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IMPORTANCE OF FINANCIAL SERVICES' TRANSPARENCY AND THE FINANCIAL EDUCATION FOR THE PROTECTION OF CONSUMER RIGHTS IN GEORGIA

Abstract. *The issues of financial services' transparency, consumer rights protection, financial education are relevant and the feasibility of their study is determined by the features of social-economic development. To overcome the problem, to some extent, it is possible to create and develop regulatory schemes for the protection of consumer rights. As research shows, priorities and practical implementation of consumer rights protection differ from country to country. The regulation is mainly aimed at providing complete information about the product to the consumer. However, in addition to imperative regulatory norms, in developed countries, the existence of self-regulation mechanisms, such as codes of conduct, is also of great importance.*

Despite the adoption of a number of laws and legislative acts, creation of regulatory documents, etc., in terms of further improvement of consumer rights protection, at the modern stage, the greatest emphasis is still placed on financial education and raising consumer awareness. Consumer rights protection and financial education are two sides of the same coin and serve the same purpose.

For more than a decade, many countries have been implementing projects aimed at raising the level of financial education, which, for the most part, is manifested in the development of a national strategy for financial education. It should be noted that the need to develop a national strategy is often coupled with consumer financial protection and financial inclusion measures. At the same time, it should take into account and be adapted to the needs and shortcomings of a specific country.

As a result of the analysis of the current situation, we can conclude that the improvement of financial services, the protection of consumer rights and their financial education can bring significant benefits not only to individuals or groups of people, but also to the country as a whole (both developed and developing).

Key words: Consumer rights, financial literacy, financial education strategy

JEL classification: G1, G41

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ფინანსური სერვისების გამჭვირვალობისა და ფინანსური განათლების მნიშვნელობა მომხმარებელთა უფლებების დასაცავად საქართველოში

აბსტრაქტი. საქართველოს განვითარების თანამედროვე ეტაპზე, ბიზნეს საქმიანობის საყოველთაო გლობალიზაციისა და ტექნოლოგიური განვითარების ფონზე, სულ უფრო მეტად იზრდება ფინანსური სერვისების გამჭვირვალობის, მათ მომხმარებელთა უფლებების საკითხები, რაც მჭიდრო კავშირშია ფინანსურ განათლებასთან. აღნიშნული პრობლემების გაანალიზების მიზანშეწონილობა დროის მოთხოვნაა და განპირობებულია სოციალური თუ ეკონომიკური განვითარების სპეციფიკით.

საკითხის გადაწყვეტა, ჩვენი აზრით, მომხმარებელთა უფლებების დაცვის საკანონმდებლო უზრუნველყოფის მდგომარეობის გაუმჯობესებით არის შესაძლებელი, რაც თითქმის ყველა ქვეყანაში, მეტწილად, მიმართულია მომხმარებლის ინფორმირებულობაზე პროდუქტის მახასიათებლად დაკავშირებით. ამასთან, განვითარებულ ქვეყნებში, მარეგულირებელი მექანიზმების გარდა, დიდი მნიშვნელობა ენიჭება მომხმარებელთა თვითრეგულირების მექანიზმების არსებობასაც, მაგალითად, როგორიცაა ე.წ. ქცევის კოდექსები.

მიუხედავად საკანონმდებლო უზრუნველყოფის მართულებით გადადგმული წარმატებული ნაბიჯებისა, მომხმარებელთა უფლებების დაცვის შემდგომი სრულყოფის კუთხით, ამჟამად, მეტი აქცენტი კეთდება ფინანსურ განათლებასა და მომხმარებელთა ცნობიერების ამაღლებაზე.

ფინანსური განათლების გაუმჯობესებისაკენ მიმართული ნაბიჯები, ძირითადად, რეალიზდება ფინანსური განათლების ეროვნული სტრატეგიის ფორმირებითა და განხორციელებით. მისი შემუშავების საჭიროება, მჭიდრო კავშირშია მომხმარებელთა ფინანსური დაცვის ზომებთან და ითვალისწინებს კონკრეტული ქვეყნის საჭიროებებს.

საკვანძო სიტყვები: მომხმარებელთა უფლებები, ფინანსური ცნობიერება, ფინანსური განათლების სტრატეგია

JEL კლასიფიკაცია: G1, G41

Introduction and review of literature

At the current stage of development, the issue of protecting the rights of consumers of financial services is one of the priorities around the world and is high on the agenda of financial regulators and supervisory bodies. Along with ensuring the transparency of financial products and appropriate legal support, raising the level of public financial literacy is a key component of consumer rights protection. This is considered a prerequisite for the financial well-being of consumers and for the development of the economy as a whole and financial market, in general. Which is why, measures aimed at protecting the consumers rights and raising the level of financial education, are becoming more and more popular in many countries.

