



FINANCIAL EDUCATION AND INVESTMENT CULTURE - STIMULATING FACTORS FOR FINANCIAL WELLBEING -

**Ioan Ovidiu Spătăcean^{1*},
Roxana – Denisa Truța²**

¹ Faculty of Economics and Law, EDI Department – Economic Sciences, University of Medicine, Pharmacy, Sciences and Technology “George Emil Palade” from Târgu Mureș, Gh. Marinescu Street, no. 38, Târgu Mureș, 540139, Romania

Rezumat: Scopul principal al acestei lucrări este de a evidenția rolul educației financiare și culturii investiționale asupra bunăstării financiare. Pentru a obține o evidență a gradului de conștientizare în ceea ce privește educația financiară și interesul acordat investițiilor, vor fi analizate două Chestionare privind Educația Financiară și Deciziile de Investiții în anul 2024, concepute special pentru elaborarea acestei lucrări. Unul dintre chestionare are drept scop oferirea unei perspective asupra nivelului de conștientizare al populației României în general, iar cel de-al doilea chestionar face referire exclusiv la studenții din cadrul UMFST „G.E. Palade” din Târgu Mureș.

Cuvinte cheie: cunoștințe financiare, cultură investițională, bunăstare financiară, decizii de investiții, obiceiuri financiare

Abstract: The main objective of this paper is to highlight the importance of financial education and investment culture in improving financial wellbeing. In order to evaluate the level of awareness regarding financial education and interest in investments, two Questionnaires on Financial Education and Investment Decisions from 2024 will be analyzed, both specifically designed for this research. One questionnaire aims to offer insights into the general population's awareness level across Romania, while the other focuses exclusively on students from UMFST "G.E. Palade" in Târgu Mureș.

Keywords: financial knowledge, investment culture, financial wellbeing, investment decisions, financial habits

JEL Classification: I22, I31

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* Corresponding author: Ioan Ovidiu Spătăcean
e-mail: ovidiu.spatacean@umfst.ro

1. INTRODUCTION

Nowadays, money is often seen as a kind of power. Individuals strive throughout their lives to achieve this financial power. This battle can be won if all things went according to plan, but what happens when various unexpected events occur and can affect the proper running of things and even lead to considerable financial losses?

To successfully get over these circumstances, it is necessary to have sound financial knowledge and be aware of its importance. According to this, financial education has become a necessary subject that everyone needs to be familiar with today. Therefore, financial education can be seen as the most valuable and powerful tool in the financial world, because money comes and goes, but it is the knowledge that remains, builds confidence and is helpful in regaining lost money.

An extremely important point to highlight is that financial education provides individuals with equal opportunities to achieve their desired level of financial wellbeing and improve their living conditions, regardless of their educational background or professional field. It is the tool through which people learn to effectively manage financial resources and develop disciplined behavior, particularly in financial matters. Specifically, financial education fosters the ability to make decisions based on sound reasoning, reducing the tendency to act on impulse or emotions. Additionally, it helps individuals recognize potential fraud risks in the financial sector. Therefore, the way financial resources are managed significantly influences the level of financial wellbeing and can make a crucial difference.

In this context, the mindset and attitudes toward money, along with financial decisions, play an important role. Moreover, wealth is a relative concept that can mean different things to different people, depending on their lifestyle and financial habits. As a result, people's expectations of money also vary some seek financial security, others aim for financial independence, and some pursue financial freedom. The good news is that everyone has an equal opportunity to reach any of these goals and live life to its fullest. It all comes down to how strongly one desires it, and this is where motivation plays a key role. A critical factor is the mindset behind that motivation, which should be positive and focused on improving the lives of those around us because otherwise, everything that happens is nothing more than a manipulation of money.

2. DEFINING THE RESEARCH PROBLEM

As part of the case study, two questionnaires on Financial Education and Investment Decisions were developed in 2024. One was addressed to the general population of Romania, while the second targeted exclusively students from the University of Medicine, Pharmacy, Science, and Technology "G.E. Palade" in Târgu Mureș.

The questionnaires were distributed through social media, email, and text messages, with an attached link allowing respondents to complete them anonymously between March 14 and May 14, 2024.

The primary objective of this case study was to analyze the results of these two questionnaires. The purpose was to obtain an overview of the financial education and investment decisions of the Romanian population and to assess the familiarity of UMFST students with financial education concepts and, by extension, their investment decisions, according to their respective faculties within UMFST "G.E. Palade" in Târgu Mureș.

