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FINANCIAL LITERACY, AWARENESS, AND INCLUSION IN UKRAINE UKRAINE IP-FSS BUY-IN REGIONAL ECONOMIC GROWTH PROJECT

NOVEMBER 2017

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Ukraine IP-FSS Buy-In
Regional Economic Growth Project

FINANCIAL LITERACY, AWARENESS, AND INCLUSION IN UKRAINE

A Survey Report

DISCLAIMER

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EXECUTIVE SUMMARY

The goal of this survey was to assess the level of financial inclusion of Ukrainians, their knowledge and skills in the area of finance, their financial behavior, and the factors behind their financial decisions. The research team surveyed over 2000 respondents throughout Ukraine, and collected social and demographic characteristics in order to discover what exactly impacted their answers. This makes it possible for us to create the profile of a financial services consumer and compare it with the results of a similar survey conducted in 2010 and with that of another similar international survey from 2015. The results of the survey may be useful for government authorities, international donors, commercial entities, and public organizations aimed at improving financial literacy and consumer rights protection in Ukraine.

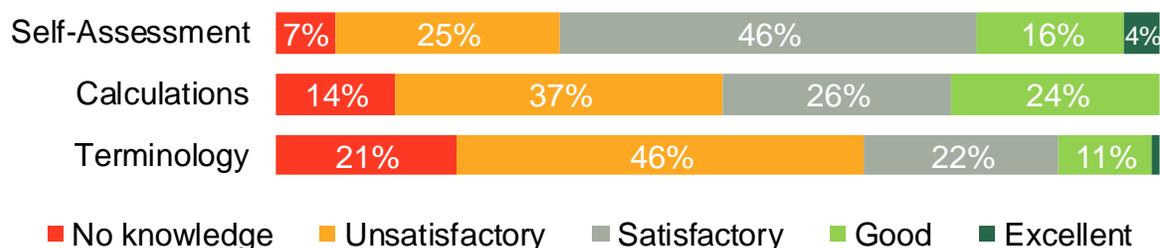
PORTRAIT OF UKRAINIAN FINANCIAL CONSUMERS

Modern Ukrainian financial consumers use financial services intuitively. They possess only basic knowledge and skills, allowing them to use mostly simple financial services, such as payments and settlements. Financial service penetration is also much lower than international benchmarks: the average Ukrainian has only one bank card with only one account. Other services are used either because of urgent need (in particular, credit cards); tradition (deposits, used by less than 10% of the population); or even misunderstanding of the purpose of the service (for example, car owner insurance is mandatory in Ukraine but the percentage of respondents who said they used this financial product is almost half the percentage of car owners).

Ukrainians do not feel comfortable engaging with financial services or institutions and do very little to learn more about them. One exception is life and health insurance, which are considered cornerstones for long-awaited pension and health care reforms. Evidently Ukrainians are only eager to learn more about services that directly affect them.

Learning is a challenging process for adults, and it is even more difficult for those who are not aware that what they already know is wrong or incomplete. This is exactly what the survey revealed. As reflected in Chart I, the respondents' self-assessment of their financial literacy was inflated compared to their actual scores on tests for financial calculations and terminology.

Chart I. Self-Assessment of Financial Literacy vs. Real Tests



As shown above, more than 50% of respondents scored either 'Unsatisfactory' or 'No Knowledge' in answer to the Calculations and Terminology questions. The most problematic questions were about borrowing-related topics, such as how to calculate the real rate of interest, how banks are obliged to disclose this real rate to customers, what a floating rate of interest is, and what the legal responsibilities of a guarantor are. The new Consumer Lending Law and the knowledge gaps about borrowing that remain show the need for a government campaign to educate the public about the new law. Not surprisingly, 30% of Ukrainians refuse to take out loans under any circumstances and 42% accept the idea of taking on debt only as the last resort. This negative attitude towards lending leads to a dismissive attitude toward consumer education about borrowing.

On the other side of the financial services spectrum, in the area of savings, the constraint is lack of money rather than attitude. Most respondents noted they do not save because they have nothing to save. Almost the same number of respondents confirmed that they keep poor financial records and therefore do not know even

their general income and expenses. The low number of respondents who do keep good records of their family budget have higher wealth levels and demonstrate much better financial discipline and more resilience to crises than the average Ukrainian.

COMPARISON TO UKRAINE 2010 SURVEY

The first financial literacy and awareness survey supported by the U.S. Agency for International Development (USAID) was conducted in 2010. This report compares the results of that survey with the current one. To avoid the impact of selection change in the 2017 survey, the research team singled out a separate group of respondents – urban-dwelling individuals from 20-60 years old. The data presented in this section are calculated for this group only and therefore do not coincide with the data in the other sections of the report.

The survey showed that there are no significant shifts in the level of Ukrainians' financial knowledge and skills or in their attitude towards finance. The deviations found are the response to ongoing changes in the financial system and Ukrainian society, rather than the result of a targeted educational campaign or a financial consumer rights protection improvement program.

In the area of financial calculation, a minor improvement can be observed, due mainly to an increase in correct answers to the simplest questions. The research team attributes this improvement to the 2017 respondents having had more opportunities to use financial products than the 2010 respondents had. The highest growth in correct answers was found in the awareness of bond yields – from 5% to 14% in the selected comparable group, and 12% overall. In contrast, skills in calculating the real interest rate were significantly lower – from 7% to less than 2%, which is surprising given the increase in use of these services. In the area of financial awareness, improvements were found in knowledge regarding deposit insurance (from 7% to 41% on the comparable selection and 38%, overall), insurance types (from 27% to 40%), credit cards (from 39% to 58%), insurance franchise (from 15% to 21%) and credit history (from 26% to 43%). However, the percentage of right answers to the question regarding banks' liability as creditors decreased (57% to 40%).

In the area of financial inclusion, the survey showed that consumers were using cashless payments much more than previously, driven by a higher level of penetration of these services. Also, consumer loans have been virtually squeezed out by card loans. The percentage of respondents mentioning currency exchange transactions was significantly lower than in 2010, as was the percentage mentioning transactions of a deposit or an investment nature.

The demand for additional information about financial services also changed substantially. While in 2010 people were willing to learn more about consumer loans (29%), bank deposits (16%), private pensions (15%), mortgages (13%), and credit cards (14%), in 2017 they named only health insurance (11%). Moreover, the overall demand for information decreased substantially; the proportion of respondents who answered "interested in no financial service" grew from 29% in 2010 to 46% in 2017. However, generally Ukrainians have become more interested in financial market news (in 2010, 43% did not follow any market trends compared to 35% in 2017).

In the 2010 survey, the research team found that Ukrainians anticipated using financial products in the future less than they did at the time of the survey. In 2017, the situation persisted. For practically all types of products Ukrainians expected lower inclusion over the next two years. The proportion of respondents who had a negative experience in using a financial service decreased from 24% to 12%. However, the three main "problems" identified -- consumer loans, bank deposits, and credit cards -- remained unchanged. People did start to protect their rights more actively; the percentage of people who appealed to government authorities more than doubled, according to the 2017 survey (9% vs., 4% in 2010), and people even responded with a new answer "I resolved the problem on my own via court or out of court" (17%). However, Ukrainians became slightly less confident that a potential conflict with a financial institution would be resolved in their favor; the proportion of optimists decreased from 17% to 14%, indicating a lack of comprehensive solutions to the issue of financial service consumer rights protection. Many Ukrainians were exposed to bank failures, enhancing their knowledge regarding deposit insurance limitations. As a result, more than five times as many respondents were able to correctly answer the questions related to deposit insurance as in 2010.

Ukrainians' attitude toward finance has changed since the previous survey. The number of people who thought borrowing is never justified increased significantly from 7% to 26%. Concurrently, the share of those who said they would accept a loan as an option in case of extreme need increased considerably from 4% to 46%. There are now fewer borrowers who practice “refinancing,” that is, borrowing new money to repay existing debts. There is a shift in priorities for why people save: although “rainy day” still tops the list (58% in 2010 and 56% in 2017), there was a significant increase of those who save with the purpose of committing to a large purchase in future (share grew from 25% to 35%) and of those who save to build their own wealth “to be independent and to make choices” (from 17% to 23%). Such statistics are evidence of a gradual change in the financial attitude of Ukrainian households.

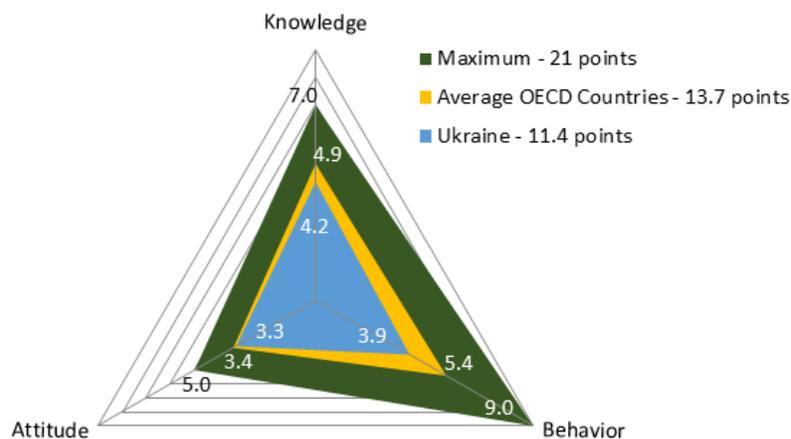
Since 2010, the financial behavior of Ukrainians has changed. The research team noted a decrease from 18% to 9% in the number of households exhibiting the most basic type of good financial behavior, i.e., keeping records of all their income and expenses. On the other hand, the number of households practicing more advanced financial skills, such as proper budgeting, increased from 13% to 19%. In addition, a significant share of Ukrainians (54%) still report that they have recently suffered a significant and substantial reduction in their income. Ukrainians' response to financial difficulties also changed compared to 2010: the share of those who found a new job or another source of income increased from 6% to 24%, the share of those who used a credit card increased from 5% to 23%, and the share of respondents who opted to use up their savings grew from 8% to 16%.

COMPARISON TO OECD/INFE 2015 SURVEY

In 2015, under the auspices of OECD/INFE, a survey of the financial competencies of the adult population was conducted in 30 countries throughout the world [1]. A single questionnaire was specially designed for this survey and used in all countries surveyed. Unfortunately, Ukraine was not among the countries that were part of this survey. Future surveys of financial literacy, especially at cross-country levels, are expected to be conducted according to the OECD/INFE format and methodology. Therefore, the research team tried to generate approximated scores using the data collected in the survey and by applying analytical and statistical techniques. These scores are for illustrative purposes only and are used to estimate how Ukraine would have scored if it had participated in this assessment of financial competencies.

Chart 2. OECD/INFE 2015 vs. Ukraine 2017: Overall Scoring

Financial knowledge, behavior, and attitude scores



¹ OECD/INFE International Survey of Adult Financial Literacy Competencies

Ukraine's score – 11.4 points – is the worst result among the 30 countries surveyed. The closest score is Poland with 11.6 total points. The gap between Ukraine's score and that of the leading countries – France, Finland, Norway, and Canada – is nearly 4 points.

Ukraine shows many similarities with its geographical neighbors:

- A major portion of Ukrainians (55%) recently suffered from a significant and unexpected income reduction – as did Georgians (61%), Byelorussians (57%) and Turks (50%). As a result, 40% of Ukrainians, 45% of Georgians, and 41% of Byelorussians rely on their savings to meet financial needs;
- Ukrainians, like Hungarians, keep poor records of family income and expenses – 25% of respondents in each country said they don't keep records;
- Finally, only 33% of Ukrainians and 32% of Poles set financial goals for their households.

For Ukrainian citizens, the biggest challenge was showing prudent financial behavior. This assessment component contributes the most to the total score – 9 out of the maximum 21 points. Ukrainians scored only 4 points. This was the lowest score among all the countries surveyed. Obviously, this component has the biggest room for improvement and deserves priority attention.

FACTORS DRIVING FINANCIAL LITERACY AND INCLUSION

Ukraine has opportunities to boost the level of financial literacy, inclusion, and quality of financial behavior. To do this, it needs to address the root causes – not the consequences – of its challenges. It is essential to first identify which population groups require support and assistance and then address their needs.

Let's begin with a factor that hasn't proven to be a divider for financial literacy or behavior in Ukraine: gender. At the global level, women are commonly treated as a group of financial services consumers with special needs in terms of financial education, inclusion, or protection of rights. Assessments conducted in some countries validate the need for this approach. In Ukraine, however, no essential gender difference was found in either financial literacy or inclusion. Hence, in Ukraine there is no reason to implement financial or awareness programs solely targeting women.

Regional differences contribute a lot to the financial behavior, habits, and attitude of Ukrainians. Generally, the rural population is less interested in information about financial services and is more biased against and wary of these services. The cause is poor penetration of financial services to such areas and respectively lower exposure of rural Ukrainians to financial products.

Every macro-region of Ukraine has its own specifics vis-à-vis financial awareness and inclusion, and thus any government initiatives to boost financial literacy (for example, free classes on household budgeting for senior citizens) must be adjusted to reflect significant regional or community differences. Studying the OECD survey, there are neighboring country "matches" due to cultural and historical similarities. Ukraine can draw from the experience of its neighbors to find solutions to similar problems.

The most important factor in financial behavior, inclusion and literacy in Ukraine is the age and wealth of the respondents. Young people (aged 18-34 years) feel most comfortable in the world of finance. This generation grew up in an independent Ukraine and is more open to information and innovations. For this age group, the greatest importance is placed on being able to obtain reliable information about a financial institution or service instantly. These Ukrainians will gladly use any personal finance management tool, provided there is an app for it.

Middle-aged Ukrainians (age 35-44) are the most experienced users of financial services. Used to challenges and difficulties, they show a high level of social engagement. They are the target audience for the promotion of financial services aimed at long-term planning.

The senior generation (age 45-60) and seniors over 60, unfortunately, view financial services as "an inevitable evil" rather than an opportunity to raise living standards. During their lifetimes, they learned not to trust any financial institutions; hence, their interest in finance is minimal. These people demand effective and expedient financial consumer protection mechanisms, such as an ombudsman, to represent their interests in conflicts with financial institutions.

WHY STUDY?

This survey is the second of its kind conducted in Ukraine. The first was initiated by USAID in 2010 and built upon experiences in Azerbaijan, Bulgaria, Slovakia, and Russia, where similar surveys were conducted under the auspices of The World Bank. The 2010 survey culminated in a report called «Financial Literacy and Awareness in Ukraine: Facts and Findings» [2]. In this report, it is referred to as the “2010 Survey.”

The 2010 Survey gave a boost to the initiatives of government authorities, the private sector, and donors aimed at enhancing the financial literacy of Ukrainians. Among them, the most well-known and broad-scale initiative, given its impact on the society, was the implementation of the “Financial Literacy” course prepared with USAID support as a vocational course for high-school students.

Over time, the relevance of the 2010 Survey results diminished as the situation in the country, its financial sector, as well as the financial behavior of Ukrainians changed. Thus, in 2016, Deloitte Consulting (as subcontractor to SEGURA Consulting) worked with Ukrainian research company InMind to repeat the survey and consider the emergence of the new methodology developed by OECD / INFE.

This survey was aimed at:

- Assessing the level of financial inclusion of Ukraine’s population and the most popular financial services;
- Identifying the level of Ukrainians’ financial computation (financial literacy) skills;
- Identifying the level of financial awareness of respondents, their understanding of financial products, terminology, and the rights and obligations of consumers and financial institutions;
- Understanding how Ukrainians make decisions related to finance and the sources from which they obtain information;
- Finding how people set financial goals, keep family budgets, save, manage debts or loans, and plan for retirement;
- Finding what particular factors – age, gender, education, region of residence, type of dwelling, etc. – determine the differences in financial knowledge, habits, attitude, or behavior of Ukrainians; and
- Comparing the results with 2010 Survey and the 2015 OECD/INFE survey.

² http://pfin.com.ua/wp-content/uploads/2012/07/finlit_survey_6dec2010_en.pdf

METHODOLOGY

This survey was conducted by the marketing research company InMind between January 10 and February 2, 2017. The survey method used was “in person” interviews. All respondents had to have used a financial product during the previous two years.

The survey had 2,013 respondents, all of them over 18 years old and included both urban and rural residents of Ukraine. This sample size is considered to be optimal for obtaining statistically reliable information about Ukraine in general (and any macro-region), as well as for age and gender sampling. The sample is deemed representative of the general population in terms of settlement size and regions. The theoretical statistical error for this sample does not exceed 2.2%. The sample differs from the 2010 Survey as follows:

Criterion	Ukraine 2010	Ukraine 2017
Age Groups	From 20 to 60 years old	18 and older
Population type	Urban population	Urban and rural populations

Changes were made in order to introduce OECD/INFE criteria (for additional information, see the section Comparison to OECD/INFE 2015 Survey). The entry age was lowered to 18 years to include respondents who had recently graduated from high school and had had the chance to take the “Financial Literacy” vocational course at high school, which was developed in response to the 2010 Survey.

To be able to make a clear comparison between the 2010 and 2017 surveys, the research team identified a sub-sample that perfectly matches the criteria used in 2010. It includes 1,203 respondents from an urban population aged 20-60 years. The size of the sub-sample is sufficient for the purposes of making comparisons and assessing trends.

The average interview lasted 40 minutes and included 85 questions divided into 6 sections. Most repeated the questions from the 2010 Survey. Some were updated to address new market situations or because the team wanted to improve them based on the 2010 Survey. Some questions from the OECD/INFE questionnaire were included to ensure compatibility of scores with other countries’. Finally, the research team expanded the questionnaire with some questions covering modern financial technology and solutions. The complete survey questionnaire is included in Attachment 1.

Before commencing the field portion of the survey, InMind tested the questionnaire to assess how well respondents understood the questions, and to ascertain the length of the interview.

For a nationwide sample, InMind applies an internationally approved random sampling procedure that ensures random selection at each stage and minimizes the likelihood of errors. InMind uses the following procedures:

- Selection of cities or other settlements. Each oblast and each settlement type is proportionally represented. In Ukraine, there are three types of settlements: cities, settlements of “town significance,” and villages. With few exceptions, the type of settlement correlates with its size.
- Selection of postal districts. For each primary sample unit, the research team created a list of postal districts in the residential area, and randomly selected postal districts to serve as point for future selection of a street, building, and apartment.
- Selection of the households and resident respondents. After the selection of postal districts, a street, a building, and an apartment were randomly selected. Starting from the first apartment/building, the interviewer selected representatives of the target audience – financial services consumers aged 18 and above. If there were several eligible respondents, the primary household decision maker was selected for the interview.

The survey included all the regions of Ukraine, except for the Autonomous Republic of Crimea and the separate areas of Donetsk and Luhansk Regions which are not controlled by the Government of Ukraine. During the 2010 survey, the respondents from the AR of Crimea and the separate areas of Donetsk and

Luhansk Regions scored the worst on financial mathematics and awareness, and also exhibited the worst financial planning skills and financial behavior among the entire population of Ukraine. The fact that these territories were not surveyed in 2017 theoretically could have had a positive impact on the overall scores.

For the purpose of analysis, Ukraine was nominally divided into 5 macro-regions:

- **Center:** Kirovohrad, Cherkasy, Poltava, Vinnytsia Oblasts;
- **North:** Zhytomyr, Kyiv, Chernihiv and Sumy Oblasts;
- **South:** Odesa, Mykolayiv and Kherson Oblasts;
- **West:** Volynska, Zakarpatska, Lviv, Ivano-Frankivsk, Khmelnytskyi, Rivne, Ternopil and Chernivtsi Oblasts;
- **East:** Kharkiv, Dnipropetrovsk, Zaporizhia Oblasts and the parts of Donetsk and Luhansk Oblasts controlled by the Government of Ukraine.

As part of the survey, information was collected about social and demographical characteristics of respondents to permit analysis of significant differences based on region of residence, type of settlement, and age and gender of respondents. The characteristics of the selection are provided in Tables 1 and 2 below.

Table 1. Age and Gender Distribution

Age	Total	Gender	
		Male	Female
18-24	10%	11%	9%
25-34	23%	23%	22%
35-44	23%	23%	22%
45-59	25%	25%	26%
60+	19%	17%	20%
Total	100%	100%	100%

Table 2. Region and Settlement Distribution

Region	Total	Settlement	
		Urban	Rural
Central	12%	10%	16%
North	24%	27%	13%
South	12%	12%	12%
West	20%	15%	37%
East	32%	36%	21%
Total	100%	100%	100%

The structure of the sample by gender is very similar to the general structure of Ukraine's population which shows an even representation of men and women among the financial service consumers. A somewhat lower portion of representatives of the oldest age group (over 60 years old) is noted. This underrepresentation occurred because fewer respondents matched the eligibility criterion, that is, personal use of a financial service over the last two years.

Quality control was carried out according to the standard requirements for each of the three stages:

1. Field work control-- was exercised in parallel with the field stage and thereafter. The control procedures included:
 - 100% visual control of questionnaires.
 - 30% random check of the procedure for respondent selection and of the accuracy of the records in interviewers' journals (work-books).
 - repeated interviews with the respondent.
2. Logical controls-- were specially created to verify the data entered.
3. Analytical control-- at the final stage, the project manager used special approaches based on dispersion data analysis to check the accuracy and completeness of the data.

BACKGROUND

FINANCIAL SERVICES IN UKRAINE

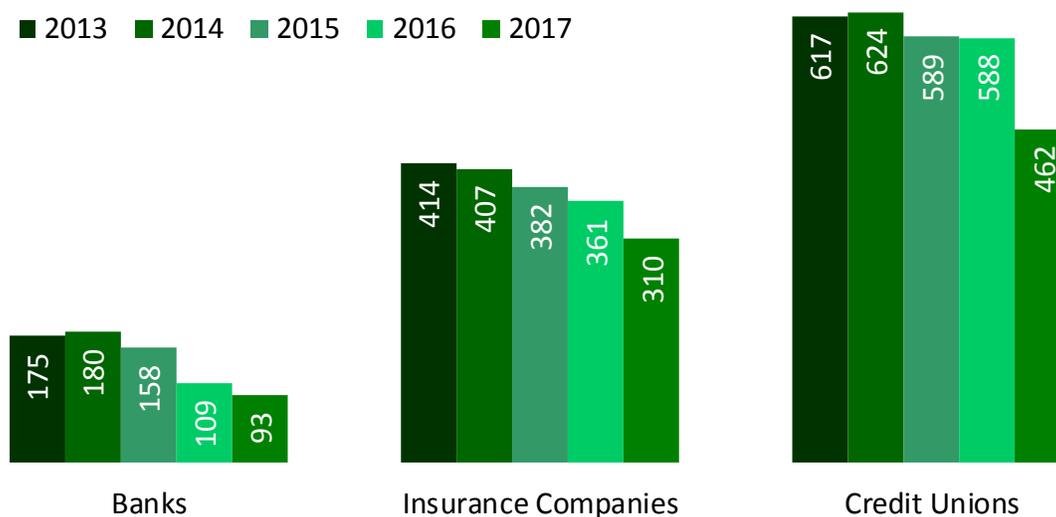
As of January 1, 2017, the total assets of the 93 operating banks in Ukraine accounted for more than 95 percent of the total assets of the entire financial sector, evidencing a bank-centric model of the domestic financial system.

Banks compete with other types of financial companies mainly in the segment of settlement and payment services. These are the most popular services among Ukrainians – three of four survey respondents make payments. The demand for other more advanced financial services such as insurance, stock market, pension savings, and fin-tech services remains very low.

The landscape of the Ukrainian financial system was undergoing significant changes when the research team began the 2017 Survey. As reflected in Chart 3, 48 percent of all banks, 24 percent of all insurance companies, and 26 percent of all credit unions failed over the three years preceding the survey.

