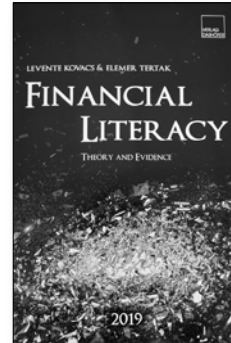


## THE SIGNIFICANCE OF FINANCIAL LITERACY

Levente Kovács – Elemér Terták  
Financial Literacy – Theory and Evidence

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Do you believe a child born today will need to study more than their parents to get ahead in life? Do you need to pick up more knowledge and skills in our times to understand the world around you than 30, 100 or 300 years ago? The instant, rule-of-thumb answer is you do. As an obvious argument, you can refer to the history, culture, scientific achievements and technology development of the past 30, 100 or 300 years (although public education often fails to keep pace with changing times). There is a profusion of information and its growth rate is not proportional to time; history is 'thickening', it may produce as many crucial events, innovation or cultural products in the span of a decade as in a hundred years in the past.

On the other hand, access to information and sharing it has become much simpler. However, you must keep in mind the worrisome trends of our days hindering the 'consumption' of information. Just think of fake news, propaganda, social media filter bubbles, identity theft, cyber-crime, etc. They are obstacles of access to relevant information and its logical systematisation if you do not have the necessary knowledge, which is indispensable to make smart decisions in finance or as a consumer of goods.

The outcome of the above processes cannot be foreseen. That is why it is essential to understand the factors affecting and affected by financial culture, to reveal its coherence and to synthesise the body of knowledge available. The book *Financial Literacy – Theory and Evidence* by Levente Kovács and Elemér Terták has clearly been written with an aspiration to bridge the gap and facilitate the implementation of the results in practice. Thus, it can be seen as a discussion paper or one to be used in preparation to make decisions, but it can also be used as a textbook or

handbook, as it is a fine summary of the key pieces of knowledge related to the field of financial culture.

The need for financial skills and literacy is most painfully felt and realised in a financial crisis, as in such times, the problems arising out of the symptoms of deficiency are much more palpable. The authors also underline the connections of crises and financial literacy several times. In their opinion, that I share, the lack of modern and up-to-date financial knowledge played a key part in 2008, when the financial crisis hit wider strata of our society and lasted longer than it could have otherwise. As the consequences of the sub-prime crisis were so severe, an analysis of the link between financial literacy and the economy has been inevitable to allow for designing and implementing new action plans intended to increase the resistance of present and future generations vis a vis the dangers revealed and to avoid repeating the mistakes of the past.

The authors of the book shed light on a tendency, i.e. financial culture becomes 'trendy' in times of war, crises and immediately after, however, the level of financial literacy typically declines in the course of and following an economic recovery. The former could be experienced in this country too in the form a national strategy and different interrelated or standalone programmes aiming to improve financial literacy. As for the latter, studies and research seem to verify it, unfortunately. It means work will not be finished as the topic goes out of public discourse; there are challenges to surmount for many years to come.

The book is a revised and enlarged edition of the title *Financial Literacy (Panacea or placebo? – A Central European Perspective)*<sup>1</sup> by the same authors. In addition to updating and supplementing some chapters, the authors added further chapters in which they discuss important new topics, such as business (bank) code of conduct or the impact of negative interest rates on financial education.

Unlike earlier studies on financial literacy published in Hungary and abroad, the book is not a simple description of research findings based on questionnaire surveys. The authors have produced a reference book covering a broad area which is at the same time lively and reads well.

I think readers there may be many: students, finance professionals, decision-makers shaping politics as well as average interested people can read it to their benefit and satisfaction. We who teach at the Department of International Finance at the University of Miskolc will use *Financial Literacy* as one of the key textbooks on our subject 'financial literacy'.

Zsolt Pál

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<sup>1</sup> KOVÁCS, L. – TERTÁK, E. (2016): *Financial Literacy (Panacea or placebo? – A Central European Perspective)*. Bratislava: Verlag Dashöfer, 112 p. ISBN: 9788081780165.