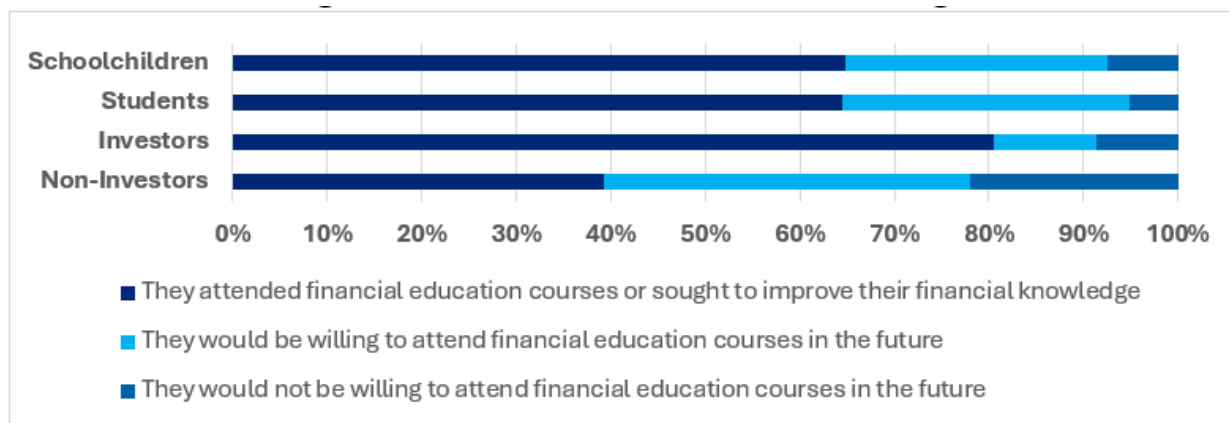
3. PRESENTING THE RESEARCH FINDINGS

3.1 Study on Financial Education and Investment Decisions in 2024 in Romania

Regarding the questionnaire addressed to the general Romanian population, a total of 949 responses were recorded, with 52% of responses from women and 48% of responses from men. For a more detailed analysis, different sets of questions were created for schoolchildren, students, and working professionals. For interpreting the results, the responses were divided into target groups as follows: schoolchildren, students, investors¹ and non-investors².

Regarding the interest shown in acquiring or improving financial knowledge, the results are presented in the figure below.

Figure no.1 – Interest in Financial Knowledge



Source: Authors' projection

Analyzing the figure, it becomes clear that investors show the highest level of interest in acquiring and improving financial knowledge, followed by schoolchildren and students, with non-investors being the least interested. A positive aspect is that, in general, the proportion of those willing to show interest in the future is higher than the proportion of those who would not be willing to do so. However, it is concerning that non-investors demonstrate the greatest lack of interest in acquiring financial knowledge, according to the results. This suggests that, in most cases, those who have not chosen to invest for various reasons, are hesitant to engage with the financial world, which indicates a sign of financial ignorance.

Considering the level of financial education in Romania, it is possible that non-investors either do not fully understand certain investment concepts or have never been exposed to them. The figure below illustrates the results recorded in this regard for 2024.

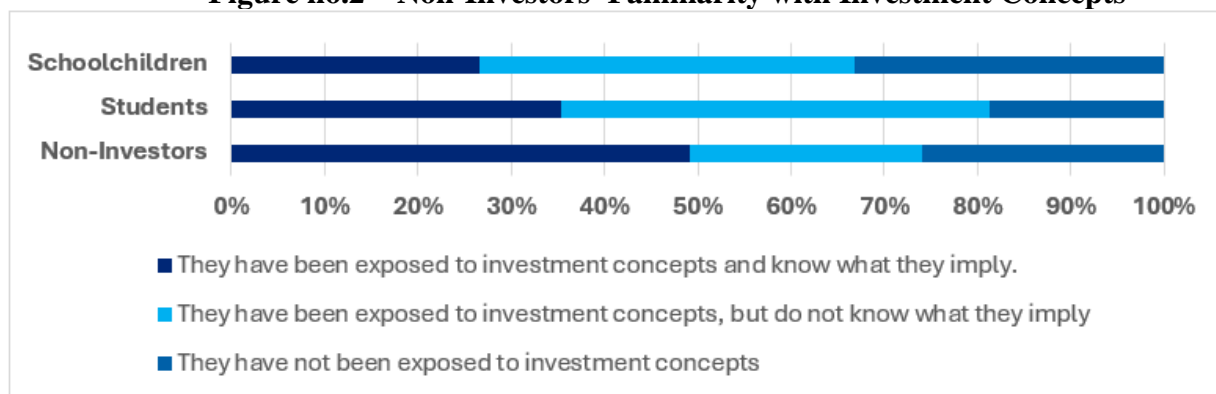
The data from the previous figure shows that, among non-investors, including schoolchildren, students, and individuals in the labor market, the latter target group is the most familiar with investment concepts and understands their meaning to the greatest extent. On the other hand, schoolchildren represent the group with the highest number of responses indicating

