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FINANCIAL LITERACY, FINANCIAL INCLUSION, AND FINANCIAL WELLBEING IN UKRAINE: WHAT HAS CHANGED IN 5 YEARS

FINAL REPORT
BY USAID FINANCIAL SECTOR TRANSFORMATION PROJECT
BASED ON 2021 NATIONAL SURVEY

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Kyiv, Ukraine

WHAT PORTRAIT OF A UKRAINIAN CONSUMER OF FINANCIAL SERVICES DID WE SEE 5 YEARS AGO?

Average Ukrainians struggle with financial understanding

- ✓ Only one in five Ukrainians received a “satisfactory” mark

Ukrainians are conservative when it comes to money

- ✓ Averse to borrowing
- ✓ Don't trust in a fair dispute resolution
- ✓ Prefer savings in a foreign currency

Ukrainians favor cash, specifically:

- ✓ Earnings in cash
- ✓ Payments in cash



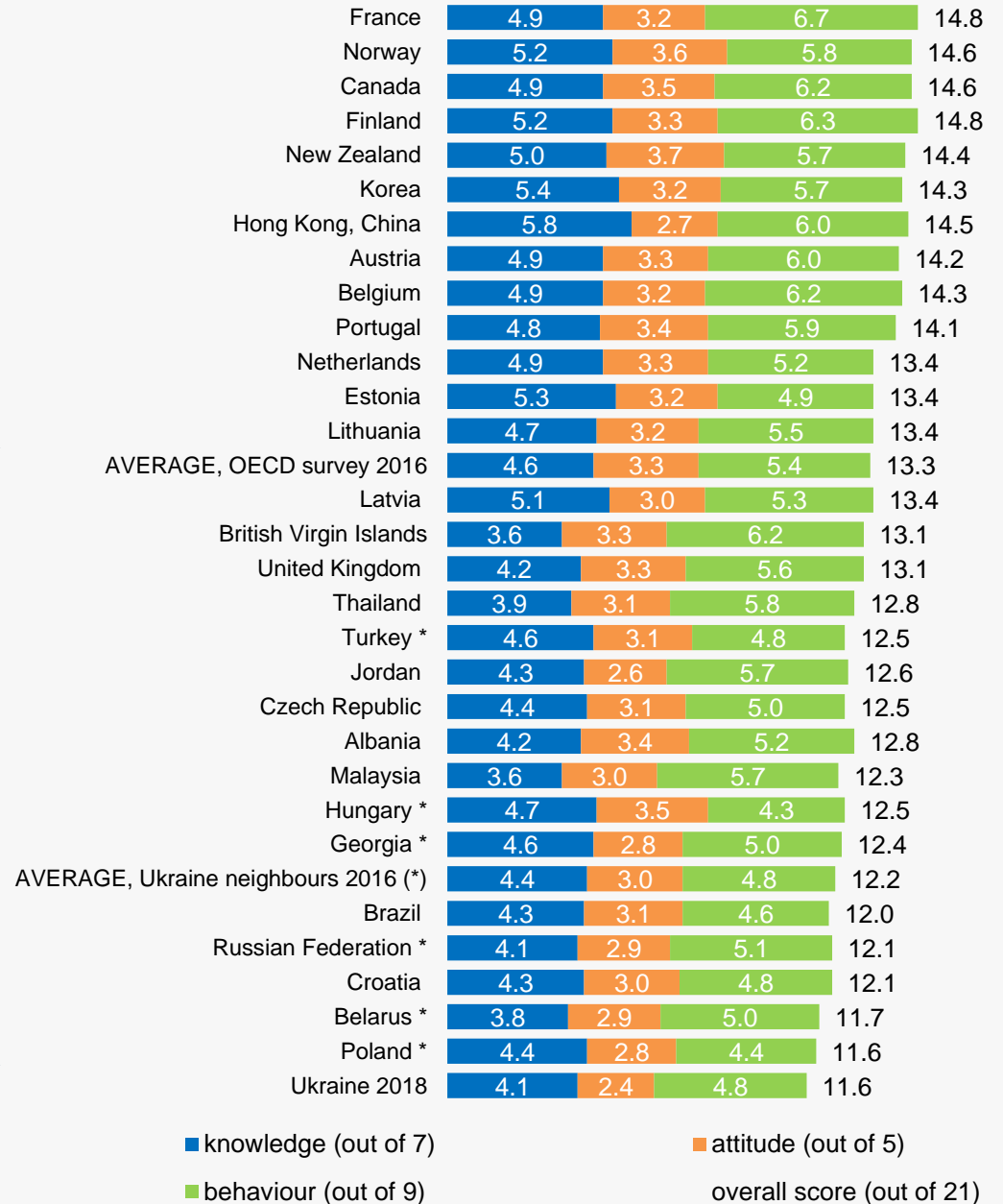
Ukrainians are remarkably resilient – despite all troubles expressed satisfaction with their economic situation