Chart 3. Number of Banks, Insurance Companies, and Credit Unions in Ukraine

(Data reported by the National Bank of Ukraine and National Financial Services Commission, as of beginning of period)



This had a “double-edged sword” effect on the survey:

- On one hand, at the time the survey was conducted the level of financial inclusion, that is, public use of financial services, theoretically should have been lower than in previous periods because there fewer financial institutions available.
- On the other hand, the crisis pushed people to become more knowledgeable about finances in order to safeguard their own savings and well-being. The most positive indicator of improvement in people’s financial knowledge was in the area of bank deposits. In 2010 only 7% of people knew the size of the threshold on bank deposit insurance, whereas in 2017 almost 41% knew.

Overall, the survey showed that in the seven years since the previous survey, Ukraine’s financial system has failed to assist Ukrainians in the long-term planning of their financial well-being.

FINANCIAL CONSUMER PROTECTION

According to the 2010 Survey report “in Ukraine, the movement toward financial literacy and consumer protection is nascent.” This statement remains true for 2017 as well.

In 2010, there was only one article in the framework Consumer Protection Law which applied to financial consumers. It was solely about consumer loans. No other financial services were mentioned in this Law. In November 2016, the Parliament passed a special Consumer Lending Law which laid down the foundations for financial consumer rights protections. However, this new Law deals only with consumer loans and only one in three Ukrainians uses these loans.

At the time of this report there was only one institution in Ukraine, *Deposit Guarantee Fund*, with an official legislatively defined mandate to protect the rights and law-guarded interests of consumers. However, the Fund's mandate does not embrace all financial consumers and covers only bank depositors. In contrast, the other financial regulators – the *National Bank of Ukraine*, the *National Securities and Stock Market Commission*, and the *National Commission for State Regulation of Financial Service Markets* – have no legally-defined powers or obligations to protect consumer rights, except for dealing with citizens' grievances and complaints about abuse by financial institutions. The core consumer protection agency – the *State Inspectorate of Ukraine for Consumer Rights Protection* – was transformed into the *State Service of Ukraine for Food Safety and Consumer Protection*, which focuses on food safety, leaving the financial products out of its purview.

In October 2012, the Cabinet of Ministers approved “The Strategy for Reforming the Consumer Rights Protection System in the Financial Services Markets for 2012 – 2017” [3]. This document implied that existing government agencies and financial sector regulators would be selected to oversee financial consumer protection. It also aimed to enhance the financial literacy of the population and “find a proper balance between the rights and obligations of financial consumers and financial institutions.” In the first few years after the adoption of National Action Plans, an implementation strategy was prepared. However, after the Revolution of Dignity the implementation halted and eventually in late 2016 the Strategy was cancelled without ever being fully implemented.

As of this survey report, financial consumer protection has been addressed only in the Presidential Sustainable Development Strategy “Ukraine 2020” [4] which has a special “Financial Sector Reform” section. The following are key success indicators for the reform:

- Enhancement of financial literacy;
- Conformity of national financial consumer protection legislation with EU standards; and
- Creation of new tools to protect financial consumers and investors.

Financial literacy and financial consumer protection are also included into the Comprehensive Program for Ukraine Financial Sector Development for 2020 [5]. This Program has special Block C “Protection of Consumers and Investors in Financial Sector” quoted in Table 3.

The Block C.2 actions, which aimed to enhance the information disclosure system for consumers, should have been implemented before this survey commenced – by December 31, 2015. However, this did not happen; information disclosure improvement took place in only one area – consumer lending – albeit with a delay of 18 months after the Consumer Lending Act was enacted.

A deadline of March 31, 2016 was set for Block C.1 implementation. By this date a national financial literacy program should have been developed; information campaigns and training for the population should have been rolled out; and a national website for financial literacy should have been launched. Unfortunately, there is no official information about the progress for this Block.

³ CMU Order №867-p of October 31, 2012 “On the Approval of the Strategy for Reforming the Consumer Rights Protection System in the Financial Service Markets for the Years of 2012 – 2017».

⁴ Decree of the President of Ukraine “On the Sustainable Development Strategy “Ukraine – 2020” of January 12, 2015.

⁵ Comprehensive Program for Ukraine Financial Sector Development for 2020. Approved by NBU Board on June 18, 2015 #391

Table 3. Action Plan for Financial Literacy and Consumer Protection

№	Measures	Actions
C.1	Enhance the level of financial literacy and the level of the savings culture of the population	(i) Develop and implement a comprehensive program to enhance financial literacy, which would include, among other things, the following: <ul style="list-style-type: none"> - determination and assignment of the coordinator function among the government authorities on the implementation of national actions to enhance the level of financial literacy of the population of Ukraine - organization of accession and full membership in the OECD International Network on Financial Education (OECD/INFE); - explanation of typical financial services and instruments and related risks and main pricing methods - explanation of important provisions of agreements on rendering typical financial services - advice on managing personal and family finance - explanation of the use of innovative payment instruments and services - explanation of the benefits of savings and controlled expenses - information on the policy and reforms in the area of the economy and finance - creation of an all-Ukrainian website on financial education (ii) Roll out a public information and training system as part of the program (iii) Ensure the monitoring of the level of financial awareness of citizens and their understanding of key economic reforms on a regular basis
C.2	Enhance information disclosure standards in the interests of consumers and investors in the financial sector	(i) Encourage the practice of information disclosure by public joint stock companies for better transparency, enhance information disclosure standards (ii) Ensure transparent and complete disclosure of information necessary to give consumers a comprehensive and complete understanding of possible risks and the total cost of services provided (iii) Establish clear sanctions for financial service market participants related to failure to provide prior information about a financial service and other violations of financial service consumer rights
C.3	Modernize the legislation in the area of protection of the rights of consumers and investors	(i) Introduce a mechanism to protect minority shareholder rights, including via the introduction of forced shares buyback (squeeze-out) and sell-out mechanisms and a Corporate Agreement (Shareholder Agreement). (ii) Introduce effective mechanisms of out-of-court settlement of disputes between financial sector participants and financial service consumers (iii) Create compensatory schemes to protect deposits of investors and other consumers of non-bank financial services (iv) Introduce procedures for protection of the rights of the owners of corporate debt securities and legal regulation of the dialogue between the issuer and the investor
C.4	Create new tools to protect the rights of consumers and investors in the financial sector	(i) Appoint a financial ombudsman whose functions will include pre-court settlement of disputes and complaints between financial institutions and their customers – private individuals (ii) Increase the speed and convenience of payout of funds to depositors of banks under liquidation by revising the algorithm of payouts and compensation of funds to bank depositors (iii) Initiate the revision and implementation of the CMU's strategy on reforming the consumer rights protection system in the financial service markets

Block C.4 – establishment of the financial ombudsman – should have been implemented by June 30, 2016. The draft Law calling for the creation of financial ombudsman was delivered to the Parliament in December 2015, passed only a first reading, and was not approved in general. It is not likely that it will be enacted in the near future.

Thus, since the last survey there has been no major improvement in the financial consumer protection in Ukraine. Legislative initiatives have not become systemic in nature while the reform itself has not gained momentum. Further delays in improving the financial consumer rights protection system threaten to set back the initiatives aimed at enhancing Ukrainians' financial literacy, as consumers.

FINANCIAL INCLUSION

As defined by the OECD, *financial inclusion* refers to “access and use of a range of appropriate financial products and services” [6]. In this survey, the research team measure financial inclusion as penetration of financial products and services.

PENETRATION OF FINANCIAL SERVICES

Survey respondents were asked to name which financial services they used at least once during the two preceding years. The research team prepared a special card where the research team listed thirty types of financial services and provided narrative explanations for some of them. Each respondent could pick one or more services from the card. The answer “I use none” was not included as the survey eligibility criterion was that every respondent had to be a financial consumer.

The vast majority of Ukrainians are exposed to the financial system only through payments and settlements (see Chart 4). Three in four respondents use utility payment services and card products (other than credit cards). This includes a salary card, a card account, or a card-to-card transfer. Other forms of settlement services are also popular – 53% of Ukrainians use cash-in terminals, 26% use mobile or Internet banking, and 19% make domestic money transfers or have a bank account. Less popular payment services include: mobile banking payments (12% of respondents), international money transfers (5%), and mobile wallets (4%).

The next most popular category of financial services is lending, though the penetration of different types of loans differs significantly. Leasing and online consumer loans have the lowest share – less than 0.5% respondents confirmed using any of them. Over the past two years, less than 1% of respondents used mortgage loans, car loans, group purchases or non-bank consumer loans. The penetration of these types of loans is lower than the statistical error for this survey. The types of loans Ukrainians use are consumer loans (12% of respondents) and credit card loans (33%). However, as 44% of respondents failed to name which payment system issued the card they use and only 54% of Ukrainian can tell the difference between credit and debit cards, the real penetration of credit card loans could be much lower.

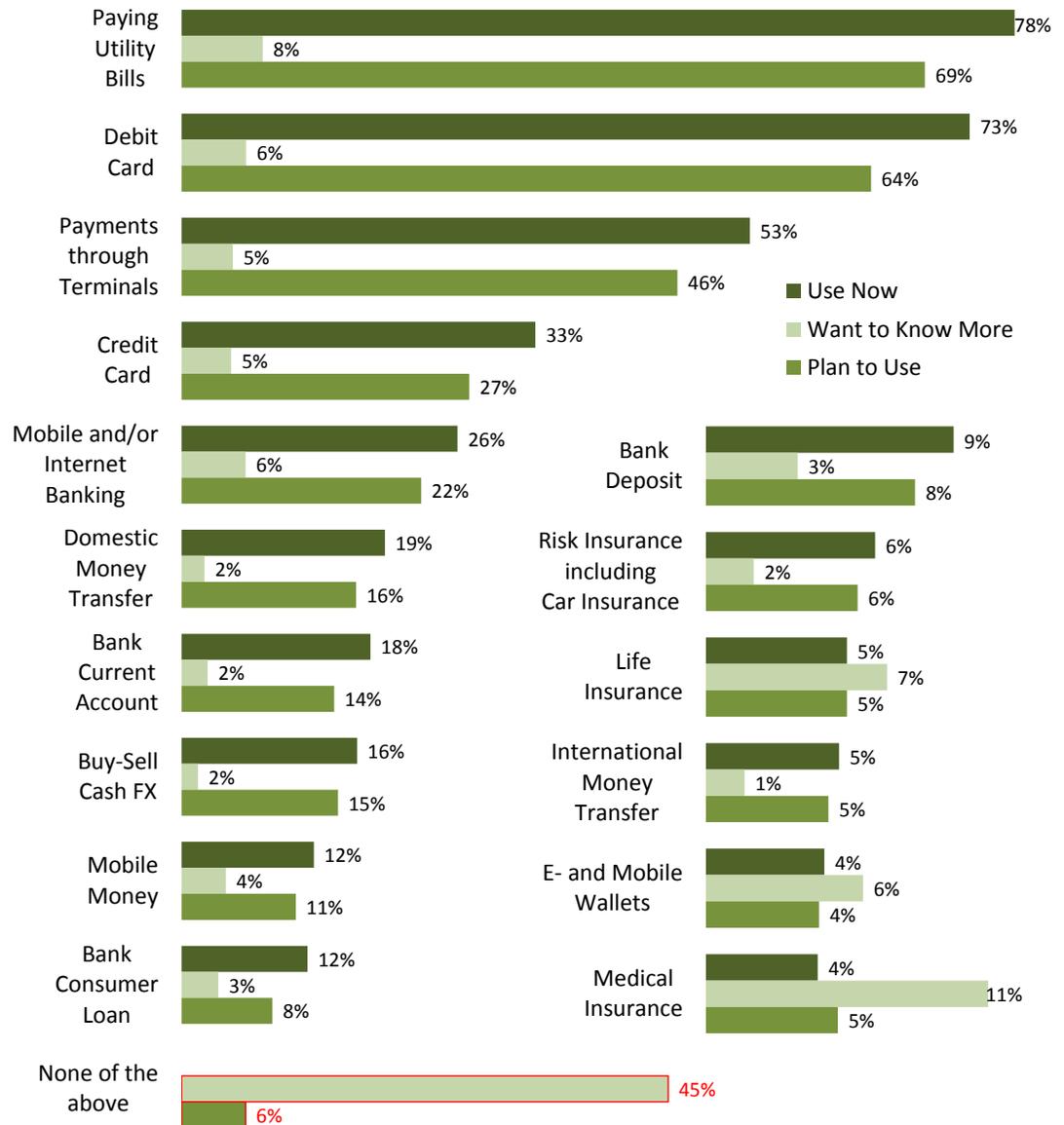
Cash transactions with a foreign currency rank third among the most popular financial services in Ukraine. As many as 16% of respondents purchased or sold a foreign currency over the last two years, while less than 1% of respondents tried the Forex market. This result is not surprising given Ukrainians’ attitude towards foreign currency: over 72% share the opinion that purchasing foreign currency is the best protection from inflation. In a positive sign, however, the percentage of respondents who reported using a currency exchange decreased by almost half compared with the 2010 Survey, an indicator that the dollarization of Ukraine’s economy is going down.

In 2017, less than 10% of households had a deposit with a bank (other than their current account), and only a few respondents (0.3%) deposited in credit unions. As many as 70% of respondents believe that “deposits are not a safe instrument for savings as many people made deposits and lost their money”. Not surprisingly, 59% of those with disposable money prefer to save in cash and not in deposits.

⁶ OECD/INFE International Survey of Adult Financial Literacy Competencies

Chart 4. Use of Financial Services and Demand for More Information

What financial services from those listed below do you or your family members use?
What financial services would you like to learn more about?
What financial services do you personally plan to use in the next 2 years?
 (percent of all respondents, TOP-16 services from 31 listed)



The next most popular category of financial services in Ukraine is insurance. Only 6% of the respondents have insurance, including liability insurance for car owners, only 4% have health insurance, and 5% have life insurance. More surprisingly, 61% of Ukrainians could not answer correctly the question "what is life insurance?" Therefore, the real penetration of this financial product is likely much lower than reported.

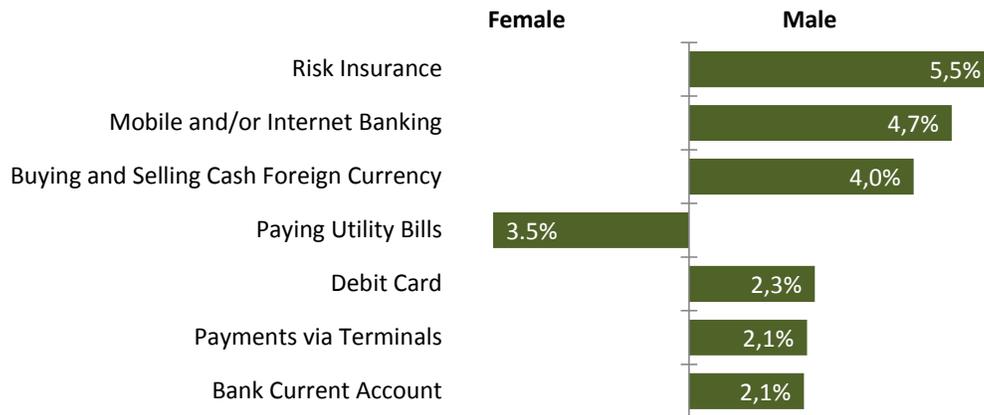
Investments are the least popular category of financial services in Ukraine. No type of investments – stocks, bonds, investment funds, or private pension funds – scored more than 0.5%. Their level of penetration is below the statistical error. In 2017, investments scored much less than in 2010. Overall, Ukrainians are extremely skeptical about the stock market: 61% believe that only people who already have extra wealth can be successful investors.

Considering gender, practically all types of financial services in Ukraine are used evenly by men and women. As reflected in Chart 5, only seven financial services have material gaps, ranging from two to six percentage points, mainly in favor of male respondents. For the rest of the services the gaps do not exceed one percentage point.

Chart 5. Financial Services with Most Gender Inequality

What financial services from those listed below do you or your family members use?

(percent of all respondents, net difference by gender)



A greater factor for financial inclusion is the age of respondents. Senior respondents (aged 45-59 years) and people aged 60 and older prefer debit cards and utility payments. They use other types of services substantially less than representatives of other age groups. Middle-aged people (aged 35-44 years) are the leaders in purchasing mortgages (2% compared to 0.7% for Ukraine on average) and insurance (9% compared to 6%). Young professionals (aged 25-34 years) are the most active users of money transfer services – domestic transfers (27% compared to 19% on average) and international (8% compared to 5%). Together with young adults (18-24 years) they are the most active users of modern forms of payments – mobile, online, and electronic wallets. Surprisingly, the young generation is perhaps the only real investor group in Ukraine and prefers investing in stocks and shares, not in bonds. The research team believes that these represent the kind of start-up investments this generation is comfortable with.

The survey revealed that education and financial wealth greatly drive the financial inclusion of Ukrainians. University graduates tend to use financial services much more often than average Ukrainians, especially cash foreign exchange, in which they score 9 percentage points above the average. In contrast, respondents who expressed their wealth as “we can buy durable goods, but the research team cannot afford expensive purchases” prefer just a few types of services. They are more likely to exchange cash currency (30 points above the average), make payments via terminals, make domestic money transfers and use Internet banking (28, 26, and 24 points above the average, respectively). Also, this category holds the most bank deposits and insurance (17 points above the average in both cases). However, respondents from this category use other types of financial services much less than the national average.

ANTICIPATED FINANCIAL INCLUSION

In the survey, the research team used two methods to assess the level of future financial inclusion. First, the research team asked the respondents to name which financial products they plan to use during the next two years. Second, the research team asked which financial products they would like to learn more about. For both cases, the research team used the same list of services the research team had developed to assess the present financial inclusion, but the research team added two options: Other Financial Product and No Financial Product.

The 2010 survey revealed that for all financial services the respondents expected to reduce their use of all financial services in future. In 2017, the situation was almost identical, with 6% of respondents not wanting to

use any financial products at all. Respondents wish to disengage mostly from payments and settlements: debit cards and card accounts (9%), utility payments (8%), and cash-in terminals (7%). However, in 2017 the research team identified two groups of financial products that Ukrainians want to use more: non-consumer lending (mortgage, car loan, leasing) and investments, mostly in private pension funds.

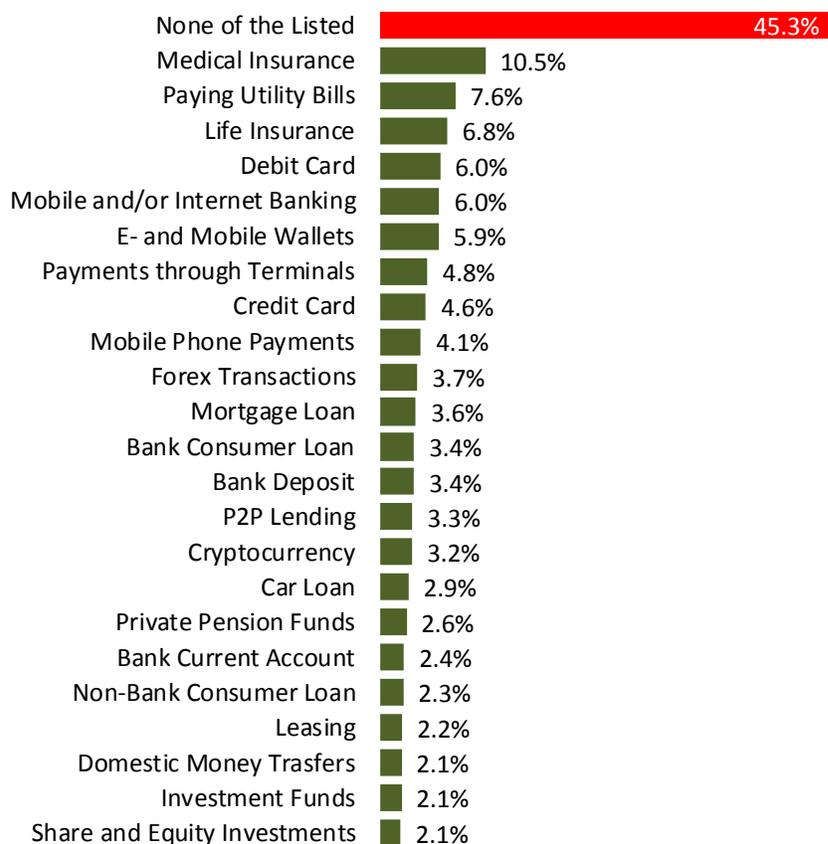
Consumer demand for additional information about financial services is low (see Chart 6): on average, 45% of respondents do not want to learn more about any product at all; the number rises to 57% among the oldest group of respondents. In 2010, by contrast, the numbers were 23% and 28%, respectively. However, there are several types of products where there is at least some demand for information. The first is health insurance, with 11% of respondents wishing to know more about it. This likely reflects their anticipation of reforms in the health care system at the time of the survey. As many as 8% of Ukrainians would like to learn more about utility payments, and almost 7% request information about life insurance. Some 4% to 6% of Ukrainians are interested in learning about cashless products, such as electronic wallets, mobile banking, cash-in terminals, and mobile money. They also asked about lending transactions and modern fin-tech services – cryptocurrency and P2P lending, albeit to a much lesser degree. The demand for information about other products is minor and substantially reflects a respondent’s age and wealth.

Ukrainians’ lack of interest in learning about financial products is mostly driven by their financial insecurity and to a lesser extent by their distrust of the financial system. The research team found that almost a third of Ukrainians have no savings or investments. As many as 87% of these respondents attributed lack of disposable funds as the reason, while only 8% mentioned that a lack of trust limits their saving and investing. The hypothesis that the level of trust in financial companies is significantly lower than trust in other service providers, such as telecom operators, is not supported by the survey results. Respondents were divided approximately equally between being in favor of banks, in favor of telecoms, and trusting both of them equally.

Chart 6. Demand for Additional Information on Financial Services

What financial services would you like to learn more about?

(percent of all respondents)

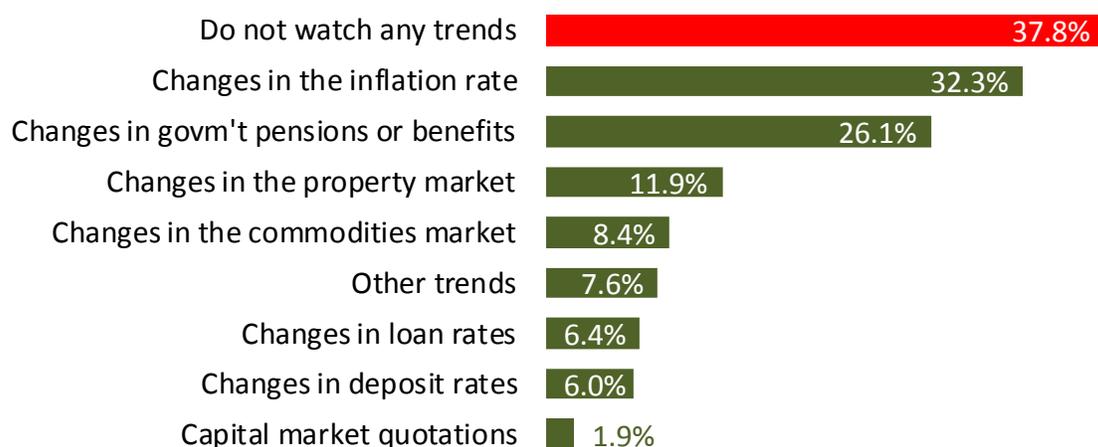


Many Ukrainians have no interest in financial news, as Chart 7 shows. Indeed, 38% of respondents said they do not follow trends in financial markets. Those who do follow these trends pay most attention to “inflation rate change” – 32%. However, from the 2010 survey the research team knows that many Ukrainians under ‘inflation’ understand not how the prices change over time, but how the exchange rate of the national currency floats to major currencies. As many as 26% of respondents say they don’t actively follow a financial market, but rather follow the information directly impacting their personal wealth, that is, government pensions or social welfare. Only about 6% of Ukrainians regularly follow developments in the financial markets affecting consumers, such as retail deposit and loan rates.