¹ The INVESTORS target group includes people who invest and are not schoolchildren or students

² The NON-INVESTORS target group includes people who do not invest and are not schoolchildren or students

they have not encountered investment concepts. As for students, most of them claim to have come across such concepts but do not understand what they refer to.

Figure no.2 – Non-Investors' Familiarity with Investment Concepts



Source: Authors' projection

As for individuals who invest, the figure below provides an overview of investors' preferences regarding investment options.

The analysis of the recorded responses reveals a ranking of preferences for holding certain financial instruments based on the target groups considered. For instance, among schoolchildren, despite the cryptocurrency market being in its early stages of regulation, it is highly attractive. Over 60% of schoolchildren who invest hold cryptocurrencies, followed by stocks, investment funds, and commodities. For students, cryptocurrencies rank second, with stocks taking the lead and ETFs, government bonds, and derivatives sharing the third position.

Among investors who are neither high school nor university students, stocks are the most preferred, followed by ETFs, government bonds, real estate, and bonds. Unlike schoolchildren and student investors, cryptocurrencies rank sixth among this group, indicating possible caution toward the cryptocurrency market. This caution may stem from a reasoned approach based on trading experience or a hesitation due to the relatively new and less familiar nature of this market compared to more traditional ones.

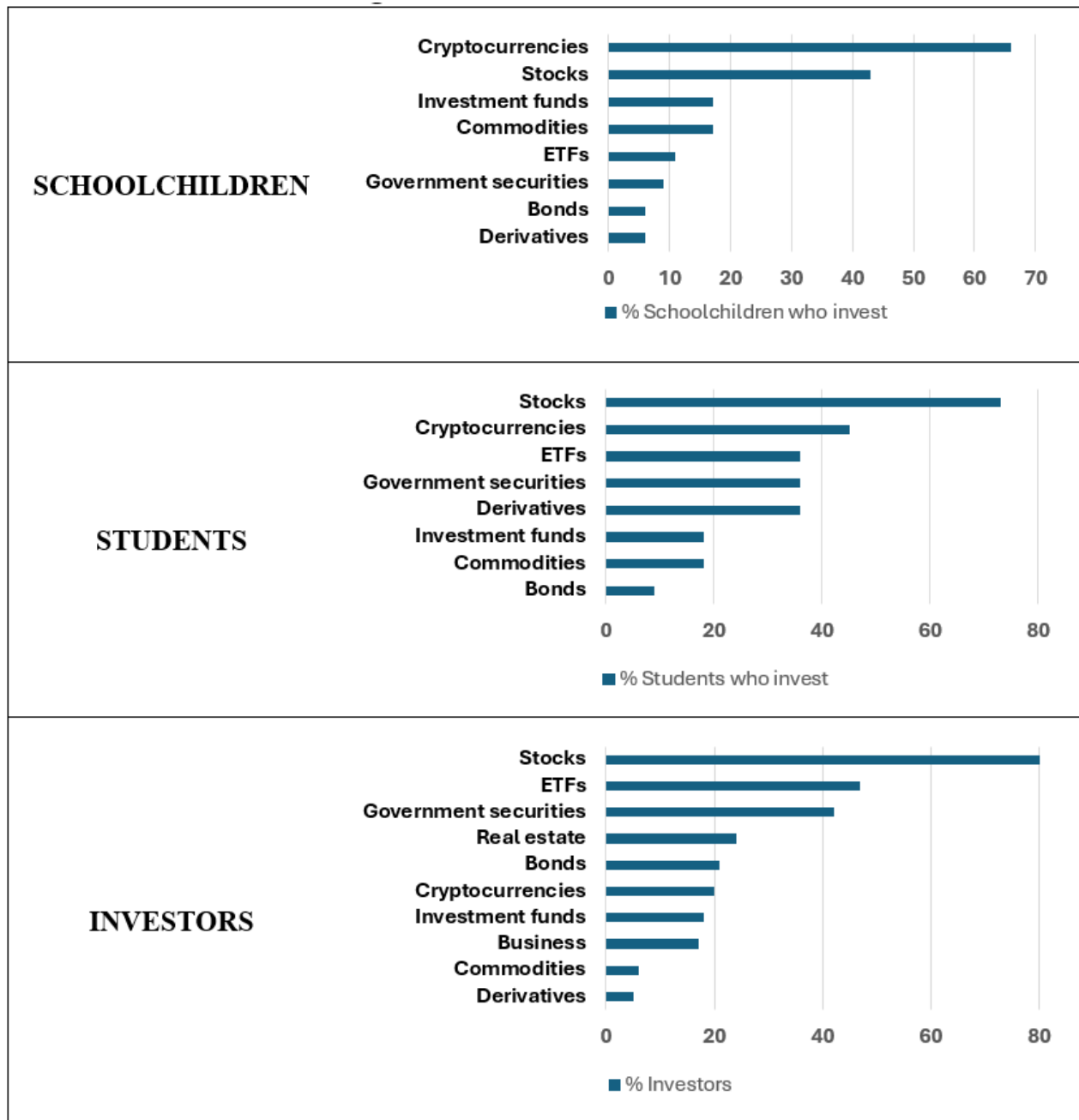
With regard to individuals who do not invest, the analysis highlights that the primary reasons for their decision, not necessarily in order of importance, are insufficient financial resources, limited financial knowledge, and a fear of losing money. These reasons collectively reveal a low level of financial literacy. Most of these individuals, including those who have shown little interest in acquiring financial education so far, remain reluctant to pursue it in the future. However, when asked if they would consider investing in the future, provided they had both the necessary knowledge and financial resources, the majority expressed willingness to do so.

