

EXPLORING THE GEORGIAN SOCIAL CAPITAL IN FINANCIAL LITERACY

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The authors show several aspects of the Georgian Social Capital formation. Orthodox charges and the Soviet time influence on the financial decision making process are considered. The work includes the comparative analysis of the financial literacy, Gross Domestic product and Human Development Index of the Caucasian countries: Azerbaijan, Armenia and Georgia (which have the same Soviet history but different religions).


Authors have considered the Monophysitism attitude toward wealth, luxury and usury, which have been dominating in Georgia since the III century.

In the work one can find the results of the empirical research covering the Georgian youth focus groups, which examined their attitude to the financial issues.

The authors prove that social capital has memories, which are forming attitudes and then transform into habits. Authors note that we should create memories about money making business by spreading the financial literacy in order to form attitudes and transform them into habits.

Keywords: financial literacy, social capital, development.

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Social Capital Behavior, attitudes and habits are one of the key in Sustainable development issues. Because each component of the Sustainable Development contains human factors, Economic Growth as a resource and productivity, life expectancy, education and care of environment, but to manage everything it is necessary manage money by finding ways earn, spend and save them.

Fundamentals of the money management is financial literacy. However, how Georgians understanding money issue is Reflection of the Countries life. One Georgian proverb stats: “money hand of dirt” what it directs to the society, dirt should be washed, so money should be spend or given out. The other maxima is shown in the famous poem of the XII century by Shota Rustaveli: These are the pillars for the Georgians values, but what has been formatting those values? Main anthropology factors are Religion and the Soviet heritage, if we

explore them, we shall find out roots of the problems financial literacy and irrationality of Georgian populations.

Most of the Georgian population, 84% (Tsiala Eliadze and others, Tbilisi) is Orthodox Christians. The Christianity had been spread in III century in Georgia, in IV century the religion was recognized as the state religion. There have been two directions In the Christianity, Monophysitism and dyophysitism. Monophysitism means “only, single” and refers that Jesus Christ has only divine single nature, dyophysitism is preserves that Christ maintained two natures, one divine and one human. Monophysitis Condemn wealth, luxury and satiety, demanding that true Christians should live as a Primeval. That became the basis for the doctrine of the Orthodox Church, and spread in Georgia from 608 (Ashordia, 2011).

Since 1408 it is known that the religion preserved the identity of the Georgians. Identity of the Georgians.

In 1860 the famous Georgian public figure and writer Ilia Chavchavadze, who was called the father of the nation, offered the doctrine: Georgians from ancestry have inherited the treasure of the three things: Homeland, Language and Religion (Kiknadze, 2006).

According of the Orthodox Christianity Deadly Sins is usury. Today usury means immoral or unethical loans that enrich the lender. Originally, usury meant interest of any kind, so in Georgian Society making of the any interest from personal loans is sin.

There are the following features of the values dominant in the society: man should not love wealth, luxury, satiety and should not do usury. From that three: wealth, luxury and usury directly linked to the financial decisions.

The other aspect problems of Social capital in Georgia is coming from Soviet roots. Main idea of Soviet time was that all property must be owned by the state, and that private property is illegal.

Tab. 1.

Financial Literacy

Country name	At last 3 out of 4 answers % adults							
	All adults	Men	Women	Adults live in richest 60% of household	Adults living in poorest 40% of households	Age 15-32	Age 35-54	Age 55+
Georgia	30	35	25	32	26	39	30	25
Azerbaijan	36	47	26	37	35	41	35	32
Armenia	18	21	16	19	17	20	22	16

Source: (Leora Klapper, Annamaria Lusardi and Peter van Oudheusden, 2015)

Tab. 2.

Development indicators

Country name	GDP per capita at current prices in 2014	HDI 2014	Inequality adjusted education index
Georgia	3670	0.754	0.761
Azerbaijan	7884,2	0.751	0.645
Armenia	3873,5	0.733	0.679

Source: (World Bank, 2016) and (United Nations Development Programme, 2015)

Under centralized planning, citizens were allowed to work and study specific guidelines. For example, peasants were not allowed to possess more than 4 sheep, If they had more, then the surplus would be passed to the collective farms. Trade, entrepreneurship or business making were not allowed. There was a special article in the criminal law, assuming serious punishment for entrepreneurs or small business runners. Making money was unmorally, and was not customary by the public; especially the intelligent condemning of the money-making businesses.

The Administrative imperious regime lasted for 70 years in Georgia. During this time, many generations have changed there. The nation's thinking, perception and attitudes were completely changed; market-oriented thinking and rational analysis have been lost completely, and at the same time the population became lazy, because you don't have to work hard having only 4 sheep.

The other 25 year past, what we have now is the fact that Georgia is a low to middle income Country. According to the Standard & Poor's ratings of the global financial literacy survey, the Georgians' financial literacy rate is 30, which is natural for the developing countries.

If we compare Financial literacy rate of the Caucasian countries, which have the same Soviet history, but different religious, Armenia has Armenian Orthodox Church or Gregorian Church, Azerbaijan is Muslim country, we will find out that Georgia and Azerbaijan show similar literacy rates: 36 and 30; but Armenia's financial literacy is even lower - 18 (See table 1).

In Georgia and Azerbaijan financial literacy better in youth then orders. If we compare the financial literacy index with Income per capita, Human

development index and education index, we can assume that, In Caucasian countries highest financial Literacy index of Azerbaijan is caused by highest GDP per capita and religious factor (See table 2).

Financial literacy of the Georgians is higher than that of Armenians because the education index is 10 points higher, than that of Armenians (and by 12 then the index of Azerbaijan). This really proves that countries' financial literacy depends on many factors, and also on the diversity of social values.

Proceeding from the results of the focused group research, which covered the Georgian youth(two groups of 10 persons; held in Tbilisi and Kutaisi; age between 16 and 25), it was found out that the most problematic issue about money for youth is: "if they do not have money, they do not feel confident; but if they have money they still have the same feeling anyway" – because they feel that they are afraid to make decisions. Then they were asked to choose 3 main core values from the list of their personal values, most of them choose: Independence, Spirituality and Safety. Their Explanations were following Spirituality from our Christianity, Independence from Our soviet Time, and Safety from war in 2008.

It means that social capital has memories, which form attitudes with time transformed into habits. Therefore, we should create memories about money business by spreading financial literacy for formation attitudes and transforming in the habits.

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