

DEVELOPMENT OF FINANCIAL LITERACY IN BULGARIA IN THE CONTEXT OF EUROPEAN PUBLIC POLICIES

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Abstract

The paper examines the Financial competence framework for adults in the Republic of Bulgaria approved by the Council of Ministers in early May 2023. It was developed based on the 2022 joint Financial competence framework for adults of the European Union and the International Financial Education Network of the Organisation for Economic Co-operation and Development and is in implementation of the National Financial Literacy Strategy and Action Plan (2021 - 2025). The main objective of the paper is to establish the extent to which the learning outcomes at the end of secondary education reflect the conceptual understanding of the financial competence set out in the European Framework, as well as to identify potential gaps in specific thematic areas. For this purpose, the existing curricula for general educational training in technology and entrepreneurship and for profiled training in entrepreneurship for upper secondary level of education were examined. The results of the analysis can serve as a starting point for the development of curricula and the creation of appropriate educational content for adults to compensate for the identified gaps. The research methods used include a desk study, a comparative analysis and a mapping.

Key words: education, financial literacy, entrepreneurship, financial competence framework, mapping

1. Introduction

The Financial competence framework for adults in the Republic of Bulgaria, adopted by a decision of the Council of Ministers on May 3, 2023, was developed in implementation of the first priority of the National Strategy for financial literacy of the Republic of Bulgaria and the Action Plan (2021 - 2025) to it.¹ It is based on the joint European Union/OECD-INFE Financial competence framework for adults, which aims at promoting „a shared understanding of financial competences for adults amongst Member States and national authorities, educational institutions, industry and individuals.

¹ Ministry of Finance (2023), *Ramka za finansova kompetentnost za vazrastni na Republika Bulgaria (Financial competence framework for adults in the Republic of Bulgaria)*. <https://www.mminf.bg/bg/1488>

In addition, it provides a basis for a more coordinated approach among EU and national policymakers. By supporting efforts to improve financial literacy, the framework aims at contributing to the overall goal of improving individual financial well-being.²

The OECD defines financial literacy as: „a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being.“³ This definition corresponds to the understanding of competence: „as a combination of knowledge, skills and attitudes“ as adopted in the EU⁴. It should be underlined that financial literacy is used in the context of personal finance and includes only competences relating to it.

2. The financial competence frameworks for adults of EU/OECD-INFE and Bulgaria

The joint EU/OECD-INFE financial competence framework for adults was developed in cooperation with the Member States and stakeholders and was presented in 2022. This framework, together with that for children and youth (individuals under 18), expected to be finished by 2023, build on the existing OECD/INFE financial literacy core competences frameworks⁵. The important updates to the existing frameworks are the horizontally incorporated digital and sustainable finance competences and competences relevant for resilience. The competences can be also categorised as „essential,“ i.e., related to the daily lives of most adults, and more „advanced“ or „expert“ competences, which are relevant only for certain groups or aspects of life.

The framework is intended to serve as a conceptual basis for developing education policies and measures to improve financial literacy and individual financial well-being. It is undoubtedly one of the most important steps taken on pan-European level that coordinates the efforts of the actors in the field of financial literacy including public authorities, private bodies and the civil society. The framework can be used for the development of financial literacy strategies, the assessment of financial literacy levels or the evaluation of initiatives. Although not intended as a curriculum, the framework presents outcome-based indicators, which „support the design of financial education programmes and the development of financial education learning materials and tools“, for higher education institutions as well as financially vulnerable groups.⁶

² European Union/OECD (2022), *Financial competence framework for adults in the European Union*. https://finance.ec.europa.eu/system/files/2022-01/220111-financial-competence-framework-adults_en.pdf

³ OECD, *Recommendation of the Council on Financial Literacy* (2020), OECD/LEGAL/0461. <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0461>.

⁴ European Commission (2018), *Council Recommendation of 22 May 2018 on key competences for lifelong learning*. https://eurlex.europa.eu/legalcontent/EN/TXT/?uri=uriserv%3AOJ.C_2018_189.01.0001.01.ENG.

