

# The level of financial inclusion of the Poltava region

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## Abstract

Analysis of the current level of financial inclusion of the Poltava region showed that the current level of financial inclusion of the Poltava region is low. Survey of the respondents showed that there is a large disproportionate level of financial inclusion among urban and rural population. The rural population is limited in financial services. There is also still a significant low level of confidence in financial institutions. All this slows down the processes of full involvement of the population in financial inclusion and creates a shadow sector.

*Keywords:* financial inclusion, financial literacy, financial well-being, financial goals, region

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## 1 Introduction

Financial inclusion of the region is a means of making full use of the financial services industry's tools, which ultimately contributes to the long-term economic growth of the region, as it stimulates innovation, mobilizes savings and supports investment. Scientific and technological progress has made the provision of financial services a simpler, safer and more cost-effective process for ordinary citizens.

At the same time, embracing technology in all sectors of the financial market contributes to solving financial inclusion problems for all types of low-income developing economies, including Ukraine. All this makes relevant research concerning the definition of effective ways of development of financial inclusion of Poltava region.

## 2 Body text

In recent decades, financial inclusion, along with financial stability, financial integrity and protection of the rights of consumers of financial services, has been one of the main goals of both the state and regional regulation of the financial sector in many countries of the world. Involvement of a wide range of economic entities, especially individuals, in the active financial life, contributes to the increase of the financial institutions resource base, and thus their positive impact on the economic development of the region and the well-being of the population, optimization of the money supply structure, enhancement of transparency of financial flows, which creates conditions for shrinking the shadow economy [1].

The idea of financial inclusion of the region is based on the elimination of barriers that impede or prevent the use of financial services by certain categories of the population. According to the latest financial services research, it is plausible that many of the region's population do not use them. This is especially true of innovative methods of providing financial services, such as internet banking or other financial services. The introduction of financial inclusion of the region implies the involvement of as many people of the region as possible in the financial services market. It is about all segments of the population of the region, individuals and legal entities. Increasing the level of financial inclusion of the region contributes to the prosperity of the banking sector and sustainable economic growth in the country as a whole and in the region [2].

Today, financial inclusion of the region is considered one of the drivers of stimulating the economic development of the country and its regions and reducing social inequality in society. It provides equal access for citizens and businesses of the region to the use of affordable financial services and products; meet their needs; are accessible to all segments of the population of the region, regardless of age, income, education, place of residence or type of activity; made available to the financial sector at an appropriate level by all parties involved. Thus, financial inclusion of the region is a way of overcoming poverty, and inclusive growth is a way to the common welfare of the region's population.

In order to determine the level of financial inclusion of the Poltava region, we conducted an online survey using the form developed by Google. 247 respondents took part in the study. Respondents were asked to answer six questions that characterize their level of financial awareness. Among all respondents, 141 were identified as female and 106 were male.

When asked "Do you know what financial inclusion is?" we received the following data for only 15% of women and 7% of men gave a positive answer to this question.

When asked "Do you plan your own daily and / or regular expenses?", We received the following data - 50% of women and 47% of men gave a positive answer to this question. It is worth noting that residents of Poltava region plan their own daily expenses, which is already a very positive manifestation of the level of financial inclusion.

When asked "Do you use any electronic payment methods yourself?" We have received the following data that among all surveyed respondents only 43% of women and 35% of men of Poltava region use electronic means of payment.

To the question "Do you use any financial products in the region?", We received the following data, so 57% of women and 40% of men gave a positive answer.

When asked "Do you know what financial well-being is?", We received the following data on 53% of women and only 28% of men with an idea of financial well-being.

According to the results of the analysis, it can be noted that more than 40% of the respondents have a low level of financial inclusion. It is worth noting that almost 60% of respondents in the Poltava region came from rural areas.

As in most regions of Ukraine in the Poltava region, the main reasons for not actively developing the financial services market include the inability to use the service due to its physical inaccessibility for residents of certain territories.

The main reason economic: to build the infrastructure to provide traditional banking services is expensive. Therefore, banks focus on focusing on the most active and most solvent demand, estimating the return on their investment.

However, for the development of financial inclusion, banking institutions need to remember that a large proportion of the regions of Ukraine have a significant proportion of rural residents in the permanent adult population.

Our surveys, more than 38% of the adult rural population lives in the Poltava region, most of which are not involved in financial inclusion at all. However, this does not mean that residents of less populated or less economically active areas do not need access to financial services. It can be provided either directly by the financial institution or by remote access to financial services from a computer or mobile phone. Therefore, this provides a serious basis for the development of new financial technologies (FinTech).

Another reason for the low level of financial inclusion of the population of Poltava region is the lack of financial literacy of some groups of users of financial services. As a result, the consumer cannot make a rational and responsible decision regarding the placement and use of his own and borrowed funds:

a) because of the risks arising from the unconscious investing of own resources in a non-bank financial institution instead of the traditional bank deposit;

b) misunderstanding of risks in obtaining a foreign currency loan in the absence of income in the same currency.

Usually in rural areas the whole base of financial institutions is concentrated only by 2 national brands - JSC Ukrposhta and Coop Ukraine (before rebranding - Ukoopspilka). Recently UkrPoshta has also expanded its access to financial services, and Coop Ukraine is trying to make financial services available (payment for internet, mobile recharge, payment for goods using a card, receiving transfers, payment for utilities, etc.).

But there are also a number of problems for urban

populations. Typically, the average consumer who wants to get financial services from a non-bank financial institution is at risk of financial pyramids. The overall financial literacy index of Ukraine, calculated according to the OECD methodology, is 11.6 (out of 21). This index is based on points for financial knowledge, attitude and behavior. Only 43% of the adult population in Ukraine correctly answered at least five of the seven knowledge test questions (considered the minimum target) and confirms the correctness of the data we received when polling Poltava respondents against 56% in all participating countries in the OECD poll. This poll showed the following:

1. Ukrainians are well aware of what inflation is and how to calculate discounts in stores.
2. The level of knowledge of simple percentages is lower than in other countries (55% in Ukraine against the average of 65% for other OECD countries).
3. A low level of understanding that the promise of a high income is likely to mean high risks makes Ukrainians vulnerable to fraudulent schemes and speculative investing.
4. Only 21% of respondents were able to correctly choose from the short list of proposed options the amount of state-guaranteed bank deposit compensation (UAH 200,000).

But, it should be noted that Ukrainians show great interest in financial literacy and its support. They want children to learn how to manage their money.

### 3 Conclusion

The research has shown that the need to involve more people in the formal financial system cannot be overestimated. Financial inclusion of the region increases social stability, material well-being, directs savings in investments, which, after all, positively affects the level of profitability of each person in the Poltava region.

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