2018 OECD FINANCIAL LITERACY INDEX

Average, 30 countries

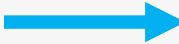
Average, Ukraine's neighbor countries

Ukraine



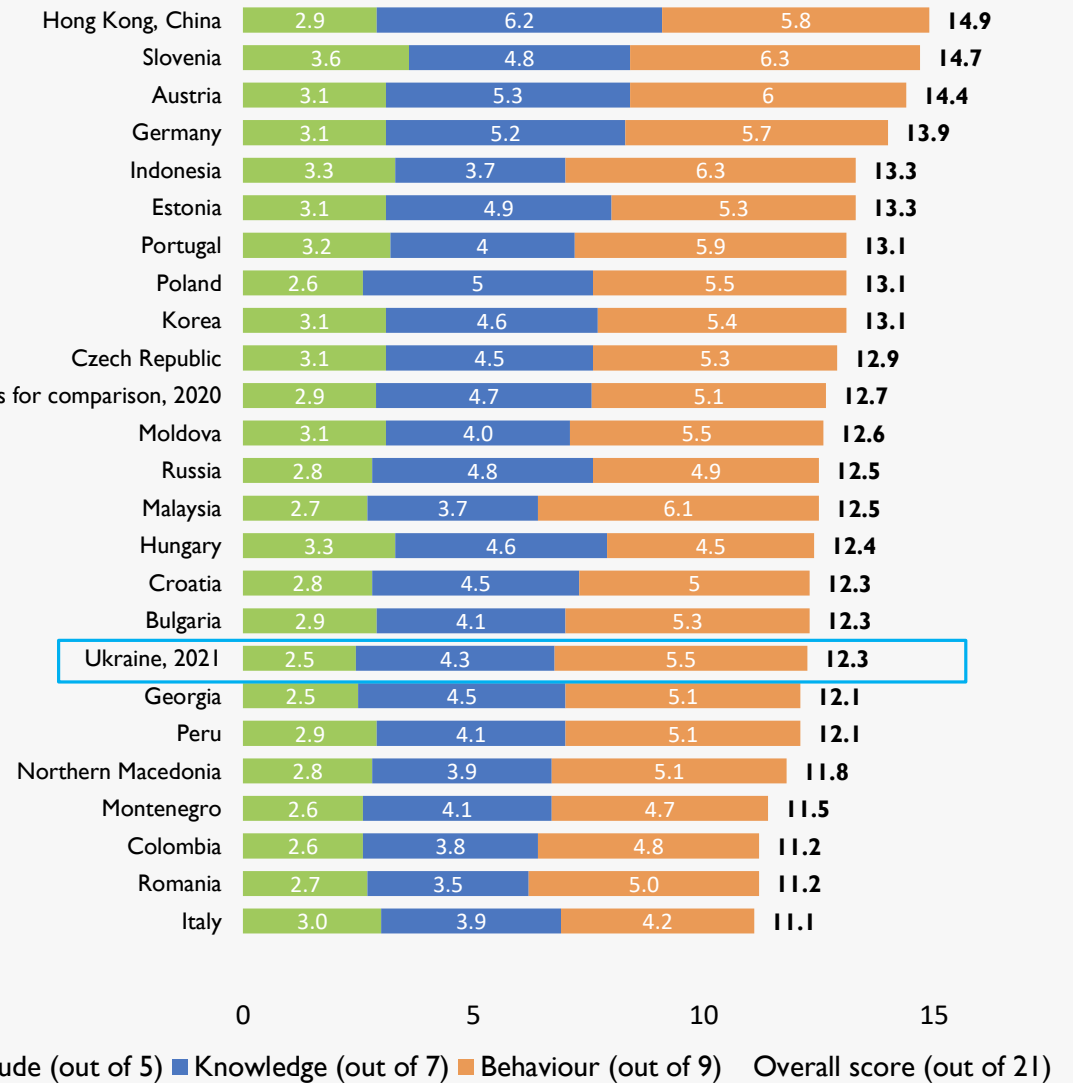
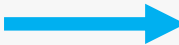
2021 OECD FINANCIAL LITERACY INDEX

