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Financial Awareness among Hungarian Households

Abstract

Financial awareness is essential for individuals to make informed decisions about managing their income, spending, and savings. It helps prevent overspending and irresponsible borrowing, and ensures financial stability in the long term. It also helps households adapt more effectively to economic challenges and plan ahead for different stages of their lives. Our questionnaire survey sought to find out how the events of recent years have affected the financial culture of the Hungarian population. Are they aware of the concept of inflation, do they know about different forms of saving, where do they obtain financial information, and do they manage their finances more consciously in response to adverse economic events? We received responses from 258 people, and our conclusions and recommendations are based on these responses.

Keywords: financial decision making, financial culture, savings
JEL codes: G40, G51

Introduction

Savings play a key role in ensuring the financial stability of both individuals and households and in helping them achieve their long-term goals. Having adequate financial reserves provides an opportunity to deal with unexpected expenses, reduces the risk of borrowing, and contributes to future financial security, whether it be buying a home, raising children, or securing financial stability in retirement. In Hungary, the economic changes of recent years, inflation, credit market developments and the ever-widening range of financial products have all influenced the savings habits of the population. In light of this, it is particularly important to examine the level of financial awareness among the Hungarian population, the sources of information they use to find out about savings opportunities, and how these habits change depending on age, social status and life situation. The level of financial literacy – or lack thereof – has a direct impact on the economic decisions of the population. Knowledge, financial planning skills, and long-term thinking are essential for individuals to make responsible and informed decisions about their finances. It is therefore essential to examine the financial culture of the Hungarian population, as improving it can contribute to the development of a more conscious, stable, and crisis-resistant society.

Literature review

The definition of financial literacy is not uniform in the literature, but common features can be found in different approaches. In general, financial literacy refers to the knowledge, skills, and attitudes that enable individuals to make informed and responsible financial decisions. According to the definition formulated by the Hungarian National Bank and the State Financial Supervisory Authority in 2008, financial culture presupposes the existence of competencies that enable individuals to recognize, interpret, and apply basic financial information in the decision-making process, while taking into account the future financial and social consequences of their decisions (MNB–PSZÁF, 2008). According to Henager (2012), financial literacy refers to the totality of skills that enable individuals to acquire, process and understand the basic financial information and services necessary to make informed financial decisions. Zéman et al. (2024) highlight that an individual's financial literacy also affects their assessment of corruption. The internationally accepted definition developed by the OECD interprets financial literacy as a complex, multidimensional construct that encompasses financial knowledge, practical skills, attitudinal factors, and financial behavior patterns. The combination of these elements contributes to an individual's ability to make responsible financial decisions and ensure their long-term financial well-being (Atkinson – Messy, 2012). Although the definitions differ in terms of terminology, they all share the idea that financial literacy is a knowledge- and skill-based ability that is essential for making appropriate financial decisions. Remund's (2010) model provides a synthesis of these approaches, organizing the most important components of financial literacy into five basic dimensions:

1. Financial literacy: Knowledge of basic financial concepts and services and the ability to apply them in everyday money management.
2. Financial communication skills: The ability of individuals to understand and discuss various financial concepts and to communicate their decisions clearly to others.
3. Financial management: Planning and managing personal finances, including monitoring income and expenditure, meeting payment obligations, setting savings goals, and comparing alternative financial offers.
4. Decision-making skills: Applying critical thinking to financial decisions, enabling individuals to weigh different options, advantages, disadvantages, and risks.
5. Confidence in planning one's financial future: Forward-looking financial thinking and the ability to independently plan and implement the steps necessary to achieve future goals.

