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Assoc. Prof. Le Khuong Ninh

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FOREWORD

On December 12, 2024, School of Economics - Can Tho University (CSE) hosted the 6th International Conference on Economics, Business and Finance with the theme of sustainable development in economics, business and finance. University of Economics - Hue University, Tay Nguyen University, Thai Nguyen University of Economics and Business Administration, Bac Lieu University, Foreign Trade University Ho Chi Minh city Campus, Sofia University (Bulgaria) and Tunku Abdul Rahman University of Management and Technology Malaysia (TARUMT) are the co-organizers. The conference provided an open platform for scholars and practitioners worldwide to meet and share their latest research findings. All submitted papers were double-blind reviewed by a committee of established researchers. More than 150 delegates attended the conference from 6 countries, including New Zealand, Japan, China, Malaysia, Bulgaria, and Vietnam, in-person and online.

A total of 91 papers were included in the conference proceedings book. These papers would provide readers with the latest perspectives in sustainable development in economics, business and finance, locally and globally.

CONTENTS

UNDERSTANDING FINANCIAL LITERACY: ITS ROLE IN PERSONAL EMPOWERMENT AND ECONOMIC STABILITY

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ABSTRACT

Financial literacy, defined as the ability to understand and effectively utilize various financial skills, has become increasingly critical in today's complex financial landscape. This paper explores the multifaceted nature of financial literacy, encompassing components such as financial knowledge, behavior, and attitudes, and examines their influence on individual financial decision-making and overall economic stability. Through a review of existing literature and empirical studies, the paper highlights the importance of financial literacy in personal financial management, investment decisions, and responsible credit use. It also discusses the broader societal implications, including economic growth and stability, as financially literate individuals are better equipped to contribute to economic development and mitigate the risks of financial crises. Furthermore, the paper addresses the role of education in enhancing financial literacy and the challenges posed by socioeconomic factors and technological advancements. The findings underscore the need for targeted financial education programs and public policies that promote financial literacy to foster a more informed and resilient society. By drawing insights from various international initiatives, this paper outlines policy implications and future research directions to improve financial literacy and its positive impact on individuals and economies.

Keywords: *Economic stability, education policy, financial literacy*

JEL codes: G53

1. INTRODUCTION

Financial literacy, defined as the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing, has become a critical skill in the modern world (Marcolin & Abraham, 2006; Altintas, 2011). The significance of financial literacy has grown considerably with the increasing complexity of financial markets, the availability of a wide range of financial products, and the shift towards individuals taking more responsibility for their financial well-being, including retirement planning (Marcolin & Abraham, 2006). In this context, financial literacy is not merely a beneficial skill but a necessary one for navigating the complexities of contemporary financial systems and making informed financial decisions (Marcolin & Abraham, 2006; Lusardi & Mitchell, 2011a; Lusardi & Mitchell, 2023; Lusardi & Messy, 2023).

Historically, financial literacy was seen as a specialized skill set reserved for those in the financial sector. However, globalization, the rise of digital finance, and frequent economic fluctuations have highlighted the importance of financial literacy for individuals across all sectors of society (Altintas, 2011; Choung et al., 2023). The recent global financial crises have underscored the critical need for individuals to possess a solid understanding of financial concepts to avoid detrimental financial decisions that could lead to personal and economic distress (Marcolin & Abraham, 2006; Lusardi & Mitchell, 2011a; Lusardi et al., 2021).

The relevance of financial literacy extends beyond personal finance management; it has broader implications for economic stability and growth. Financially literate individuals are better equipped to contribute to economic development by making informed investment decisions, saving for the future, and responsibly managing credit (Altintas, 2011; Ingale & Paluri, 2022). Therefore, promoting financial literacy is not only a matter of personal empowerment but also a crucial element of public policy aimed at fostering a stable and prosperous economy (Altintas, 2011; Lusardi & Mitchell, 2011a; Kartini et al., 2020).

In this paper, we provide an overview of the current state of financial literacy, examining its components, measurement methods, and the factors that influence it. We also explore the impact of financial literacy on financial behaviors and decision-making, the role of education in enhancing financial literacy, and the challenges posed by technological advancements. Finally, we look at global perspectives on financial literacy, drawing insights from various international initiatives and research to outline policy implications and future research directions (Altintas, 2011; Lusardi & Mitchell, 2011a; Marcolin & Abraham, 2006; Zhang & Chatterjee, 2023).

2. THEORETICAL FRAMEWORK OF FINANCIAL LITERACY

Financial literacy is broadly defined as the ability to understand and use financial knowledge to make informed decisions regarding personal finance, budgeting, investing, and other financial matters (Huston, 2010; Lusardi & Mitchell, 2011b). This concept encompasses a range of skills and attitudes that allow individuals to manage their financial resources effectively and efficiently. Financial literacy is essential not only for personal financial well-being but also for contributing to overall economic stability (Atkinson & Messy, 2011).

