many Ukrainians are struggling financially. About 56 percent of respondents assessed their family financial situation as satisfactory, with 32 percent stated that it was ‘bad’ or ‘very bad.’

- After all monthly expenditures, just 14 percent of respondents had money available for savings at the end of the month. However, this money (savings) is mainly in cash (49 percent), rather than invested.
- The average Ukrainian is averse to debt. Most Ukrainians rely solely on themselves and not on borrowing. Seventy-seven (77) percent of respondents said that they have no debt and just 19 percent acknowledged indebtedness.

The survey also found that one in every four consumers has experienced problems in their interactions with a financial institution. Of those who reported a bad experience with financial services the most common problem involved bank deposits (29 percent) and consumer loans (28 percent). Twenty-three percent had a problem using a bank credit card. Almost half of respondents (44 percent) believe that if a financial dispute arises, it will be resolved in favor of a financial institution. Less than 20 percent of respondents believe that the dispute will be resolved amicably, and only 17 percent believe that they will be able to make their case and get a resolution in their favor.

According to the survey results, an absolute majority of Ukrainians have no idea how to approach resolving a dispute with a financial company. Twenty-two (22) percent of respondents answered “I do not know” when asked who they would turn to for assistance in case of a dispute. The most trusted institutions appear to be courts of law (31 percent). State regulators were mentioned by only one in 10 respondents (NBU – 11 percent, the State Consumer Standards Committee – 11 percent, and the Financial Services Regulator – 8 percent).

According to Valentyna Stepanova in the near future the regulators should take active measures to improve the financial literacy of the population. **“A large-scale public education campaign helping the population to get a better understanding of the variety of financial instruments should become the priority for the financial regulators. The Ukrainian Stock Market Development Program for 2011-2015 prepared by the Securities and Stock Market State Commission provides for this active public education work,”** stated Ms. Stepanova.

The survey was conducted by the Ukrainian survey research company *InMind* in September and October 2010. Two thousand fourteen (2,014) users of financial services aged 20 to 60, from across all regions of Ukraine and Kyiv, were polled. A total of 64 questions were asked in face-to-face interviews, with the average interview lasting 30 minutes. Many of the questions were taken directly from similar financial literacy surveys conducted by the World Bank in nearby countries such as Russia and Azerbaijan. As part of the survey, information was collected on social-demographic characteristics to permit analysis of significant differences based on gender, age, region, and education, utilizing the data of the State Statistics Committee of Ukraine.

The Survey is available at: http://finrep.kiev.ua/download/finlit_survey_6dec2010_ua.pdf

For more information about USAID’s Financial Sector Development Project and its activities, contact the project’s Communications team at: +38 (044) 379-1375 or visit www.finrep.kiev.ua.

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