Average, 25 countries



Average sample of countries for comparison, 2020

Ukraine



FINANCIAL LITERACY INDEX

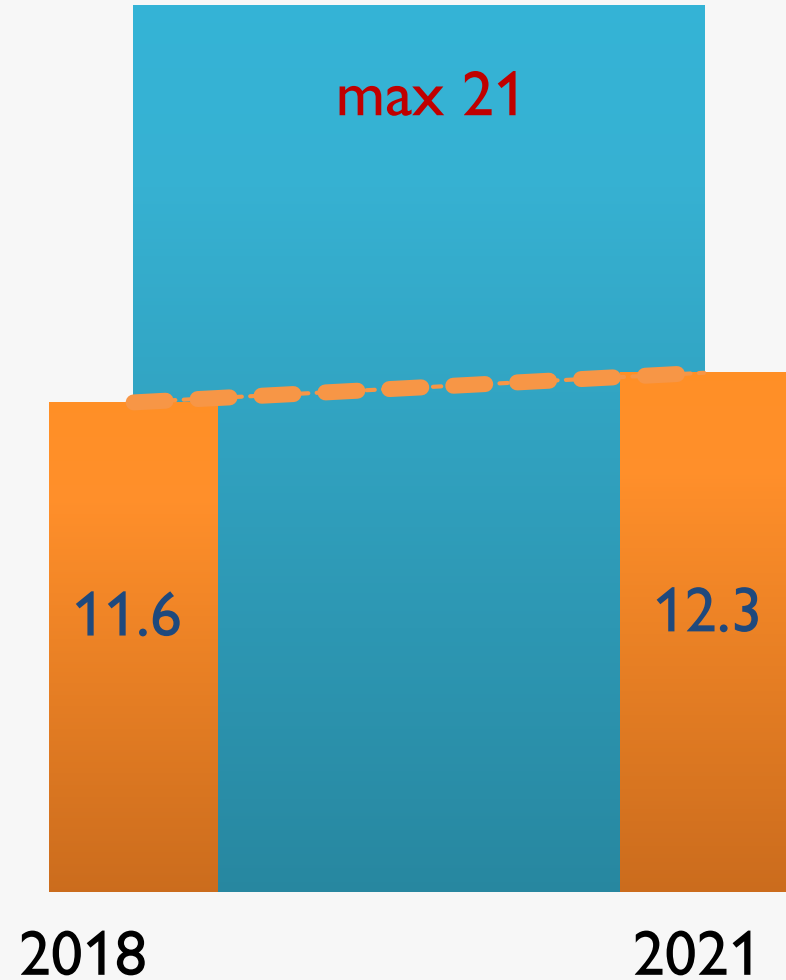
12.3 scores or 58% of its maximum value

+6% increase in 3 years

Financial literacy index of most OECD countries remained constant

+2.4%

- Georgia
- Estonia
- Poland
- Russia
- Hungary
- Croatia
- Czech Republic

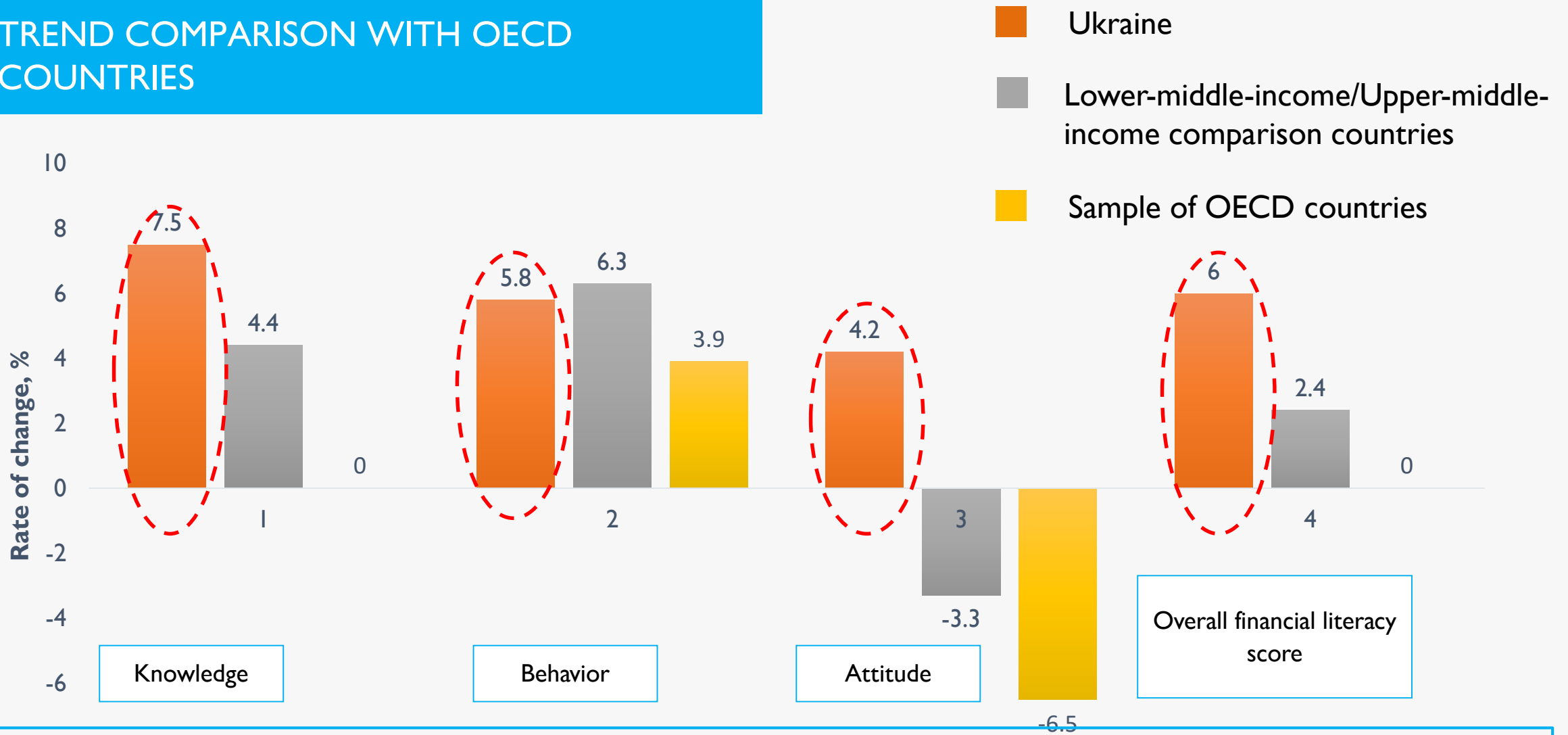


FINANCIAL LITERACY INDEX COMPONENTS

The increase has occurred across all index components



TREND COMPARISON WITH OECD COUNTRIES



The rate of positive changes in Ukraine is higher across all components, except behavior, compared to OECD countries

DEMOGRAPHIC DIFFERENCES

- Differences between **men and women** are statistically insignificant
- Financial literacy scores are **lowest in the 18-24 age group** and second lowest in **60+ age group**
- An upward trend in financial literacy index depending upon **income level** and **education** persists
- Higher level of **savings** also demonstrated higher level of financial literacy
- A growing gap in financial literacy is observed between **rural and urban areas**
- A significant gap is also observed between **technology users and non-users**