⁵ OECD (2016), G20/OECD INFE Core Competencies Framework on financial literacy for Adults (aged 18+): <https://www.oecd.org/daf/fin/financial-education/Core-Competencies-Framework-Adults.pdf> and OECD/INFE Core Competencies Framework on financial literacy for Youth (aged 15 to 18): <https://www.oecd.org/daf/fin/financial-education/Core-Competencies-Framework-Youth.pdf>.

⁶ European Union/OECD (2022), *Financial competence framework for adults in the European Union*. https://finance.ec.europa.eu/system/files/2022-01/220111-financial-competence-framework-adults_en.pdf

The joint EU/OECD Financial Competency Framework for Adults contains four content areas and a total of twenty-two topics. There are subtopics as well which are not included in the mapping since the current paper does not analyse the framework in exhaustive approach.

Each competence in the framework falls into one of three dimensions: (i) awareness/knowledge/understanding – competences related to knowledge or informational aspects; (ii) skills/behaviour – competences related to actions and skills improving the individual financial well-being; and (iii) confidence/motivation/attitudes – competences related to financial behaviour.

The structure of the Bulgarian framework is in line with the EU/OECD-INFE framework. It is organised around the same four content areas and cognitive domains of the competences. The competences in the Bulgarian framework have been revised and adapted so that they reflect more closely the specific circumstances in the country and the overall level of financial literacy of the people taking into consideration the findings of recent OECD/INFE studies⁷.

3. Framework against syllabuses mapping

Although the framework is intended to provide a basis for policies and measures in the area of financial literacy for adults, it can be considered from another perspective as well – the level of financial literacy expected to be achieved at the exit of secondary education and entry of adulthood. This will be achieved through a mapping of the content areas in the framework against the current syllabuses for upper secondary students (ISCED 3⁸). The analysis refers only to formal general education. Vocational and special needs education is not part of the mapping and will be subject to another research. Electives or non-formal education initiatives⁹ such as optional subjects or extra-curricular activities, are not discussed either.

It should be noted that in Bulgaria topics related to financial literacy can be found mainly within the subjects technologies and entrepreneurship (studied in grades 8 and 9) and entrepreneurship for profiled education (studied in grades 11 and 12). Both subjects aim at developing economic knowledge and entrepreneurial culture. Consequently, most of their learning outcomes are in the domain of corporate finance (and startup finance) while the competences in EU/OECD Financial competence framework for adults are in

⁷ OECD (2020), Financial Literacy of Adults in South East Europe. www.oecd.org/daf/fin/financial-education/south-east-europe-financial-education.htm; OECD (2020), OECD/INFE 2020 International Survey of Adult Financial Literacy. www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm.

⁸ In Bulgaria ISCED 3 is divided in two sublevels - first, comprising grades 8-10, and second - grades 11-12.

⁹ There are several recent studies on financial literacy in Bulgaria. However, they have not been analysed from the perspective of the content areas and competences included in the framework. See: Vartanik, R., Hristov, L. & Panayotova, T. (2016). *Byala kniga na finansovata gramotnost v Bulgariya* (White Paper on Financial Literacy in Bulgaria). https://finance.ec.europa.eu/system/files/2022-01/220111-financial-competence-framework-adults_en.pdf; Delinesheva, M. & Jolovski, J. (2021). *Mapping report of initiatives in Bulgaria for adolescent skills development through innovation, social entrepreneurship and financial literacy*. <https://www.unicef.org/bulgaria/en/documents/mapping-report-initiatives-bulgaria-adolescent-skills-development-through-innovation>.

the domain of personal finance. Financial literacy is also referred to in the syllabus for civic education in grade 12 but only in the context of public finance.

The aim of the mapping is to identify whether the current syllabuses of these subjects include the necessary financial competences that young people will need when they finish school. „Programmes at ISCED level 3, or upper secondary education, are typically designed to complete secondary education in preparation for tertiary education or provide skills relevant to employment, or both.“¹⁰ At this point of life, young people are already considered of full legal capacity and of age and are expected to be able to participate in and contribute to all aspects of economic, social and cultural life. Whatever their choice will be - to continue their education or join the workforce, it will have long-term financial implications. Therefore, they should have already developed certain financial competences in order to make sound decisions on personal finance. The question is to what extent the syllabuses address that need.