In this regard, Georgia is not an exception. On the contrary, it can be said that he is a leader in the South Caucasus region. However, it should be noted that the current legal framework in the country and the steps taken to raise the level of financial education still do not fully allow for the maximum protection of financial service users. The legislative and regulatory frameworks created for this purpose are mainly aimed at providing information to consumers. But, even in possession of relevant and appropriate information, there is no guarantee that the user will use this information correctly and make effective financial decisions.

Accordingly, steps aimed at raising the level of financial education of the population should be substantially strengthened in the country and the national strategy of financial education should be fully implemented. It is education, including financial education, that is the main tool that, in the era of technology, innovation and rapid changes, will allow people to make effective decisions that determine their financial well-being.

The problems raised in the article, which are characteristic of modern Georgia, have been the focus of attention of economists and practicing professionals for several decades. A number of studies, articles, analytical materials, etc., were devoted to the mentioned issues. By the end of the 20th century, the issues of financial education and protection of consumer rights were mainly of interest to the authors of the developed countries of the West. Most of them, quite rightly, associate the issue of protecting the rights of users of financial services with crisis events, transitional periods, when the possibility of various financial manipulations increases substantially.

However, in the last 10-15 years, many researchers from developing countries have been involved in the analysis of this problem. In this regard, it is interesting not only the works of theoretical scientists, but also the researches carried out by leading financial institutions. For example, in our reality, the analytical materials of the National Bank of Georgia, in which the state of protection of the rights of the recipients of financial services and the importance of further raising financial education in overcoming the problem, are studied in depth.

The present article discusses the examples of countries that emerged as a result of the breakdown of the socialist system, because it is in such countries that the issue is more relevant and getting to know their experience can have a positive impact on the development of relevant state policies and activities in Georgia.

Methodology

During the preparation of this article, the reasoning of the authors was significantly based not only on the analysis of existing legislation and analytical and primary materials of various regulatory bodies, international organizations, but also on assessments of the facts that have occurred over the past two decades, the outline of current trends and forecasts of prospects, which are presented in the works of a number of economists. Taking them into account, we, the authors, presented a general picture, mainly in the context of post-socialist, developing countries, and based on the analyses of the international experience, we tried to express our views and opinions in the direction of further improvement of the situation in Georgia.

Basic reasoning

In general, the issues of transparency of financial services and financial education are relevant, and the feasibility of their study is determined by the features of public and economic development. However, periodically there are moments that further activate the mentioned problem and the need for its further research. First of all, this can be considered to be quite frequent financial and economic crises, which with particular intensity present the possibilities of growth of financial machinations, the vulnerability of consumers and, therefore, the threats of creating additional problems for the state.

let's start by remembering that the US mortgage crisis, which led to the financial and economic crises in different countries or regions of the world, made it clear how important it is to protect consumers through financial education and transparency of financial services. It is agreed that one of the main factors of the mentioned crises was the low level of financial education, as it has contributed to the growth of bad financial decisions and financial machinations. That's why, today, a high level of financial education around the world is considered an important element of economic and financial stability and sustainable development. (OECD, 2012: 7)

Obviously, the problem of vulnerability of customers of financial services should not be sought only in economic crises. There are several additional factors behind, contribute to the growing global interest in financial education: An increasing user personal responsibility; A growing variety of financial products and services; Growing demand for financial products and services. Taking into account these trends, the main responsibility is transferred to the financial decision-makers. As the number of services/offers, their variety and complexity are increasing, consumers need more and better financial education to protect their interests and financial well-being. It should also be noted that the low level of transparency of financial products has a negative impact on the financial well-being of users, especially inexperienced users. In particular, the risk of consumers taking on themselves obligations that are difficult to fulfill, sometimes even impossible, is increasing. The mentioned, in turn, leads to the so-called over indebtedness, due to which many people faced bankruptcy and complete financial collapse.

In conditions of low level of financial education, there is also a danger of various types of fraudulent schemes. This becomes especially problematic in the conditions of deepening and expansion of digitalization of financial services. No less noteworthy is the problem of so-called "financial pyramids", within which, in a short period of time, citizens are offered an inappropriately high interest rate. In connection with the mentioned issue, the National Bank of Georgia has repeatedly issued relevant statements in which it called on users to exercise caution and self-restraint.