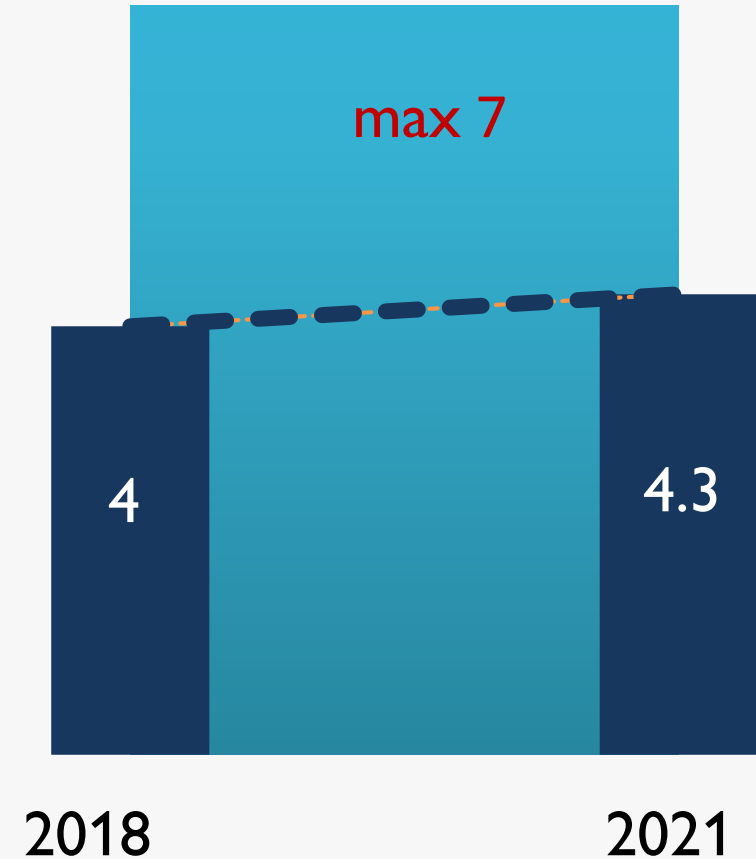
FINANCIAL KNOWLEDGE

48%

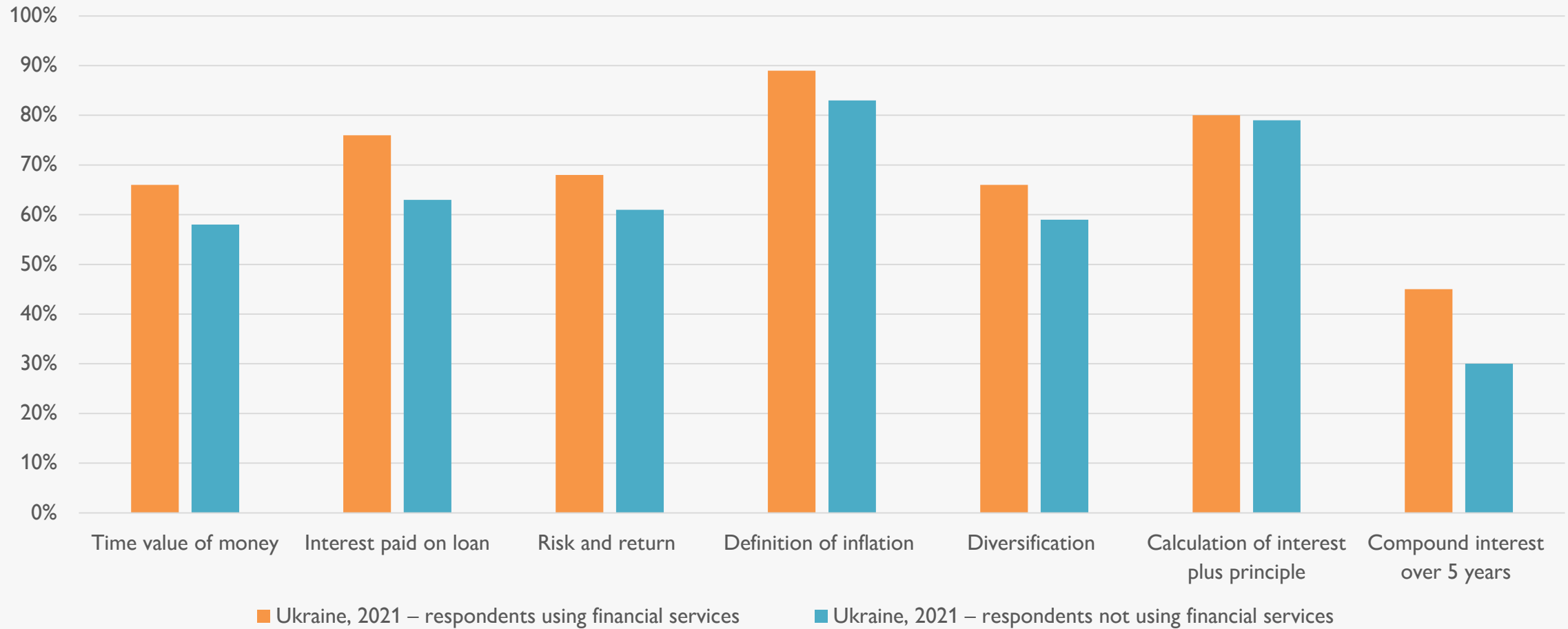
of adult population in Ukraine gave **correct** answers to at least 5 out of 7 knowledge questions

