Habil & Varga, 2019

Volume 5 Issue 1, pp. 681-697

Date of Publication: 1st May 2019

DOI-https://dx.doi.org/10.20319/pijss.2019.51.681697

This paper can be cited as: Habil, Á. C., & Varga, J., (2019). Financial Awareness of Students Entering Higher Education Based on the Results of a Questionnaire Research. PEOPLE: International Journal of Social Sciences, 5(1), 681-697.

FINANCIAL AWARENESS OF STUDENTS ENTERING HIGHER EDUCATION BASED ON THE RESULTS OF A QUESTIONNAIRE RESEARCH

Ágnes Csiszárik-Kocsir Habil. Ph.D.
Institute of Economics and Social Sciences, Óbuda University, Budapest, Hungary
kocsir.agnes@kgk.uni-obuda.hu

János Varga Ph.D.
Institute of Economics and Social Sciences, Óbuda University, Budapest, Hungary
varga.janos@kgk.uni-obuda.hu

Abstract

The definition and the importance of the financial literacy and the financial awareness arises increasingly in connection with the economic crisis. When we try to analyse the events of the crisis, the most frequently asked question is, that who and to what extent is responsible for the escalation. On the side of banks we should say, that the main responsible participants were the borrowers, who bought the banking products with their insufficient financial knowledge. Is this criticism true, or the banks' greed is the main reason, as the borrowers think? The banking products are very diverse and multifaceted, so the choice between them is not easy. The crisis has highlighted the fact, that without a stable financial knowledge it is very difficult to navigate in a globalized financial markets. Stable financial knowledge is essential for financial products to avoid the next financial crisis similar to the one in 2008. The role of the education system is unquestionable in all levels to acquiring and consolidating this knowledge, but the banks and *central banks have an important role in this work as well. Hungarian people are often criticized because of an insufficient financial knowledge, but this problem is not mainly Hungarian, it is a big question all over the world. The aim of this study is to present the results of a questionnaire survey carried out in the Hungarian higher education.*

Keywords

Financial Knowledge, Financial Awareness, Youngsters, Z Generation, Primary Research

1. Introduction

1.1 The Importance of the Financial Literacy

The importance of financial literacy and financial knowledge has been a popular topic among both the population and the economic and state decision-makers since the outbreak of the 2008 world economic crisis. It is a general observation that financial knowledge is scarce and weak almost everywhere in the world, and it indicates the necessity of actions and programmes that are essential for preventing such crisis and shock from happening again in the future. The lack of financial culture carries a lot of risks, people become manipulative and can become a victim of fraud (Quraisha, 2019; Suriyani et.al, 2015).

From this point of view the most formable group is considered to be the young people currently studying in the school system, who are already willing and able to acquire financial knowledge, and they are capable of financial socialization through well-targeted programmes and learning materials. The role of educators and educational establishments is of major significance here, since they are the key factors of passing on knowledge. The task is more difficult with the group of adults who left the educational system. In their case the awareness-raising role of the media and targeted online contents can offer solution.

The supreme organisation of monetary politics of Hungary states, that financial culture is the level of financial skills and literacy, where individuals are able and ready to make sense of basic financial information and make conscious decisions. They are also able to estimate the future risks of their decisions, can interprete and examine them in financial terms. (MNB, 2008). The term “financial culture” is not really current in articles written in English, this factor is mostly defined by “financial literacy”. The most important component of financial skills is financial literacy. By this approach financial literacy is a basic characteristic of financial skills, which skills must be learned by the individuals. (Atkinson – Messy, 2012)

According to Mandell's (2009) definition financial literacy is such an ability of individuals, on the basis of which they are able to make well-founded financial and economic decisions while looking after their own interests. In addition to the traditional money handling and financial management issues, this definition already includes a wider range of financial behaviours and decisions as well, through which conscious asset purchases, investments and insurances are taking place too. The definition also contains that a financially educated person is capable of developing plans that prepare for the future events with good or bad outcome, both at an individual and family level.

Financial skills are not inborn skills, so it becomes a more and more important question how to gain these skills. Xu and Zia in their article from 2012 explain the idea of financial literacy. By their interpretation this notion includes financial consciousness and knowledge, including the awareness of financial products, institutions and concepts. According to Xu and Zia (2012) financial literacy cannot be advanced where people do not understand and can not calculate compound interest and individuals are without the skills of finding their way in finances and financial planning.