This comprehensive approach clearly reflects the fact that financial literacy is not merely a body of knowledge, but a complex set of skills and attitudes, the development of which plays a key role in economic and social stability. Tadasse and Kwok (2005) point out that although many believe that globalization

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unifies the financial systems of nation states, cultural differences can actually lead to significant differences in the financial structures of individual countries as an independent factor. The authors highlight, for example, that cultures have different attitudes toward uncertainty: while some societies strive to make the future predictable and manageable, others are more accepting of risk and change. Countries in the former group typically have a strong regulatory environment that seeks to minimize financial uncertainty through competition restrictions and institutional guarantees, such as extensive insurance systems and deposit insurance. In these countries, commercial banks play a dominant role in financial intermediation. Ashraf, Zheng and Arshad (2016) found that the risk appetite of the banking sector is also influenced by national culture. According to research by Boubakri and Saffar (2016), the structure of companies' external financing, especially the way they finance growth, is also shaped by cultural factors. A similar correlation was found by Chui and Kwok (2008) in relation to demand for life insurance, while Kessler, Perelman and Pestieau (1993) examined savings attitudes. Breuer and Salzmann (2012) examined the composition of household financial portfolios and found that the choice between savings instruments such as bank deposits, government securities, stocks, insurance, and other financial instruments also largely follows cultural patterns. Based on their findings, national culture influences the proportion of financial resources that households allocate to different forms of savings. The results of the research conducted by Németh and co-authors (2020) highlight that although rising incomes contribute to reducing financial vulnerability, they do not in themselves lead to an increase in financial literacy. At the same time, the level of education plays a decisive role in reducing financial vulnerability , and the lack of primary school education can be considered a significant risk factor. Furthermore, it can be concluded that vocational qualifications alone are not sufficient to achieve below-average financial vulnerability; a high school diploma appears to be crucial. Secondary education culminating in a high school diploma presumably provides the basic skills—such as the ability to interpret written information and perform calculations—that are essential for making informed, information-based, and numerically sound financial decisions. Their findings also point to the need for particular attention to be paid to the decline in numeracy and calculation skills, the causes of which should be explored in detail in future research, with a particular focus on their long-term social and economic consequences. According to a study by Hergár and co-authors (2024), significant progress has been made in the development of financial culture and financial awareness over the past decade. Based on available research results, particularly longitudinal studies conducted by the OECD, it can be concluded that measurable progress has been made in Hungary in the areas of financial literacy, numeracy, and theoretical knowledge. At the same time, further improvements are needed in terms of financial attitudes, behavior patterns, and the practical application of acquired knowledge. These areas are essential for financial awareness to contribute in a complex way to financial well-being at the individual and societal levels.

Methodology

We conducted a quantitative questionnaire survey among Hungarians to assess their financial awareness. The questionnaire was completed by 258 people. After general questions, such as the gender and place of residence of the respondents, their highest level of education and source of income, questions on financial awareness followed. These included what forms of savings they were familiar with, whether they had regular savings, if so, why they started and what form of savings they chose, and if not, why not, and through what channels they obtained information about the various options.

1. Hypothesis: There is a difference in the propensity to save between people living in different settlements.
2. Hypothesis: There is a difference in the propensity to save among people with different levels of education.

Results

Figure 1 shows the distribution of respondents by age and gender.