+7.5%

Compared to +4.4% in OECD countries



CONSUMERS VS NON-CONSUMERS:
DIFFERENCE IN KNOWLEDGE



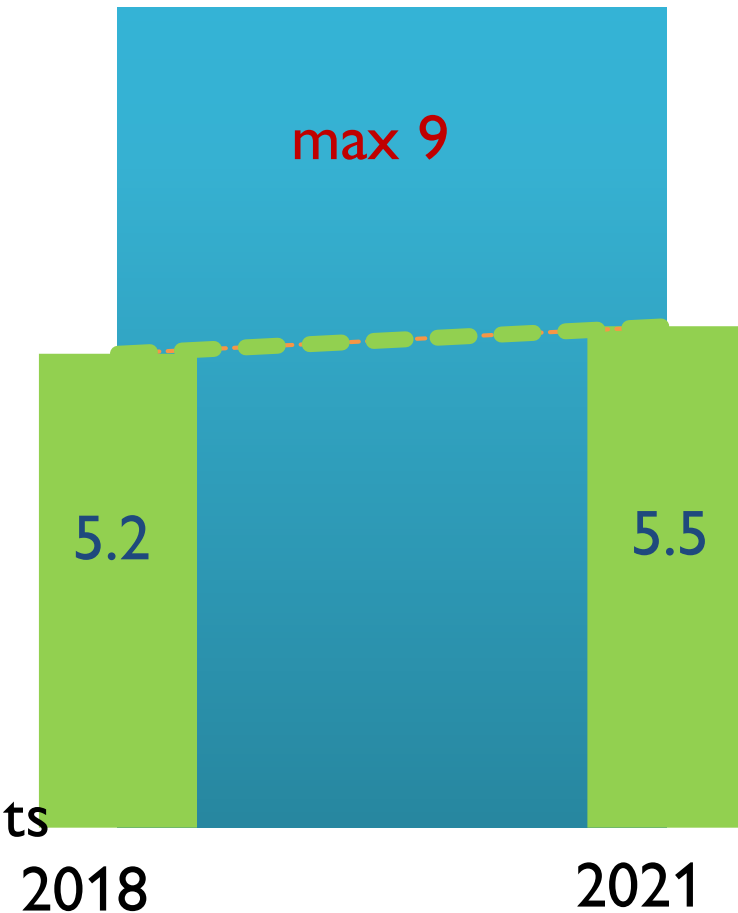
There is a significant gap between consumers and non-consumers of financial services

FINANCIAL BEHAVIOR

Ukraine is in **TOP-10** OECD survey countries

85% **pay bills** on time – payment discipline

69% **make savings**, however: Short-term, cash savings prevail. Savings have grown, slight diversification due to investments



↑ Keeping track of **expenses, budget** control, use of mobile applications and automatic payments

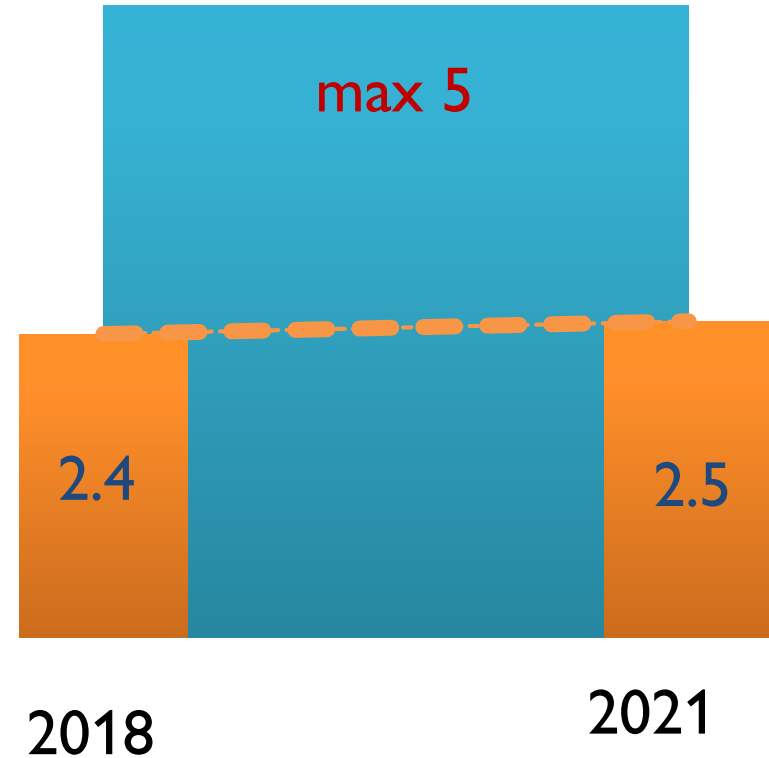
↓ **Budgeting**, especially in a lower-middle-income category

FINANCIAL ATTITUDE

Only **17%** of adult population in Ukraine achieve a score of more than 3 out of 5 (minimum target score)

Ukraine has somewhat **improved** its score, while many other countries worsened

Attitudes towards **short-term planning** and **spending** prevail



FINANCIAL ATTITUDE

Attitude of Ukrainians against 'government' contrasts with their attitudes of fairness towards a shopkeeper



50% of respondents use **mobile phones** (mobile applications) when making payments and money transfers compared to 40% using computers