Another factor that could make a difference between choosing to invest and choosing not to invest is the way everyone manages their finances. The figure below illustrates how investors and non-investors manage their monthly net income, referring to the percentage they allocate to savings and debt repayment.

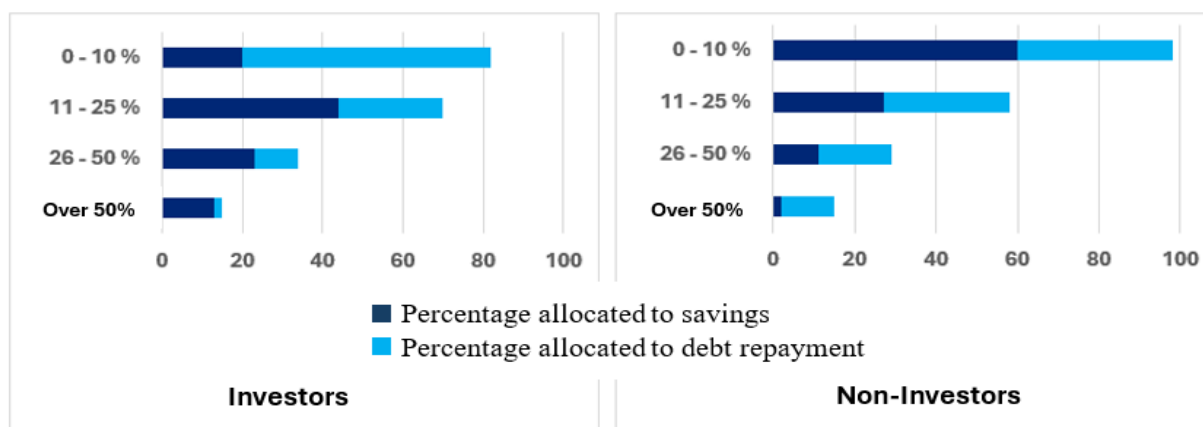


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Figure no.3 – Owned Investments



Source: Authors' projection

Figure no.4 - Percentage of Net Income allocated to Savings and Debt repayment

Source: Authors' projection

Observing the figure above, it becomes clear that investors tend to allocate a smaller percentage of their net monthly income to debt repayment, while reserving a larger percentage for savings, compared to the amount allocated to debts. In contrast, individuals who do not invest display the opposite behavior: they dedicate a minimal percentage to savings and a much larger percentage to debt repayment. This may also be a contributing factor to why they do not invest, but fortunately, most individuals who do not currently invest would be willing to do so in the future, as long as they had both the necessary financial knowledge and the available financial resources.

3.2 Study on Financial Education and Investment Decisions of UMFST Students

Regarding the Questionnaire on Financial Education and Investment Decisions intended exclusively for the students of the University of Medicine, Pharmacy, Science, and Technology "G.E. Palade" in Târgu Mureș, an overview of the number of recorded responses is presented in the table below.