Chart 7. Changes at Financial Markets Followed by Financial Consumers

What changes in the financial markets do you follow personally on a regular basis?

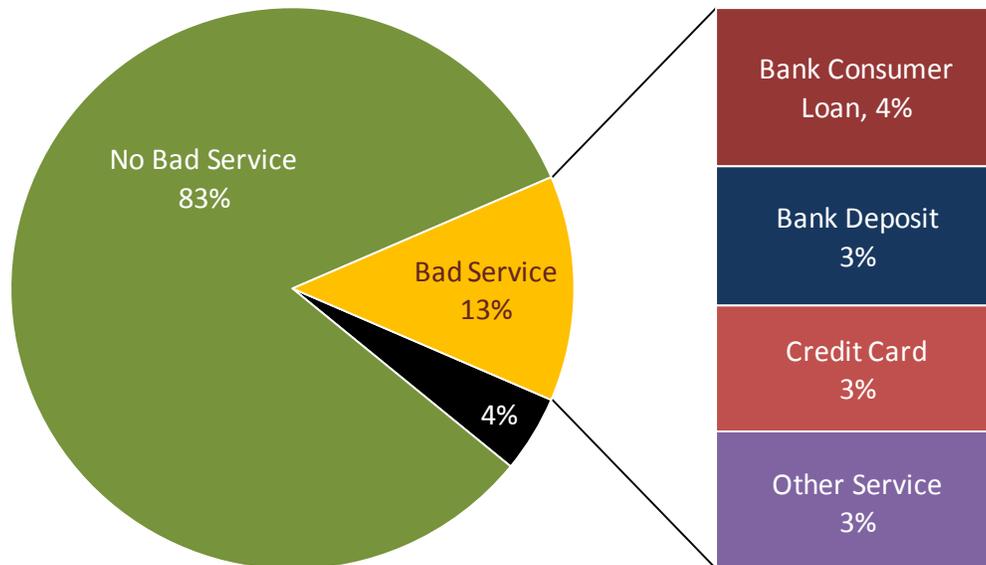
(percent of all respondents)



CONSUMER SATISFACTION AND EXPECTATIONS

The research team assessed the level of consumer satisfaction using the standard question: “Did you have any bad experience with financial products?” The research team asked a follow-up question to identify the behavior for respondents who responded affirmatively. In addition, the research team explored how Ukrainians would react to a hypothetical conflict with a financial institution. The research team wanted to know if they were aware of which institution to appeal to and gauge their expectations of who would win in such a conflict.

Severe adverse developments in the Ukrainian financial system preceded this survey, creating the expectation that consumers would express their dissatisfaction about financial products. The reality turned out to be different, as only 13% of respondents reported having a bad financial product experience over the past two years (see Chart 8). This is roughly half of the 2010 figure when 24% of the population said they had had a bad experience. There has also been a shift in the regional distribution: in 2017, the largest number of financial customers reporting a bad experience were in the south (18%), while in 2010 the leaders were in the center and west (35% and 34%, respectively). University graduates reported having had more bad experiences with financial products than other groups with less education—reflecting the fact that the financial inclusion of university graduates is much greater than average for Ukraine.

Chart 8. Bad Experience Using Financial Services**Have you had a negative experience in purchasing a financial service?***(percent of all respondents)***If yes, what kind of service was it?***(percent of all respondents)*

The top three products cited by dissatisfied consumers in Ukraine remain unchanged since 2010 and rank as follows:

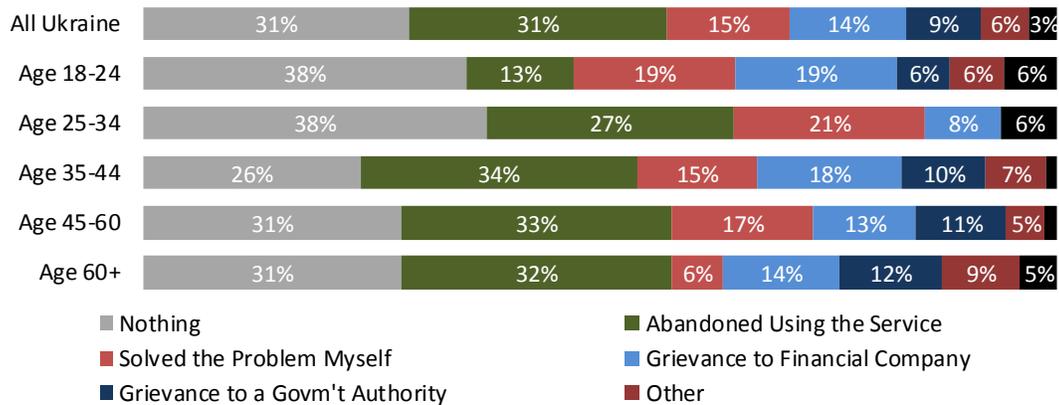
- Bank consumer loan: 28% of those respondents who reported problems (28% in 2010);
- Bank deposit: 25% (29% in 2010);
- Credit card or card loan: 23% (25% in 2010).

Urban residents are three times less satisfied with the quality of financial products than rural Ukrainians. Senior citizens encountered problems with deposits much more often than others – 40% of the respondents of this category, while young professionals encountered bad experiences mainly with credit cards (38% of respondents in this category). Ukrainians from the south named a credit union deposit among the most problematic financial products they encountered during the last two years (14% of respondents in this region versus 2% nation-wide).

Since the last survey, Ukrainians have changed the way they respond to a bad financial product (Chart 9). While in 2010 as many as 47% of respondents acknowledged they did nothing once they encountered a problem, in 2017 only 30% from the comparable sample reported that was their choice. Bad experiences caused almost a third of respondents to stop using the product, and one fifth filed a grievance to a financial institution or a complaint to a regulatory agency. In 2017, the research team added a new option to this question: "I have resolved the problem by myself, either through a court dispute or in an out-of-court settlement". Only 15% of Ukrainians, predominantly from the east, chose this option.

Chart 9. Response to Bad Financial Services by Age Groups

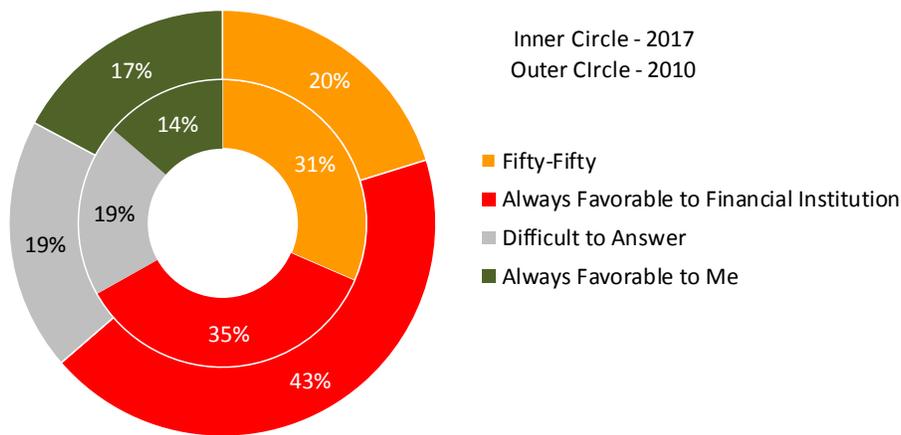
What did you do after you discovered the problem?
(percent of respondents reporting bad financial services)



The team also noticed a change in how Ukrainians anticipate that a conflict with a financial institution will be resolved (Chart 10). While in 2010 as many as 44% of respondents believed that any conflict *a priori* would be resolved in favor of a financial institution, in 2017 the share of such responses decreased to 33% in the comparable sample and 35% among all respondents. This is the preferred opinion of Ukrainians who live in the south (51% of respondents of this region), residents of rural areas (41%), those aged 45-59 years (41%), and those who assess their wealth as poor or very poor (40% and 46%, respectively). However, almost a third responded that it is not possible to say who is going to win in such conflict as everything depends on factors beyond the control of either the consumer or the financial institution. There are now slightly fewer respondents who believe any conflict will be resolved in their favor – 17% in 2010 compared to less than 14% in 2017. The most confident are Ukrainians from the center of Ukraine (28% of respondents of this region), undergraduates (21%), and those rating their financial conditions as “good” (24%).

Chart 10. Expectations of Conflict Resolution with a Financial Company

If a conflict with a financial company arises regarding the provision of financial services to you, on what terms do you expect it to be resolved?
(percent of all respondents)



Overall, Ukrainians turned out to be fairly aware of which agency to appeal to in case of a conflict with a financial institution. Almost a third correctly stated that the problem should be resolved in the court of general jurisdiction, while one of every four knows that it is also possible to appeal to other government agencies depending on the type of financial product. One quarter of respondents did not know the answer to this question.

FINANCIAL LITERACY AND AWARENESS

Financial literacy consists of two equally important components – the ability to make financial computations (financial mathematics) and knowledge of financial consumer’s rights and obligations (financial law). The research team assessed both components in this survey. The survey questionnaire contained questions used in 2010 which the research team carefully adjusted to the changes in the legal system and purchasing power.

SELF-ASSESSMENT OF FINANCIAL LITERACY

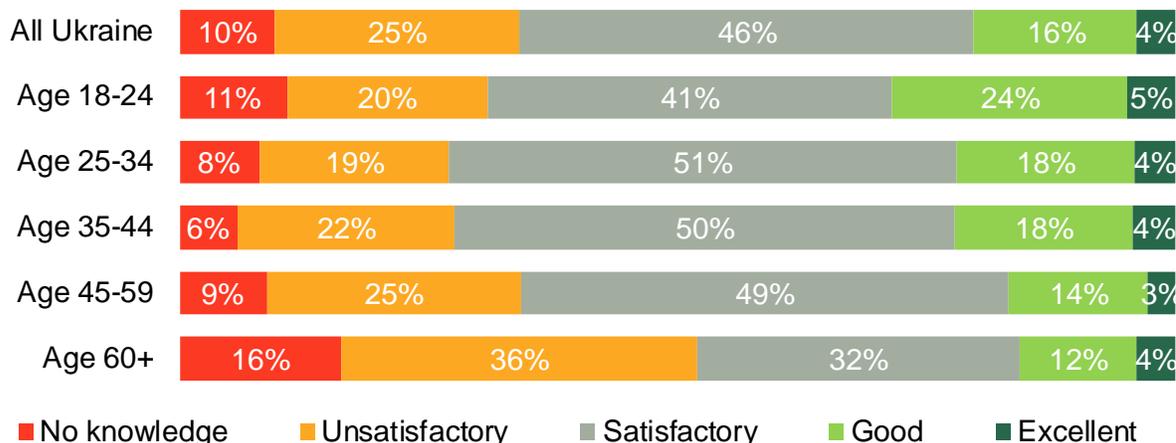
It is common in such surveys to compare the perceived level of financial literacy with the real one. Generally, people tend to overestimate their abilities, although there are some age groups and social strata of the population who underrate their own ability. It is important to note there is always a gap between self-assessment and the reality. It is this gap that causes imprudent consumer behavior in the area of finance. The research team had to identify the gap between the perceived and real knowledge among all respondents, as well as among their specific sub-groups, to develop targeted actions to remedy the situation.

The research team asked the respondents to assess their own financial knowledge and skills on a scale from one to five to determine whether or not they consider themselves financially literate. The results are shown in Chart 11.

Chart 11. Self-Assessment of Financial Knowledge and Skills

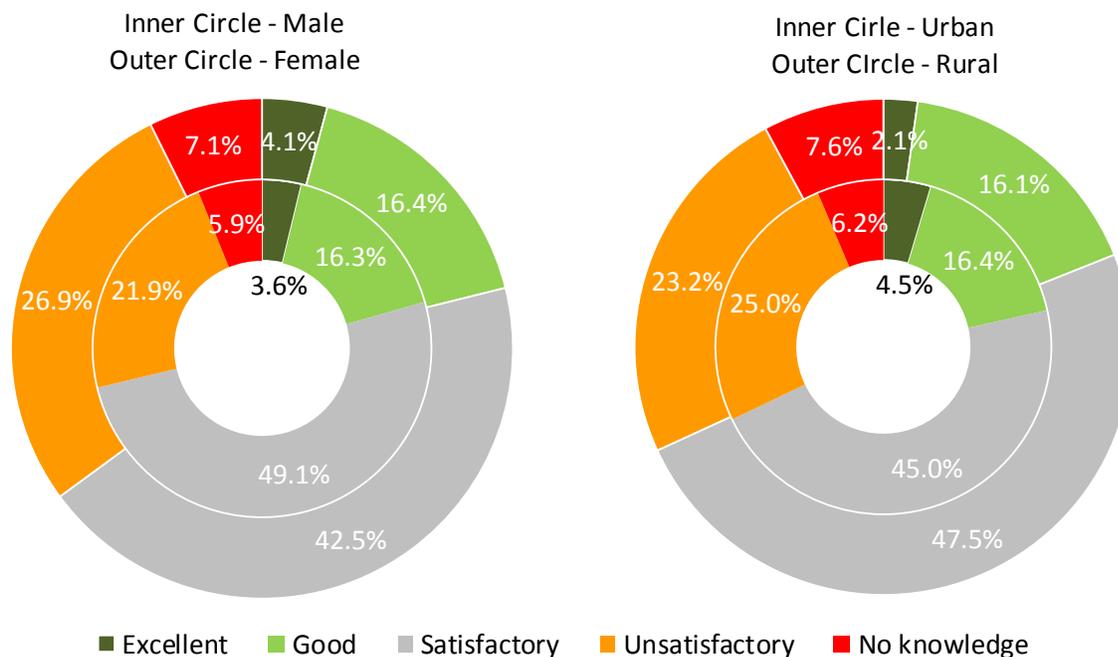
Do you consider yourself a financially literate person?

(percent of all respondents, percent of respondents by age)



As reflected in the chart, almost half of all the respondents (46%) rated their own level of financial knowledge and skills as satisfactory (moderate). One fifth of all Ukrainians assessed their level of financial literacy as good or excellent, one tenth believe that they have neither financial knowledge nor financial skills, and one fourth believes that their knowledge and skills are unsatisfactory. Overall, this picture is similar to the one observed in 2010.

Chart 12 reflects that female and male respondents provided almost identical answers. Similarly, self-assessment of urban and rural residents was almost the same.

Chart 12. Self-Assessment of Financial Knowledge and Skills by Gender and Settlement**Do you consider yourself a financially literate person?***(percent of respondents by gender and by type of settlement)*

However, the research team found a correlation between self-assessment and respondents' education and wealth. Respondents with the highest level of education--University graduates—overestimate their real financial knowledge, while people with complete or incomplete secondary education significantly underestimate their financial literacy levels. Likewise, people who assess their financial status as "poor" assess their financial skills as also being "poor", and those with higher wealth assess their financial skills as "good." However, for both these groups the reality is different from the self-assessment.

Finally, the most important factor for self-assessment in Ukraine is the region. As reflected in Table 4, the north has the highest proportion of "excellent" marks – as high as 9%. Almost 25% of the residents of central Ukraine assess their knowledge as "good." Almost 31% of respondents in the south consider their knowledge as "unsatisfactory," significantly more than the average across Ukraine. Among the residents of the center and west, in contrast, the proportion of such negative responses is much lower than on average: 18% and 19%, respectively.

Table 4. Self-Assessment of Financial Knowledge and Skills by Regions

Self-Assessment of Level of Knowledge and Skills	Ukraine	Center	North	South	West	East
Excellent	3.9%	1.7%	8.8%	1.7%	2.4%	2.8%
Good	16.3%	24.8%	13.5%	13.0%	16.0%	16.8%
Satisfactory	45.7%	47.9%	45.5%	48.7%	51.5%	40.2%
Unsatisfactory	24.5%	18.4%	23.8%	30.7%	19.4%	28.3%
I know nothing	6.6%	6.8%	6.9%	4.6%	6.1%	7.2%
Number of respondents	2013	234	475	238	412	654

FINANCIAL COMPUTATIONS

To assess the real level of financial knowledge, the research team asked respondents to answer seven multiple-choice questions, as shown in Table 5. Each question required a certain level of mathematical skills. In some cases, it was possible to answer a question even without any computation by simply applying mathematical logic. The research team did not limit respondents on how they could perform these computations: on paper, using a calculator, or in their mind.

Table 5. Financial Mathematic Test Questions

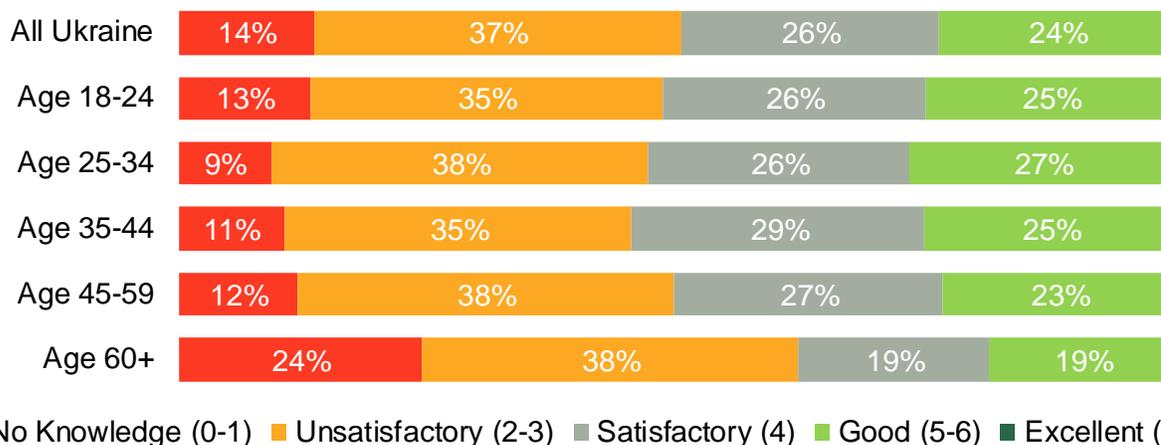
Name	Question	Answer Options
Simple Interest	Let's assume that you deposited 100,000 UAH in a bank account for 2 years at an 8% annual interest rate. How much money will you have in your account in 2 years if you do not withdraw from or add to this account any money?	More than 108,000 hrivnias
		Exactly 108,000 hrivnias
		Less than 108,000 hrivnias
		I find it difficult to answer
Compound Interest	Let's assume that you deposited 100,000 UAH in a bank account for 5 years at 10% annual interest rate. The interest will be earned at the end of each year and will be added to the principal (so-called deposit body). How much money will you have in your account in 5 years if you do not withdraw either the principal or the interest?	More than 150,000 hrivnias
		Exactly 150,000 hrivnias
		Less than 150,000 hrivnias
		I find it difficult to answer
Inflation	Imagine that you deposited money in a bank account at 8% annual interest rate, while the annual inflation rate was 10%. Do you think the money from your account can buy more or less, or the same amount of goods and services on average now as a year ago?	More than a year ago
		The same
		Less than a year ago
		I find it difficult to answer
Purchase Power	Let's assume that next year your income doubles, and the consumer prices also grow twofold. Do you think that next year you will be able to buy more, less, or the same amount of goods and services as today?	More than today
		Exactly the same
		Less than today
		I find it difficult to answer
Sales	Let's assume that you saw a TV set of the same model on sale in two different shops. The initial retail price of it was 10,000 UAH. One shop offered a discount of 1,500 UAH, while the other one offered a 10% discount. Which one is a better bargain – a discount of 1,500 UAH or 10%?	A discount of 1,500 hrivnias
		A 10 % discount
		The proposed discounts are the same from the point of view of cost-effectiveness
		I find it difficult to answer
Effective Rate of Interest	Let's assume that a household appliances store offered you goods worth 10,000 UAH, payable in installments. The store offered you "a zero-interest credit" contract under which you will have to pay back only the cost of the equipment (UAH 10,000) spaced in equal payments over one year without any interest. However, to receive this credit, you will have to buy insurance worth 600 UAH. Can you give a rough estimate of the real ANNUAL interest rate on this "zero-interest" credit?	3 %
		6%
		9 %
		12 %
		I find it difficult to answer
Bond Yield	Let's assume you have purchased a bond with face value of 1,000 UAH for 900 UAH. The bond would expire in a year and bring you a coupon of 150 UAH. If you held the bond till maturity, can you estimate what return you would enjoy on your investment?	Below 15%
		Exactly 15%
		Above 15%
		Above 20%
		I find it difficult to answer

The true level of financial computational skills was low: none of the respondents was able to answer all seven questions correctly.

Chart 13. Test of Financial Mathematical Skills by Age

Seven questions on financial mathematics

(percent of all respondents, percent of respondents by age groups, number of correct answers in parenthesis)



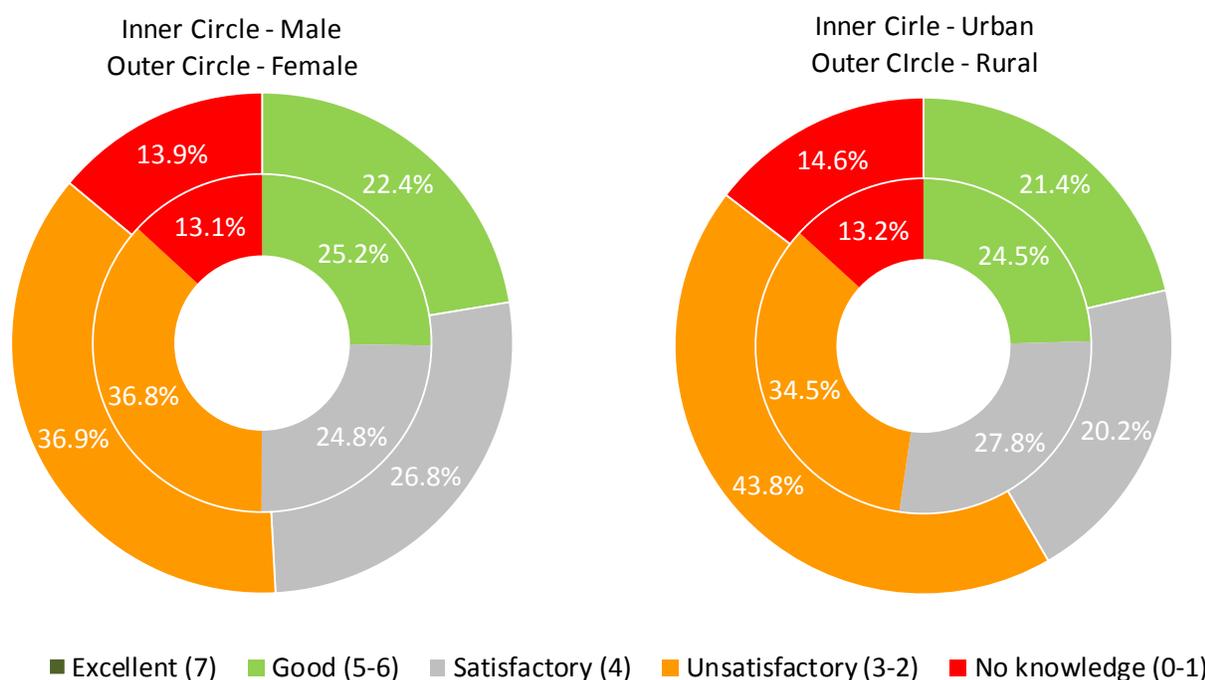
As reflected in Chart 13, 14% of respondents were not able to provide more than one correct answer while almost 37% provided correct answers to three or fewer questions, 26% of respondents answered four questions out of seven correctly, and 24% provided correct answers to five or more questions.