+18% growth of interest in **financial literacy**

23% believe in **integrity** of financial institutions, 60+ have the least trust

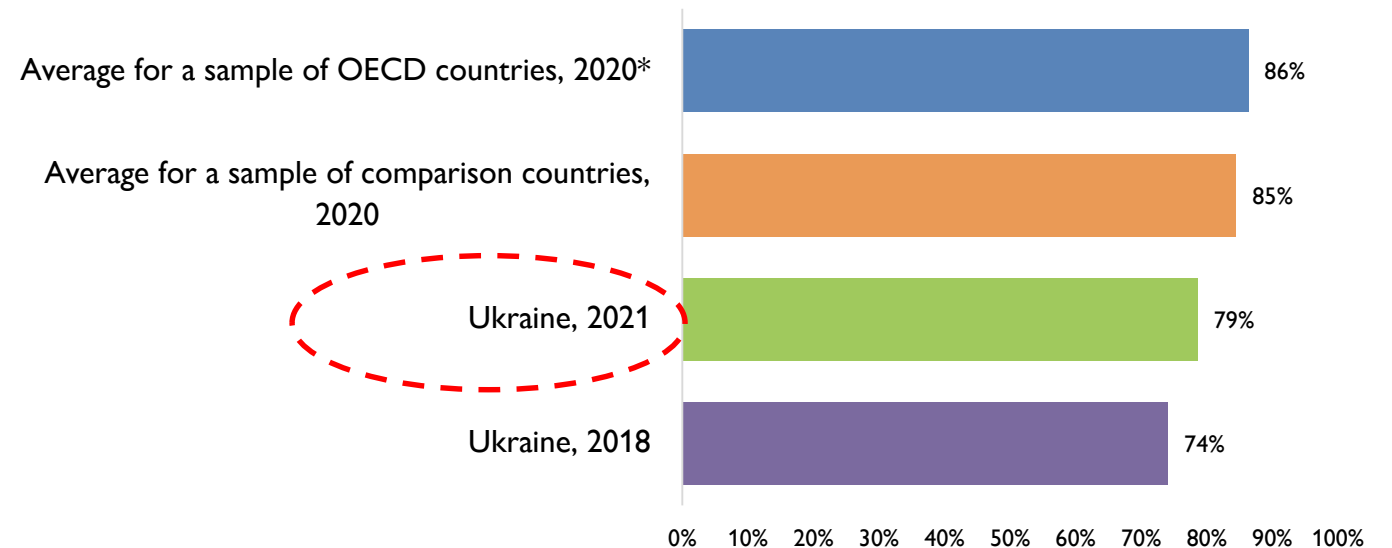
USE OF FINANCIAL PRODUCTS

TOP 5 financial products by awareness about them

- Credit cards
- Loans secured on property, mortgage loans
- Car loans
- Current (checking) /payment account
- Deposit (savings) account

TOP-4 financial products by growing awareness

- Current(checking)/payment account
- Crypto-assets
- Microfinance loan
- Mobile banking

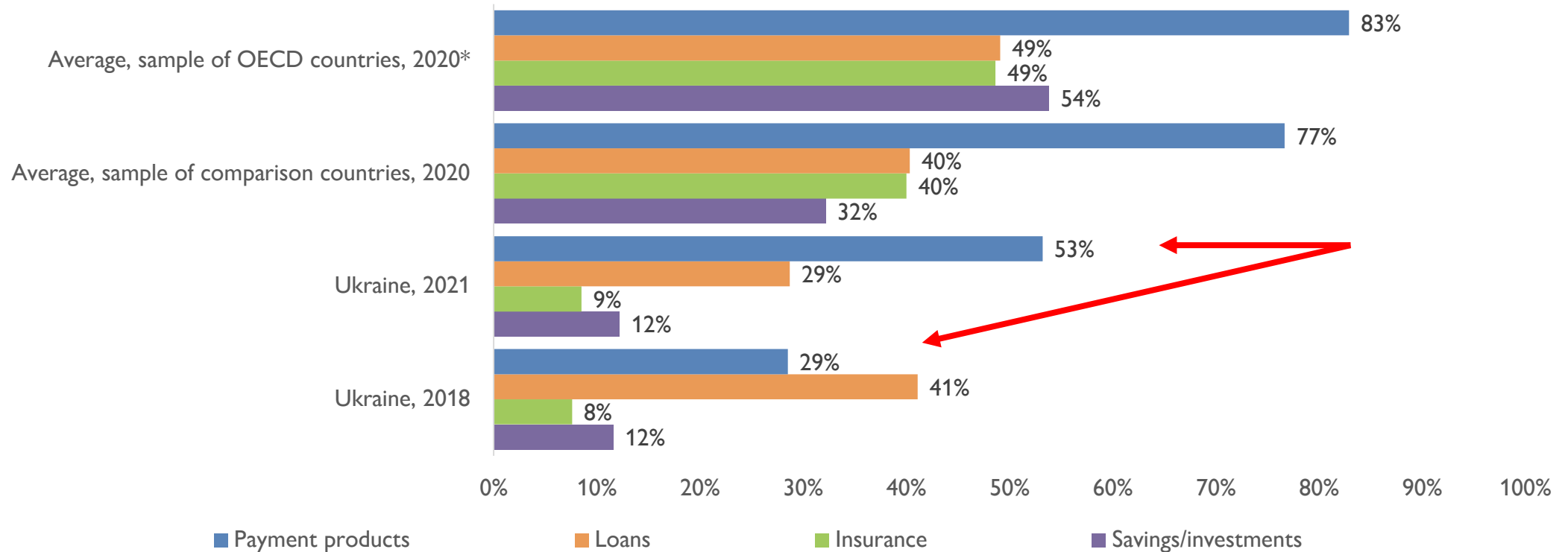


Know at least 5 financial products

The level of awareness has increased and approached the OECD average for almost all financial products...