Table no.1 – Number of Student Respondents from UMFST

UMFST Faculties	Number of students	%
Medicine	73	27
Pharmacy	11	11
Engineering and Information Technology	28	10
Sciences and Letters	10	4
Economics and Law	131	48
Total	273	100

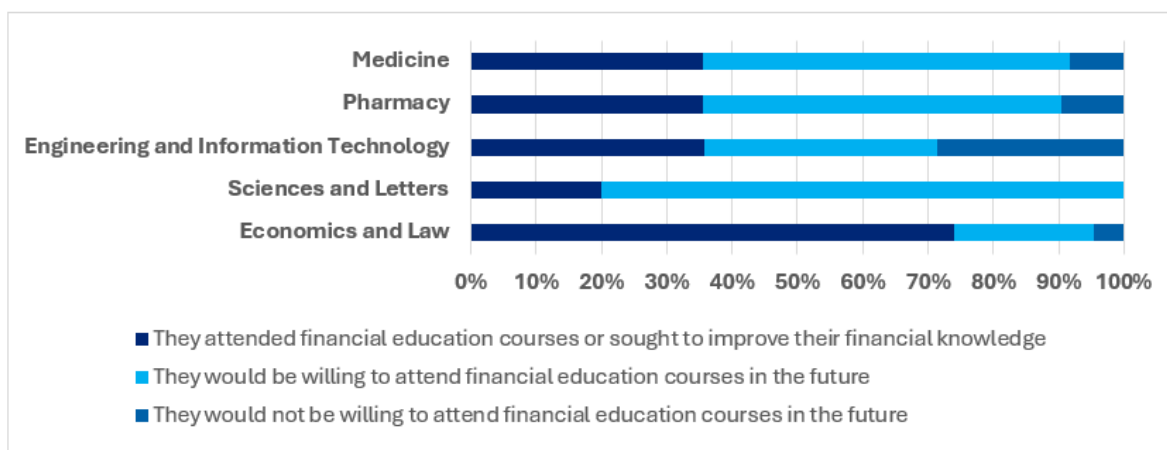
Source: Authors' projection

Considering that economic sciences are taught at the Faculty of Economics and Law within UMFST in Târgu Mureș, the recorded responses will be analyzed by considering the distinction between UMFST students studying economic sciences and those enrolled in other faculties of UMFST "G.E. Palade" in Târgu Mureș. Thus, the level of awareness and knowledge

regarding financial education will be analyzed particularly for students who do not study economic sciences, in comparison with those pursuing an economic specialization.

Regarding the interest shown by UMFST students in developing their financial knowledge, the figure below illustrates the percentage of those who have either attended courses or sought information to improve their financial knowledge, or who would be willing to do so in the future.

Figure no.5 – The Interest Shown by UMFST Students in Financial Knowledge

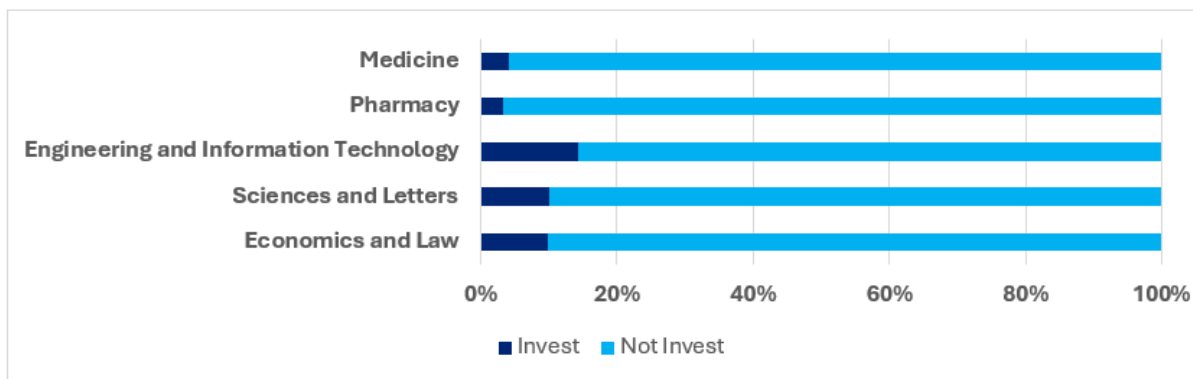


Source: Authors' projection

As was to be expected, the students from the Faculty of Economics and Law represent the largest share in participating in financial education courses or expressing an interest in improving their financial knowledge, while those from the Faculty of Sciences and Letters are at the opposite end. Regarding those who have shown no interest in this subject across all UMFST "G.E. Palade" faculties in Târgu Mureș, the percentage of those willing to develop their financial knowledge in the future is higher than that of those who are not interested in doing so.