Thus, only approximately 25% of respondents had a “passing grade,” which the OECD defines as five or more correct answers. Far fewer individuals scored satisfactory or better on the test than those who had self-assessed this way.

Chart 14. Test of Financial Mathematical Skills by Gender and Settlement

Seven questions on financial mathematics

(percent of respondents by gender and by type of settlement number of provided correct answers in parenthesis)



Residents of the south and west scored below average while Ukrainians from the east showed better than average results, as reflected in Table 6. People from rural areas fared worse than those from urban settlements (Chart 14). The research team found no difference by gender.

Table 6. Test of Financial Mathematical Skills by Regions

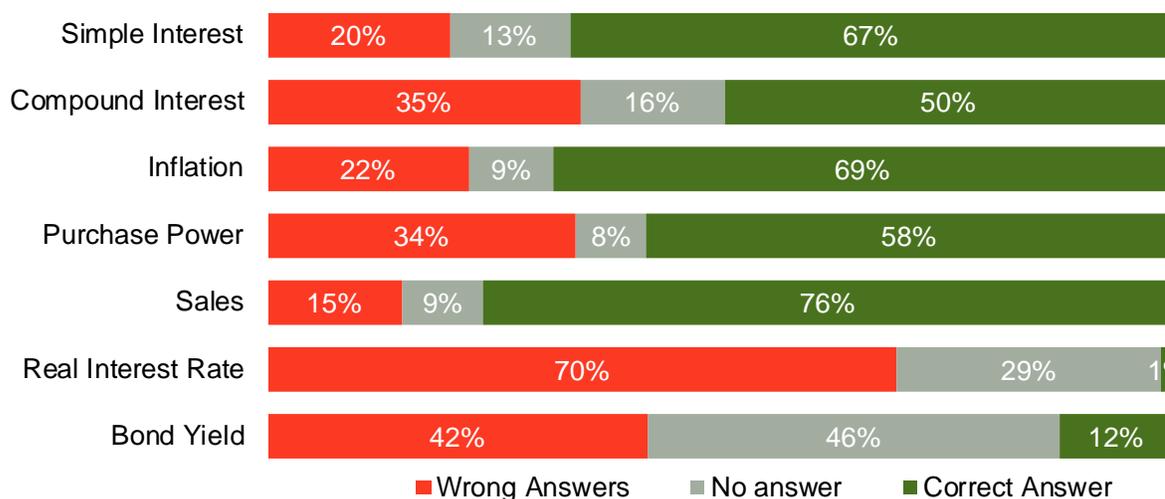
Distribution of answers	Ukraine	Center	North	South	West	East
Excellent (7 correct)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Good (5-6)	23.7%	27.8%	22.5%	16.8%	16.7%	30.1%
Satisfactory (4)	25.8%	29.9%	28.6%	21.0%	26.0%	24.0%
Unsatisfactory (2-3)	36.9%	32.1%	35.2%	46.6%	43.2%	32.3%
I know nothing (0-1)	13.6%	10.3%	13.7%	15.5%	14.1%	13.6%
Number of respondents	2013	234	475	238	412	654

An analysis of respondents' answers to the question measuring the yield on a bond (Chart 15), reflects that almost half of the respondents gave no answer and over 40% provided the wrong answer. Only 12% of Ukrainians provided the correct answer, and most of these respondents have the highest level of financial inclusion. However, the research team noticed a significant improvement over the 2010 survey – 14% of respondents from the comparable sample group provided correct answers while seven years ago only 5% did so.

Chart 15. Answers to Financial Computation Questions

Seven questions on financial mathematics

(percent of all respondents)



The one question about real rate of interest on a “zero interest” consumer loan required fairly complex computations. In 2010, 7% of Ukrainians were able to answer correctly the real interest rate question. In 2017, the research team reworded the question to read more like an advertisement for this type of loan. Surprisingly, given the popularity of this type of loan in recent years, only about 1% of respondents answered the question correctly.

FINANCIAL CONSUMER AWARENESS

To understand the true level of financial awareness, the research team asked respondents to answer thirteen questions about four topics: (1) financial terminology; (2) understanding of financial products; (3) financial consumer responsibilities; and (4) financial consumer arrangements. These questions are given in Table 8. All

questions were structured as multiple-choice – the research team read answer options to respondents and asked them to pick one or several they believed to be correct.

Table 7. Financial Awareness Test Questions

Name	Question	Answer Options
Financial Terminology		
Insurance Franchise	Do you know what the term “franchise” in insurance means?	Yes, it is the sum of money one has to pay to an insurance company to purchase insurance
		Yes, it is the sum of money the insurance beneficiary receives if a risk event occurs
		Yes, it is the sum of money the insurance company would deduct from coverage when it has to pay off the claim
		I do not know this term / I never heard this term before
		No, I never heard this term before
Credit History	Do you know what a “credit history” is?	This is information about the performance of loans in an individual bank that can be found in the bank’s financial statement
		This is information about the performance of individual borrowers that can be retrieved from credit bureaus
		This is information about the previous defaults of a security issuer that can be found in the state registry of security issues
		This is information about Ukraine’s sovereign debt performance that is collected by institutional lenders
		All of the above
		None of the above
		I find it difficult to answer this question
Floating Rate of Interest	Do you know what a “variable or floating rate of interest” is?	It is a rate of interest that can be altered during the life of a financial instrument
		It is a rate that is indexed to a commonly used rate referred to as ‘base rate’
		It is a rate that parties to a transaction can reset without asking each other for any consent
		It is a rate that is the opposite of a “fixed rate of interest”
		All of the above
		None of the above
I find it difficult to answer this question		
Financial Products		
Insurance Types	Do you know what life insurance is?	This is a service provided by any insurance company whereby it pays out insurance coverage to designated individuals in the case of death of a person whose life was insured
		This is a service that can be provided solely by a specialized insurance company whereby an insured person receives an amount of money upon reaching a certain age and after his /her death, the insurance benefits are paid out to his/her heirs.
		I find it difficult to answer this question
Plastic Card Types	Do you know which card allows such transactions as cashing out money, effecting payments on-line or in a shop for an amount greater than you have on your balance?	Debit card
		Credit card
		Any bank plastic card
		I find it difficult to answer this question
Security Types	Which item(s) below explain(s) the difference between a share and a bond?	A share represents an investment in a statutory fund, whereas a bond does not
		A bond can be bought back by the issuer, whereas a share cannot
		Common shares have no guaranteed level of income, whereas bonds can have fixed and variable returns
		Bonds can be sold in a secondary market, whereas shares cannot
		Bonds can be held by individuals and legal entities, whereas shares can only be held by investors – legal entities
		Shares can be pledged as collateral, whereas bonds cannot
		There is no difference between shares and bonds; these are just different names for the same instruments
I find it difficult to answer this question		

Table 7. Financial Awareness Test Questions (contd.)

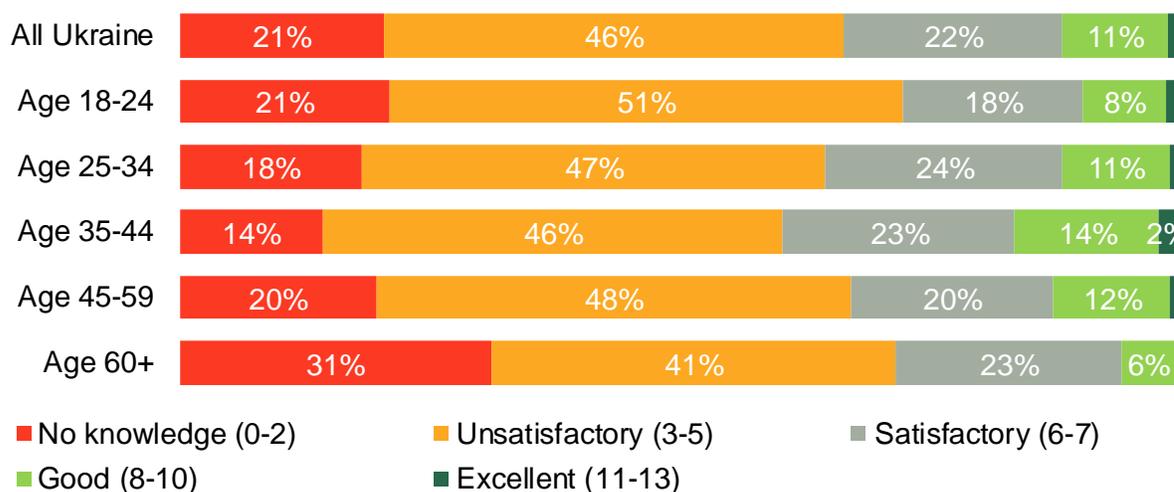
Responsibilities in Financial Services		
Banks' Responsibility	What should banks do under the current Ukrainian laws? Choose an option that, in your opinion, is in compliance with the law.	Issue credits to everybody who applies for them
		Charge the same annual interest rate on all credits
		Charge the same annual interest rates on all similar credits (credit cards, car purchase credits, mortgage loans, etc.)
		Receive payments and carry out other transactions for people free of charge
		Inform a borrower of the total credit cost and effective rate of interest
		I find it difficult to answer this question
Acting as Guarantor	If your friend asked you to be a guarantor on his or her loan, and you agreed to this proposal, what kind of liability might you encounter?	There is no financial liability attached to this; it is just a gesture to my friend
		There is a financial liability attached to this if my friend fails to pay off the loan
		There are both financial and criminal liabilities attached if my friend fails to pay off the loan
		My liability is that if my friend fails to pay off the loan, and I apply for my own loan, I will automatically be denied a loan because I will be deemed an unreliable person
		I find it difficult to answer this question
Consumer Protection Arrangements		
Conflict Resolution	In case of a dispute with a financial institution concerning a financial service you have purchased from the institution, which organization can you appeal to help you protect your consumer rights?	National Bank of Ukraine
		National Commission for State Regulation of Financial Services
		Securities and Stock Market National Commission
		State Inspectorate of Ukraine for Consumer Rights Protection
		Ombudsman (Human Rights Commissioner)
		Any court of general jurisdiction
		It depends on the type of financial institution and/or product
		I find it difficult to answer this question
Bank Deposit Insurance	If a citizen has a deposit in a regular Ukrainian commercial bank and this bank fails, do you know what maximum level of deposit is entirely guaranteed?	There is no guarantee on bank deposits
		100,000 hrvnias
		150,000 hrvnias
		200,000 hrvnias
		500,000 hrvnias
		No limits, all deposits in any bank are guaranteed in full amount
		I find it difficult to answer this question
Investment Insurance	If a citizen has invested in an investment fund, and this investment fund becomes bankrupt, what is the approximate level of losses covered by the state?	There is no guarantee on investments into investment funds or assets management companies
		100,000 hrvnias
		150,000 hrvnias
		200,000 hrvnias
		500,000 hrvnias
		No limits, the state guarantees all investments in full amounts
I find it difficult to answer this question		
Credit Union Deposit Insurance	If a citizen has a deposit in a credit union, and this union becomes bankrupt, do you know what maximum level of deposit is entirely guaranteed by the state?	There is no guarantee on credit union deposits
		100,000 hrvnias
		150,000 hrvnias
		200,000 hrvnias
		500,000 hrvnias
		No limits, all deposits in any credit union are guaranteed in full
I find it difficult to answer this question		
Insurance Validity	If a citizen has risk insurance (other than car owner insurance) from an insurance company, and this company goes bankrupt, do you know what happens to the insurance?	It is possible to receive coverage by applying to court in bankruptcy
		Coverage is assumed by another insurance company, most likely state-owned
		It is assumed directly by the state, but with 200,000 UAH limit
		It is assumed directly by the state according to the initial terms and conditions
		I find it difficult to answer this question

When the research team prepared the 2010 survey, the research team utilized the experience of similar surveys done by The World Bank Group in other countries. All these surveys had a financial awareness component, and the research team included the same component in the Ukrainian survey. However, The World Bank Group no longer conducts financial literacy surveys; instead, the OECD picked up this initiative at the international level. The survey methodology developed by the OECD does not have a financial awareness component, and the financial literacy test is limited to financial math only. In the research team's opinion, the financial computations skills alone do not adequately reflect a person's competency to interact with financial systems. It is important to assess whether or not an adult understands the nature of financial products and services, and that is exactly the purpose of this section (see Chart 16).

Chart 16. Test of Financial Awareness by Age

Thirteen questions on financial awareness

(percent of all respondents, percent of respondents by age groups
number of correct answers provided in parenthesis)



Only three Ukrainians from this sample were able to provide correct answers to all 13 questions of the awareness test, 67% of the sample failed to answer correctly more than five questions, and 21% were not able to answer correctly more than two questions.

The low level of awareness is typical for all regions, particularly the south (Table 8). Measured by age, respondents over 60 scored the lowest (only 6% provided correct answers to 8 or more questions) while respondents aged 35-44 years showed the best results (14% good; 2% excellent). Women scored less than men (Chart 17). Urban residents showed much better results than rural citizens.

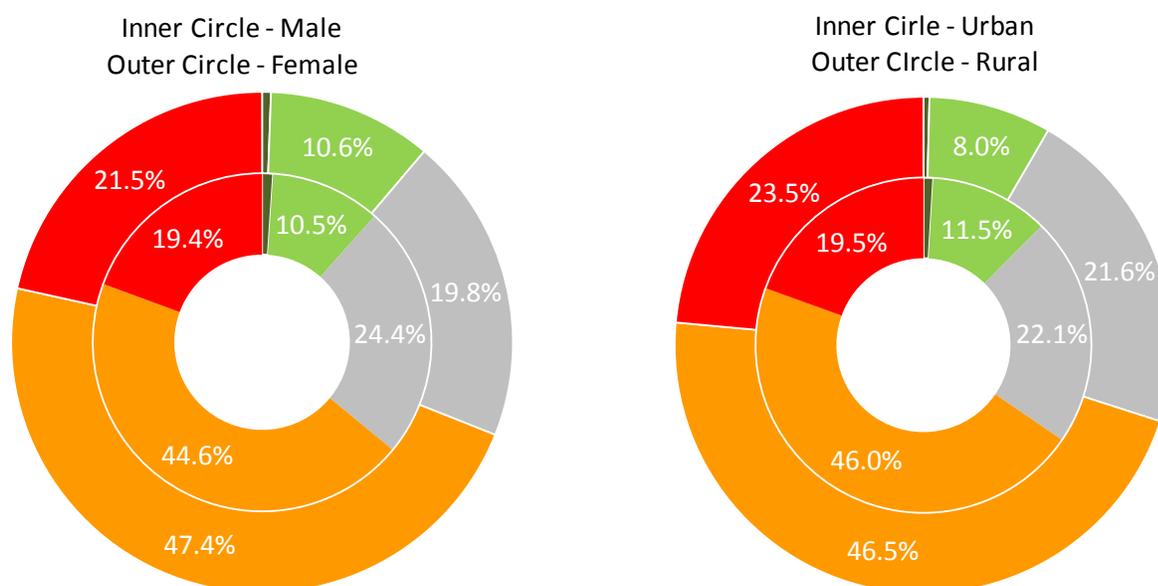
Table 8. Test of Financial Awareness by Regions

Distribution of answers	Ukraine	Center	North	South	West	East
Excellent (11-13 correct)	0.8%	0.4%	1.7%	0.0%	1.0%	0.5%
Good (8-10)	10.6%	11.1%	12.2%	7.6%	11.2%	9.9%
Satisfactory (6-7)	22.0%	23.9%	22.1%	21.4%	23.5%	20.5%
Unsatisfactory (3-5)	46.1%	43.2%	42.9%	52.5%	41.3%	50.2%
I know nothing (0-2)	20.5%	21.4%	21.1%	18.5%	23.1%	19.0%
Number of respondents	2013	234	475	238	412	654

The lowest awareness was found for the term “floating rate of interest”. Most respondents gave only a partially correct answer. For them, using a loan with a floating rate may pose a risk to financial well-being.

Chart 17. Test of Financial Awareness by Gender and Settlement**Thirteen questions on financial awareness**

(percent of respondents by gender and by type of settlement, number of correct answers provided in parenthesis)



■ Excellent (11-13) ■ Good (8-10) ■ Satisfactory (6-7) ■ Unsatisfactory (3-5) ■ No knowledge (0-2)

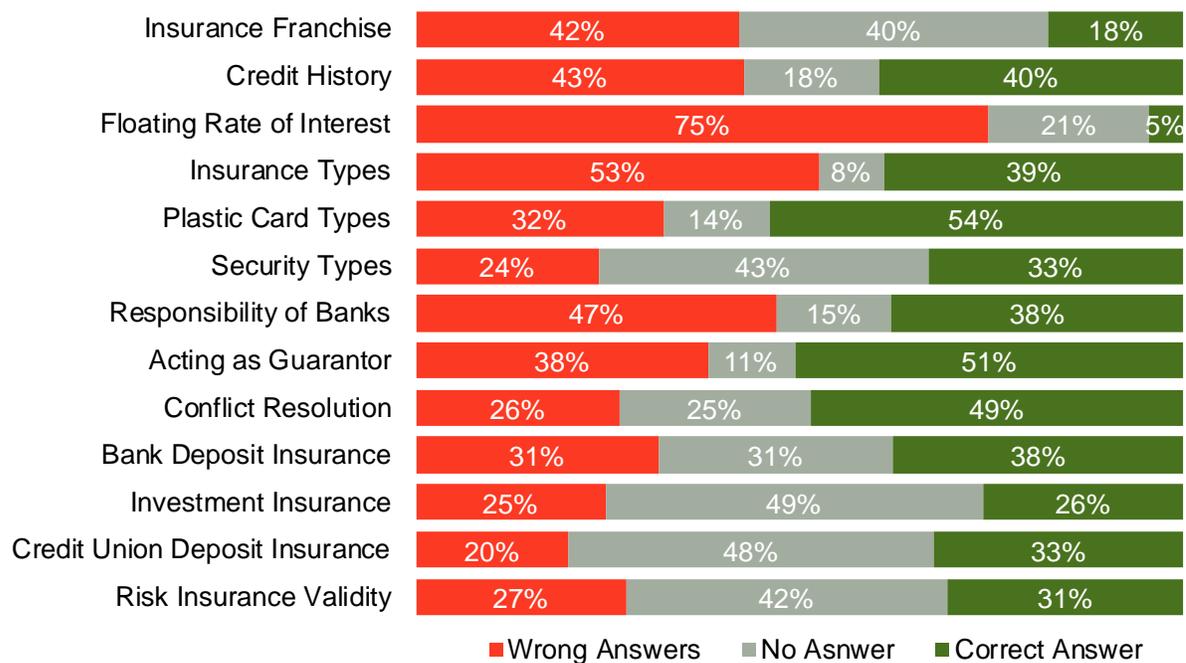
Less than 20% of respondents provided the correct answer to the question about insurance franchise, as shown in Chart 18. The share of wrong answers and non-responses to this question was nearly 40%. This topic is definitely a challenging one for Ukrainians.

Life insurance and the responsibility of banks are two areas that the research team consider difficult even though a substantial portion of respondents answered the questions correctly. . About half of the respondents – 53% and 47%, respectively – selected the wrong answers.

For the rest of the questions – credit history, the difference between stocks and bonds, and protection of different types of deposits and investments – the research team found approximately equal shares of correct and incorrect answers with a very significant portion of “I do not know” answers (the credit history question being an exception). The research team noticed substantial improvement since the 2010 survey in only two areas – bank deposit insurance and credit history.

Chart 18. Answers to Financial Awareness Questions**Thirteen questions on financial awareness**

(percent of all respondents)



FINANCIAL BEHAVIOR

No matter how good or bad the financial knowledge and skills of individuals are, the way this knowledge or these skills translate into financial behavior can vary dramatically. Therefore, in this survey the research team wanted to go beyond a mere knowledge test. The research team inquired how Ukrainians draw up their budgets and create savings, when and why they borrow, and whether or not they set financial goals.

In this section, the research team discusses household financial behavior. Hence, the questions in this section apply not solely to an individual respondent but to her or his family as well. Most questions were multiple-choice, though the research team used some open-ended questions as well.

FINANCIAL GOALS

Financial well-being is the product of savvy financial behavior. The first step in this direction is to set financial goals. These goals are objectives expressed in monetary or material form which a person strives to achieve.

In this survey, 39% of Ukrainians report having some financial goals. There are significant fluctuations by age: while nearly 50% of young adults (18-24 years old) report having a financial goal, only 20% of senior citizens age 60 and older report having one.

Ukrainians have both tangible financial goals (purchase real estate, a car, renovate a dwelling, buy home appliances or gadgets, etc.) and intangible goals related to personal development (business, education, recreation, etc.).

The team identified only one gender-specific financial goal: purchasing a car. Male respondents reported having this goal three times more often than female Ukrainians.

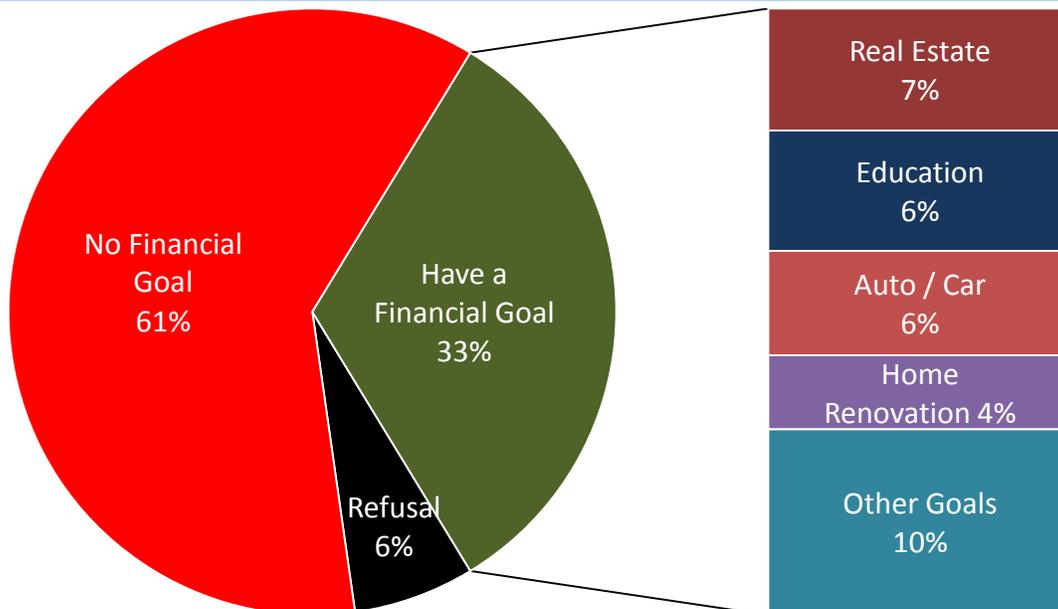
Chart 19. Setting Financial Goals

Do you or your family have any financial goal?

(percent of all respondents)

What kind of goal is it?