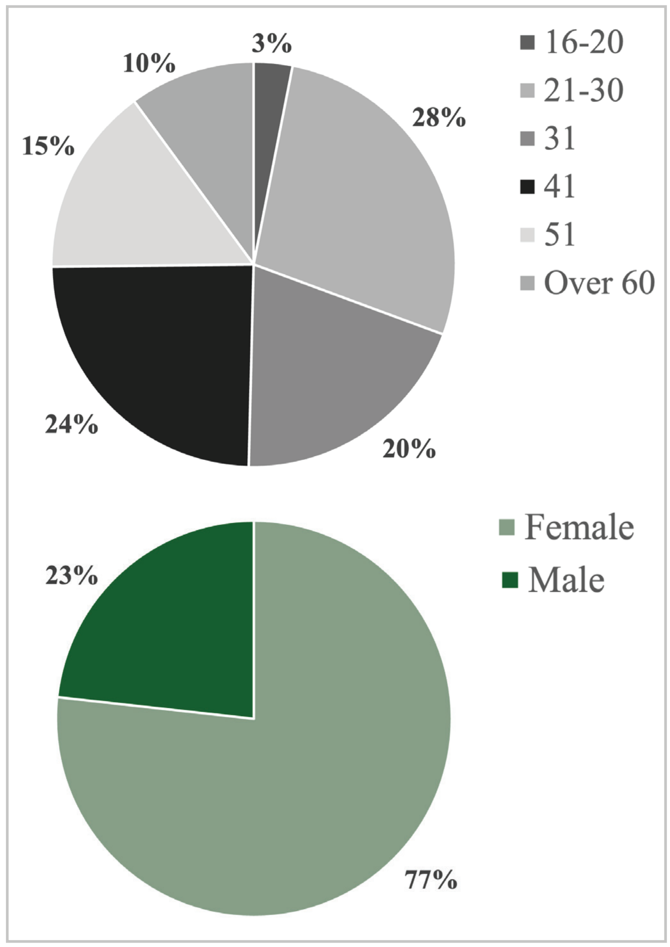

Figure 1. Distribution of respondents by age and gender
Source: own research

77% of the questionnaire was completed by women. 3% of respondents were between 16 and 20 years old, 28% were between 21 and 30 years old, 20% were between 31 and 40 years old, 24% were between 41 and 50 years old, 15% were between 51 and 60 years old, and 10% were over 60 years old. In terms of highest level of education, the majority of respondents had a college/university degree (128) or a high school diploma (100). Twenty-two respondents had vocational qualifications, seven had completed eight years of primary school, and one had no formal education. Seventy-two percent of respondents work full-time as employees, 6% are self-employed, 9% live on a pension, and 15% live on casual work and benefits.

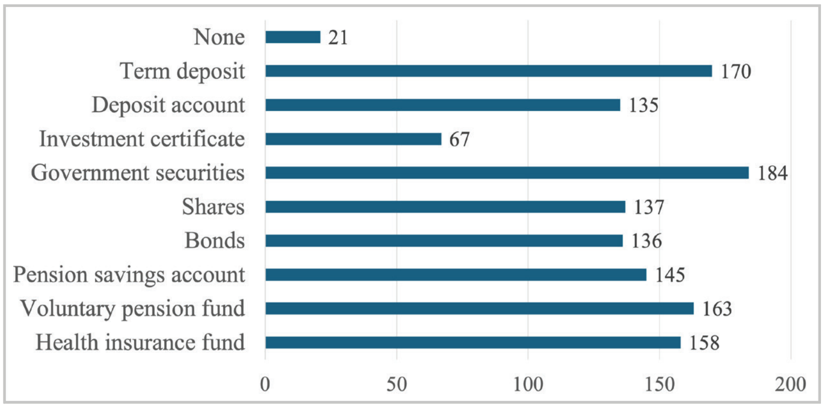

Figure 2. Knowledge of forms of savings (number of respondents)
Source: own research

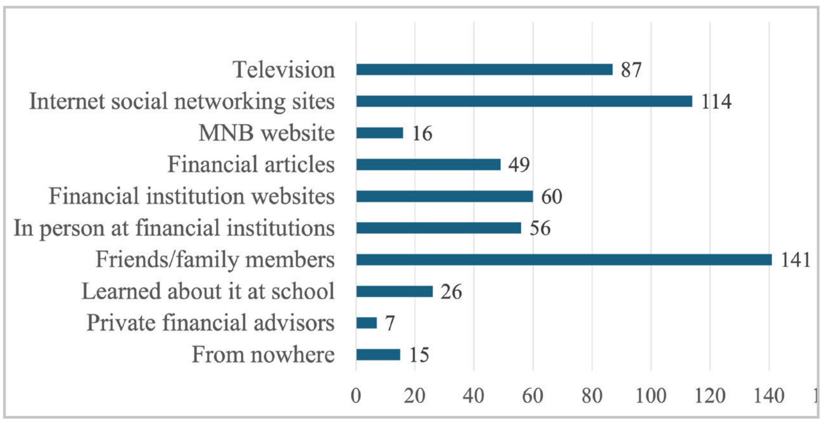

Figure 3. Sources of information for financial decisions (number of respondents)
Source: own research

The next questions focused on knowledge of different forms of savings (Figures 2 and 3) and whether the person had any savings.