In most countries, such schemes are prohibited and considered criminal. In addition, it is illegal to directly or indirectly initiate, offer to participate in, participate in, promote, advertise, finance, manage, or conduct a pyramid scheme. In addition, it is unlawful for persons to induce another person to participate in a scheme when they have information that the possible benefits are wholly or partially dependent on the recruitment of new participants. Both monetary fines and imprisonment are accepted as punishments. In addition, the court can order the offender to pay compensation in favor of the injured person. (Gzirishvili, 2013: 44) Here we will find that in this regard, certain steps have already been taken in Georgia. For example, in case of establishing relations with more than 20 persons within the framework of the pyramid (inviting to the scheme, issuing loans, etc.), it is mandatory to go to the National Bank of Georgia and register as a "loan-granting subject". In addition, from 2021, criminal liability already applies to such activities, especially on a large scale.

In general, based on the existing experience, the protection of consumer rights can be carried out in three main directions:

1. **Transparency of financial products.** The transparency of financial services ensures the correct perception by the user of the features of the product and the possible risks associated with it, the mutual comparison of similar products offered by different financial institutions.

This is a prerequisite for making an informed, responsible and financially favorable decision by the user;

2. **Ensuring raising the level of financial education of consumers.** Without this, only by ensuring the transparency of the products, the desired result cannot be achieved. Even with a high level of transparency of financial products, a user without appropriate knowledge and skills will not be able to identify risks, which increases the probability of making an incorrect financial decision;
3. **Regulation of financial services.** Even if the first two conditions are met, the consumer is not fully protected, because he may not take into account such "secondary" factors as: additional fees, fines and sanctions, additional burdens caused by unilateral changes to the contract, etc. This situation significantly hinders the formation of a free market environment, the introduction of fair game rules, etc., which leads to the need for regulation. In the event of a low-probability event, regulation can reduce expected incremental costs by standardizing secondary factors, encouraging fairer financial institution behavior and rizing the awarnes of the customers of financial services.

Finally, it can be said that all three discussed directions depend on each other and condition each other. For example, the transparency of financial services and a high level of financial education will create appropriate conditions for the introduction of regulations by the state that will protect consumers, but at the same time, will not eliminate the desire of financial institutions and intermediaries to diversify services and introduce innovations. On the other hand, moderate regulation can be considered as a prerequisite for dynamic development and risk reduction for the customers, companies and generally for the economy.

Foreign experience in protecting the rights of consumers of financial services and financial education

The problem of transparency of financial services and protection of consumer rights can be overcome, to some extent, by creating and developing regulatory schemes for consumer rights protection. In this direction, a number of studies have been carried out during the last two decades, under the leadership of various states and international organizations.¹ During the mentioned period, a number of states improved the situation and developed their own regulatory normative framework for the protection of consumer rights in the form of laws and regulations. As a rule, legislation is based on such fundamental principles of consumer protection as transparency and disclosure of information, fair treatment, availability of dispute resolution mechanisms, protection of confidentiality of user's financial information, promotion of competitive environment, etc. (**Juan Carlos Izaguirre**, 2020: 33-36) and is consistent with the internationally recognized principles of consumer protection in the financial sphere developed by the OSCE² in 2011.

The current situation in terms of consumer rights protection in some European and Central Asian countries is as follows (**Gzirishvili**, 2013: 46):

As can be seen from the table, the priorities and practical implementation of consumer rights protection differ by country. The enforcement of these regulations is mainly carried out by central banks or financial supervisory bodies. Sometimes, a special department is created, which is responsible for

¹ For example, as early as 2012, CGAP (*Consultative Group to Assist the Poor*) conducted a study on the regulatory framework for the protection of consumer rights in European and Central Asian countries: Azerbaijan, Albania, Bosnia, Kosovo, Macedonia, Russia, Georgia, Serbia, Armenia, Tajikistan, Kazakhstan and Kyrgyzstan.

² OSCE - Organization for Security and Co-operation in Europe

Table 1.

Legal framework for the protection of consumer rights in some post-socialist countries

Country	Financial services covered by the regulation	Regulatory body
Azerbaijan	<i>Credits of banking and microfinance organizations, other banking services</i>	<i>Central Bank, State Service for Protection of Consumer Rights and Antimonopoly Policy</i>
Albania	<i>Consumer and mortgage loans, deposits, as well as other types of loans offered by banks, non-bank financial institutions, insurance companies</i>	<i>Central bank, Financial Supervisory Authority</i>
Bosnia and Herzegovina	<i>Credits of banking and microfinance organizations, bank deposits</i>	<i>Banking agencies of the Federation of Bosnia and Herzegovina and Republika Srpska</i>
Macedonia	<i>Consumer credits</i>	<i>Central Bank</i>
Russia	<i>Credits, other services, investment and securities services</i>	<i>Central Bank, Federal Agency for Financial Markets, Federal Agency for Protection of Consumer Rights</i>
Georgia	<i>Bank credits and deposits, insurance activities and services, financial products and activities of financial intermediaries</i>	<i>Central Bank, State Insurance Supervision Service</i>
Serbia	<i>All banking services</i>	<i>Central Bank</i>
Armenia	<i>Consumer loans, deposits, products and services offered by all types of financial institutions (banks, non-bank financial institutions, insurance companies, payment companies, investment companies, pawnshops)</i>	<i>Central Bank</i>
Tajikistan	<i>Credits</i>	<i>Central Bank</i>
Ukraine ³	<i>Financial services provided by banks, other financial institutions and other entities, services of intermediaries in financial services markets and others</i>	<i>National Bank, Office for Financial Services Consumer Rights Protection</i>
Kazakhstan	<i>Credits, mortgage credits, deposits</i>	<i>Central Bank</i>
Kyrgyzstan	<i>Credits and deposits</i>	<i>Central Bank</i>