(percent of all respondents)



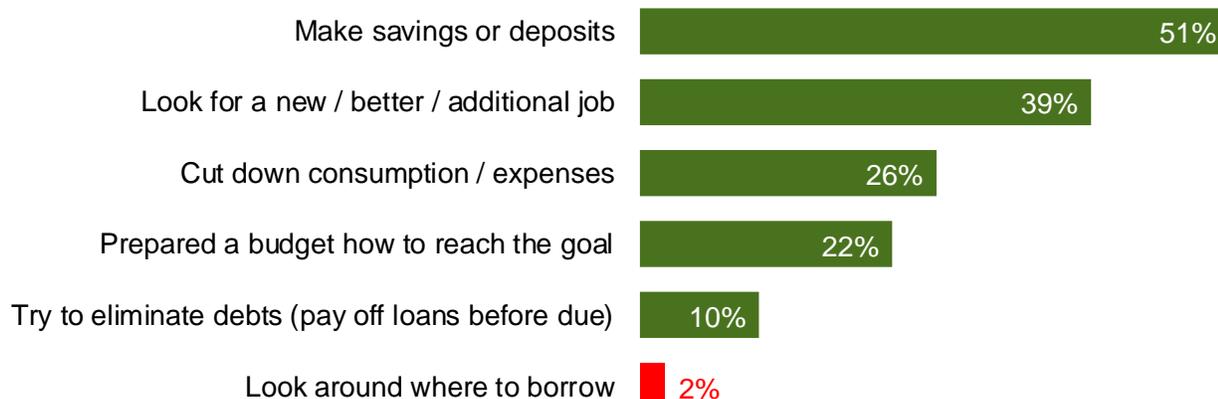
The presence of a financial goal drives financial behavior. Most Ukrainians identified a financial goal they strive to achieve. The research team identified it by asking two related questions: (1) do you have a financial goal, and (2) if yes, what do you do to achieve it? Only few respondents who answered affirmatively to the first question failed to name a single action for the second one. It is important to note that only 2% of Ukrainians believe

they need to borrow to achieve their financial goal. Ten percent of respondents try to eliminate debt while reaching their financial goal.

Chart 20. Actions to Reach Financial Goal

What kind of actions to you take to reach your financial goal?

(percent of respondents indicated they have a financial goal, multiple answers accepted)



The most common actions to reach financial goals are proactive measures, such as savings or deposits, taken by 51% of those who reported having a financial goal or looking for another source of income, as did 39% of those who reported having a financial goal. Over 20% responded that they started preparing a budget.

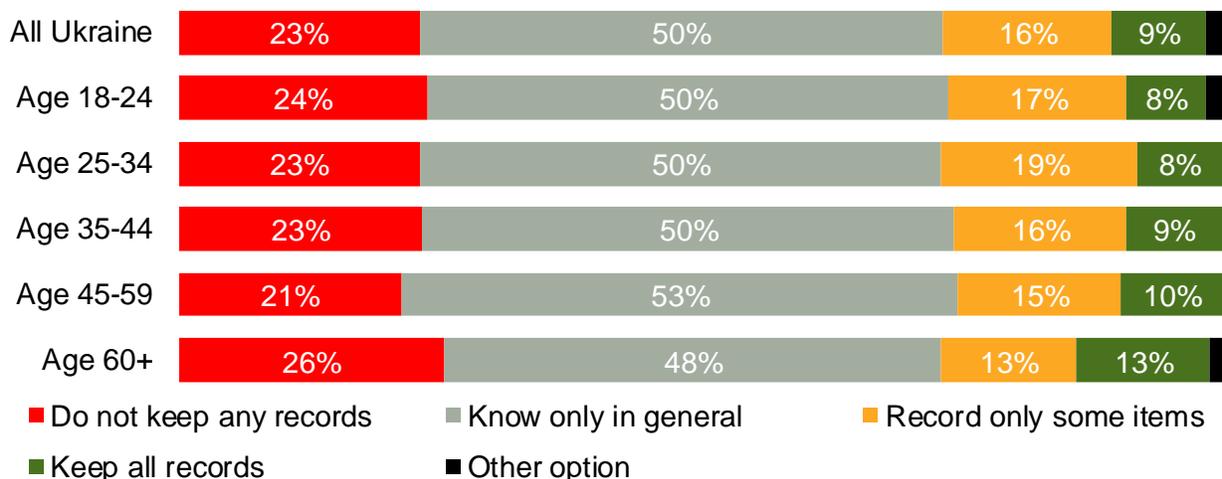
BUDGETING AND CONTROLLING REVENUES AND EXPENSES

Most Ukrainian households have not built a robust system to manage their income and expenses. As shown in Chart 21, only a quarter of respondents confirmed that their family keeps financial records, with 9% recording all income and expenditures items, and another 16% recording only some major items.

Chart 21. Keeping Records of Revenues and Expenses by Age

Is your family used to keeping records of income and expenditures?

(percent of all respondents, percent of respondents by age groups)



Many families keep financial records poorly: only 50% of the households report knowing their income and expenses generally, and 23% do not keep any records. The most diversified group is senior citizens. This group has the highest share of those who record all items and also the highest share of those who do not keep any records.

Measured by regions (see Table 9), the best situation is in the east where one third of households record income and expenses. However, in the northern region (which includes the city of Kyiv), only one of five households keeps records. The center and west have the largest proportion of households that do not keep track of their income and expenses.

Table 9. Keeping Records of Revenues and Expenses by Regions

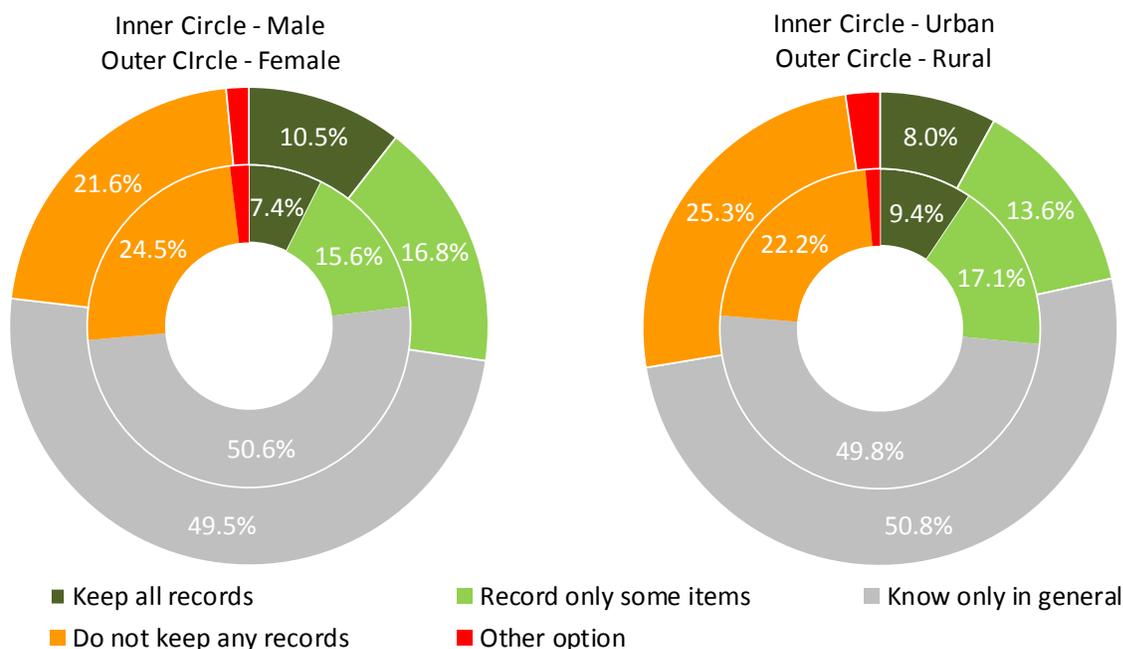
Distribution of answers	Ukraine	Center	North	South	West	East
We record everything	9.0%	11.5%	4.6%	8.8%	8.3%	11.9%
We record partially	16.2%	12.0%	14.9%	13.4%	15.8%	20.0%
We record in general terms	50.0%	45.3%	60.4%	48.3%	46.1%	47.2%
We do not follow	23.0%	29.1%	18.3%	27.3%	29.1%	18.8%
Other option	1.7%	2.1%	1.7%	2.1%	0.7%	2.0%
Number of respondents	2013	234	475	238	412	654

Households managed by men record their family earnings and expenditures differently than those managed by women (Chart 22). Women are more inclined than men to record finances, and fewer women than men keep no records at all. Measured by type of settlement, urban populations show better discipline than rural residents in keeping records.

Chart 22. Keeping Records of Revenues and Expenses by Gender and Settlement

Is your family used to keeping records of income and expenditures?

(percent of respondents by gender and by type of settlement)



Keeping records of family income and expense is a precondition for making family budgets. Most Ukrainians first spend money on items which have been identified as important and include in their budgets only what is left after such earmarked items. Another quarter of respondents spend all their money on day-to-day expenses. Only about 20% first develop a household budget and then decide what to do with any extra money. Most respondents who practice this model live in the east and identify their family income as "above average." Most respondents who report having no family budget or savings live in the central region. Forty

percent of these respondents live in this region, a figure that correlates with their self-assessment of their wealth as “poor.”

SAVINGS BEHAVIOR

Savings result from a person’s ability to generate personal income in excess of personal expenses and indicate household financial well-being and stability. Similar to the assessment of financial literacy, the research team compared respondents’ self-assessments with real quantitative indicators of their savings.

Over 75% of Ukrainians report that they save (Chart 23). Senior respondents say they save “for rainy days” while younger adults save “to be independent and be able to make choices.” Very few respondents build up savings for a clear goal – for major events in their life such as purchasing a house or car, paying for a wedding, or getting an education. Those who do not save cite low income as the major reason.

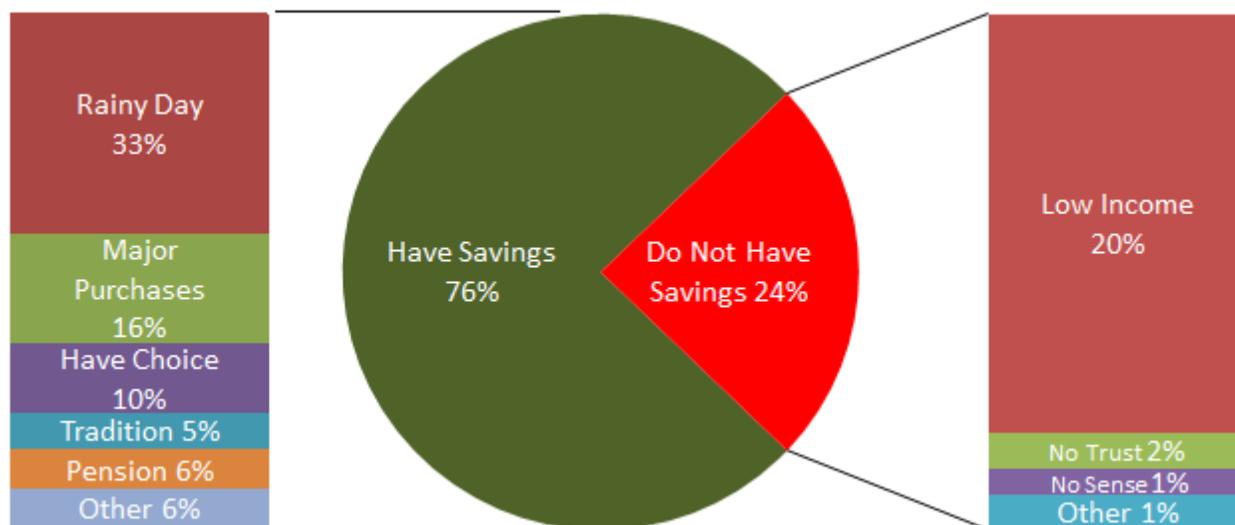
Chart 23. Reasons for Having or Not Having Savings

What are your (your family’s) personal reasons for saving or investing?

(percent of all respondents, multiple answers accepted)

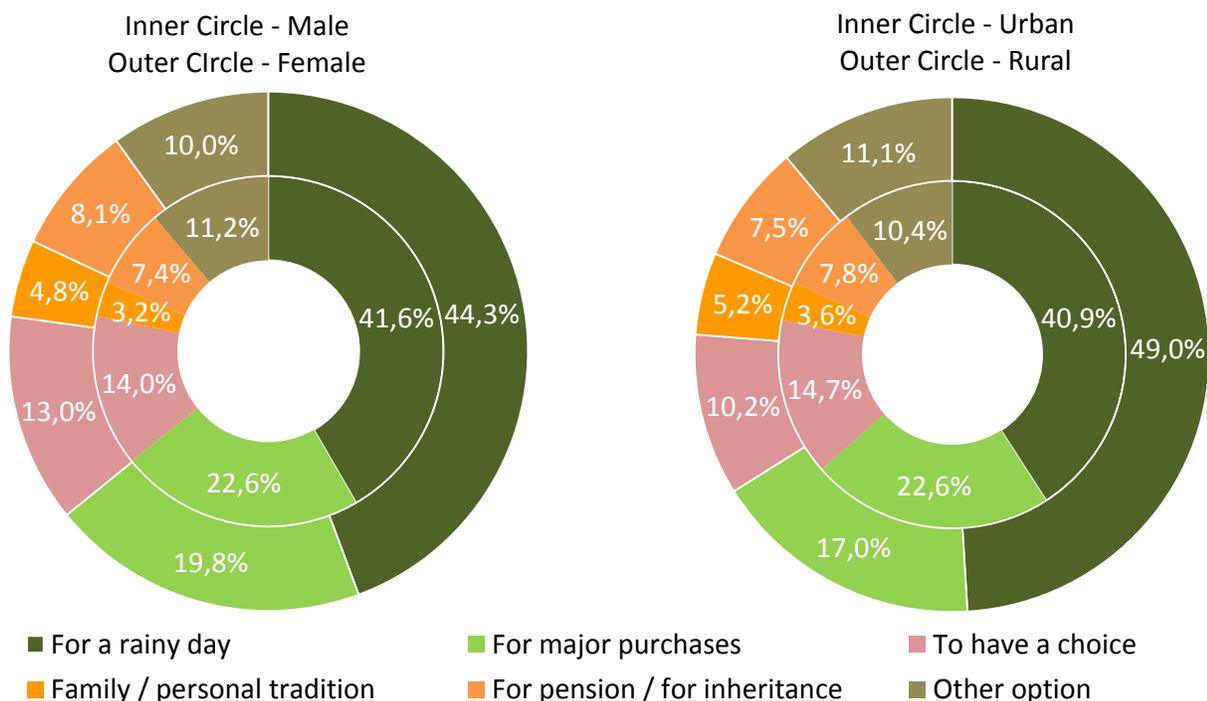
If you (your family) do (does) not save, what is the reason?

(percent of all respondents, multiple answers accepted)



The team noticed significant differences in how people from different regions explain why they save. Nearly 70% of Ukrainians in the south and west say their savings are to protect them from possible life difficulties (“a rainy day”) whereas only 52% of respondents in the east gave this reason. Ukrainians in the south, far more than others, say they save so they will have more freedom of choice in their lives.

There is practically no difference in how female and male respondents are inclined to save, but men more often save for a particular purpose. Rural residents are more inclined to save ‘for a rainy day’ (49% of rural vs. 41% of urban residents) while urban residents more often save for a certain defined goal (23% of urban vs. 17% of rural Ukrainians). Men less often than women save to prepare for a major purchase (20% of men vs. 23% of women) while the primary reason to build saving for both genders are ‘rainy days’ (44% of men and 42% of women).

Chart 24. Reasons for Having or Not Having Savings by Gender and Settlement**Why do you (your family) save?***(percent of respondents by gender and by type of settlement)***Table 10. Savings Behavior by Regions**

Distribution of answers	Ukraine	Center	North	South	West	East
For a rainy day	61.2%	65.6%	59.3%	70.3%	68.8%	52.2%
For major purchases	30.1%	27.2%	32.8%	25.3%	29.4%	31.4%
To have a choice	19.2%	14.6%	17.6%	30.4%	15.0%	21.1%
Family/personal tradition	10.1%	7.9%	6.1%	8.2%	8.9%	15.5%
For pension / for inheritance	11.0%	6.6%	13.7%	13.3%	12.2%	8.7%
Other option	10.6%	12.6%	11.2%	9.5%	9.2%	11.0%
Number of respondents	2007	203	463	248	469	624

The answers to the question "How much money do you put in savings each month?" prompted the research team to conclude that the reality of savings contrasts greatly with the declared aspirations (see Chart 25). Almost 48% of respondents do not put any money into savings at all. One third of citizens save less than UAH 1,000 each month and another 15% put aside up to UAH 3,000. Very few Ukrainians can afford to save larger amounts on a regular basis. Older citizens have the most problematic situation, while young professionals aged 25 – 34 years have the most optimistic outlook.

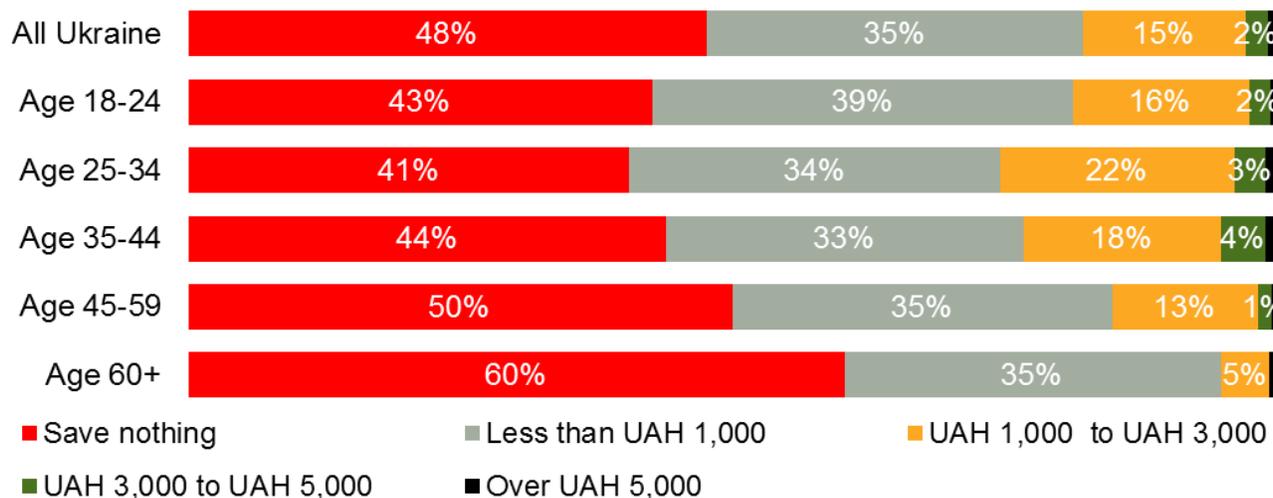
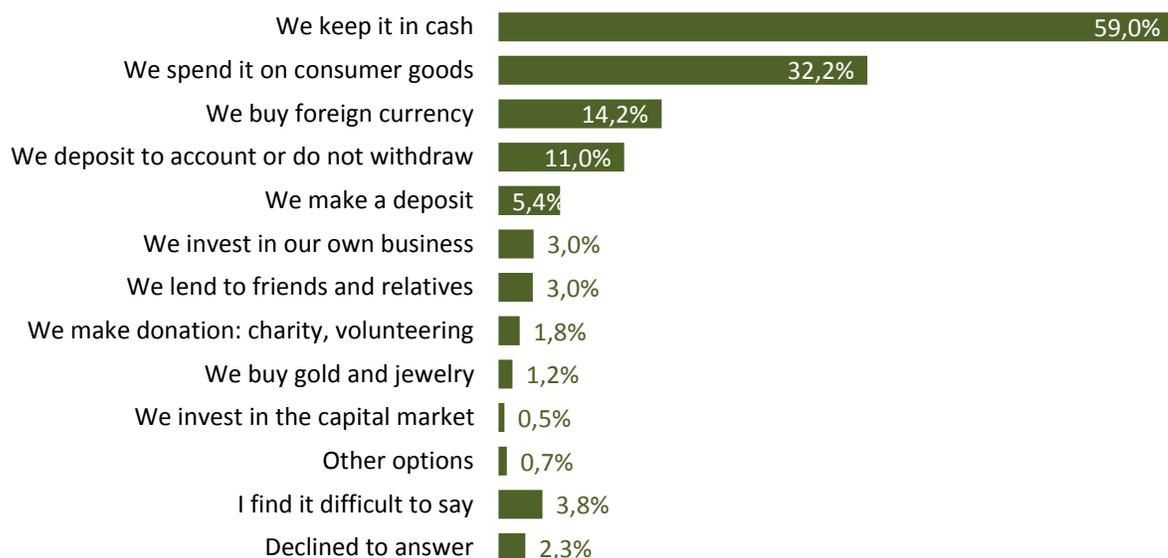
Chart 25. Real Monthly Savings by Age**How much money do you save each month?***(percent of all respondents, percent of respondents by age)*

Chart 26 shows, the majority of Ukrainians (almost 60%) prefer to store cash at home. Every third household spends any budget surplus for consumption. Over 15% of respondents invest extra money by purchasing foreign currency or jewelry, and over 10% of the respondents simply do not withdraw from their account more than they need for the month. Finally, only 12% of Ukrainians use active forms of savings – deposits and investment products.

Chart 26. Managing Extra Household Money**If you (your family) have (has) any money left right before the next revenue arrives, what do you usually do with it?***(percent of respondents indicated having excess money, multiple answers accepted)*

As noted above, Ukrainians prefer liquid forms of savings, that is, instruments that can be readily accessed in case of need, such as for medical treatment, a major purchase, or travel. However, the number of households that can instantly afford to make a large payment – equivalent to a month's income – is significantly smaller than the number of households that save. Only 26% could meet such a payment while the majority – almost 65% – would have to borrow money or ask their relatives or friends for help.

DEBT AND CREDIT ATTITUDES

Internationally, there is no consistent attitude towards living with debts. For example, the OECD [7] suggests that it is not responsible financial behavior to borrow money in case of financial difficulties (loss of a source of income, problems with existing debt, or absence of clear financial goals, etc.) At the same time, the financial systems of OECD countries offer loans and other types of debt as an effective tool to manage personal well-being, treating debt as an acceptable source of funding for persons not in financial difficulties.

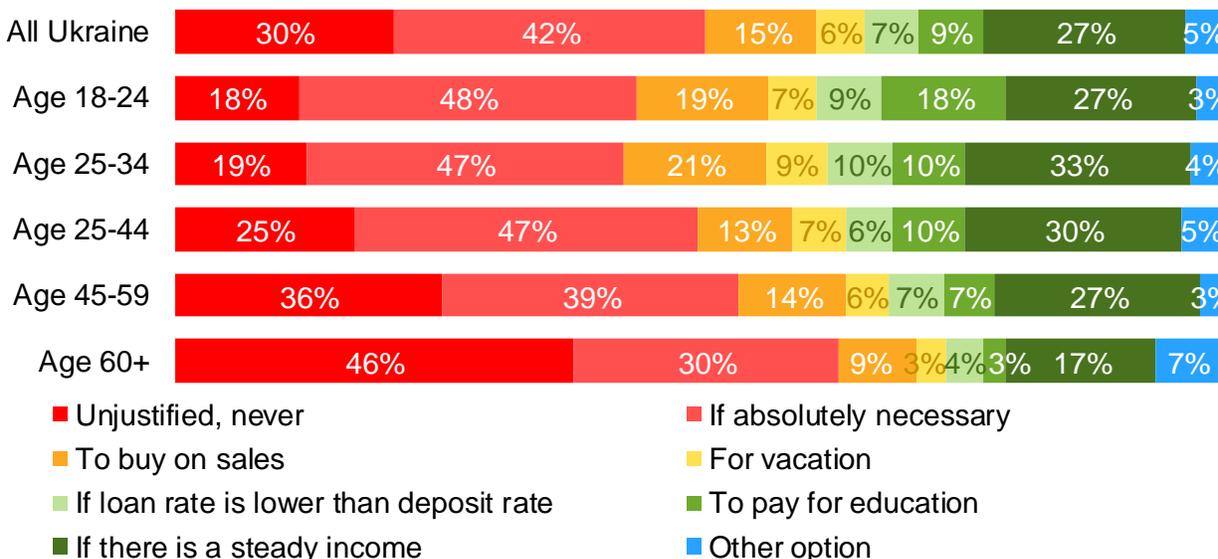
The average Ukrainian, however, does not accept the idea of living on credit (Chart 27). For example, 30% responded 'under no circumstances' to a hypothetical question regarding when it is justified to finance a purchase by a loan. At the same time, almost 42% of respondents believe taking a loan is only warranted when a person does not have enough money to pay for living necessities. Another 27% of Ukrainians accept taking a loan if a person has a reliable source of income while 15% accept borrowing to pay for goods on sale.