A. Components of Financial Literacy

Financial literacy is a multifaceted concept that comprises several key components: financial knowledge, financial behavior, and financial attitudes. Understanding these components is crucial to grasp how financial literacy influences individual financial decision-making and overall economic stability (OECD, 2013).

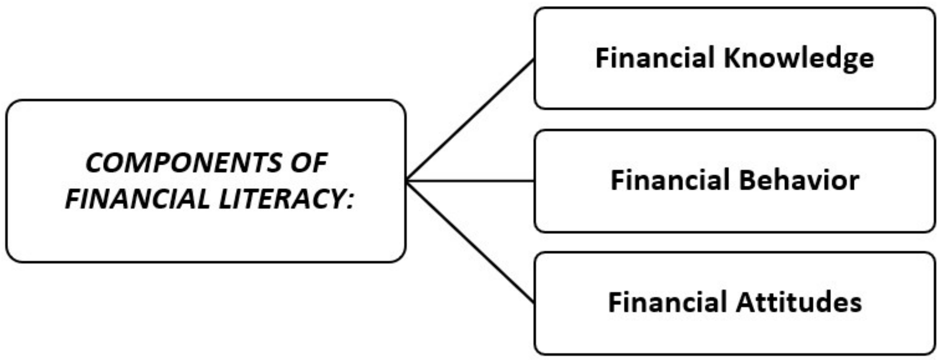

Fig.1: Components of financial literacy
(*Source: The Organization for Economic Co-operation and Development (OECD, 2013)*)

Financial knowledge is often considered the foundation of financial literacy. It refers to the understanding of basic financial concepts such as interest rates, inflation, risk diversification, and the workings of financial markets. Lusardi and Mitchell (2011b) emphasize that financial knowledge is critical for making informed decisions about saving, investing, and debt management. Individuals with higher financial knowledge are more likely to engage in sound financial planning and are better equipped to manage financial risks (Hastings et al., 2013; Lusardi & Mitchell, 2023). The importance of financial knowledge is underscored by studies showing that even a basic understanding of financial principles can significantly impact financial behavior and outcomes (Hilgert et al., 2003; Lusardi & Mitchell, 2011b; Choung et al., 2023).

Financial behavior pertains to the actions individuals take based on their financial knowledge, such as budgeting, saving, borrowing, and investing. It reflects the practical application of financial knowledge in daily life (Hilgert et al., 2003). For example, a person who understands the concept of compound interest might be more likely to save regularly and invest in interest-bearing accounts. Financial behavior also includes how individuals manage credit, such as using credit cards responsibly or avoiding excessive debt (Lusardi & Tufano, 2009). Empirical studies have found that financial literacy is positively correlated with beneficial financial behaviors, including regular savings, investment in diversified portfolios, and effective debt management (Van Rooij et al., 2011a; Kartini et al., 2020).

Financial attitudes refer to an individual's beliefs, values, and psychological predispositions towards money and financial decision-making. These attitudes can significantly influence financial behavior. For example, a positive attitude towards saving can lead to better saving habits, while a more relaxed attitude towards spending may result in higher debt levels (OECD, 2013). Attitudes towards financial risk also play a critical role; individuals who are more risk-averse may avoid investing in stocks, even if it could benefit their long-term financial well-being (Hastings et al., 2013). Research has shown that fostering positive financial attitudes through education and awareness can lead to improved financial behaviors and outcomes (Lusardi & Mitchell, 2008).

Interrelationship of Components

The components of financial literacy-knowledge, behavior, and attitudes-are interrelated and collectively influence an individual's financial well-being. Financial knowledge provides the cognitive foundation, while financial attitudes shape how that knowledge is perceived and valued, and financial behavior represents the actual practices undertaken by individuals (Huston, 2010). For instance, a person may possess high financial knowledge but may not engage in positive financial behavior due to negative financial attitudes, such as fear of investment risks (Chen & Volpe, 1998). Therefore, effective financial education programs should aim to enhance all three components to improve overall financial literacy (Willis, 2008).

By understanding these components, policymakers, educators, and financial institutions can better design interventions to improve financial literacy, ensuring that individuals are not only informed but also equipped and motivated to make sound financial decisions (OECD, 2013; Ingale & Paluri, 2022).

B. Importance of Financial Literacy

Financial literacy is crucial for individuals and societies because it underpins economic stability, personal well-being, and informed decision-making. The significance of financial literacy has become increasingly evident in today's world, characterized by complex financial markets, diverse financial products, and shifting financial responsibilities towards individuals (Lusardi & Messy, 2023; Zhang & Chatterjee, 2023).