Source: CGAP, Financial Consumer Protection Regulation in Europe/Central Asia, 31 July 2012

protecting the rights of consumers. For example, this happened in Georgia, Armenia, Azerbaijan and Serbia.

³ National Bank of Ukraine, Available at: <https://bank.gov.ua/en/about/structure/department/division-of-the-rights-of-the-sponsors-of-financial-services>

However, the regulation is mainly aimed at providing complete information about the product to the consumer. The information provided should include the necessary information, for example: the nominal and effective interest rate of the loan, costs, the right to prepayment of the loan, the parties' responsibility in the event of a change in the interest rate and etc. Regulatory acts also include elements of a fair approach to consumers, such as responsible lending and the prevention of over-indebtedness. Most countries have rules for receiving and responding effectively to complaints.

In addition to imperative regulatory norms, in developed countries, the presence of self-regulation mechanisms is also of great importance, such as codes of conduct, which is also widely used by associations of financial intermediaries of different countries or directly by financial intermediaries. The regulatory framework for the protection of consumer rights is mainly aimed at providing the consumer with the necessary information needed to make a decision, and its requirements are reflected in codes of conduct. The latter, unlike the framework, are voluntary and do not represent binding rules. However, many countries use these principles.

For example, CGAP⁴ sets out six consumer protection principles (Gzirishvili, 2013: 50):

#	Principle	Explanation
1	Avoiding excessive debt	The organization providing financial services must properly assess the customer's solvency and ability to repay the borrowed amount before granting credit. In addition, non-credit products should be offered to both high- and low-income consumers.
2	Transparent pricing	Terms and pricing policies of financial products should be clear, justified and announced in advance. In addition, all service details and basic information must be disclosed at the appropriate time.
3	Appropriate debt collection practices	Debt collection procedures should not be abusive and the process should be conducted in a way acceptable to both parties, taking into account their interests as much as possible.
4	Ethical behavior of service personnel	A financial service provider must take appropriate measures to prevent possible corruption and mistreatment of customers and to ensure their decent service.
5	Mechanisms for receiving customer complaints	There should be procedures for receiving and resolving customer complaints in a timely and effective manner
6	Protection of user's personal information	Information about the user must be kept confidential and not transferred to third parties directly without the user's consent.

⁴ CGAP - Consultative Group to Assist the Poor, <https://www.cgap.org/>

In addition to disclosure and access to information, one of the priority issues for the financial sector is to increase the transparency of financial products and the activities of financial intermediaries themselves. This is because business openness and transparency are very important to consumers when making financial decisions. This implies a broad responsibility in terms of consumer awareness and financial education. It is true that the buyer should exercise caution ("Caveat Emptor"), but this does not release the financial service provider from the responsibility to act fairly in the conditions of significant information imbalance between the seller and the buyer (KPMG, 2012).⁵ Financial intermediaries must ensure that consumers understand the options offered to them, complex products and services, the price to be paid in the financial product, etc., in order to make the right decisions.

From the point of view of protection of consumer (also of financial services) rights, at the modern stage of development, special attention is paid to various concepts. As studies show, documents of different levels and importance are developed based on them. We consider the following to be mentioned among them:

- **The concept of customer outcomes**, which most international organizations (for example: OECD TF-CIT⁶, IAIS⁷, IOSCO⁸) discuss in their main policy documents. However, some important organizations, such as the FinCoNet⁹ and the BCBS,¹⁰ address client outcomes mainly in secondary policy documents and standard implementation guidance;
- **Fair treatment of customers** is one of the most common concepts and includes customer-oriented activities such as product design, management, advertising and transparency, advice to customers, evaluation of their creditworthiness and others. The concept also focuses on the internal processes of financial institutions or intermediaries that also affect consumers. These are: conflicts of interest, corporate governance, accountability, etc. The importance of the concept is also demonstrated by the fact that the organization IAIS considers the results of fair treatment as the basis for regulating business conduct;
- **The concept of seeking the best interests of consumers** is also recognized by international bodies. For example, OECD TF-CIT, IOSCO and IAIS state that providers and agents must act with due care in the best interests of consumers and ensure their financial protection.