The researchers noted significant differences in the attitude towards loans by age of respondents. Senior citizens have an extremely negative attitude although they, more often than other groups, accept taking a loan in case of desperate need. The youngest Ukrainians have a more tolerant attitude toward borrowing as only 18% opposed taking loans under any circumstance. One third of middle-aged respondents believe that taking out a loan to make a purchase is acceptable if a person has a stable income.

Chart 27. Anticipation of Buying on Credit by Age

When do you think buying on credit is justified?

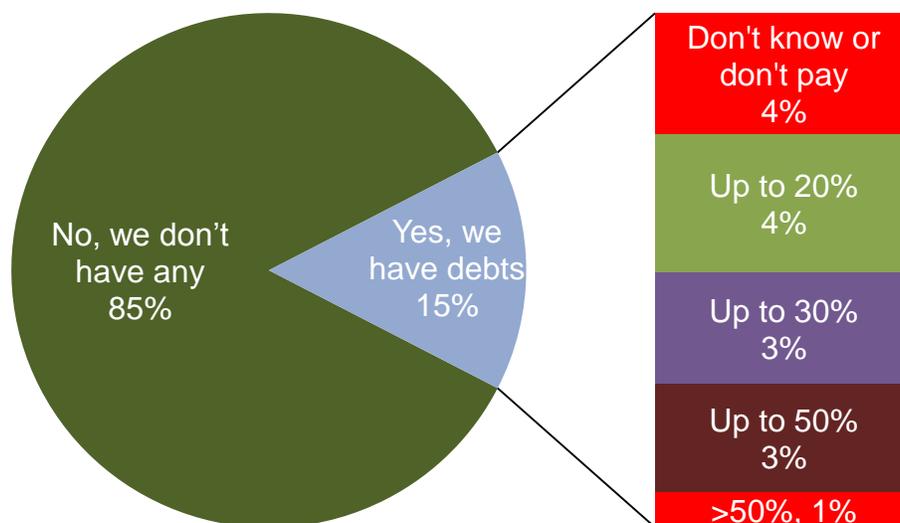
(percent of all respondents, percent of respondents by age)



In the survey of household debt (Chart 28), the research team found that the vast majority of respondents tend to rely upon themselves and say they have no debt (85%). Only 15% confirmed having a loan or other form of debt. However, a quarter of indebted respondents declared that they either do not service their loans or cannot say what portion of household budget goes to pay back the debt.

Measured by age, middle-aged respondents (35-44 years old) are more inclined to borrow, with 20% from this age group having an outstanding loan, while among retired respondents less than 9% borrow. Measured by regions, the share of borrowers in the center and east is higher (24% and 18%, respectively) while residents in the north use loans more rarely (8%).

⁷ Guide to Creating Financial Literacy Scores and Financial Inclusion Indicators using Data from the OECD/INFE 2015 Financial Literacy Survey

Chart 28. Household Debt and Debt Servicing Ratio**Do you (or your family members) have any debts?***(percent of all respondents)***What part of your family income is spent each month on paying back debts?***(percent of all respondents)*

Ukrainians are not inclined to refinance their debts (see Table 11). Among those who did not experience significant reduction in household income over the last two years, over 50% never borrowed to pay existing debt, and almost 25% did it very seldom.

Table 11. Borrowing to Pay Existing Debts by Regions**How often during the last year did you (your family members) have to borrow money to pay back your other debts?***(percent of respondents not suffering from income reduction)*

Distribution of answers	Ukraine	Center	North	South	West	East
Never	51.5%	45.5%	60.2%	49.5%	58.4%	42.8%
Very seldom	24.7%	31.8%	23.0%	20.2%	18.3%	29.0%
Sometimes	14.6%	14.5%	10.9%	23.2%	10.9%	17.4%
Very often	2.3%	3.6%	1.1%	1.0%	1.5%	3.6%
Always	0.9%	1.8%	0.7%	0.0%	1.0%	0.9%
Other	6.0%	2.7%	4.0%	6.1%	9.9%	6.3%
Number of respondents	1019	110	274	99	202	334

FINANCIAL WELL-BEING

Financial well-being results from a person's financial behavior and ability to manage personal finances. Similar to other sections of this survey, the research team assessed financial well-being from two perspectives – by asking respondents to evaluate their personal well-being and by inquiring about their real purchasing power (Chart 29).

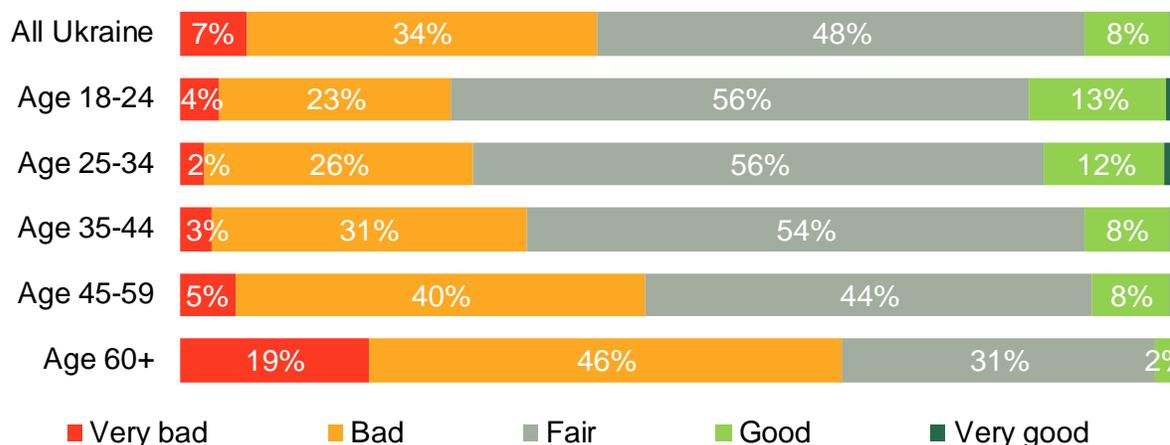
InMind asked respondents to rate the financial well-being of their families using a five-point scale from "very good" to "very bad." Nearly half of all Ukrainians rated their wealth as "fair." Only 1% rated their financial

condition as "very good" while a significant portion of respondents said their financial situation was "bad" (34%) or "very bad" (7%).

Chart 29. Self-Assessment of Financial Well-Being by Age

How do you assess the financial situation in your family?

(percent of all respondents, percent of respondents by age)



Age and region of residence were the main determinants of financial well-being, as seen in Chart 29 and Table 12, while gender, type of settlement, or even education did not have any significant impact on the distribution of answers.

Table 12. Self-Assessment of Financial Well-Being by Regions

Distribution of answers	Ukraine	Center	North	South	West	East
Very good	0.6%	0.0%	0.2%	2.9%	0.7%	0.3%
Good	8.2%	5.6%	8.0%	13.9%	7.8%	7.6%
Fair	47.8%	49.1%	50.7%	37.4%	43.0%	52.1%
Bad	34.3%	34.2%	33.1%	38.7%	39.3%	30.4%
Very bad	6.6%	10.3%	5.1%	6.3%	6.6%	6.4%
Number of respondents	2013	234	475	238	412	654

The south had the largest proportion of respondents who estimated the financial condition of their family as "very good" or "good" – 3% and 14%, respectively. This was an unexpected finding since the percentages of correct answers to both financial calculations and awareness tests in this region were the lowest in Ukraine.

Young Ukrainians (up to 35 years) are almost 1.5 times more likely than the national average to assess the wealth of their family as "good" and "very good." In this age group, there is a much lower proportion of those who consider their financial position as "bad" or "very bad." One of the possible explanations is that the younger generation is more inclined to set financial goals and thus more likely to proactively manage their finances.

The research team compared the respondents' self-assessment of their financial well-being with the reality. The major difference was found in the so called "bottom of the pyramid." As many as 15% of respondents stated they lack money to feed themselves, and 44% stated they have trouble paying for anything besides food. For both these categories the share of respondents is significantly greater than the share of corresponding self-assessment categories (see Chart 30). In the upper part of the pyramid the situation is the opposite: only 35% of respondents answered they can afford basic needs but have difficulty affording durable goods whereas as 48% respondents assessed their financial situation as "fair," the corresponding category.

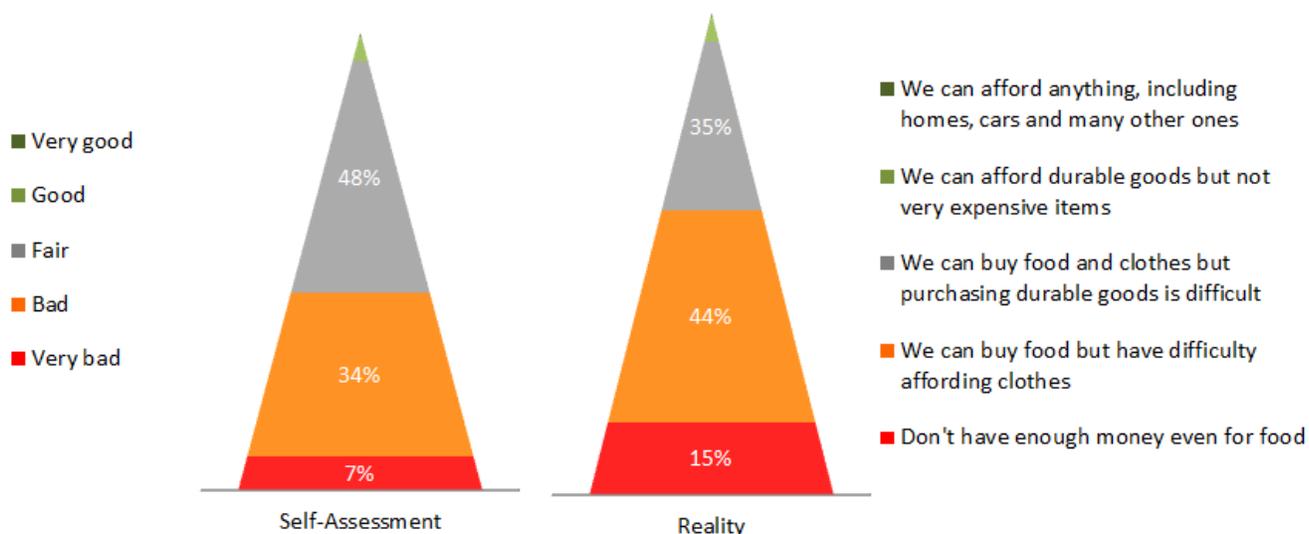
Chart 30. Anticipated vs. Real Well-Being

How do you assess the financial situation in your family?

(percent of all respondents)

Which of the following groups of people do you think you (your family) most likely belong to?

(percent of all respondents)



Since the survey was done during the backdrop of adverse developments in the Ukrainian financial sector, the research team decided to repeat the question from the 2010 survey about any impact of the financial crisis on the well-being and financial behavior of Ukrainians (see Chart 31). In 2010, 55% of the respondents declared that they had experienced an unexpected and substantial reduction in their income over past three years. In 2017, the identical situation was observed: 54% of Ukrainians noted a reduction in their income over the past two years, mainly because they had to pay for a major unexpected event (medical treatment, renovation of dwelling, education, etc.) University graduates, who showed above-the-average financial inclusion, were the most resilient at coping.

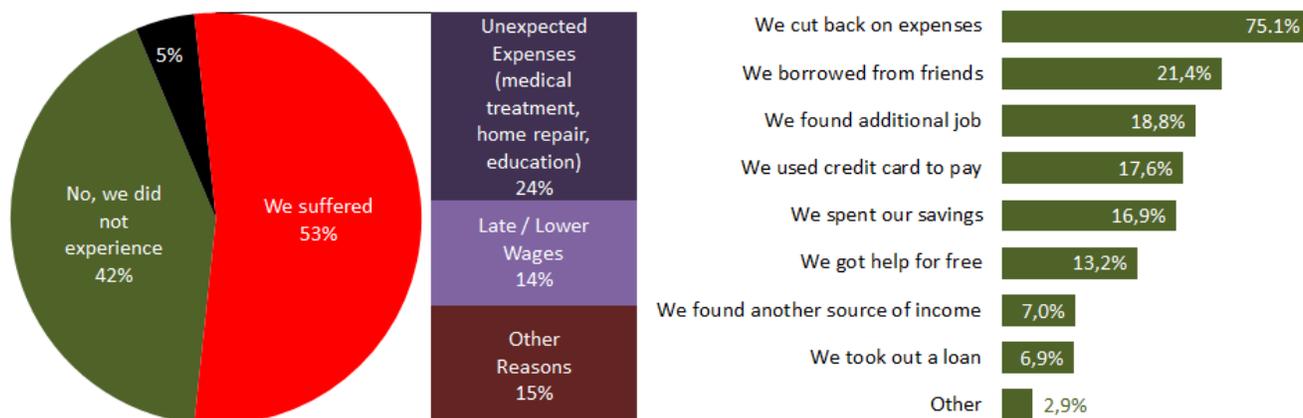
Chart 31. Household Income Reduction: Reasons and Behavior

Did you (your family) experience an unexpected significant reduction of your income over the last two years?

(percent of all respondents)

How did you (your family) manage to make ends meet when your income suddenly dropped?

(percent of respondents answering affirmatively the above question)



Compared to 2010, there is no change in how Ukrainians address a reduction in revenues. The vast majority of Ukrainians (75%) respond to financial pressure by reducing their expenses. The second most popular option (21%) is borrowing from relatives and friends, followed by finding a second job (19%), relying on credit card payments (18%), and spending savings (17%). Very few households (7%) took out a consumer loan from a bank or a pawnshop.

Overall, the financial well-being of Ukrainians is not stable. Should a household lose its main source of income, only about 12% would be able to go for three months or longer without changing their present consumption habits or borrowing money. About one third of the families would be able to live without their main source of income for at least one month but would not last for three months. About 26% of the families would not survive even one month and another 15% would not be able to last even for one week in such a situation.

CHOICE OF FINANCIAL COMPANIES AND SERVICES

In this survey, the research team approached the choice of financial companies and services from several angles: (1) where Ukrainians get information; (2) how often they compare offers from several institutions before purchasing; and (3) what criteria they use to make their choice.

As shown in Table 13, the majority of Ukrainians – almost 59% in the full sample and 53% in the sample comparable to the 2010 survey – rely on financial media, such as newspapers, magazines, and TV financial programs, in choosing a financial institution. This was a decrease from 2010 when the level of trust for this information source was 67%. The research team also noticed significant shifts across regions: residents in the center, south and west rely upon journalists' advice much more than residents in the east and north.

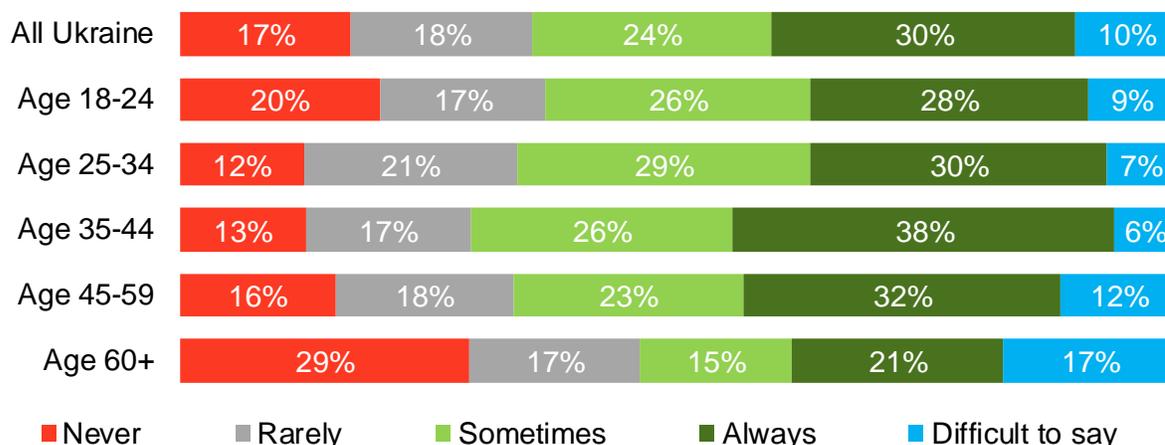
The number of respondents who trust advice from their friends, relatives, and acquaintances increased significantly. While in 2010 about 20% considered this information source as reliable, in 2017 almost one third do. However, fewer people trust advertisements.

Table 13. Sources of Financial Information for Households

Distribution of answers	Ukraine	Center	North	South	West	East
Financial media	59.2%	74.6%	44.9%	61.4%	75.5%	53.0%
Friends and acquaintances	32.6%	25.4%	33.8%	43.9%	41.4%	23.5%
General news websites	30.5%	16.2%	27.7%	37.9%	28.5%	37.8%
Financial news websites	21.6%	14.8%	25.8%	22.0%	15.7%	25.0%
Advertisements	9.8%	1.4%	10.8%	13.6%	8.8%	11.6%
Employees of financial institutions	8.3%	7.0%	11.1%	5.3%	6.8%	8.5%
Independent consultants	3.6%	2.8%	4.5%	6.1%	2.8%	2.7%
Other sources	11.6%	6.3%	15.0%	12.9%	5.6%	14.6%
Number of respondents	1165	142	314	132	249	328

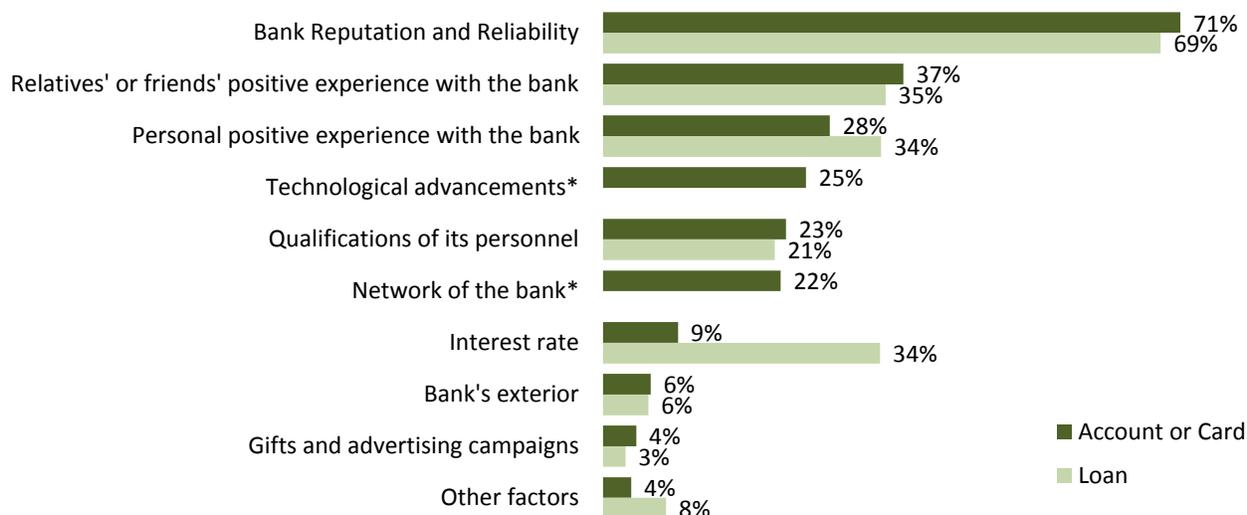
Thirty percent of Ukrainians always compare conditions and rates for financial products from among several financial companies and banks offering this product (see Chart 32). Another 24% do it from time to time, 18% only rarely, and 17% never do it. In addition, 60% of respondents had their employer or a social agent choose the bank where they opened an account.

Chart 32. Comparing Terms and Conditions Prior to Purchase
How often do you compare the terms and conditions and rates for provision of financial services by various companies/banks before you buy such a service?
 (percent of all respondents, percent of respondents by age)



Ukrainians choose financial institutions not based on calculations, but on emotions and other factors (See Chart 33). The most popular determinant is "reputation and reliability"; about 70% of respondents take this factor into consideration while opening a bank account or taking out a consumer loan. The percentage of those who base their choice on the positive experience of their relatives and friends or their own prior experience varies from 28% to 37%, depending on the product. The price of the product, such as interest rate, is important to 34% of Ukrainians when choosing a consumer loan.

Chart 33. Considerations in Choosing a Bank
What is your primary consideration in choosing a bank to obtain the simplest financial services such as opening a current account or a bank card?
 (percent of all respondents)
What is your primary consideration in choosing a bank from which to borrow?
 (percent of all respondents)



* This answer option is only for the question related to the choice of a bank to open an account or a card.

FINANCIAL PLANS FOR RETIREMENT

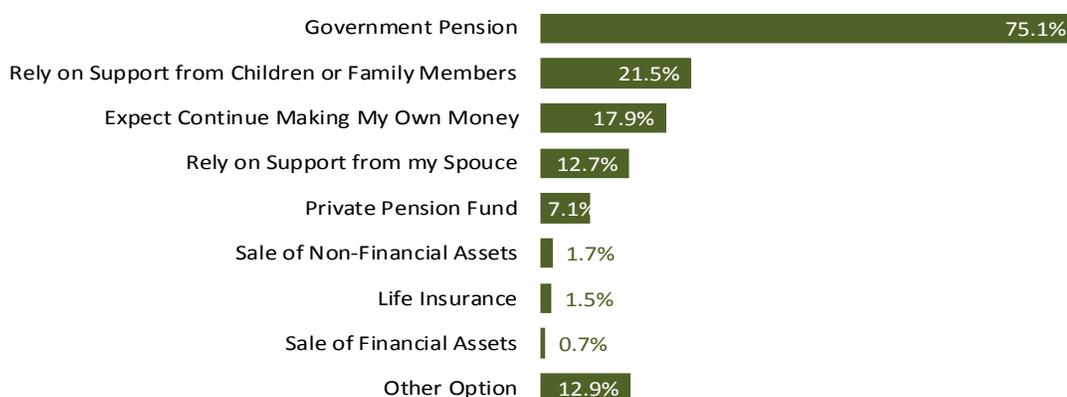
The upcoming pension reform will change the penetration of financial services as it will introduce investment-based pension pillars. The research team surveyed how Ukrainians plan their retirement and what sources of income they expect to have.

As the research team mentioned above, only 10% of Ukrainians try to build up savings for future retirement. The vast majority of respondents (75%) are confident they will rely only on the state pension when they retire. As reflected in Chart 34, over 20% of Ukrainians rely up financial support from children, and about 13% depend on spousal support. Almost 18% of respondents are confident they will be able to continue an active life and make their own money after retirement – by farming, leasing out their property, or at least working part-time. Only about 7% of Ukrainians count on private pensions as the main income for their retirement.

Chart 34. Retirement Financial Plans

What sources do you plan to rely on for financial support once you retire?