Those who completed the questionnaire are familiar with several forms of savings. Typically, they indicated government securities and fixed-term deposits, but pension savings schemes are also well known.

Figure 3 shows where the surveyed population obtains information for financial decisions.

Based on the research results, it can be concluded that most people obtain information about savings opportunities from friends, family members, and social media platforms. In addition, television also plays a significant role as a source of information. In contrast, professional advice is much less frequently sought, and visits to the official websites of financial institutions are also relatively low. It is also worrying that some people have no access to this type of information or do not attach sufficient importance to it, meaning that the available knowledge is not incorporated into their decision-making. In our view, professional information is essential for making the right financial decisions and choosing the form of savings that best suits our goals. Although it can be useful to learn from the experiences of others, whether in a family setting or on online community platforms, this information should not be treated as a primary source. This is because there is a risk of incorrect or incomplete information, which can lead to misleading decisions . As a result, we may not choose the most favorable form of savings for us, or we may not receive adequate information about the terms and conditions of a given scheme, which can lead to financial losses. For this reason, if we do not have sufficient financial knowledge, it is recommended that we always seek the advice of an independent, reputable professional before making any decisions about how to invest our savings.

The next question was whether respondents had savings. Table 1 shows whether individuals have savings, broken down by place of residence.

Table 1. Savings rate in different settlements

Place of residence/ Do you have savings?	Yes	No
Capital	6	31.6
Municipality/village	62	38
County seat	6	31.6
Town	63.3	36.7

Source: own research

It is clear that a higher percentage of people living in the capital and county seats have savings. Correlation analysis showed (at a significance level of 0.047) that there is a significant difference between people living in different settlements, i.e., those living in larger cities are more likely to have savings.

Based on the research of Németh and co-authors (2020), we also examined whether the level of education influenced the propensity to save. None of those with only a primary school education have savings, while just over half (54.54%) of those with vocational qualifications have savings. Sixty percent of those with a high school diploma and 72.66% of respondents with a college or university degree have savings.

The question arose as to why those who do not have savings do not have them (Figure 4).

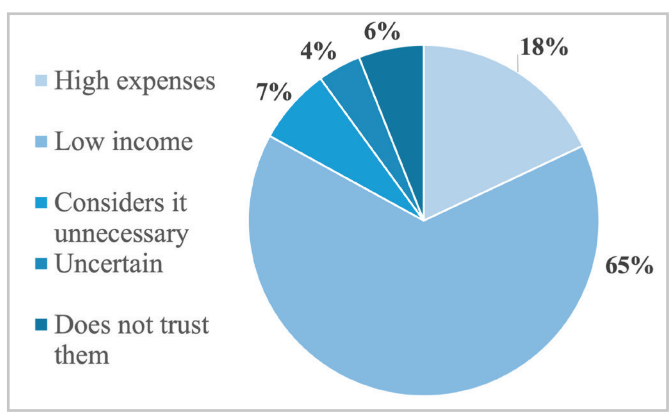

Figure 4. Why respondents have no savings
Source: own research

According to the survey, the largest proportion of those who do not have regular savings are unable to set money aside for financial reasons: their income is not sufficient to cover even their basic expenses. This is followed by those who have higher incomes but are unable to save due to significant expenses, such as daily living costs, child-rearing costs, or loan repayments. A smaller proportion of respondents consider saving unnecessary, as they believe that inflation causes the value of their savings to decrease faster than the returns offered by the available forms of savings. Some are distrustful of financial institutions and financial advisors, so they try to save by controlling their own spending. There is also a group that is already planning to start saving regularly but does not yet have enough knowledge to make an informed decision about the most suitable scheme for them.