Fig.2: Importance of Financial Literacy
(Source: Author synthesis)

Personal Financial Management and Decision-Making

One of the primary reasons financial literacy is vital is its role in empowering individuals to make informed and effective financial decisions. Knowledge of basic financial principles, such as budgeting, saving, investing, and managing debt, enables individuals to better control their finances, avoid pitfalls, and make choices that align with their long-term goals (Hilgert, Hogarth, & Beverly, 2003). Financial literacy helps people understand the implications of their financial decisions, from selecting the right mortgage to investing in retirement funds, which can significantly impact their future financial security (Lusardi & Mitchell, 2011b). Without a foundational understanding of these concepts, individuals are at risk of making poor financial choices that could lead to debt, bankruptcy, and financial hardship (Hastings et al., 2013; Ingale & Paluri, 2022).

Economic Participation and Financial Market Engagement

Financial literacy also plays a crucial role in enhancing economic participation. Individuals with higher levels of financial literacy are more likely to participate in financial markets, invest in diverse portfolios, and contribute to economic growth (Van Rooij, Lusardi, & Alessie, 2011a). Understanding financial markets and investment opportunities allows individuals to build wealth and increase their economic resilience. In contrast, a lack of financial literacy can result in a reluctance to engage in financial activities, thereby limiting economic participation and opportunities for wealth accumulation (Lusardi & Mitchell, 2011a; Choung et al., 2023). Furthermore, financially literate individuals are better equipped to assess risks and make informed decisions about investments, which can lead to more stable and efficient markets (OECD, 2013).

Reducing Financial Stress and Enhancing Quality of Life

Financial stress is a common issue that can significantly impact an individual's mental and physical well-being. Financial literacy helps reduce this stress by providing individuals with the tools and knowledge needed to manage their money effectively, plan for the future, and prepare for unexpected financial shocks (Hilgert et al., 2003). Understanding how to budget, save, and avoid excessive debt can lead to a more stable financial life, reducing anxiety related to financial uncertainty and contributing to overall life satisfaction (Lusardi et al., 2010; Lusardi & Messy, 2023). Financially literate individuals are more likely to feel in control of their finances, which fosters confidence and a sense of security.

Prevention of Over-Indebtedness and Economic Crises

Another critical importance of financial literacy is its role in preventing over-indebtedness and mitigating the risk of financial crises. A lack of understanding of credit terms, interest rates, and the long-term consequences of borrowing can lead individuals to accumulate unsustainable levels of debt (Lusardi & Tufano, 2009). Financial literacy equips individuals with the ability to manage credit wisely, avoid high-interest loans, and make informed decisions about borrowing, which can help prevent debt-related problems and financial crises on a broader scale. By fostering responsible financial behavior, financial literacy contributes to the overall stability of the financial system (Atkinson & Messy, 2011; Nugraha et al., 2023).

Promoting Economic Equality and Inclusion

Financial literacy can also play a significant role in promoting economic equality and inclusion. Research shows that financial literacy levels vary significantly across different demographic groups, with lower levels typically found among women, minorities, and low-income populations (Chen & Volpe, 2002; Lusardi & Mitchell, 2008). By improving financial literacy among these groups, targeted education programs can help bridge the knowledge gap, providing more equitable access to financial services and opportunities (Hastings et al., 2013; Kartini et al., 2020). This can lead to greater economic inclusion, allowing individuals from diverse backgrounds to participate more fully in the economy and improve their financial circumstances.

Supporting Broader Economic Stability

Financial literacy plays a critical role in promoting economic stability by enabling individuals to make informed decisions about saving, investing, and managing debt, which in turn contributes to the broader macroeconomic environment. As financial markets become increasingly accessible to a wide range of consumers, financial literacy allows individuals to engage with complex financial products more effectively, reducing the likelihood of detrimental financial behaviors that could destabilize the economy (Lusardi & Mitchell, 2013). For example, individuals who understand the importance of saving and investment are better equipped to accumulate wealth and cushion against economic shocks, thereby contributing to the financial stability of households and, by extension, the national economy (Swiecka et al., 2019).

Moreover, financially literate individuals are more likely to avoid excessive risk-taking, such as borrowing beyond their means, which can lead to financial crises when replicated across large populations (Matey, 2021). The 2007-2008 financial crisis highlighted how poor financial decisions at the household level can have cascading effects on national and global economies (Singh, 2014). As households struggle with unsustainable debt, this can lead to reduced consumption and investment, which depresses economic growth. Thus, financial literacy not only supports individual well-being but also mitigates the systemic risks that arise from widespread financial mismanagement (Lusardi & Mitchell, 2013).