USE OF FINANCIAL PRODUCTS

Know but don't use

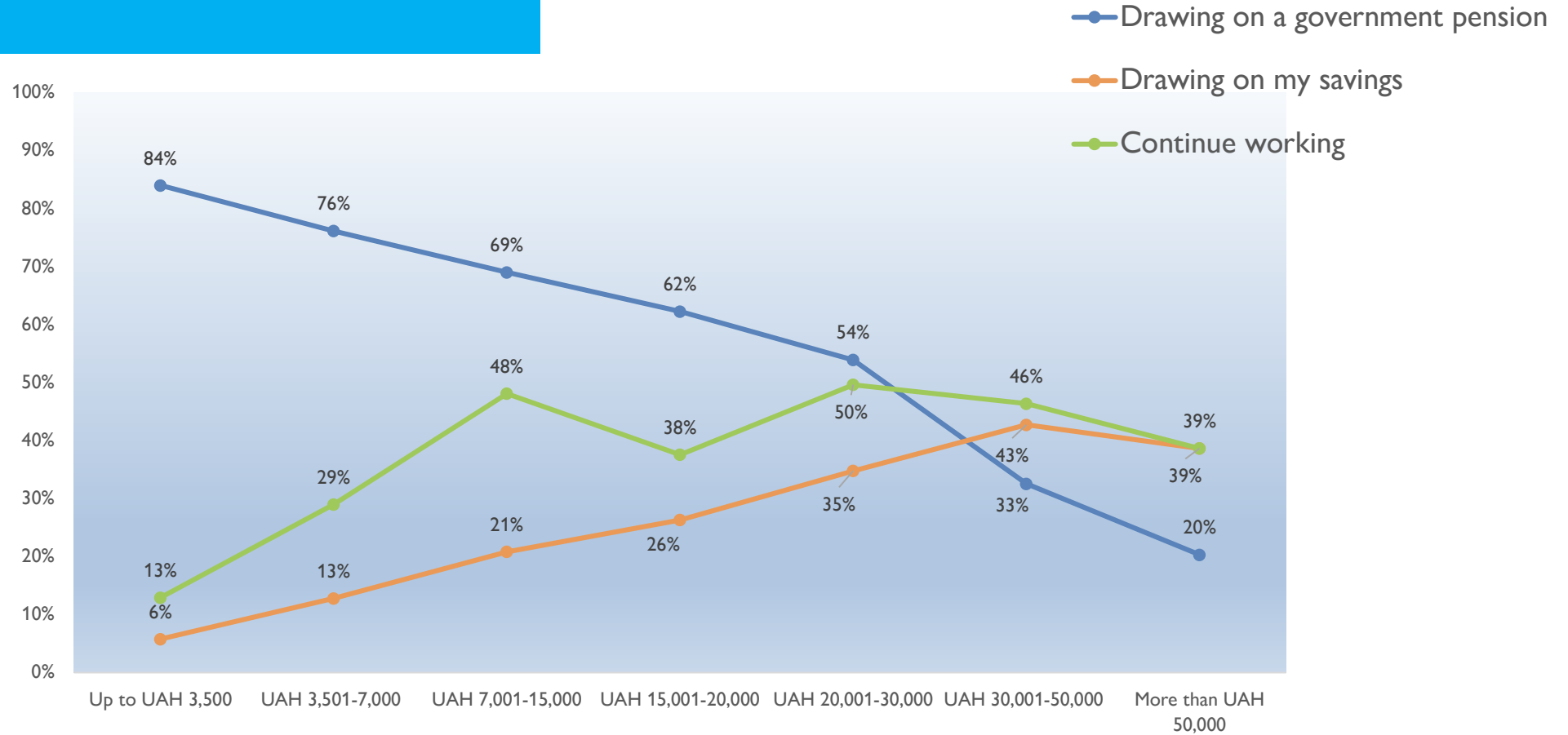


However, the use of financial services remains low (**57%** of Ukrainians bought financial products in the last 2 years), which is lower compared to 2018 (60%), and significantly lower than in OECD countries.

RETIREMENT PLANS

71%
count on a
government pension

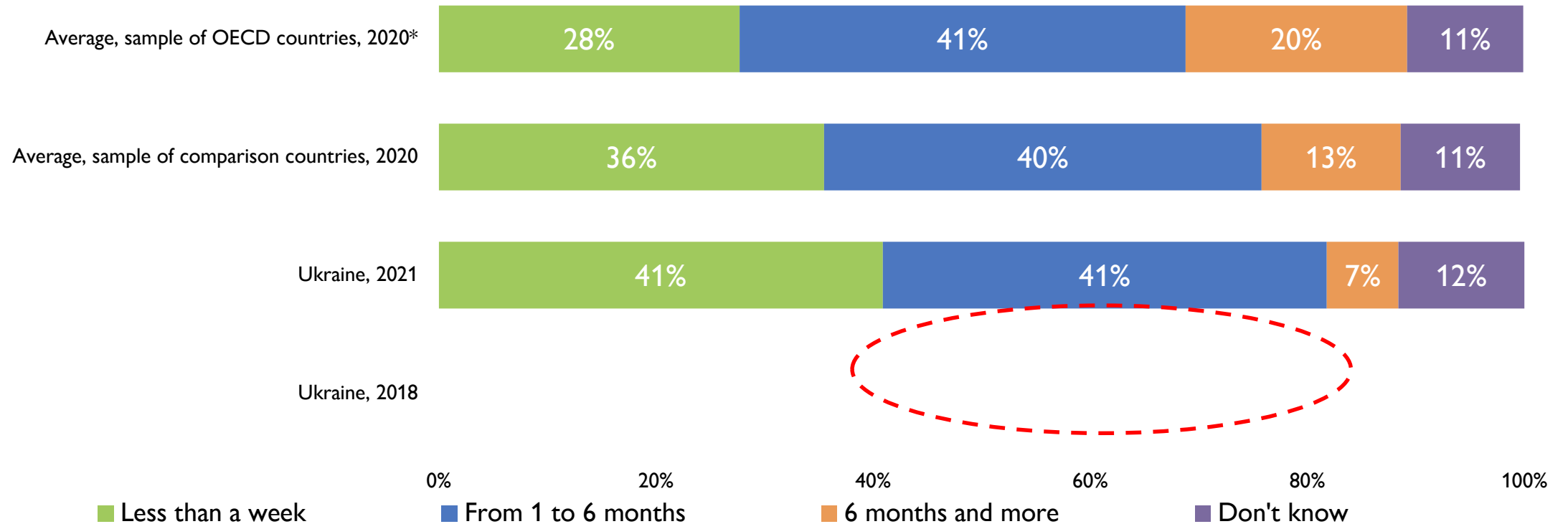
33%
plan to continue
working



Overall, the confidence of Ukrainians in the future retirement has increased from 12% to 19% in 3 years