The chosen approach for the mapping is to identify the links between the learning outcomes in the Bulgarian syllabuses for upper secondary level and the content areas of the Bulgarian financial competence framework for adults. Its structure is similar to that used in the design of syllabuses in Bulgaria. They consist of three columns - content area with different topics, learning outcomes and new concepts related to the competences. However, the different levels of cognitive domains are not distinguished in separate columns. Since the financial competence framework does not include specific concepts such as these in the Bulgarian syllabuses, they are not considered in the analysis.

An alternative approach is to compare the expected learning outcomes in syllabuses with the specific competences in the framework. However, such detailed mapping requires a comprehensive analysis and significantly broader research. This is required because of the methodological challenges to determine a level of similarity and correspondence between the two types of documents. Using this approach will result in a separate extensive paper. Nevertheless, the method preferred in the current study provides a sound basis to extend the research in this direction. The results of the mapping are presented in Table 1.

Table 1. Mapping of the Bulgarian syllabuses for technologies and entrepreneurship, entrepreneurship for profiled education and civic education against the Financial competency framework for adults

Financial competency framework for adults topics	Competence / Learning outcome in Bulgarian syllabuses	Grade, subject*
1. Money and Transactions		
1.1 Money and Currencies	Understands the functions of money	8 th , T&E
	Knows the nature of money and explains the functions it performs	11 th , EPE-M2

¹⁰ UNESCO Institute for Statistics (2011), *International Standard Classification of Education*, p. 84. <http://uis.unesco.org/sites/default/files/documents/international-standard-classification-of-education-isced-2011-en.pdf>

1.2 Income	Explains the sources and types of income	8 th , T&E
	Demonstrates risk-taking skills and orientation in conflict situations	11 th , EPE-M1
	Justifies undertaking of a particular business behaviour and possible consequences	11 th , EPE-M1
	Evaluates advantages, disadvantages and challenges when choosing a career	11 th , EPE-M1
	Analyses and makes career choices in view of social and technological changes	11 th , EPE-M1
	Understands the relationship between the personal choice of entrepreneurial career, risk and consequences and demonstrates willingness to respond to change	11 th , EPE-M1
	Explains wage formation as the price of labour	11 th , EPE-M2
	Discusses the jobs in the highest demand and how this affects the size of wages	11 th , EPE-M2
	Knows and analyses the relationship between economic conditions, personal business initiative and standard of living	12 th , CE
	Knows the main characteristics of the labour market and how to present oneself to an employer	12 th , CE
	Knows basic labour, social and insurance rights	12 th , CE
1.3 Prices, Purchases and Payments	-	
1.4 Financial Records and Contracts	-	
2. Planning and managing finances		
2.1 Budgeting	-	
2.2 Managing Income and Expenditure	-	
2.3. Saving	Defines the differences between consumers, savers and investors	11 th , EPE-M2
2.4. Investing		
2.7 Credit	Distinguishes between different sources of funding	8 th , T&E
2.8 Debt and Debt Management	Summarises how a saver becomes an investor	11 th , EPE-M2
	Explains the differences between the main financial instruments - loans, shares, bonds	8 th , T&E
	Explains the differences between the main financial instruments - shares, bonds, investment loans.	11 th , EPE-M2

	Explains types of savings accounts	8 th , T&E
	Distinguishes between different types of loans	8 th , T&E
	Knows the specificities of financial markets and how they support businesses to raise capital resources	11 th , EPE-M2
	Recognises opportunities to acquire resources and start a business	11 th , EPE-M3
	Identifies opportunities for resource provision of the entrepreneurial activity	11 th , EPE-M3
	Knows the opportunities and forms of raising finance	11 th , EPE-M3
	Discusses the advantages and disadvantages of possible forms of financing	11 th , EPE-M3
	Evaluates and selects an opportunity and form of raising finance	12 th , EPE-M3
	Distinguishes between short-term and long-term funding	9 th , T&E
	Evaluates and characterises sources of financing their own business	9 th , T&E
	Describes financial markets and analyses their activity	9 th , T&E
	Explores other forms of financing	9 th , T&E
	Explains the involvement of banks in economic life. Describes the structure of the national banking system	9 th , T&E
2.5 Longer-Term Planning and Asset Building 2.6 Retirement	Understands the need for a social security system	9 th , T&E
	Knows the principles of organisation of the social security system	9 th , T&E
	Distinguishes between the different types of pensions	9 th , T&E
	Distinguishes between the main instruments of social policy	12 th , CE
3. Risk and reward		
3.1 Identifying Risks 3.2 Financial safety nets and insurance	Explains insurance as a means of protection against various risks	9 th , T&E
	Compares advantages and disadvantages of different types of insurance.	9 th , T&E
3.3 Balancing Risk and Reward	Presents arguments for financial justification of their ideas	12 th , EPE-M3