Financial literacy also strengthens economic resilience by promoting savings and prudent investment behaviors. Countries with higher levels of financial literacy tend to experience lower aggregate consumption volatility, as informed consumers are more likely to save for future uncertainties, reducing the potential for destabilizing economic fluctuations (Matey, 2021). This behavior not only enhances household financial security but also contributes to national economic stability by supporting sustainable growth patterns. Furthermore, financial literacy supports government policy efforts aimed at stabilizing economies, as informed citizens are more likely to engage with and support sound economic policies (Singh, 2014).

C. Socioeconomic Influences on Financial Literacy

Financial literacy varies significantly across different socioeconomic groups, influenced by factors such as education, income, age, gender, and cultural background. Understanding these influences is crucial for designing targeted financial education programs and policies that address the specific needs of various demographic groups.

Table 1: Socioeconomic influences on financial literacy

Socioeconomic factors	Impact	Sources
Education	*Education* is one of the strongest predictors of financial literacy. Studies consistently show that individuals with higher levels of education tend to have greater financial knowledge and skills. Formal education provides individuals	(Lusardi & Mitchell, 2011b)

	with critical thinking skills and the ability to understand complex information, which is essential for making informed financial decisions.	
	For instance, Lusardi et al. (2010) found that individuals with a college education scored significantly higher on financial literacy tests than those with only a high school education.	(Lusardi et al., 2010)
	Moreover, specific financial education courses, whether in high school or college, have been shown to improve financial literacy and lead to better financial behaviors.	(Mandell & Klein, 2009; Lusardi & Messy, 2023)
Income	*Income* levels are closely linked to financial literacy, with higher income groups generally exhibiting better financial knowledge and behaviors. People with higher incomes often have more opportunities and resources to acquire financial knowledge, such as access to financial advisors and the ability to invest in financial education.	
	Conversely, low-income individuals may face greater financial pressures, leading to immediate concerns about survival rather than long-term financial planning, which can hinder the development of financial literacy.	(Atkinson & Messy, 2011)
	Lusardi and Tufano (2009) found that low-income individuals are more likely to be financially illiterate, which can lead to poor financial decisions, such as taking on high-cost debt.	(Lusardi & Tufano, 2009)
Age	*Age* is another important factor influencing financial literacy. Younger individuals often have lower financial literacy levels compared to older adults, as they may have less experience managing finances.	(Lusardi et al., 2010)
	However, older adults, especially those over 60, may also face declining financial literacy due to cognitive aging.	(Finke et al., 2011)
	This age-related decline can impact the ability to make complex financial decisions, highlighting the need for continuous financial education throughout life. Financial literacy education targeted at young people can equip them with the skills needed to make sound financial decisions as they transition to adulthood.	(Mandell, 2008; Nugraha et al., 2023)

Gender	*Gender* differences in financial literacy have been widely documented, with women generally scoring lower on financial literacy assessments than men.	(Chen & Volpe, 2002; Lusardi & Mitchell, 2008)
	This disparity can be attributed to several factors, including traditional gender roles, lower financial confidence among women, and fewer opportunities for women to engage in financial decision-making. Women are also more likely to experience income interruptions due to caregiving responsibilities, which can limit their financial learning opportunities. Addressing these gender disparities requires targeted financial education programs that focus on building confidence and providing practical financial knowledge tailored to women's unique financial needs and challenges.	(Lusardi & Mitchell, 2008; Lusardi & Mitchell, 2023)
Cultural and ethnic	*Cultural and ethnic* backgrounds also influence financial literacy levels. Immigrant populations and ethnic minorities often exhibit lower levels of financial literacy due to language barriers, cultural differences in financial practices, and limited access to financial education resources.	(Atkinson & Messy, 2011)
	In many cases, these groups may not have been exposed to the financial systems prevalent in their new countries, which can hinder their ability to manage finances effectively. Tailoring financial education to reflect cultural contexts and providing resources in multiple languages can help bridge the gap in financial literacy among diverse populations.	(Choung et al., 2023).
Employment status	*Employment status* and the nature of one's occupation can influence financial literacy. Individuals employed in professional or managerial roles often have higher financial literacy levels due to their exposure to financial decision-making in the workplace and their access to employer-sponsored financial education programs.	(Van Rooij, Lusardi, & Alessie, 2011a)
	In contrast, those in unskilled or manual labor positions may have fewer opportunities to develop financial literacy. Self-employed individuals may also have different financial literacy needs, focusing more on business finance and tax planning.	(Lusardi & Mitchell, 2011b; Lusardi et al., 2021)