(percent of all respondents, percent of respondents by age, multiple answers accepted)

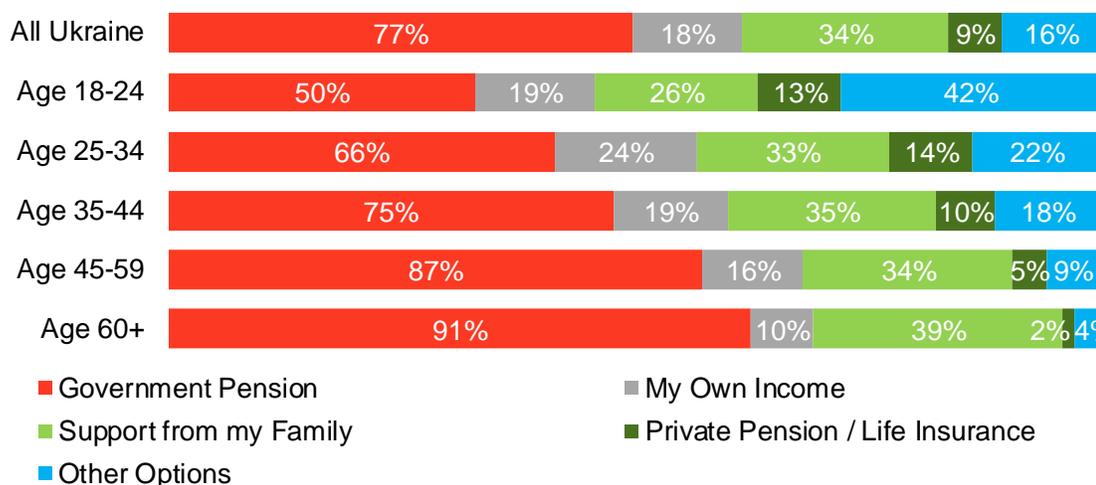


As seen in Chart 35, respondents nearing retirement and at retirement age are most likely to rely solely on a government pension – 87% and 91%, respectively. Younger respondents (age 25-34) are less inclined to count on the government and try to diversify their future retirement financial sources by including payouts from private pension funds (13%) and revenues from leasing, farming, and part-time employment (24%).

Chart 35. Anticipation of Public and Private Pension Funds by Age Groups

From what sources do you plan to rely on for financial support once you retire?

(percent of all respondents, multiple answers accepted)



COMPARISON TO OECD/INFE 2015 SURVEY

Globally, the initiative to measure financial literacy is led by the Organization for Economic Co-operation and Development (OECD) and the International Network on Financial Education (INFE). In April 2015, these organizations released a “Toolkit for measuring financial literacy and financial inclusion” [8]. In 2015, under their auspices, a survey of financial literacy of the adult population in 30 countries, including 17 OECD member countries, was conducted and a summary report was prepared in 2016 [9]. The survey was preceded by long-term work to develop the questionnaire and design a special scoring model to ensure cross-country comparison and identification of areas requiring special attention.

Ukraine was not among the countries which participated in the OECD/INFE survey in 2015. The research team anticipates that future surveys of financial literacy, especially international surveys, will use the OECD/INFE format and methodology. Therefore, it is important to at least approximate the results in Ukraine to the format of OECD/INFE, identify the areas of concern and take remedial actions.

Accordingly, the research team assigned an additional task for this survey – to compare the outcomes with OECD/INFE formats. All comparisons with OECD results made in this section are only for illustrative purposes.

The Ukraine survey complies with OECD/INFE requirements for selecting the respondents and determining the size of the sample, thus enabling the team to draw comparisons (see Table 14).

Table 14. OECD/INFE 2015 vs. Ukraine 2017: Sampling

Criterion	OECD/INFE 2015	Ukraine 2017
Age limit	From 18 to 79 years	From 18 years
Survey method	<ul style="list-style-type: none"> • Telephone interview • “Face to face” interview • Internet survey (only for countries with a high level of education and Internet penetration) 	“Face to face” interview
Selection size	Actual – 1,000 respondents regardless of the size of the country’s population, recommended planned – 1,700 respondents	2,013 respondents
Respondent characteristic	Does not depend on usage of financial services	Must have personal experience in using a financial service over the past two years (financial inclusion)

With regard to the survey questionnaire, this survey and the OECD/INFE 2015 survey have several differences:

- The OECD/INFE 2015 questionnaire widely uses open-ended questions in order to reduce the probability of respondents guessing an answer. This applies mainly to questions about knowledge and skills. However, in the questionnaire of the Ukraine survey all the knowledge questions are multiple-choice.
- The questions in the OECD/INFE 2015 questionnaire that are used for scoring have very specific text, numbers, and substantive answer options. No agency conducting the OECD/INFE 2015 survey at the national level had any right to amend, append, or alter either the question itself or the answer options. However, this survey used customized questions from 2010 survey, which do not perfectly match the respective questions of the OECD/INFE 2015 survey;
- The OECD/INFE 2015 survey assesses the overall level of financial literacy as a sum of scores from three components: mathematics (max. 7 points), behavior (max. 9 points) and attitude (max. 5 points). Typically, the number of points is consistent with the number of questions in a component, with certain exceptions. However, it was not always possible to find the corresponding number of questions; hence in some

⁸ The OECD/INFE Toolkit for measuring financial literacy and financial inclusion

⁹ OECD/INFE International Survey of Adult Financial Literacy Competences

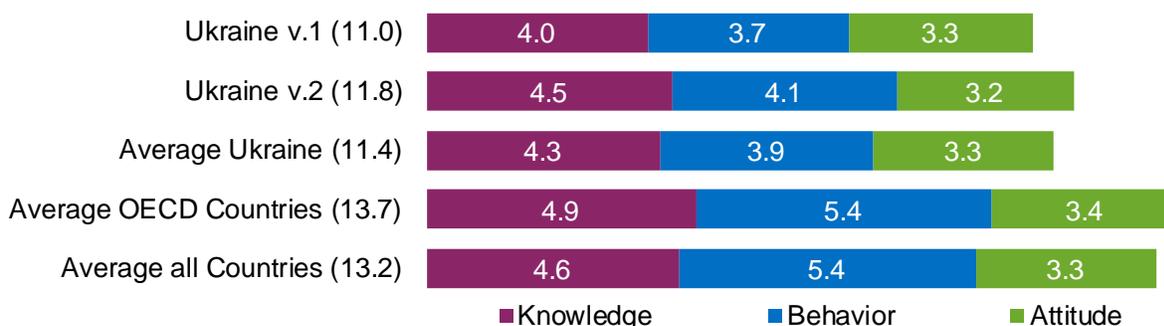
components the maximum scores were smaller than OECD's. Therefore, for each component the research team divided sub-totals by the number of questions in the survey and multiplied by the number of questions in OECD survey. This allowed the team to ensure that each component contributes the same maximum value towards the total score as in the OECD/INFE 2015 survey.

InMind designed a mapping table to translate data from the survey into OECD format and approximate the score to the OECD/INFE model. Since in this survey questionnaire there was more than one possible match to OECD questions, the research team developed two versions of the mapping tables, presented in Attachment 2.

Chart 36. OECD/INFE 2015 vs. Ukraine 2017: Overall Scoring

Total financial knowledge, behavior, and attitude score

(stacked points, overall score in parenthesis)



As shown in Chart 36, the score calculated for Ukraine based on Version 1 of the mapping tables is 11 points - the worst score among the 30 countries surveyed by the OECD. The second lowest country, Poland, scored 11.6 points, and the highest scoring country, France, 14.9 points.

Measured by Version 2, Ukraine ranks 29th out of 31, outscoring Poland and Belarus (11.7 points each).

Ukraine's average score from the two versions is 11.4 points-- the lowest among all surveyed countries.

Financial behavior is problematic under both approximation scenarios. This category contributes the largest number of points to the overall score – 9 out of 21. Ukrainians scored only about 4 points, the lowest among all surveyed countries.

There is a tangible difference among the regions of Ukraine by score components although their total scores are almost identical (see Table 15). The center region of Ukraine demonstrates the best financial knowledge while the west has the best attitude towards finance. But in both macro-regions these attributes are not translated into real behavior. The best behavior is demonstrated by residents of the east; however, they have the most negative attitude towards finance.

Table 15. OECD/INFE 2015 vs. Ukraine 2017: Scoring by Regions

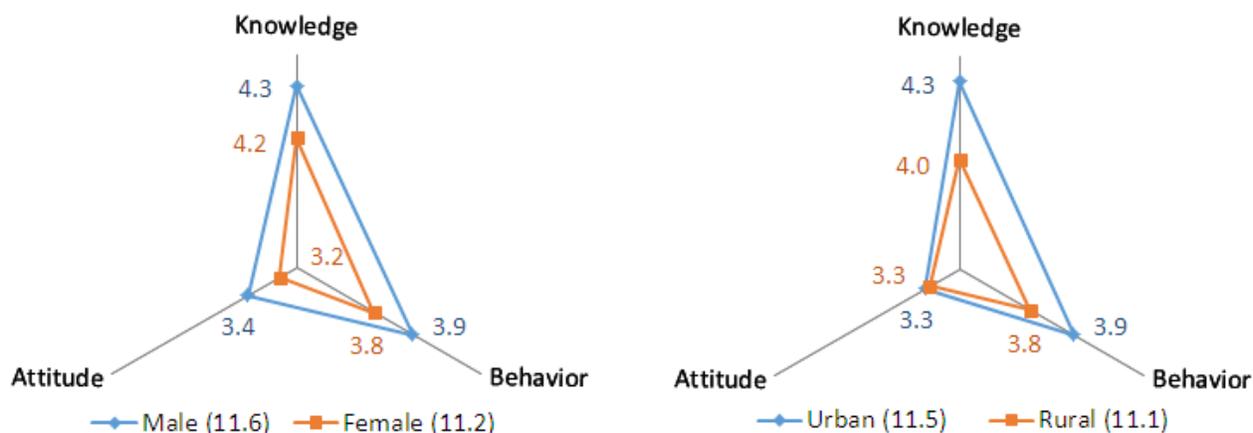
Area of Assessment	Ukraine	Center	North	South	West	East
Knowledge	4.25	4.41	4.28	4.19	3.99	4.35
Behavior	3.89	3.82	3.71	4.12	3.88	3.96
Attitude	3.29	3.12	3.40	3.32	3.60	3.05
Overall score	11.4	11.4	11.4	11.6	11.5	11.4

Chart 37 shows an even greater difference in total scores by gender and type of settlement. Men and urban residents scored a higher total than women and rural residents, demonstrating better scores in all three areas of assessment.

Chart 37. OECD/INFE 2015 vs. Ukraine 2017: Scoring by Gender and Settlement

Total financial knowledge, behavior, and attitude score

(total score is provided in parenthesis)

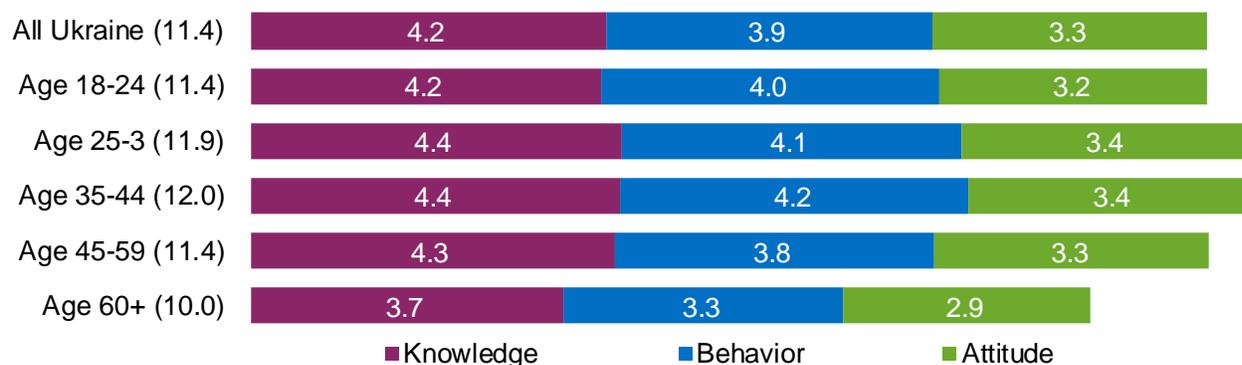


The greatest difference in scores is due to the age of the respondents (Chart 38). As expected, people aged 60 and older got the lowest score, performing poorly across all assessment categories. The best scores were attained by Ukrainians aged 25-44. Within this group, the best results belong to university graduates (12.6 points) and those who consider themselves upper middle class (14.6 points). This is above the average for OECD countries and corresponds to the level of the “bronze medalists,” Norway and Canada. Scores of two age groups, young adults (age 18-24) and senior citizens (age 45-59), match the national average.

Chart 38. OECD/INFE 2015 vs. Ukraine 2017: Scoring by Age Groups

Total financial knowledge, behavior, and attitude score

(stacked points, overall score in parenthesis)



The above survey results provide an updated view of financial literacy, awareness, and inclusion in Ukraine in 2017. Although there have been some improvements since 2010, in-country challenges and changes in the intervening years have led to some interesting results as well areas for exploration. The research team hopes that these results will prove useful to both public and private stakeholders within Ukraine and in the larger international donor community.

ATTACHMENT I – QUESTIONNAIRE USED

SECTION 1: Self-Assessment on Financial Literacy and Expectations¹⁰

Financial literacy is a combination of awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being.

A1. Do you consider yourself a financially literate person? Please, evaluate your knowledge and skills using a five-point system, where 1 stands for the complete absence of knowledge and skills in management of personal finances and 5 stands for excellent command of the subject in question.

- No knowledge and skills
- Unsatisfactory knowledge and skills
- Satisfactory knowledge and skills
- Good knowledge and skills
- Excellent knowledge and skills

A2. What is your primary consideration in choosing a bank from which to borrow?

- Bank's reputation (fame) and its reliability
- View of the bank office and its equipment
- Qualifications of its personnel
- Relatives or friends positive experience with the bank
- Personal positive experience with the bank
- Credit interest rate and the credit cost
- Gifts and advertising campaigns

A3. What is your primary consideration in choosing a bank to obtain the simplest financial services such as opening a current account or a bank card?

- Bank's reputation (fame) and its reliability
- View of the bank office and its equipment
- Qualifications of its personnel
- Relatives or friends positive experience with the bank
- Advertised interest rates
- Gifts and advertising campaigns
- Network of the bank
- Technological advancements of the bank: availability of Internet-banking, possibility to pay bills through ATMs or bank terminals
- Personal positive experience with the bank

A4. When do you think buying on credit is justified?

- If a shop has sales for the goods I need
- If the interest rate on credit is lower than the one on deposit
- If a person needs to pay for education which would allow to get a better paid job
- If a person really needs a vacation but does not have money at the moment
- In case of emergency, when there is no required amount
- When a person has a steady income
- It is never justified

SECTION 2: Real Test of Financial Math

M1. Let's assume that you deposited 100,000 UAH in a bank account for 2 years at an 8% annual interest rate. How much money will you have in your account in 2 years if you do not withdraw from or add to this account any money?

- More than 108,000 UAH
- Exactly 108,000 UAH
- Less than 108,000 UAH

M2. Let's assume that you deposited 100,000 UAH in a bank account for 5 years at 10% annual interest rate. The interest will be earned at the end of each year and will be added to the principal (so-called

¹⁰ Every question also had three answer options: "Other", "I find it difficult to answer this question", and "Declined to answer".

deposit body). How much money will you have in your account in 5 years if you do not withdraw either the principal or the interest?

- More than 150,000 UAH
- Exactly 150,000 UAH
- Less than 150,000 UAH

M3. Imagine that you deposited money in a bank account at 8% annual interest rate, while the annual inflation rate was 10%. Do you think the money from your account can buy more or less, or the same amount of goods and services on average now as a year ago?

- More than a year ago
- The same
- Less than a year ago

M4. Let's assume that next year your income is twice as now, and the consumer prices also grow twofold. Do you think that next year you will be able to buy more, less, or the same amount of goods and services as today?

- More than today
- Exactly the same
- Less than today

M5. Let's assume that you saw a TV-set of the same model on sale in two different shops. The initial retail price of it was 10,000 UAH. One shop offered a discount of 1,500 UAH, while the other one offered a 10% discount. Which one is a better bargain – a discount of 1,500 UAH or 10%?

- A discount of 1,500 UAH
- A 10% discount
- The proposed discounts are the same from the point of view of cost-effectiveness

M6. Let's assume that a household appliances store offered you to buy goods worth 10,000 UAH in installments. The store offered you to sign "a zero-interest credit" contract under which you will have to pay back only the cost of the equipment that is UAH 10,000, during a year in equal payments without any interest. However, in order to receive this credit, you will have to buy a special insurance worth 600 UAH. Can you give a rough estimate of the real ANNUAL interest rate on this "zero-interest" credit?

- 3%
- 6%
- 9%
- 12%

M7. Let's assume you have purchased a bond with face value of 1,000 UAH for 900 UAH. The bond would expire in a year and bring you a coupon of 150 UAH. If you would hold the bond till maturity, can you estimate what return you would enjoy on your investment?

- Below 15%
- Exactly 15%
- Above 15%
- Above 20%

SECTION 3: Real Test of Financial Awareness

G1. If a citizen has a deposit in a regular Ukrainian commercial bank and this bank becomes bankrupt and is liquidated, do you know what maximum level of a deposit is entirely guaranteed?

- There is no guarantee on bank deposits
- 100,000 UAH
- 150,000 UAH
- 200,000 UAH
- 500,000 UAH
- No limits – all deposits in any bank are guaranteed by the state in their full amount

G2. If a citizen has invested into an investment fund, and this investment fund becomes bankrupt, what is an approximate level of losses covered by the state?

- There is no guarantee on investments into investment funds
- 100,000 UAH
- 150,000 UAH
- 200,000 UAH
- 500,000 UAH
- No limits – all investments are guaranteed by the state in their full amount

G3. If a citizen has a deposit in a credit union, and this union becomes bankrupt, do you know what maximum level of a deposit is entirely guaranteed by the state?

- There is no guarantee on credit union deposits
- 100,000 UAH
- 150,000 UAH
- 200,000 UAH
- 500,000 UAH
- No limits – all deposits in any credit union are guaranteed by the state in their full amount

G4. If a citizen has risk insurance (other than automobile liability insurance) from an insurance company, and this company goes bankrupt, do you know what happens to the purchased insurance?

- It is possible to receive coverage by applying to court in bankruptcy proceedings
- It is assumed by other insurance company, most likely government-owned
- It is assumed directly by the state, but with 200,000 UAH threshold
- It is assumed directly by the state according to the initial terms and conditions

G5. What should the banks do under the current Ukrainian legislation? Choose an option, which, in your opinion, is the most compliant with the Ukrainian law.

- Issue credits to everybody who applies for them
- Charge the same annual interest rate on all credits
- Charge the same annual interest rates on all similar credits (credit cards, car purchase credits, mortgage loans, etc.)
- Receive payments and carry out other transactions for the population free of charge
- Inform a borrower of the total credit cost and effective rate of interest

G6. Do you know what life insurance is?

- This is a service provided by any insurance company whereby it pays out insurance coverage to designated individuals in the case of death of a person whose life was insured
- This is a service that can be provided solely by a specialized insurance company whereby an insured person receives an amount of money upon reaching a certain age and after his /her death, the insurance benefits are paid out to his/her heirs.

G7. Do you know which card allows such transactions as cashing out money, effecting payments on-line or in a shop for an amount greater than you have on your balance?

- Debit card
- Credit card
- Any bank plastic card

G8. Do you know what the term “franchise” in insurance means?

- Yes, it is the sum of money one has to pay to insurance company to purchase insurance
- Yes, it is the sum of money the insurance beneficiary is going to receive if risk event occurs
- Yes, it is the sum of money the insurance company would deduct from coverage when it has to pay off the claim
- I do not know this term / I never heard this term before

G9. Which item(s) below explain(s) the difference between a share and a bond?

- Share represents an investment into statutory fund, whereas bond does not
- Bond can be bought back by the issuer, whereas share cannot
- Common share has no guaranteed level of income, whereas bonds can have fixed and variable returns
- Bonds can be sold in a secondary market, whereas shares cannot
- Bonds can be held by individuals and legal entities, whereas shares only by investors – legal entities
- Shares can be pledged as collateral, whereas bonds cannot
- There is no difference between shares and bonds; these are just different names for the same instruments

G10. Do you know what a “credit history” is?

- This is the information about performance of loans in an individual bank that can be found in the bank’s financial statement
- This is the information about performance of an individual borrower that can be retrieved from credit bureaus
- This is the information about previous defaults of a security issuer that can be found in the state registry of security issues
- This is the information about Ukraine’s sovereign debt performance that is collected by institutional lenders

- All of the above
- None of the above

G11. Do you know what a “variable or floating rate of interest” is?

- It is a rate of interest that can be altered during the life of a contract
- It is a rate that is indexed to a commonly used rate referred to as ‘base rate’
- It is a rate that parties of transaction can reset without asking each other for any consent
- It is a rate that is opposite to “fixed rate of interest”
- All of the above
- None of the above

G12. If your friend asked you to be a guarantor on his or her loan, and you agreed to this proposal, what kind of liability might you encounter?

- There is no financial liability attached to this, I will just make a gesture to my friend
- There is a financial liability attached to this in case my friend fails to pay off the loan
- There are both financial and criminal liabilities attached in case my friend fails to pay off the loan
- My liability is that if my friend fails to pay off the loan, and in the case of my application for a loan, I will automatically be denied a loan as an unreliable person

G13. Do you agree with the following statement? Only those can work successfully in the stock market who already have a lot of money

- Yes
- No

G14. Do you agree with the following statement? High return on investments is always and necessarily associated with a high risk of losing your money

- Yes
- No

G15. Do you agree with the following statement? For large purchases, it is better to accumulate the required amount rather than to take a loan and pay it off later

- Yes
- No

G16. Do you agree with the following statement? The best way to protect against inflation is to keep your savings in foreign currency

- Yes
- No

G17. Do you agree with the following statement? Deposit is a dangerous instrument for savings, since many people have deposited their money and lost it

- Yes
- No

G18. Do you agree with the following statement? If your salary is credited to a card account, the best way is to withdraw the whole amount and keep it at home in cash

- Yes
- No

G19. Do you agree with the following statement? My mobile operator I trust more than my bank.

- Yes
- No

SECTION 4: Financial Behavior

F1. How do you (does your family) usually manage your monthly income? Choose an option that fits you the most.

- First, I create my budget for the next period by, for example, putting my earnings into envelopes and then spend only the rest of the money on needs that go beyond my plan or budget
- I spend money on the needs that I consider important and only the rest of the money I allocate according to the plan or budget
- I spend all the money on everyday needs and do not create any budget or save anything

F2. Is your family used to keeping records of income and expenditures? Look at the list below and say which option is the most accurate description of your (your family's) practice?

- Yes, the research team keep records of everything

- Yes, the research team keep records, but not all revenues and expenditures are entered
- No, the research team don't keep records of everything, but the research team know in general how much money is received and spent during a month
- No, the research team don't keep records of income and expenditures and do not keep track of how much money the research team receive and spend

F3. If you, personally, face a major expense today – equivalent to your own monthly income – would you be able to pay it without borrowing the money or asking family or friends to help?

- Yes
- No

F4. Some people set themselves financial goals, such as paying university fees, buying a car or a housing, or becoming debt free. Do you (personally, or your family) have any financial goals?

- Yes
- No

F5. Please, tell briefly about your most important financial goals.

F6. What actions/steps have you taken/made to meet your financial goals?

- Created a budget to achieve our financial goal
- We are trying to become debt free as soon as possible (paying off our loans ahead of schedule)
- We are saving money
- Looking for a new/different/additional job
- Looking for a source of credit
- Cut back on consumption / spending

F7. What sources of income do you plan to have after retirement?

- State pension payments
- Payments from a private pension fund
- Payments from insurance companies
- Income from sale of financial assets (such as shares, bonds or collective investment funds)
- Income from sale of non-financial assets (such as a car, real estate, artworks, jewelry, antiques, etc.)
- Income earned from working after retirement (renting of apartments, farming, part-time job, etc.)
- Rely on a spouse or a partner to support me
- Rely on my children or other family members to support me

F8. If you lost your main source of income, how long would you be able to continue covering your living expenses, without borrowing any money and changing your lifestyle and financial habits?

- Less than a week
- At least a week but less than a month
- At least one month but not three months
- At least three months but not six months
- More than six months

F9. How often during the last year have (has) you (your family) had any money unspent from previous earnings at the time new revenues arrived (wages, pension, scholarship, social benefits)?