The following chart presents the results regarding the decision of UMFST students to invest or not, depending on the faculty they are enrolled in.

Figure no.6 – The Investment Decision of UMFST Students

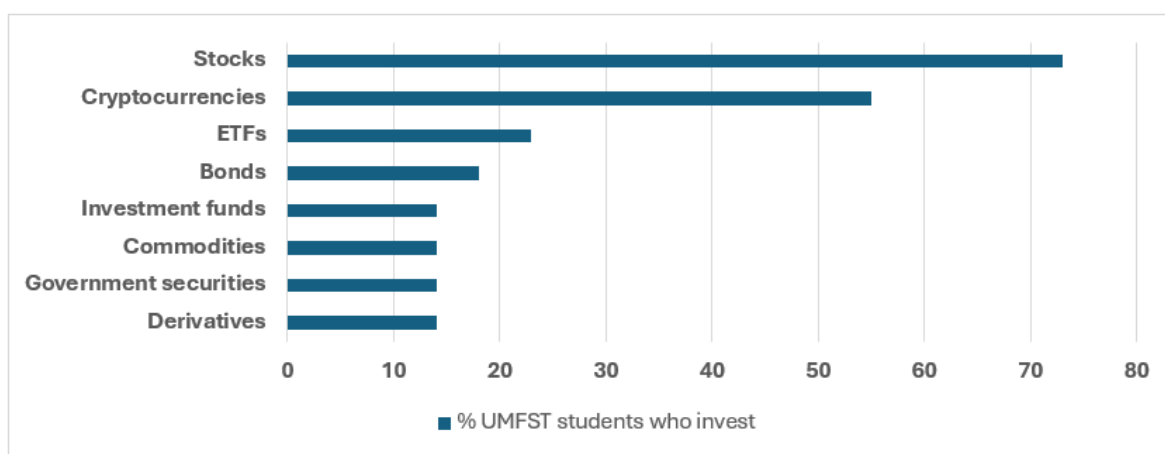


Source: Authors' projection

Analyzing the figure above, it can be seen that, there are students from each faculty within UMFST who investors in the financial market are, representing, on average, 8% of the students from each faculty. This is certainly encouraging and demonstrates that there is interest in making financial investments, even though students from faculties other than the Faculty of Economics and Law do not study this topic within their courses. Surprisingly, but not in a positive sense, is the fact that only 10% of students from the Faculty of Economics and Law are investors. The fact that the highest proportion of investors comes from the Faculty of Engineering and Information Technology may raise some interesting discussion points, especially considering that, in the Figure no.5 referring to the interest in acquiring financial knowledge, these students were about halfway in percentage compared to the students from the Faculty of Economics and Law when it comes to participating in financial education courses or seeking information on this subject.

The following figure presents a ranking of the financial assets held by UMFST students as investments in the financial market.

Figure no.7 – The Financial Assets UMFST Students Invest In



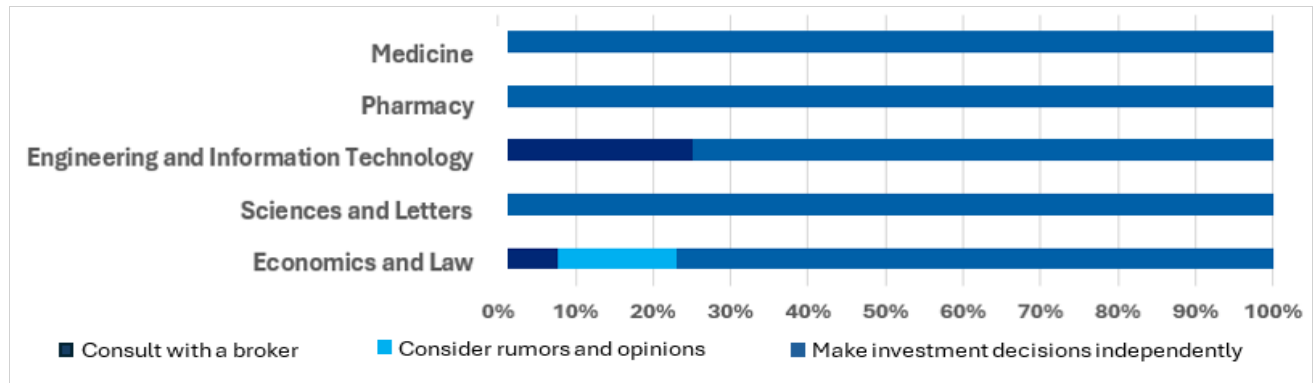
Source: Authors' projection

The analysis of this figure shows that stocks are the top investment preference among UMFST students, followed by cryptocurrencies, with ETFs ranking third. Notably, investment funds, commodities, government securities, and financial derivatives occupy the lowest positions. A possible explanation for this order of preferences could be related to how investment decisions are made, as some students might prefer financial instruments that are more accessible and easier to manage.