4. Financial Landscape		
4.1 Regulation and Consumer Protection 4.2 Rights and Responsibilities 4.6 Tax and public spending 4.7 External Influences	Lists the main functions of the state as a consumer and producer.	9 th , T&E
	Points out and analyses the main functions of the state as consumer and producer	11 th , EPE-M2
	Describes laws setting standards and rules for the protection of consumers.	9 th , T&E
	Describes laws setting standards and rules for the protection of competition, consumers and the environment	11 th , EPE-M2
	Understands the role of the state in the circular flow	9 th , T&E
	Evaluates how the state raises and spends funds	9 th , T&E
	Knows how the different types of government functions are funded and managed	9 th , T&E
	Explains the role and structure of the state budget	11 th , EPE-M2
	Understands the nature and role of taxes as the main source of public revenue	11 th , EPE-M2
	Knows the tax regulations and differentiates between types of taxes	11 th , EPE-M2
4.3 Financial Education, Information and Advice	Explains the principles of monetary policy	9 th , T&E
	Considers the public budget as the main instrument for conducting economic, financial and social policy of the public authority (the state and municipalities).	12 th , CE
4.4 Financial Products and Services	-	
4.5 Scams and Fraud	-	

*Legend:

T&E - technologies and entrepreneurship

EPE-M1 - entrepreneurship for profiled education, module 1 „Entrepreneurship and Career Development“

EPE-M2 - entrepreneurship for profiled education, module 2 „Market Economy“

EPE-M3 - entrepreneurship for profiled education, module 3 „Starting-up an Own Business“

CE - civic education

The mapping has identified 50 learning outcomes in the syllabuses under review, which have different levels of relevance to financial literacy. The formulation of these learning outcomes is not always explicit or precise – some of them can be associated with more than one topic in the framework or even refer to areas other

than personal finance. For this reason, some of the topics in the mapping are combined and covered with numerous results from the syllabuses. At the same time, other topics are referred to with only 1 or 2 learning outcomes (1.1. Money and currencies 2.5 Longer-Term Planning and Asset Building; 2.6 Retirement; 3.1. Identifying risks; 3.2. Financial safety nets and insurance; 3.3. Balancing risk and reward) or not covered at all (1.3 Prices, Purchases and Payments; 1.4 Financial Records and Contracts; 2.1 Budgeting; 2.2 Managing Income and Expenditure; 4.3 Financial Education, Information and Advice; 4.4. Financial Products and Services; 4.5 Scams and Fraud).

As is evident from the mapping, the learning outcomes in the syllabuses are unevenly distributed across the content areas in the framework, and there are important topics which remain outside the scope of the syllabuses under review.

It should be underlined, that in addition to the subjects technologies and entrepreneurship, entrepreneurship for profiled education and civic education, financial literacy can be taught in the class hour – a special hour per week „used for the consistent development of the class, for patriotic upbringing and for building civic competencies, including through student self-government.“¹¹ Financial literacy is referred to in the State Educational Standard (SES) on civic, health, environmental and intercultural education¹² as part of the Framework Requirements for the class hour, which is one class per week. According to the requirements set out in the SES, the topic „Financial and legal literacy incl. „My first job“ is given 2 hours per year in grades 8, 9, 10 and 11, and 12 in grade 12.