Overall, the above-mentioned concepts, should be considered as a strong argument in favor of the need for regulatory and supervisory interventions by the state (Juan Carlos Izaguirre, 2020: 33), without having negative impact on the process development.

Experience in protecting the rights of consumers of financial services in Georgia

During the last 10 years, a lot of things have been done in the direction of consumer rights protection in Georgia, in the effective implementation of which the National Competition Agency of Georgia was provided with technical and consulting support by the competition and consumer rights protection agencies of Lithuania and Austria. The process was carried out within the framework of the

⁵ KPMG, New Light on Old Truths, Consumer protection and good business sense, available at:

<http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/consumer-protection/Documents/consumer-protection.pdf>, (09.02.2023)

⁶ OECD - Organization for Economic Co-operation and Development. The OECD Task Force on Countering Illicit Trade (TF-CIT) works with governments to better understand the full range of complex risks and threats posed to our global economies. The TF-CIT focuses on evidence-based research and advanced analytics to assist policy-makers map and understand the market vulnerabilities exploited and created by illicit trade. (<https://www.oecd.org/governance/illicit-trade/>)

⁷ IAIS - International Association of Insurance Supervisors, <https://www.iaisweb.org/>

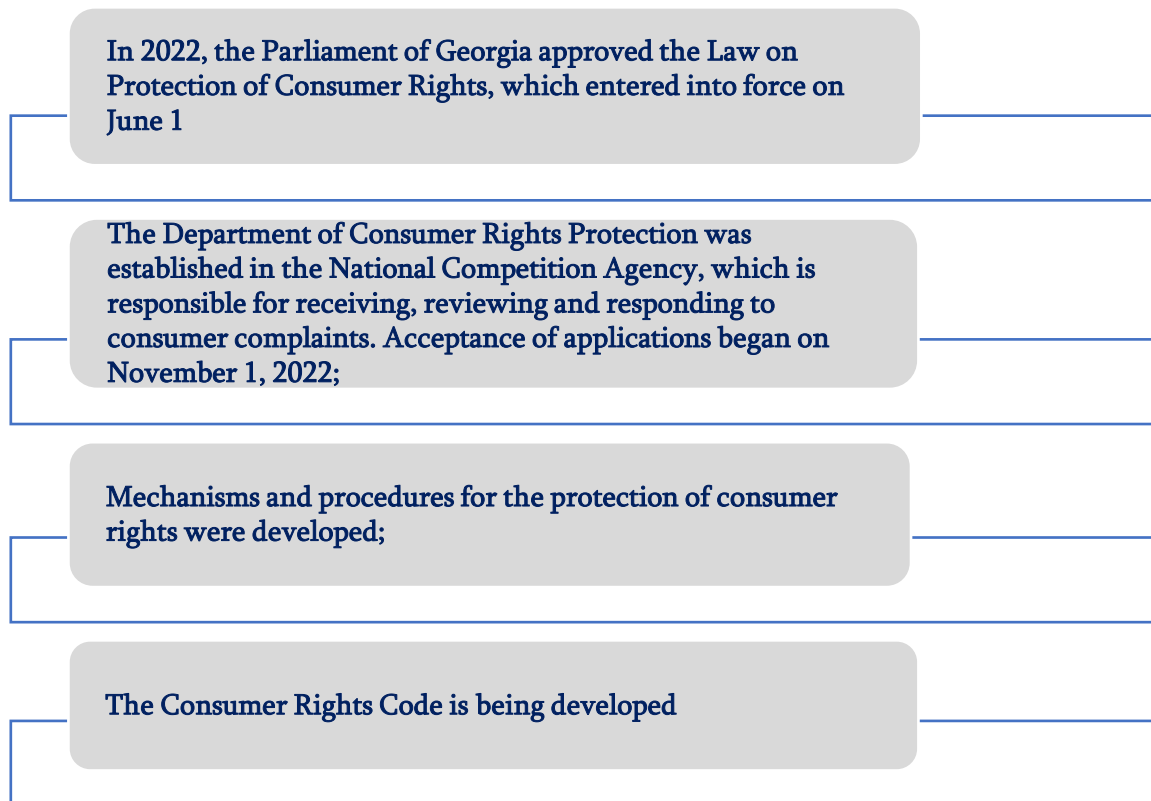
⁸ IOSCO – international organization of securities commissions (<https://www.iosco.org/>)

⁹ International Financial Consumer Protection Organization (<https://www.finconet.org/>)

¹⁰ Basel Committee on Banking Supervision (<https://www.bis.org/bcbs/>)

"Twinning" project "Strengthening the capabilities of the Georgian Competition Agency" funded by the European Union.