- Always
- Very often
- Sometimes
- Very rarely

F10. If you (your family) have (has) any money left right before the next revenue arrives, what do you usually do with it?

- We spend it on consumer goods
- We keep it in cash
- We deposit it or do not withdraw it from the account
- We invest it in the capital markets
- We lend it to friends or relatives
- We invest it in our own business
- We invest it in gold and jewelry
- Put it on deposit
- Buy foreign currency
- Make donations: charity, volunteering, etc.

F11. What are your (your family's) personal reasons for saving or investing?

- For a rainy day, for unexpected expenses
- For retirement
- To get income in the form of interest increased market value of assets, etc
- To leave something for children to inherit
- We make savings to accumulate for major purchases or events such as car or apartment purchase, wedding, education, etc.
- I like saving rather than spending money
- To be independent and be able to make choices
- To speculate on the stock exchange
- No particular reason, this is a family tradition

F12. If you (your family) do (does) not save, what is the reason?

- I don't trust financial institutions
- I cannot do this because of a low income
- I don't see the point in making savings
- I cannot resist the temptation to spend the money on shopping

F13. Did you (your family) experience an unexpected significant reduction of your income over the last two years?

- No
- Yes, due to the loss of a job by a breadwinner
- Yes, due to the considerable reduction of salary, or delays with salary payment
- Yes, due to the drop-in income resulting from breakup, separation or divorce
- Yes, due to the reduction of investment income
- Yes, due to retirement of the main breadwinner
- Yes, due emergence of additional expenses (treatment, education, repair, etc.)

F14. How did you (your family) manage to make ends meet when your income suddenly dropped?

- We cut down expenses and saved
- We borrowed money from relatives, friends and acquaintances and paid off the debt later
- We spent our savings
- We withdrew money from a deposit
- We used a credit card
- We sold our property
- We took a bank credit
- We took a loan from a pawnshop
- Our friends and relatives gave us money free of charge
- Found additional job and worked overtime
- We found other sources of income

F15. During the last year, how often did you (your family members) have to borrow to pay back your other debts?

- Always
- Very often
- Sometimes
- Very rarely
- Never

F16. What changes in the financial markets do you follow personally on a regular basis?

- Changes in the property market
- Changes of quotations and indices in the capital market
- Changes of interest rates on deposits
- Changes of interest rates on credits
- Changes in the inflation rate
- Changes in the level of public pensions, benefits and tax exemptions
- Price fluctuations for oil, gold, metals, etc.

F17. What sources do you use to get information about the above trends?

- Advertising
- Newspapers, magazines, TV programs specializing on financial issues
- Information (news) web-sites
- Specialized web sites

- Bank officers, employees of insurance and asset management companies, during a personal visit or by phone
- Independent financial consultants or brokers
- Friends and acquaintances

F18. What financial services from those listed on the card below do you or your family members use?

- Bank consumer credit
- Non-bank consumer credit
- Mortgage loan
- Car loan
- Online credit (Internet loans)
- Credit card, card loan
- Debit card, salary card, card account, payment card, including transfer from card to card
- Current bank account
- Bank deposit
- Custody services (safe deposit box)
- Credit union or other non-bank financial institution deposit
- Cash currency exchange
- Forex transactions
- Domestic money transfers (within Ukraine)
- International money transfers
- Life insurance
- Risk insurance, including compulsory motor third party liability insurance
- Health insurance
- Investments in investment funds
- Investments in equities
- Investments in bonds
- Investments in private pension funds
- Leasing
- Utilities payment
- Payments through payment system terminals
- Cryptocurrency
- P2P lending (peer-to-peer lending)
- Purchase in groups
- Mobile phone payment accounts not directly linked to bank accounts
- E-/mobile wallets
- Mobile and/or Internet-banking

F19. What financial services listed on the card below do you personally plan to use in the next 2 years?

F20. What financial services listed on the card below would you like to learn more about or to get additional information?

F21. Did you have a negative experience in using a financial service?

- Yes
- No

F22. Which of the below listed services was it?

F23. What did you do after you discovered the problem?

- Nothing, because I do not know what exactly should be done in this case, I do not have any money for this (lawyers, court hearings, etc.) or I do not believe that my actions against a financial institution will bear any results
- I had stopped using the service before the contract expired (closed the deposit, account, sold the shares in investment fund, canceled the insurance contract, etc.)
- I submitted a grievance to the company which sold me the product
- I filed a complaint with a respective government authority
- I solved the problem on my own in a different way (through court or in the out-of-court procedure)

F24. If a conflict with a financial organization (bank, insurance company or the like) arises regarding the provision of financial services to you, on what terms do you expect it to be resolved?

- Always favorable to me
- Always favorable to the financial organization
- It depends upon the factors that neither I nor the financial organization can influence (fifty- fifty)

F25. How often do you compare the terms and conditions and rates for provision of financial services by various companies/banks before you buy such a service?

- Always
- Sometimes
- Rarely
- Never

F26. What sources of information do you pay attention to when choosing a company to buy a service from?

Advertisements

- Advice of consultants working for providers of a required service
- Information materials of financial companies on their rates and services of various types
- Recommendations of independent financial consultants or brokers
- Advice of friends and relatives
- Analytical materials published in mass media
- Employer's advice
- Internet resources

F27. In case of a dispute with a financial institution concerning a financial service, you have purchased from the institution, which organization can you appeal to help you to protect your consumer rights?

- National Bank of Ukraine
- National Commission for State Regulation of Financial Services Markets
- Securities and Stock Market National Commission
- State Inspectorate of Ukraine for Consumer Rights Protection
- Ombudsman (Human Rights Commissioner)
- Any court of general jurisdiction
- It depends on the type of financial institution and/or financial product

F28. Did you find yourself in any of the below listed situations over the last two years?

- You accepted advice to invest in a financial product that you later found to be a Ponzi scheme
- You accidentally provided financial information to fraudsters in response to an email or phone call that you later found out was not genuine
- You discovered that someone has used your plastic card or account to pay for goods without your authorization

SECTION 5: Digital Finance

DF1. How many current bank accounts do you have?

DF2. How many savings (deposit) accounts do you have?

DF3. How many bank payment cards do you have (including all types of banking cards)?

DF4. How many of your bank payment cards are active (cards used for at least one transaction within the last three months)?

DF5. What payment system issued a banking card that you use most frequently? Please, name it without looking at your card.

DF6. What method of payment do you prefer when making every day regular payments (goods in stores, fare, etc.)?

- Payment in cash
- Non-cash payment (by card, e-money, etc.)

DF7. Why do you use physical cash?

- I think it is the cheapest way of settlement
- I'm used to cash
- I don't trust financial institutions or payment system
- I don't have other alternatives, since payment terminals are not everywhere / it is not always possible to make a non-cash payment

DF8. Have you ever used internet or mobile banking (payment online or via a smart phone app)? Please indicate for what purposes you used this non-cash type of payment.

- Transfer/receive money
- Pay utility bills
- Top up your mobile account

- Buy tickets (for travel, to concerts, to use a gym, etc.)
- Transfer from card to card
- Pay for services or goods bought
- Other (please, specify)

DF9. Do you receive your income (salary, pension, subsidy, other income and payments) to your payment card?

- Yes
- No

DF10. Did you choose a bank yourself to open a card account?

- Yes, I had an opportunity to choose a bank for payments myself
- No, my employer or social service chose it for me

DF11. How do you usually withdraw money from your card account?

- Through a bank cash desk
- Through an ATM
- Through a cash desk at the Ukrainian Post Office - Ukrposhta
- By other means

DF12. How often do you cash out?

- Every day
- Once or twice a week
- 2-3 times a month
- Once a month
- Less than once a month

DF13. What portion of your income do you cash out practically immediately after money was credited to your account (salary, pension, subsidy, social payments)?

- The whole amount credited
- No less than 80%
- No less than 60%
- No less than 40%
- No less than 20%
- Less than 20%

DF14. In many countries worldwide, there is a possibility to cash out through so-called agents (supermarkets, drugstores, gas stations, etc.). It is convenient for cardholders because they do not have to look for an ATM machine. It is beneficial for an agent, too because it gives out cash proceeds thus avoiding the need for cash collection. Would you like to withdraw money from your card account through an agent?

- Yes
- No

SECTION 6: General Information

D1. Respondent's gender:

- Male
- Female

D2. What is your age (completed years)?

- 18-24
- 25-34
- 35-44
- 45-59
- 60 and older

D3. What is the highest educational level that you have attained?

- Primary or lower education
- Incomplete secondary education
- Secondary education (general or vocational school)
- Special vocational education (technical college)
- Incomplete higher education (at least 3 years of higher educational institution)
- Higher education
- No formal education

D4. Which type of employees do you describe yourself as based upon your main job?

- Qualified worker, including agriculture
- Unqualified worker, including agriculture
- Enlisted personnel in the army, interior forces, including police and security force
- Business person, entrepreneur
- Civil servant, public authority officer
- Specialist with higher education in the manufacturing sector
- Specialist with higher education outside the manufacturing sector (science, culture, education)
- Employee without a higher education (secretary, office worker, shop assistant)
- Registered unemployed
- Student
- Pensioner
- Household worker
- Employed in a service industry

D5. Please, indicate the level of your personal average monthly earnings, including your wage/salary in your main job and payments from other possible sources).

- Up to 3,000 UAH
- 3,001 – 5,000 UAH
- 5,001 – 10,000 UAH
- 10,001 – 20,000 UAH
- 20,001 – 30,000 UAH
- More than 30,000 UAH

D6. Please, indicate your average monthly income per family member. For this purpose, please divide the total income of your family by the number of your family members.

- Up to 3,000 UAH
- 3,001 – 5,000 UAH
- 5,001 – 10,000 UAH
- 10,001 – 20,000 UAH
- 20,001 – 30,000 UAH
- More than 30,000 UAH

D7. Please, specify the total number of your household members, including you.**D8. How do you assess the financial situation in your family?**

- Very good
- Good
- Satisfactory
- Bad
- Very bad

D9. Which of the following groups of people do you think you (your family) most likely belong to?

- We hardly make the ends meet
- We do not have enough money even for food
- We have enough money to buy food but buying clothes causes financial difficulties
- We have enough money to buy food and clothes. But purchase of durable goods (a TV-set, a refrigerator) is problematic
- We have no trouble buying durable goods, but purchase of a really expensive thing like a car is hard
- We can afford quite expensive things – apartment, dacha, and many other ones

D10. How much money do you save each month?

- Less than 1,000 UAH
- Between 1,000 and 3,000 UAH
- Between 3,001 and 5,000 UAH
- Between 5,001 and 10,000 UAH
- More than 10,000 UAH
- We do not make any savings

D11. Do you (or other family members) have any debts?

- Yes, the research team have debts
- No, the research team don't have any debts

D12. How much of your family income is left each month after paying back debt?

- Less than 1,000 UAH

- Between 1,001 and 3,000 UAH
- 3,001 – 5,000 UAH
- 5,001 – 10,000 UAH
- More than 10,000 UAH

D13. How much of your family income is spent each month on paying back debt?

- I spend more than 90%
- 80-90%
- 70-80%
- 60-70%
- Approximately 50%
- 30-40%
- 20-30%
- 10-20%
- Less than 10%

THANK YOU FOR PARTICIPATING IN THE SURVEY!

ATTACHMENT 2 – TABLES FOR OECD/INFE SCORING APPROXIMATION

Table 16. Ukraine 2017 to OECD/INFE 2015: Version I

Topic	OECD			IP-FSS v.2		
	#	Question Text	Value towards final score	#	Question Text	Value towards final score
Financial Knowledge Score						
Time-value of money	QK3	Now imagine that they have to wait for one year to get their share of the \$1,000 and inflation stays at X percent. In one year's time will they be able to buy:	1 for correct responses [c, unless the country indicates otherwise; or d, if mentioned spontaneously]. 0 in all other cases.	M3	Imagine that you deposited money in a bank account at 8% annual interest rate, while the annual inflation rate was 10%.	1 for correct response, 0 in all other cases.
Interest paid on a loan	QK4	You lend \$25 to a friend one evening and he gives you \$25 back the next day. How much interest has he paid on this loan?	1 for correct response [0]. 0 in all other cases.	M5	One shop offered a discount of 1,500 UAH, while the other one offered a 10% discount. Which one is a better bargain – a discount of 1,500 UAH or 10%?	1 for correct response, 0 in all other cases.
Interest plus principal	QK5	Suppose you put \$100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?	1 for correct response [102]. 0 in all other cases.	M1	How much money will you have in your account in 2 years if you do not withdraw from or add to this account any money?	1 for correct response, 0 in all other cases.
Compound interest	QK6	and how much would be in the account at the end of five years [add if necessary: remembering there are no fees or tax deductions]? Would it be:	1 for a correct response to QK6 if and only if the response to "Calculation of interest plus principal" (QK5) was also correct. 0 in all other cases.	M2	How much money will you have in your account in 5 years if you do not withdraw either the principal or the interest during the term of the deposit?	1 for correct response provided that the person also answered correctly to M1, 0 in all other cases.
Risk and return	QK 7_1	An investment with a high return is likely to be high risk	1 for a correct response [1/True]. 0 in all other cases.	G14	High return on investments is always and necessarily associated with a high risk of losing your money	1 for correct response, 0 in all other cases.
Definition of inflation	QK 7_2	High inflation means that the cost of living is increasing rapidly	1 for a correct response [1/True]. 0 in all other cases.	M4	Let's assume that next year your income is twice as now, and the consumer prices also grow twofold.	1 for correct response, 0 in all other cases.

Diversification	QK 7_3	It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks	1 for a correct response [1/True]. 0 in all other cases.	M7	If you get a bond before its maturity, can you estimate what return you would be your total return on the investment?	1 for correct response, 0 in all other cases.
Financial Behavior Score						
Responsible and has a household budget	QF1 + QF2	Who is responsible for making day-to-day decisions about money in your household? and, does your household have a budget? A household budget is used to decide what share of your household income will be used for spending, saving or paying bills.	1 point if personally or jointly responsible for money management [QF1=1 or 2] AND household has a budget [QF2=1]. 0 in all other cases.	F1	How do you (does your family) usually manage your monthly income? Choose an option that fits you the most.	1 for response 1 (first, I create my budget)
Active saving	QF3	In the past 12 months have you been [personally] saving money in any of the following ways, whether or not you still have the money?	1 point for any type of active saving (answers a, c, d, e, f, g), and relevant options added at the national level. 0 in all other cases. Letting money build up in a bank account is not considered to be active saving (answer b) and gives 0 points towards the score.	F10	If you (your family) have (has) any money left right before the next revenue arrives, what would you usually do with it?	1 for responses on active savings (Options 4-10), 0 in all other cases.
Considered purchase	QF10 _1	Before I buy something I carefully consider whether I can afford it	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.	A4	When do you think buying on credit is justified?	1 for responses 2,3,6, 0 in all other cases.
Timely bill payment	QF10 _4	I pay my bills on time	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.	F9	How often during the last year have (has) you (your family) had any money unspent from previous earnings at the time new revenues arrived (wages, pension, scholarship, social benefits)?	1 for responses 1 and 2, 0 in all other cases.
Keeping watch of financial affairs	QF10 _6	I keep a close personal watch on my financial affairs	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.	F2	Is your family used to keeping records of income and expenditures?	1 for responses 1 and 2, 0 in all other cases.
Long term financial goal setting	QF10 _7	I set long term financial goals and strive to achieve them	1 point for respondents who put themselves at 1 or 2 on the scale	F5	Please, tell briefly about your most important financial goals.	1 for response, 0 for refusal / no answer

			[agree]. 0 in all other cases.			
Choosing products	Qpro d2 + Qpro d3	and which of the following statements best describes how you made your choice? and which sources of information do you feel most influenced your decision {about which one to take out}?	This score uses a derived variable drawing information from 2 questions. It is only possible for a respondent to score points on this measure if they have chosen a product: those with 0 score on this measure have either refused to answer, not chosen a product, or not made any attempt to make an informed decision.	F25 + F26	How often do you compare the terms and conditions and rates for provision of financial services by various companies/banks before you buy such a service? What sources of information do you pay attention to when choosing a company to buy a service from?	2 for $\Phi 25=1$, 1 for $\Phi 25=2$, 0 for $\Phi 25 =$ other responses 2 for $\Phi 26=4$ for 6 or 8, 0 for $\Phi 26=$ refusal / no answer, 1 for other responses maximum value of these two indicators
Borrowing to make ends meet	QF12	What did you do to make ends meet the last time this happened?	The score is based on a derived variable that seeks to identify respondents who are making ends meet without borrowing. It uses QF12 to identify those who have borrowed to make ends meet.	F14	How did you (your family) manage to make ends meet when your income suddenly dropped?	1 for responses 1, 3, 4, 6, 10, 11, 0 om all other cases.
Financial Attitude Score						
Attitude	QF10 _2	I tend to live for today and let tomorrow take care of itself	1=completely agree, 5=completely disagree	F16	What changes in the financial markets do you follow personally on a regular basis?	0 for "do not follow", refusal or no answer, 1 in all other cases.
Attitude	QF10 _3	I find it more satisfying to spend money than to save it for the long term	1=completely agree, 5=completely disagree	G15	For large purchases, it is better to accumulate the required amount rather than to take a loan and pay it off later	1 for response 1, 0 in all other cases.
Attitude	QF10 _8	Money is there to be spent	1=completely agree, 5=completely disagree	F11	Why do you (you're your family) save or invest money?	1 any response

Table 17. Ukraine 2017 to OECD/INFE 2015: Version 2

Topic	OECD			IP-FSS v.2		
	#	Question Text	Value towards final score	#	Question Text	Value towards final score
Financial Knowledge Score						
Time-value of money	QK3	Now imagine that they have to wait for	1 for correct responses [c, unless	M3	Imagine that you deposited money in a	1 for correct response, 0 in all

		one year to get their share of the \$1,000 and inflation stays at X percent. In one year's time will they be able to buy:	the country indicates otherwise; or d, if mentioned spontaneously]. 0 in all other cases.		bank account at 8% annual interest rate, while the annual inflation rate was 10%.	other cases.
Interest paid on a loan	QK4	You lend \$25 to a friend one evening and he gives you \$25 back the next day. How much interest has he paid on this loan?	1 for correct response [0]. 0 in all other cases.	-	N/A	0
Interest plus principal	QK5	Suppose you put \$100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?	1 for correct response [102]. 0 in all other cases.	M1	How much money will you have in your account in 2 years if you do not withdraw from or add to this account any money?	1 for correct response, 0 in all other cases.
Compound interest	QK6	and how much would be in the account at the end of five years [add if necessary: remembering there are no fees or tax deductions]? Would it be:	1 for a correct response to QK6 if and only if the response to "Calculation of interest plus principal" (QK5) was also correct. 0 in all other cases.	M2	How much money will you have in your account in 5 years if you do not withdraw either the principal or the interest during the term of the deposit?	1 for correct response, provided that the person also answered correctly to M1, 0 in all other cases.
Risk and return	QK 7_1	An investment with a high return is likely to be high risk	1 for a correct response [1/True]. 0 in all other cases.	G14	High return on investments is always and necessarily associated with a high risk of losing your money	1 for correct response, 0 in all other cases.
Definition of inflation	QK 7_2	High inflation means that the cost of living is increasing rapidly	1 for a correct response [1/True]. 0 in all other cases.	M4	N/A	0
Diversification	QK 7_3	It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares	1 for a correct response [1/True]. 0 in all other cases.	M7	N/A	0
Financial Behavior Score						
Responsible and has a household budget	QF1 + QF2	Who is responsible for making day-to-day decisions about money in your household? and, does your household have a	1 point if personally or jointly responsible for money management [QF1=1 or 2] AND household has a budget [QF2=1]. 0	FI	How do you (does your family) usually manage your monthly income? Choose an option that fits you the most.	1 for response 1 (first, I create my budget)

		budget? A household budget is used to decide what share of your household income will be used for spending, saving or paying bills.	in all other cases.			
Active saving	QF3	In the past 12 months have you been [personally] saving money in any of the following ways, whether or not you still have the money?	1 point for any type of active saving (answers a, c, d, e, f, g), and relevant options added at the national level. 0 in all other cases. Letting money build up in a bank account is not considered to be active saving (answer b) and gives 0 points towards the score.	F10	If you (your family) have (has) any money left right before the next revenue arrives, what would you usually do with it?	1 for responses on active savings (Options 4-10), 0 in all other cases.
Considered purchase	QF10_1	Before I buy something I carefully consider whether I can afford it	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.	G15	For large purchases, it is better to accumulate the required amount rather than to take a loan and pay it off later	1 for response 1, 0 in all other cases.
Timely bill payment	QF10_4	I pay my bills on time	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.	F9	How often during the last year have (has) you (your family) had any money unspent from previous earnings at the time new revenues arrived (wages, pension, scholarship, social benefits)?	1 for responses 1 and 2, 0 in all other cases.
Keeping watch of financial affairs	QF10_6	I keep a close personal watch on my financial affairs	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.	F2	Is your family used to keeping records of income and expenditures?	1 for responses 1 and 2, 0 in all other cases.
Long term financial goal setting	QF10_7	I set long term financial goals and strive to achieve them	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.	F4 + F6	Do you or your family have any financial goals? What kind of actions or steps did you take to reach your financial goal?	1 for response 1 to $\Phi 4$ AND responses 1-4 to $\Phi 5$, 0 in all other cases.
Choosing products	Qpro d2 + Qpro d3	and which of the following statements best describes how you made your choice? and which sources of information do you feel most influenced your decision {about which one to take out}?	This score uses a derived variable drawing information from 2 questions. It is only possible for a respondent to score points on this measure if they have chosen a product: those with 0 score on this measure have either	F25 + F26	How often do you compare the terms and conditions and rates for provision of financial services by various companies/banks before you buy such a service? What sources of information do you pay attention to when choosing a company to	2 for $\Phi 25=1$, 1 for $\Phi 25=2$, 0 for $\Phi 25 =$ other responses 2 for $\Phi 26=4$ or 6 or 8, 0 for $\Phi 26=$ refusal or no answer, 1 for other responses maximum value of these two indicators

			refused to answer, not chosen a product, or not made any attempt to make an informed decision.		buy a service from?	
Borrowing to make ends meet	QF12	What did you do to make ends meet the last time this happened?	The score is based on a derived variable that seeks to identify respondents who are making ends meet without borrowing. It uses QF12 to identify those who have borrowed to make ends meet.	F14	How did you (your family) manage to make ends meet when your income suddenly dropped?	1 for responses 1, 3, 4, 6, 10, 11, 0 in all other cases.
Financial Attitude Score						
Attitude	QF10_2	I tend to live for today and let tomorrow take care of itself	1=completely agree, 5=completely disagree	F16	What changes in the financial markets do you follow personally on a regular basis?	0 for "I do not follow", refusal or no answer, 1 in all other cases.
Attitude	QF10_3	I find it more satisfying to spend money than to save it for the long term	1=completely agree, 5=completely disagree	F12	If you (your family) do (does) not make financial savings, what is the reason?	0 for any response, 1 – if this question was not asked.
Attitude	QF10_8	Money is there to be spent	1=completely agree, 5=completely disagree	F11	Why do you (you're your family) save or invest money?	1 for any response.

Table 18. Ukraine 2017 to OECD/INFE 2015 vs.: Correction Factors

Section	OECD/INFE	IP-FSS v.1	IP-FSS v.2
Knowledge	Max = 7 Correction Factor = 1	Max = 7 Correction Factor = 1	Max = 5 Correction Factor = 7/5
Behavior	Max = 9 Correction Factor = 1	Max = 9 Correction Factor = 1	Max = 9 Correction Factor = 1
Attitude	Max = 5 (Sum / 3) Correction Factor = 1	Max = 3 Correction Factor = 5/3	Max = 3 Correction Factor = 5/3

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