Geographic location	*Geographic location*, such as living in rural versus urban areas, can affect access to financial education and resources. Urban residents may have greater access to financial services, educational institutions, and financial literacy programs, while rural residents might face barriers due to the limited availability of such resources. Addressing these disparities requires deploying financial education through various channels, including online platforms, to reach individuals regardless of their location.	(Hastings et al., 2013)
The digital divide	*The digital divide* also plays a role in financial literacy. Individuals without access to the internet or digital devices may miss out on online financial education resources and tools. This gap is more pronounced among older adults, low-income individuals, and certain minority groups, highlighting the need to provide accessible and inclusive financial education options.	(OECD, 2013; Ingale & Paluri, 2022)

D. Financial Literacy and Financial Behavior

Financial literacy plays a crucial role in shaping financial behavior. People who are financially literate are generally better equipped to make sound financial decisions, which leads to positive outcomes such as consistent saving, prudent investing, and proactive retirement planning (Van Rooij et al., 2011a). These behaviors are essential for long-term financial security and stability. On the other hand, individuals who lack financial literacy often struggle to manage their finances effectively. They may engage in risky behaviors, such as relying on high-interest loans, accumulating excessive debt, and not having an emergency fund. These actions can lead to financial distress and instability, affecting both personal well-being and broader economic health (Lusardi & Tufano, 2009). Thus, improving financial literacy is not only beneficial for individuals but also for society, as it can reduce the incidence of financial crises and support overall economic stability (Lusardi et al., 2021).

E. Global Perspectives on Financial Literacy

Financial literacy varies significantly across the globe, influenced by cultural, economic, and educational differences. In developed countries, financial literacy rates are generally higher, but even within these countries, there are significant knowledge gaps, especially among disadvantaged groups (Lusardi & Mitchell, 2011b). Developing nations often face more substantial challenges due to lower levels of general education and limited access to financial services. Studies have shown that a large proportion of the global population lacks basic financial knowledge, which impairs their ability to make informed financial decisions (Atkinson & Messy, 2011). To address these disparities, international organizations like the OECD have been actively promoting comprehensive financial education programs. These initiatives aim to raise awareness, improve financial skills, and promote economic inclusion. By sharing best practices and developing internationally recognized standards for financial literacy education, these organizations strive to support economic development and stability worldwide (OECD, 2013; Lusardi & Messy, 2023).

3. MEASURING FINANCIAL LITERACY

Measuring financial literacy is a complex yet crucial task, as it helps to understand the financial capabilities of individuals and identify areas where educational interventions are needed. There are various approaches to measuring financial literacy, each focusing on different aspects such as knowledge, behavior, and attitudes.

A. Components of Financial Literacy Measurement

Financial literacy is typically measured through three main components: financial knowledge, financial behavior, and financial attitudes. *Financial knowledge* is the cognitive aspect, assessing individuals' understanding of basic financial concepts such as inflation, interest rates, risk diversification, and the time value of money (Lusardi & Mitchell, 2011b). This is often measured using quiz-like questions that test respondents' ability to correctly answer questions about these concepts. For example, Lusardi and Mitchell (2011a) developed a widely used set of questions known as the "Big Three," which measure understanding of interest rates, inflation, and risk diversification.

Financial behavior measurement focuses on how individuals manage their finances in practice. This includes budgeting, saving, borrowing, and investing behaviors. Questions related to behavior assess whether individuals regularly save money, set financial goals, or use credit cards responsibly (Hilgert et al., 2003). Evaluating financial behavior provides insights into whether individuals apply their financial knowledge in their daily lives.

Financial attitudes involve individuals' psychological traits and feelings towards money, such as their confidence in managing finances and their risk tolerance. These attitudes can significantly influence financial behavior and decision-making (OECD, 2013). Surveys might ask respondents to agree or disagree with statements that reflect their comfort with financial risk or their long-term planning horizon (Lusardi & Yakoboski, 2021).

B. Tools and Methods for Measuring Financial Literacy

Measuring financial literacy involves various tools and methods designed to evaluate the different components of financial knowledge, behavior, and attitudes. Accurate measurement is crucial for assessing the effectiveness of financial education programs, understanding the financial capabilities of different population groups, and identifying areas that need improvement.