In this context, Figure no.8 is an illustration of how UMFST students make their investment decisions. As illustrated, most UMFST students make their investment decisions based on their own reasoning. The faculties within UMFST that stand out and may raise interesting discussions are, once again, the Faculty of Economics and Law and the Faculty of Engineering and Information Technology. Students from these faculties take responsibility for their investment decisions to a relatively similar extent. One surprising observation is that some students from the Faculty of Economics and Law, who do not make their own investment decisions, tend to base their choices on rumors and opinions rather than seeking advice from an authorized investment firm. In contrast, students from the Faculty of Engineering and

Information Technology are more likely to consult a broker, which can be seen as a financially wiser decision compared to relying on rumors and opinions.

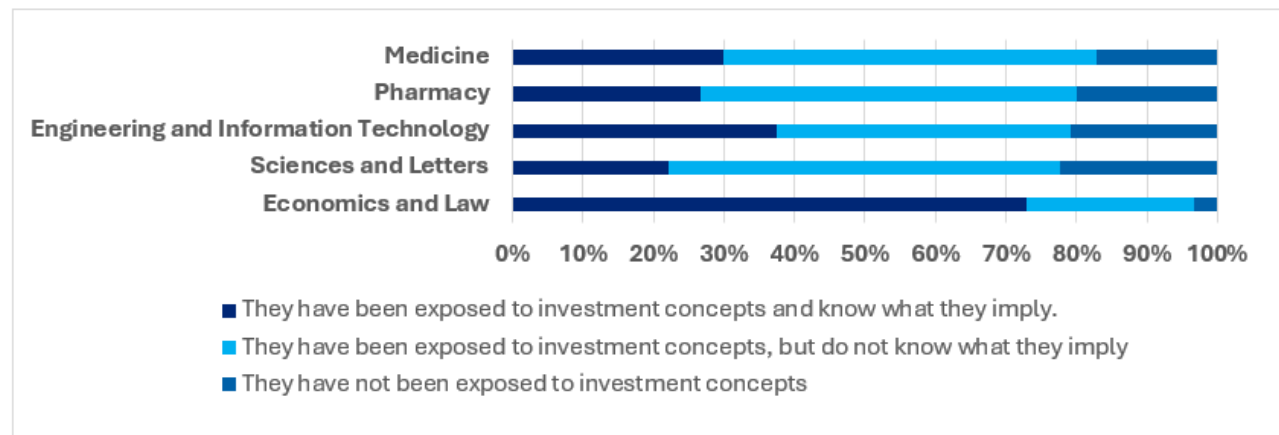
Figure no.8 - The Investment Decision-Making Process of UMFST Students



Source: Authors' projection

The following analysis will examine the level of familiarity with investment concepts among UMFST students who do not engage in investment activities.

Figure no.9 – The Level of Familiarity of Non-Investors UMFST Students with Investment Concepts



Source: Authors' projection

The analysis of the results presented in the chart confirms that students from the Faculty of Economics and Law have a high level of familiarity with investment concepts. Among these students, those who reported not having encountered investment concepts are likely enrolled in the law studies section of the faculty, rather than the economics section. In the case of the other faculties, the results appear to be relatively similar. However, even students from the Faculty of Engineering and Information Technology, including those who do not invest, seem to be more familiar with investment concepts, compared to students from other faculties within UMFST "G.E. Palade" Târgu Mureș. This study has also shown that the main reasons why UMFST

students do not invest are comparable to those of individuals outside the University: insufficient financial resources, a lack of financial knowledge, and the fear of losing money.

4. CONCLUSIONS

According to the results of the 2024 Financial Education and Investment Decisions in Romania Questionnaire, a key conclusion is revealed: to foster financial literacy within a country's population, the initial focus should be on implementing measures that prioritize enhanced financial education for schoolchildren.