FINANCIAL RESILIENCE

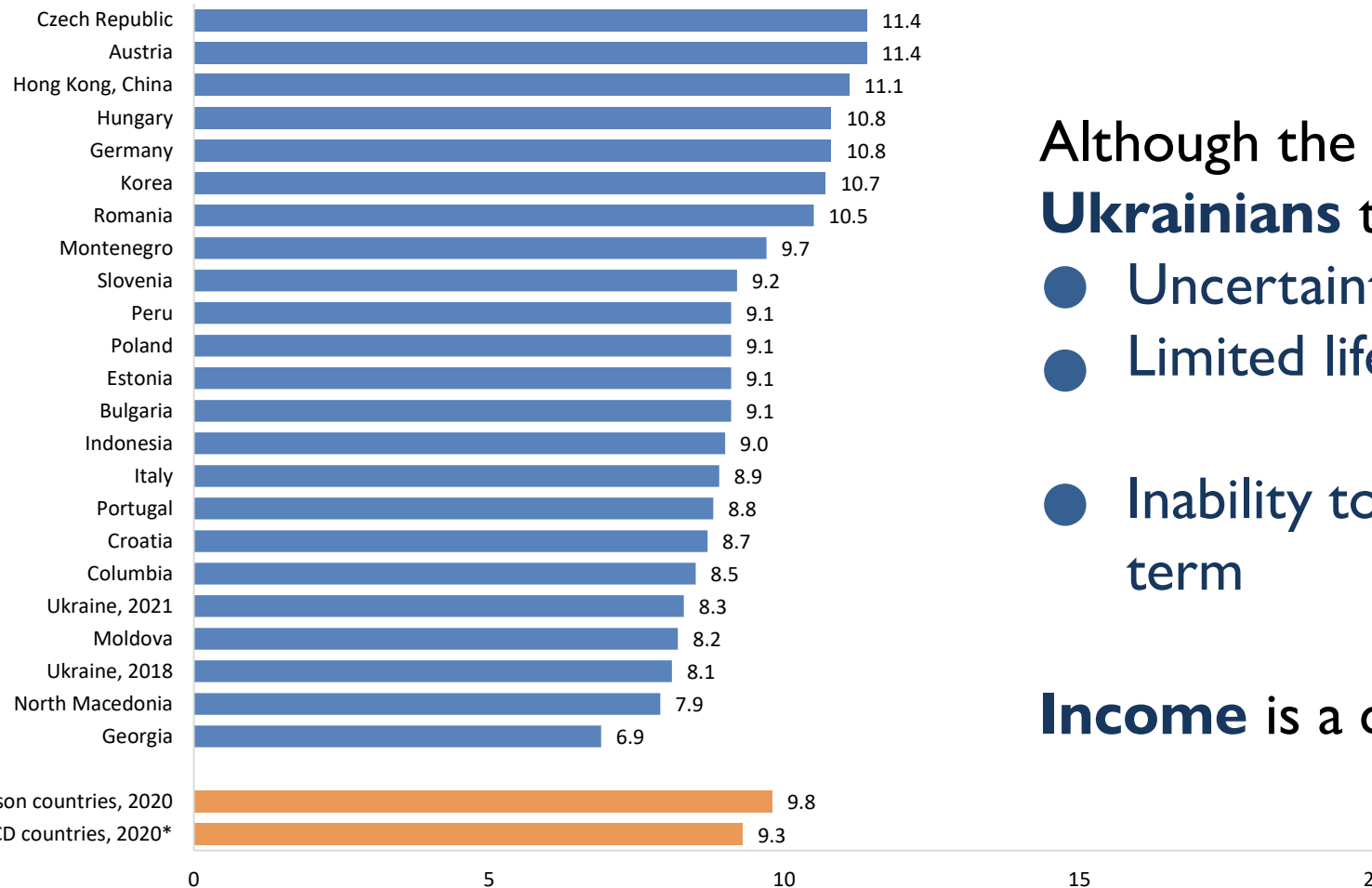
The period during which your savings will last in case of loss of the main source of income, %



A significant stratum of people have a one- to six-month financial cushion

FINANCIAL WELL-BEING INDEX

8.3 scores or 42% of the maximum possible value



Although the trend is positive, **Ukrainians** talk about:

- Uncertainty
- Limited life choices
- Inability to plan for the long term

Income is a determining factor

LESSONS LEARNED

Bankers' dream of “the best client is an educated client” is gradually coming true

- Ukrainians show a **remarkable growth rate** in financial literacy, approaching the OECD average
- Low income and external turbulence still **prevent** long-term **financial planning**.
- Ukrainians **are saving** more actively, building “a financial cushion”, and becoming **more resilient** to financial shocks
- **Digitalization** significantly improves both financial literacy and use of financial services
- There is a significant potential for offering **new financial services** and increasing financial inclusion