Table 2: Tools and methods for measuring financial literacy

Tools and Methods	Description	Sources
Surveys and Questionnaires	Surveys are the most commonly used tool for measuring financial literacy. They typically include questions that assess an individual's understanding of basic financial concepts, as well as questions related to financial behaviors and attitudes. Surveys can be administered in various forms, including paper-based, online, and face-to-face interviews. One of the most widely recognized surveys is the National Financial Capability Study (NFCS), which assesses financial literacy in the United States through a series of questions that test knowledge of topics such as interest rates, inflation, and mortgage payments.	(Lusardi & Mitchell, 2011a)
	Surveys like the NFCS often use both multiple-choice questions to assess knowledge and Likert-scale questions to gauge attitudes and behaviors. For example, respondents might be asked how confident they feel managing their money or how frequently they budget and save.	(Hilgert et al., 2003)
	The use of surveys provides valuable data that can be analyzed to identify gaps in knowledge and target specific areas for financial education.	(Lusardi & Messy, 2023).
Standardized Assessments	Standardized assessments provide a structured way to measure financial literacy across different populations and regions. The OECD's Programme for International Student Assessment (PISA) includes a financial literacy component that evaluates the knowledge and skills of 15-year-olds in participating countries. This assessment uses a combination of multiple-choice and open-ended questions to test students' ability to apply financial knowledge to real-life scenarios, such as understanding invoices, evaluating financial offers, and managing personal budgets.	(OECD, 2013)
	Similarly, the Jump$tart Coalition conducts surveys among high school and college students	(Mandell, 2008)

	in the United States to measure their financial literacy. These standardized tests help in comparing financial literacy levels across different demographic groups and, over time, provide insights into the effectiveness of financial education initiatives and inform policy decisions.	
Behavioral Studies and Experiments	Behavioral studies and experiments are increasingly used to measure financial literacy by observing actual financial behaviors rather than relying solely on self-reported data. These methods involve tracking how individuals handle real or simulated financial situations, such as making investment choices, using credit cards, or budgeting. By analyzing behavioral data, researchers can gain insights into the practical application of financial knowledge and the impact of financial literacy on decision-making. For instance, financial literacy can be assessed by analyzing how individuals respond to financial incentives or changes in market conditions. Experimental setups might involve offering participants different financial products and observing their choices or providing financial education to one group and comparing their behavior to a control group that did not receive the education. These experiments help understand the causal relationships between financial literacy and behavior.	(Hastings, Madrian, & Skimmyhorn, 2013; Choung, Chatterjee, & Pak, 2023)
Self-Assessment Tools	Self-assessment tools allow individuals to evaluate their own financial knowledge and skills. These tools often include checklists or quizzes where individuals rate their understanding of financial concepts or their confidence in handling financial matters. While useful for personal reflection and education, self-assessment tools can be prone to biases, such as overconfidence, where individuals may rate their financial literacy higher than it actually is. Despite these limitations, self-assessments are valuable for raising awareness and encouraging individuals to seek further education.	(Lusardi & Mitchell, 2011b)
Mixed-Methods Approaches	To overcome the limitations of any single method, researchers often use mixed-methods approaches that combine quantitative and	(Huston, 2010; Lusardi &

	qualitative data. For example, surveys might be supplemented with focus groups or in-depth interviews to gain deeper insights into financial attitudes and behaviors. This approach provides a more comprehensive understanding of financial literacy, capturing not only what people know but also how they feel about and manage their finances.	Yakoboski, 2021)
Technological Tools	With the advancement of technology, digital tools and apps are being developed to measure financial literacy. These tools can provide interactive quizzes, track financial transactions, and offer personalized feedback. Mobile apps can engage users in real time, providing immediate insights into their financial behavior and suggesting improvements. Technology-based tools make financial literacy measurement more accessible and scalable, especially among younger generations who are more inclined to use digital platforms.	(OECD, 2013; Ingale & Paluri, 2022)

C. Importance of Standardization

To address these challenges, there is a need for standardized tools and methods that can be universally applied. Standardization would allow for consistent comparisons across different studies and populations, helping to identify global trends and areas requiring intervention (OECD, 2013). Researchers and policymakers can then design targeted financial education programs based on reliable data, improving financial literacy levels worldwide (Huston, 2010; Ingale & Paluri, 2022).

In summary, while measuring financial literacy presents several challenges, it remains an essential task for understanding financial behaviors and designing effective educational programs. Developing standardized and culturally sensitive tools will be critical for advancing financial literacy research and policy (Lusardi & Messy, 2023).

D. Challenges in Measuring Financial Literacy

One of the main challenges in measuring financial literacy is the lack of a universally accepted definition and standardized measurement tools. Different studies often use varied questions and scales, making it difficult to compare results across different populations and regions (Huston, 2010). Additionally, self-assessment surveys may suffer from biases, as individuals tend to overestimate their financial knowledge and skills (Lusardi & Mitchell, 2011b). This discrepancy between perceived and actual financial literacy can lead to inaccurate assessments of financial capability.

Another challenge is accounting for cultural and socioeconomic differences. Financial literacy questions may not be equally relevant across different cultural contexts, and socioeconomic factors such as income and education level can significantly influence financial literacy outcomes (Atkinson & Messy, 2011). Tailoring measurement tools to reflect these differences is crucial for obtaining accurate and meaningful data (Lusardi et al., 2021).