This conclusion is drawn from the observation that, of all the respondents, schoolchildren are the least familiar with investment concepts. This may be since, during their schooling, they develop a mindset primarily centered on finding a profession they may pursue for their entire lives, under the assumption that once they enter the workforce in their chosen field, money will follow at a satisfactory level. Daily life is intrinsically linked to the financial world, as money is involved, directly or indirectly, in every circumstance. Consequently, financial education should be given greater emphasis in schools, as it is essential for all individuals—regardless of their career choice—to cultivate the ability to manage financial resources. This would empower individuals to gain better control over their financial situation, ultimately reducing financial stress.

Financial education provides the necessary knowledge to make investments, and the returns from these investments contribute to increased financial wellbeing by multiplying financial resources over time. While this may seem simple, if we were to divide the population into those who invest and those who do not, the majority would fall into the latter category. These individuals firmly believe that having a job is enough and that, eventually, they will be able to save a significant amount of money to live according to their desires. However, the reality is somewhat different. Relying solely on a single source of income can prove to be an ineffective strategy, one that does not lead to the fulfillment of dreams or the achievement of financial goals. This is because, in most cases, that single source of income is not enough to reach a high level of financial wellbeing. Financial wellbeing involves creating income opportunities that offer both freedom in current financial decisions and security for the future. To achieve this, it is essential to establish multiple sources of income, and investments can play a key role in making this possible.

A significant percentage of individuals who do not invest and have never participated in financial education courses are unwilling to engage with this topic in the future. This is an unfortunate reality that highlights the persistence of financial ignorance. As we know, the opposite of knowledge is ignorance, which essentially reflects a lack of interest. Financial ignorance may well be the most dangerous mindset one can adopt. When we as individuals fail to show interest in managing their personal financial resources, others may take advantage of this and manage those resources in ways that serve their own interests, often to our detriment.

Regarding the Study on Financial Education and Investment Decisions of UMFST Students, an interesting conclusion can be drawn from the results recorded by the students of the Faculty of Engineering and Information Technology, in comparison with those from the Faculty of Economics and Law. Among all the other faculties within UMFST, aside from the Faculty of Economics and Law, the students of the Faculty of Engineering and Information Technology display the highest level of interest in the financial market, with a higher proportion of students holding financial assets as investments compared to those from the Faculty of Economics and



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Law. However, a contradiction arises in the case of the students from the Faculty of Engineering and Information Technology: while they have the highest proportion of students investing in the financial market, they are also the ones, among those who do not invest, who show the least interest in engaging with this topic in the future, in comparison with students from other faculties within UMFST.

This situation opens a discussion about the paradox faced by students from the Faculty of Economics and Law, who study economic sciences but are not as open to investing as the students from the Faculty of Engineering and Information Technology, who do not study economic fields yet actively invest. In this context, the consequences of both approaches must be considered: to study without applying knowledge in practice, or to act without a solid knowledge base. To achieve optimal returns, it is recommended that theoretical study and the acquisition of financial instruments be supported by a well-documented and well-founded investment strategy.

As a final thought, the desire to develop financial knowledge should either come from the individual or be fostered by creating an investment culture at the societal level, to stimulate public interest in this subject. Such an approach would lead to an increase in financial literacy and, consequently, enhance financial wellbeing.

LIMITS OF RESEARCH

A potential limitation of the research conducted for the preparation of this paper relates to the responses recorded in the two Questionnaires on Financial Education and Investment Decisions in 2024. Specifically, in the case of the questionnaire addressed exclusively to UMFST students, there was no uniform distribution of responses across the different faculties. As a result, the proportions derived from the analysis of the responses may not fully reflect reality and could contain some inaccuracies. Additionally, a significant portion of the responses from the Faculty of Economics and Law may belong to students from the Law and Public Administration program, whose academic focus does not emphasize economic sciences.

FUTURE DIRECTIONS OF RESEARCH

The Use of Artificial Intelligence in Financial Education

Artificial intelligence could be leveraged in the field of financial education by creating automated systems that help investors determine their risk profile. As a result, these systems would guide individuals to invest their financial resources in instruments that align with their expected returns. By understanding the type of investor an individual is, AI-powered systems could provide tailored investment advice, helping both current and potential investors make more informed decisions.

The Correlation Between Financial Education and Quality of Life

Future studies could explore the impact of financial education on quality of life. Specifically, research could examine how having a solid foundation of financial knowledge helps reduce financial stress and improves overall wellbeing, leading to a better quality of life.

Financial Education and Economic Crises

An intriguing area of research could involve studying the differences in behavior between individuals with high levels of financial education and those with low levels of financial education during economic crises. Such studies could shed light on how these groups respond to economic challenges and make decisions during times of financial uncertainty.

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