We also examined the goals of respondents who have savings. Table 2, shows the savings goals broken down by age group.

Table 2. Savings goals

Age	Goals
16-20 year	set aside for general expenses 100%
21-30 year	cover housing expenses 40%
	money multiplication 28%
	retirement savings 24%
	unexpected expense 8%
31-40 year	retirement savings 32%
	for their children 26%
	money multiplication 21%
	savings for housing 16%
	unexpected expense 5%
41-50 year	retirement savings 40%
	for their children 36%
	money multiplication 12%
	savings for housing 8%
	unexpected expense 4%
51-60 year	retirement savings 89%
	savings for housing 6%
	money multiplication 6%
Above 60	unexpected expense 67%
	retirement savings 33%

Source: own research

The research results clearly illustrate that people's priorities, values, and financial goals change as they age, and their savings patterns and motivations change accordingly. For the 16-20 age group, savings are primarily intended to cover general, short-term expenses. As long-term financial goals are not yet typical at this age, young people mainly save to be able to cover smaller or larger personal expenses when they need to. Among respondents aged 21–30, more serious goals are already emerging, particularly those related to establishing an independent life. The most common savings goal in this age group is buying a home, with 40% of respondents saving for this purpose. Wealth accumulation also plays an important role, as the majority of young adults do not yet have significant financial reserves, so it is important for them to establish financial security. For the 31–40 age group, the focus is increasingly shifting toward long-term goals. Pension savings and caring for children are emerging as new, significant motivations. This is consistent with the fact that many people become parents at this age and supporting their children's future becomes a priority. Although the proportion of savings for housing is declining, it remains significant (16%), which may indicate that some people have not yet achieved their goals in this area or are setting aside money to maintain or renovate their existing property. Among 41-50-year-olds, the importance of retirement savings continues to grow, as retirement planning becomes increasingly important at this stage of life. At the same time, support for children continues to strengthen, with 36% of respondents citing this as a savings goal. For the 51–60 age group, retirement savings become the dominant motivation. This age group is aware that state pensions will not necessarily be sufficient to maintain their previous standard of living, so they are increasingly transferring funds previously set aside for other purposes, such as housing, into savings for their retirement years.

The questionnaire also addressed the issue of inflation and the impact of recent events. 98.8% of respondents said they had heard of inflation, and over 90% had a good understanding of the concept. Seventy-four percent of respondents said that previous economic events had a negative impact on their financial situation, and 84% of them said that they had become more conscious about managing their finances since then.

Conclusion

Correlation analysis revealed that there are differences in the propensity to save among people living in different settlements. People living in the capital and county seats have a higher proportion of savings. Although not statistically proven, the ratios indicate that people with higher education and high school diplomas are more likely to have savings. The results of the research clearly show that as individuals age, their financial priorities, values, and savings goals undergo significant changes, a process that is also reflected in changes in the nature and motivations of their savings. Financial literacy is high among the sample, but only a small proportion of respondents obtain financial information from professionals. Reliable and professional information is essential for making sound financial decisions and choosing the form of savings that best suits our goals. Although learning from the experiences of others, whether in the family environment or on online social platforms, can provide useful additional information, these sources of information are not suitable as the sole basis for decision-making. Knowledge gained through such informal channels is often incomplete or inaccurate, which can lead to misleading conclusions. As a result, we may not choose the savings solution that best suits our personal financial situation and goals, or we may not be aware of the terms and conditions and obligations associated with a given product. This can result in financial disadvantages in the long term . Based on the above, it is advisable that if we do not have adequate financial knowledge, we should always seek independent and reliable expert advice before making any savings decisions.

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