4. THE STATE OF FINANCIAL LITERACY RESEARCH IN VIETNAM: AN OVERVIEW

A. An Overview

Research in Vietnam consistently highlights the critical role of financial literacy in personal financial management and entrepreneurial intentions among students. Dinh and Dao (2023) emphasized that improving financial education is essential to equip students with better decision-making skills, which are crucial for managing personal finances effectively. Meanwhile, Nguyen (2020) demonstrated that access to finance and environmental factors significantly impact entrepreneurial intentions, mediated by perceived behavioral control. This suggests that financial literacy can enhance entrepreneurial intentions by boosting students' confidence in managing financial resources.

Gender differences in financial literacy are notable, with studies by Le et al. (2018) showing that male students generally outperform their female counterparts. This finding underscores the need for tailored financial education programs to bridge these disparities. Furthermore, research by Dinh et al. (2021) and Truong et al. (2022) highlighted the positive influence of a supportive university environment on both financial literacy and entrepreneurial aspirations. A positive entrepreneurial environment within universities can significantly enhance students' financial literacy and their intentions to pursue entrepreneurial activities.

In the context of digital transformation, Nguyen (2023) pointed out the importance of digital financial literacy. The study suggested that integrating digital tools into financial education could effectively improve student engagement and understanding of personal finance. However, environmental barriers remain a challenge. Research by Pham et al. (2021) indicated that these barriers negatively influence both entrepreneurial intentions and perceived behavioral control. Targeted interventions to improve financial literacy and access to finance are necessary to strengthen entrepreneurial confidence and reduce perceived obstacles.

Additionally, Tran et al. (2022) identified demographic characteristics, such as age and academic background, as significant factors influencing financial literacy levels. Students from business and economics majors tend to have higher financial literacy, indicating the need to extend financial education across all disciplines. Based on these findings, there is a strong recommendation for Vietnamese policymakers to implement comprehensive financial education strategies, including free online resources and integrating financial education into the national curriculum, as suggested by various authors (Ngo & Cao, 2016; Tran, 2023). Collectively, these findings underscore the importance of targeted financial education to enhance personal financial management and entrepreneurial capabilities among Vietnamese students.

B. Limitations and Gaps in Vietnamese Research on Financial Literacy

Vietnamese research on financial literacy faces several limitations and gaps that need addressing to better understand and enhance financial knowledge across different populations. Firstly, most studies are cross-sectional, which restricts the ability to observe changes and trends over time. Longitudinal studies are needed to provide insights into how financial literacy evolves with educational interventions and economic shifts and how these changes impact long-term entrepreneurial success (Nguyen, 2020; Dinh & Dao, 2023). Additionally, the current research predominantly focuses on university students, especially those in business and economics majors. This narrow scope excludes other critical groups, such as high school students, working adults, and rural populations, thereby providing an incomplete picture of financial literacy across Vietnam (Le et al., 2018; Tran et al., 2022).

There is also an underrepresentation of gender dynamics in these studies. While some research highlights gender differences in financial literacy, there is often a lack of in-depth exploration into why these disparities exist. Understanding the socio-cultural and psychological factors behind these differences could help develop more effective, gender-sensitive financial education programs (Le et al., 2018; Pham et al., 2021). Furthermore, inconsistency in the measurement tools and frameworks used across studies makes it challenging to compare results and draw general conclusions. Standardized measurement instruments would enhance the reliability and comparability of findings in Vietnamese research (Nguyen, 2020; Dinh et al., 2021).

Another significant gap is the limited focus on behavioral outcomes. While there is a link between financial literacy and entrepreneurial intentions, fewer studies explore how financial literacy translates into actual financial behaviors. Bridging this gap is crucial for creating interventions that not only educate but also motivate and guide individuals toward better financial decision-making (Ngo & Cao, 2016; Tran, 2023). Moreover, the integration of digital financial literacy remains insufficient despite the growing importance of digital financial tools. Research should focus more on how individuals, especially tech-savvy younger generations, understand and use these tools (Nguyen, 2023).

Lastly, many studies acknowledge the influence of environmental factors but do not thoroughly examine specific contextual barriers such as local financial infrastructure, cultural attitudes, and regional economic conditions. A deeper exploration of these contextual elements could provide valuable insights for targeted policy interventions aimed at improving financial literacy and entrepreneurial intentions (Pham et al., 2021; Tran et al., 2022). Addressing these limitations will be essential for developing a more comprehensive understanding of financial literacy and designing effective educational and policy measures in Vietnam.

5. POLICY IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

As financial literacy becomes increasingly recognized as a key component of economic well-being, it is essential for policymakers to design and implement effective strategies to enhance financial literacy across different segments of the population.