The schools have the right to develop their own syllabuses and educational materials for the topics envisaged for the class hour. This means that there are no syllabuses or standards defined by the Ministry of Education and Science and it is up to the teachers to plan their work for the class hour in the beginning of the school year and design their own (or find existing) syllabuses and materials for the whole range of topics in the Framework Requirements. Their contents are approved only by the principal.

Schools also have the right to incorporate various elective subjects including financial literacy in their curricula.¹³ However, these opportunities can be used at the discretion of the school. The educational materials are usually developed and provided by external organisations within different projects. The level and scope of financial literacy topics covered by them is yet to be investigated.¹⁴

¹¹ *Zakon za preduchilishtnoto i uchilishtnoto obrazovanie (Preschool and School Education Act)* (2015). <https://www.lex.bg/bg/laws/ldoc/2136641509>

¹² *Naredba No. 13 ot 21.09.2016 g. za grazhdanskoto, zdravnoto, ekologichnoto i interkulturnoto obrazovanie. (Ordinance No. 13 of 21.09.2016 on civic, health, environmental and intercultural education)*. <https://lex.bg/bg/laws/ldoc/2136914662>.

¹³ *Naredba No. 4 of 30.11.2015 g. za uchebniya plan (Ordinance No. 4 of 30.11.2015 on the curriculum)*. <http://www.mon.bg/bg/59>.

¹⁴ Delinesheva, M. & Jolovski, J. (2021). *Mapping report of initiatives in Bulgaria for adolescent skills development through innovation, social entrepreneurship and financial literacy*.

1. Conclusions

The school has the significant role of preparing students to be full-fledged participants in all spheres of life and be ready to contribute to the economic and social processes in society. In that sense, financial literacy encompasses competences vital for their personal fulfilment and development. However, financial literacy so far is not included as a separate subject in the compulsory curriculum in Bulgaria. Only a limited number of topics related to it are part of the syllabuses for technologies and entrepreneurship, entrepreneurship and civic education at upper secondary level. The competences as learning outcomes are formulated from the perspective of business rather than personal finance. In addition, these competences are rather randomly spread through the content lacking internal organisation and overall objectives.

Therefore, it can be concluded that financial literacy as defined by competences related to financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being is not successfully incorporated in the curricula at upper secondary level.

However, the integration of financial literacy competences in general compulsory subjects in Bulgaria could be considered important in the European context. It provides empirical data on the ability of different age groups to acquire knowledge, to demonstrate skills and to build attitude in the field. Thus, as a good practice it could be used as a basis for other EU members that are planning to introduce financial literacy in their educational system.

There are different approached and a couple of opportunities to achieve that. Firstly, financial literacy can be integrated in another subject. This is the case in Bulgaria with technologies and entrepreneurship, entrepreneurship for profiled education, civic education. It is a centralised approach in accordance with the strategic goals of the government.

Secondly, financial literacy can be taught as a separate individual subject. In Bulgaria this is possible in section B (elective subjects) and section C of the curricula (optional subjects). There is a couple of projects and initiatives of the non-governmental sector that provide educational content. It is widely used for the second approach as separate modules on financial literacy are developed and integrated locally in schools.

Lastly, an interdisciplinary approach could be applied. There are different opportunities in that domain, but it suggests teachers on different subjects to collaborate and develop together their materials.

This analysis can serve as reference guidance for the Bulgarian version of the financial competence framework for children and youth and facilitate the process of developing it. The next step will be to develop relevant syllabuses based on the framework in order to fill in the gaps in the existing education materials or introduce financial literacy as a separate subject the curricula at all levels. The latter approach is considered more efficient as it will ensure consistent and structured approach to developing the financial competences young people will need at the exit of secondary education.

The joint European Union/OECD-INFE Financial competence framework for adults had a significant impact on the development of financial literacy policy in Bulgaria. It was translated and adapted by the joint working group on financial literacy, led the

Ministry of Finance. Then it was officially approved by the Council of Ministers. This mapping will serve as a basis for future efforts in this educational domain. In addition, the presence of financial literacy competences in the compulsory subjects in Bulgaria provides important empirical data. Thus, it could be used as a basis for other EU members that are planning to introduce financial literacy in their educational system.

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