During this time, a number of important events took place, for example:



As for the protection of the rights of consumers receiving financial services, for this purpose, the National Bank of Georgia, back in 2011, enacted a special rule, which provides for commercial banks to provide certain information to consumers in a necessary manner when providing retail banking services. This includes the nominal and effective interest rates of the credit, the costs associated with the use of the credit, the creditor's responsibility in the event of a change in the interest rate to inform the user in advance about the change, information about foreign exchange risks, etc. the mentioned rule also applies to deposit agreements. In addition, the rule provides for the standardization of retail credit and deposit agreements, which implies the necessary placement of the above-mentioned important information in the header of the agreement.

Currently, several public organizations provide protection of consumer rights in Georgia, among them:

- National Competition Agency;
- National Energy and Water Supply Regulatory Commission of Georgia;
- National Food Agency
- Communications Commission;
- the National Bank of Georgia;
- State Insurance Supervision Service;

Despite the development and approval of a number of laws and legislative acts, creation of regulatory documents, etc., in terms of further improvement of consumer rights protection, the greatest

emphasis in Georgia is still on financial education and raising consumer awareness. In addition, it is true that the country has achieved considerable success in terms of consumer rights protection, but there is still much to be done in this regard, especially in terms of raising the quality of financial education of the population.

Consumer financial education

By financial education, we mean teaching people money management principles that they will use throughout their lives. Financial education equips people with the skills, knowledge and attitudes to manage their money effectively. Approaches may vary depending on the stage and environment a person is in, which is influenced by a number of factors. Good financial education helps individuals to increase their savings, reduce risks and optimize expenses, allowing them to earn enough money and, at the same time, free themselves from excessive dependence on it.¹¹ Consumer protection and financial education are two sides of the same coin and serve the same purpose. On the one hand, more financial education allows a person to avoid problems, and on the other hand, the protection of consumer rights leads to the protection of every citizen (including those without financial education) from becoming victims of financial machinations.

For a complete understanding of the content and importance of financial education, we present several definitions that, although financial education is presented from different angles, are focused on the importance of increasing the quality of financial services and raising consumer awareness:

- Financial education is a process through which people/individuals improve their understanding of financial products and concepts. through information, instruction and/or objective advice, they develop the skills and confidence to become more aware of financial risks and opportunities, make informed choices, know how to seek help, and take effective action to improve their financial situation and protection (**Atkinson A., Messy F.**, 2011: 3-4);
- The working definition of financial education used by the OECD Program for International Student Assessment (PISA Program for International Student Assessment of the OECD): financial education is the knowledge and understanding of financial concepts, risks by users, skills, motivation and beliefs to use this knowledge in order to make effective decisions when using financial products, to improve the financial well-being of individuals and society, and to actively participate in economic life (**OECD**, 2012).
- National Financial Educators Council: The process of learning the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals.¹²

Consumer protection and financial education is a priority direction for the governments of many countries. For example, the United Kingdom offers the concept of "financial capability", which other countries also use more often in research. According to this concept, the ultimate goal is for financially "able" people to demonstrate desired financial behaviors, such as budgeting, planning, and saving for old age.

Based on the above definitions, financial education is considered as extended knowledge, skills and strategies that individuals develop throughout their lives. it includes more than accumulated knowledge. it also includes the names of cognitive and practical skills and such factors as: attitude,

¹¹ For more: [What is Financial Education: Meaning, Topics, Best Practices | NFEC](https://www.financialeducatorscouncil.org/)
(<https://www.financialeducatorscouncil.org/>)

¹² National Financial Educators Council [https://www.financialeducatorscouncil.org/what-is-financial-education/](https://www.financialeducatorscouncil.org/what-is-financial-education/(03.23.2023))
(03.23.2023)

motivation and values. However, in order to achieve the desired financial behavior, a person must evolve over time from knowledge to skills, then to attitudes, and finally to behavior.¹³

Different authors describe the factors in the definition of financial education as follows (Holzmann, Robert, 2010):