One of the most impactful policy approaches to improving financial literacy is integrating it into national education systems. Financial education should be incorporated into school curricula at all levels, from primary through tertiary education, to ensure that young people are equipped with the knowledge and skills needed to manage their finances effectively (OECD, 2013). Policymakers should mandate financial literacy as a core subject, similar to mathematics and science, and provide adequate training for educators to teach these topics effectively (Lusardi & Mitchell, 2014). By embedding financial literacy into the educational framework, nations can foster a financially literate generation capable of making informed financial decisions.

Given the substantial impact of workplace financial education on employees' financial behaviors, policymakers should encourage employers to offer financial education programs as part of their employee benefits packages (Lusardi & Mitchell, 2011a). Governments can incentivize businesses to provide these programs by offering tax benefits or subsidies. Additionally, collaboration between public and private sectors to develop standardized workplace financial education curricula can ensure that employees across different industries receive consistent and high-quality financial education (Bayer et al., 2009).

Policy efforts must address the disparities in financial literacy among different demographic groups, including low-income individuals, women, minorities, and older adults (Chen & Volpe, 2002; Lusardi & Mitchell, 2008). Targeted financial education programs that consider the unique needs and challenges of these groups are essential. For instance, programs for low-income individuals should focus on basic financial management and avoiding high-cost debt, while programs for older adults might prioritize retirement planning and investment strategies. Furthermore, policies should aim to improve access to financial education resources in underserved communities through partnerships with local organizations and the use of digital platforms (Atkinson & Messy, 2011; Dinh et al., 2021).

The role of technology in financial education cannot be overstated. Policymakers should support the development and dissemination of digital financial education tools, such as mobile apps, online courses, and interactive websites, which can reach a broader audience and provide personalized learning experiences (Hastings et al., 2013). Ensuring that these digital tools are accessible to all, regardless of income or geographical location, is crucial for bridging the digital divide and enhancing financial literacy on a large scale. Moreover, regulations should be put in place to protect consumers from misinformation and ensure that digital financial education tools provide accurate and reliable information (Yu & Chatterjee, 2023; Nguyen, 2023).

To design effective policies and programs, continuous research on financial literacy is necessary. Governments and academic institutions should prioritize funding for research that examines the effectiveness of different financial education interventions, identifies best practices, and explores the relationship between financial literacy and economic outcomes (Lusardi & Mitchell, 2014). Moreover, establishing a standardized framework for measuring financial literacy will enable researchers to compare results across studies and draw meaningful conclusions about what works best in various contexts (Huston, 2010). Longitudinal studies that track changes in financial literacy over time and their impact on financial behavior and well-being are particularly valuable (Kartini et al., 2020; Nguyen, 2020).

Financial literacy is a global issue that requires international cooperation. Policymakers should work with international organizations such as the OECD to develop global standards for financial education and literacy (OECD, 2013). Sharing best practices, research findings, and successful program models across countries can help create a more financially literate global population. International collaboration can also lead to the development of cross-border financial education initiatives, which are increasingly relevant in a globalized world where individuals often interact with financial markets beyond their own countries (Atkinson & Messy, 2011).

Raising awareness about the importance of financial literacy is another crucial policy direction. Public awareness campaigns can help inform the public about the benefits of financial literacy and encourage individuals to seek out financial education opportunities (Mandell, 2008). Governments can use various media channels, including social media, to reach a wide audience and promote financial literacy as a fundamental life skill. Collaborating with financial institutions, non-profits, and educational organizations can amplify the reach and impact of these campaigns (Nugraha et al., 2023; Ngo & Cao, 2016).

6. CONCLUSION

This literature review research has provided a comprehensive analysis of the current understanding of financial literacy, particularly focusing on its role in personal empowerment and economic stability. The article has summarized several key issues, including the components of financial literacy - financial knowledge, behavior, and attitudes - and their collective influence on individual decision-making and economic participation. Additionally, the review has addressed the importance of financial literacy in promoting economic stability, reducing financial stress, and preventing over-indebtedness. The role of socioeconomic factors, such as education, income, and gender, in shaping financial literacy levels was also discussed, highlighting the disparities that exist across different demographic groups. Furthermore, the article explored global perspectives on financial literacy and the tools used to measure it, emphasizing the need for standardized and culturally sensitive measurement approaches.

However, the article has certain limitations that need to be addressed in future research. One significant limitation is the narrow scope of many studies, which often focus on specific demographic groups, such as university students while neglecting other important populations like working adults and rural communities. There is also a lack of focus on research on the integration of digital financial literacy in an increasingly digitized financial environment. Addressing these limitations through longitudinal studies and a broader demographic focus will enhance the understanding of financial literacy and its impact on economic stability. We hope that further research can be conducted to address the limitations of this paper.

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