- ✓ **Financial concepts and risks.** Members of society are more or less familiar with the financial environment around them and have an understanding of risks and concepts such as credit, interest rate, inflation, price-quality ratio, etc. They have to choose between different financial products and decide if it is what they really want, what they need, what they can afford and what they will actually use to achieve their goals;
- ✓ **Skills.** They include such cognitive processes as perception and comparison of the information provided, extrapolation and evaluation. To do this, the user must be able to calculate interest (even a simple one), convert currency, as well as understand the language used to communicate with the user through advertising and the contract, he must be able to read the contract and interpret it. In addition, they include the consumer's ability to manage the emotional and psychological factors that influence their different kind of financial decisions;
- ✓ **Motivation and belief.** Non-cognitive traits such as motivation to seek information and advice to engage in financial life and trust to do so. It is believed that this is the ultimate goal of consumer financial education - a person develops self-confidence, appropriate motivation and belief;
- ✓ **Applying knowledge in practice to make effective decisions.** It is important to use the knowledge gained about personal finance to make effective decisions. On the other hand, an effective decision means an informed and responsible decision that meets a given need of the decision maker;
- ✓ **Improving the financial well-being of individuals and society.** Good understanding, management and planning of financial matters by individuals is believed to have a collective effect on the well-being of the wider society, contributing to stability, productivity and development not only in the community and country, but globally. People with a high level of financial education are better prepared to make decisions that will have an immediate positive impact on their financial well-being. In addition, they promote development and innovation by critically understanding the economic environment in which they live and operate.

For more than two decades, many countries have been implementing projects aimed at raising the level of financial education, which, for the most part, is expressed in the development of a national strategy for financial education. It is true that not everyone has achieved equal success in this direction, but we think that it is only a matter of time. It should also be noted that the need to develop a national strategy is often determined by the results of measures implemented in terms of consumer financial protection and financial inclusion.

National strategy of financial education

As early as 2012, about 40 countries had already started work on developing a national strategy to some extent. Interest in such initiatives has not slowed down and is still growing worldwide. However, these initiatives are still relatively new fruits and "there is a lack of comparative analysis of the

¹³ For example, knowledge includes the goal of saving and the levers for its implementation, skills - the ability to create a saving plan, attitude - the desire to save in advance, and behavior - directly putting money aside for the purpose of saving. (Holzmann, Robert, 2010).

approaches and goals used by countries, the working framework and the implementation of national strategies" (**Grifoni, A. and F. Messy, 2012**)

In its most general definition, the national strategy of financial education can be considered as a coordinated approach to financial education at the national level, with the possibility of implementing its results at the regional level, consisting of an adapted framework or program that:

- Recognizes the importance of consumer financial education and shapes its content and scope at the national and intra-regional levels, taking into account the current situation on the one hand and relevant needs, challenges and gaps on the other hand;
- It involves collaboration between different stakeholders and identifying a leader or coordinating body at the national level. In this regard, special importance is attached to the educational services of universities and the existence of close links between academia and industry;
- Creates a guide to achieve predetermined goals in a specific period, based on the analysis of the results of past periods;
- Leads the process of aligning the mentioned guidelines and individual programs with each other in order to facilitate the effective implementation of the national program. (**Grifoni, A. and F. Messy, 2012**)

The main obstacles and challenges for “financial literacy at the micro-level, meso-level, and macro-level are over deference to the financial industry, lack of financial knowledge, overconfidence about financial knowledge, lack of government initiatives, frameworks and regulations, lack of life-cycle planning and interesting and fascinating ways to teach financial literacy skills”. (**Mitchell, Abusheva, 2016: 1**)

That’s why, a national financial education strategy should be tailored to the needs and challenges of a specific country. For example:

- Australia, Japan and the United Kingdom emphasize the need for an appropriate level of financial education for effective decision-making as a prerequisite for improving financial well-being;
- Canada focuses on confidence, as a necessary element for people to make the right decisions;
- Colombia believes it is also important to understand changes in key macroeconomic indicators that affect individuals' living standards, values and responsibilities as part of financial decision-making (**Grifoni, A. and F. Messy, 2012**);
- Active participation in financial market processes is an important component of financial education in the Czech Republic and India.
- In Malaysia, the national strategy has a stronger focus on education as they seek to increase consumer knowledge about financial products.
- In Georgia, emphasis is placed on raising the awareness of financial service recipients through financial education (including in schools), which should be taken into account by the national strategy, which is based on the advanced experience of other countries.

Naturally, in order to formulate a national strategy for financial education and its subsequent effective implementation, it is necessary to go through certain necessary stages, which include assessment of national needs and shortcomings, early consultation and continuous cooperation between various stakeholders, identification of leaders and resources, determination of target groups and policy priorities, as well as collaborative To create a platform and processes to evaluate and monitor the national strategy.

The experience of countries shows that it is not necessary to approach these elements in a predetermined order. However, it is necessary to adjust and adapt them to national circumstances and priorities. Assessing the level of financial education at the local and international level remains one of

the critical aspects for policymakers to implement appropriate interventions. In this direction, it is worth noting the work of the international network of financial education of the OSCE, the purpose of which is to facilitate the sharing of experience and knowledge, as well as the performance of analytical work and the development of policy recommendations at the international level. In addition, the network aims to evaluate programs and national strategies aimed at increasing financial literacy (**Atkinson, A. and F. Messy, 2011**).

In order to assess the state of financial education in the country, a number of studies are conducted, within the framework of which special attention is paid to such parameters as: knowledge, behavior and attitude towards personal finance and aims to reveal the characteristics of the behavior of financial services users. While studying parameters, it is interesting not only passive consumption of financial products, but also their management and analysis of results. Among the conducted studies, the most important are the studies conducted by the OSCE International Network of Financial Education, based on the results of which several dozen countries have formulated and developed a national financial education strategy.

Main conclusions

As a result of the analysis of the current situation, we can conclude that the improvement of financial services, the protection of consumer rights and their financial education can bring significant benefits not only to individuals or groups of people, but also to the country as a whole (both developed and developing). Core:

- Financially educated adults in both developed and developing economies have a better chance than others to manage their money, plan for their retirement, determine how much money to save now to keep expenses at the same level after retirement, or how much to invest now, to receive a certain volume of income after certain years, etc.;
- Improved levels of financial literacy lead to positive behavioral change. In addition, people with financial education can manage their money better, they accumulate more capital, they are more active in financial markets, etc. (the mentioned playback refers mainly to developed countries);
- Financially literate people are better able to manage their debt, have cheaper mortgages, avoid high interest rates, over-indebtedness and additional fees;
- Financially literate people make more informed decisions and demand higher levels of service, which encourages competition and innovation in the marketplace.
- Financial education is one of the most powerful means of increasing financial inclusion¹⁴ by promoting financial awareness and education to promote financial well-being on the one hand, and economic and social inclusion, on the other (**Grifoni, A. And F. Messy, 2012**).

All of the factors mentioned above ultimately provide more efficient financial services and potentially lower costs in light of regulatory requirements. In particular, the higher the level of financial education of consumers, the lighter the regulatory and supervisory regime, which, in turn, reduces the cost of financial intermediaries and, as a result, directly to consumers. In addition, the potential cost to the state that may be required to help people who have made poor financial decisions or become victims of financial fraud, is reduced.

In terms of protecting the rights of consumers of financial services, there is definitely a lot to be done and it will take a lot of time. However, taking into account the reality of Georgia, we believe that the following should be activated in the short term:

- development and implementation of "rules of fair conduct" in the market;

¹⁴ Financial inclusion is a process that, through existing and innovative approaches, promotes timely and adequate access to regulated financial products and services and expands their use by all segments of society.

- The Consumer Protection Service should develop a "Code of Ethics for Debt Collections" to be later supplemented by financial education;
- Further development of the mediation service as a conciliatory link. It is known that such structures do not make decisions. They are just trying to settle the disputes;
- In relation to financial services, taking care of raising the level of financial education of consumers and society, further promotion of the website - www.fin.edu;
- Further development of a unified definition of the "financial pyramid" scheme and full criminalization of activities that fall under the pyramid definition. However, we believe that the fight against financial fraud should be focused not on the implementation of punitive mechanisms, but on the implementation of preventive measures, in the direction of raising public awareness;
- Perfecting the sanctioning system. It should be noted that according to the current legislation in Georgia, the financial pyramid is not regulated and there is no perfect mechanism for the responsibility of the organization and/or person due to possible losses arising from its operation. The issue is very urgent due to the fact that the pyramid scheme, in any case, is ultimately doomed to collapse, which will cause both financial loss and moral damage to the participants in the scheme. Not only the establishment of the scheme, but also any activity that contributes to the functioning of the pyramid should become punishable;
- It is necessary to use the relevant information space in order to spread information about financial pyramids. For example, there are websites that describe the common characteristics of a financial pyramid, describe how people are involved in the scheme, explain why a pyramid is a fraudulent scheme, what are the risks associated with participating in such a scheme, the public's responsibility in the process of detecting such schemes, and more and more;
- Taking into account the international experience, it is possible to spread information about the pyramid and its similar specific companies through various publicly available information means;

We note here that despite the increasing legalization of financial activities, potential fraudsters will always try to circumvent the legislation and create more sophisticated schemes to achieve their goals. Therefore, in parallel with the regulation, it is necessary to focus on raising the awareness of consumers about the possible risks related to financial manipulations.

Finally, we would like to focus on one more important issue, which is "inclusive development". The point is that if we want to promote financial education, we need to ensure broad public involvement so that even the most vulnerable social groups get prospects to improve their economic situation. In fact, the word "inclusion" is the key to the problem. "Otherwise, the gap will become wider and result in growing inequality, especially taking into account that countries are going to tend towards a drop in their GDP." (MAPFRE Economics, 2022) The mentioned situation is the result of many crises - financial, pandemic and Russia - Ukraine war, which had a great impact on the development of both the individual country and the entire world economy.

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