Lusardi and Mitchell's article from 2014 states that well-informed and racionally thinking individuals spend much less when they have more income, they save money in order to secure their future if their income may decrease. (Lusardi – Mitchell, 2014). With this statement Lusardi and his partner create the synergy of consciousness, responsibility and financial decisions, since individuals always have to be prepared to a financial setback or any unexpected expenses. Financial culture or financial literacy can express the individual's expectations about future, since the demand on financial culture is stronger for people who want to calculate with more calculable, plannable and predictive financial processes, so they try to learn them better and analyze financial environment more deeply. in this form financial culture requires knowledge and also associates with responsibility and racionality, since individuals should be interested in achieving better and better accomplishment and should try to avoid disadvantageous financial events (e.g.: losses, high risks or precarious financial actions).

1.2 Financial Literacy and the Influencing Factors

On these grounds the collection of factor groups generally influencing the financial capabilities can be drawn up, from which it emerges that during the life of the individuals many other factors on top of the individual abilities have an impact on the development of financial capabilities. Among these the focus is always on financial information, the concrete knowledge, although the transferred knowledge is not enough for the individuals to be financially conscious and rational, they also need a willingness and ability to integrate the transferred information into the basic forms of behaviour.

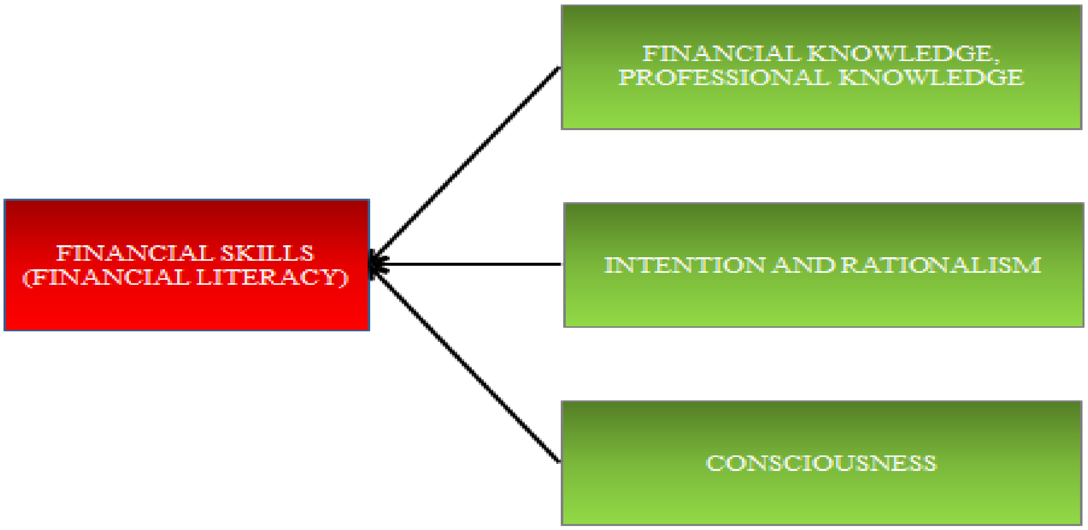

Figure 1: *Financial Capabilities and the Affecting Factors*
(Source: Csiszárik-Kocsir et.al, 2016)

Several factors can have an effect on financial consciousness. In this regard Lusardi et.al. (2010) highlighted the childhood experiences of the adult population, but the better education, higher life expectancy and higher income can also be mentioned. Many authors and researchers agree that financial literacy is highly influenced by the works of the levels below higher education (Behrman et.al, 2010; Bucciol–Veronesi, 2014), but it is still not clear to the researchers which childhood experiences can lead the financial literacy to a positive direction. Shim et.al. (2009) pointed out that parents, the educational system and the workplace itself have a crucial role in financial socialization. Of these factors the parental patterns are ranked first, which can be made even better and more effective with targeted education. On adequate grounds higher education is capable of supplementing the financial knowledge acquired and learned earlier. Several researches deal with charting the motivations of the financial culture of students in higher education from many aspects.

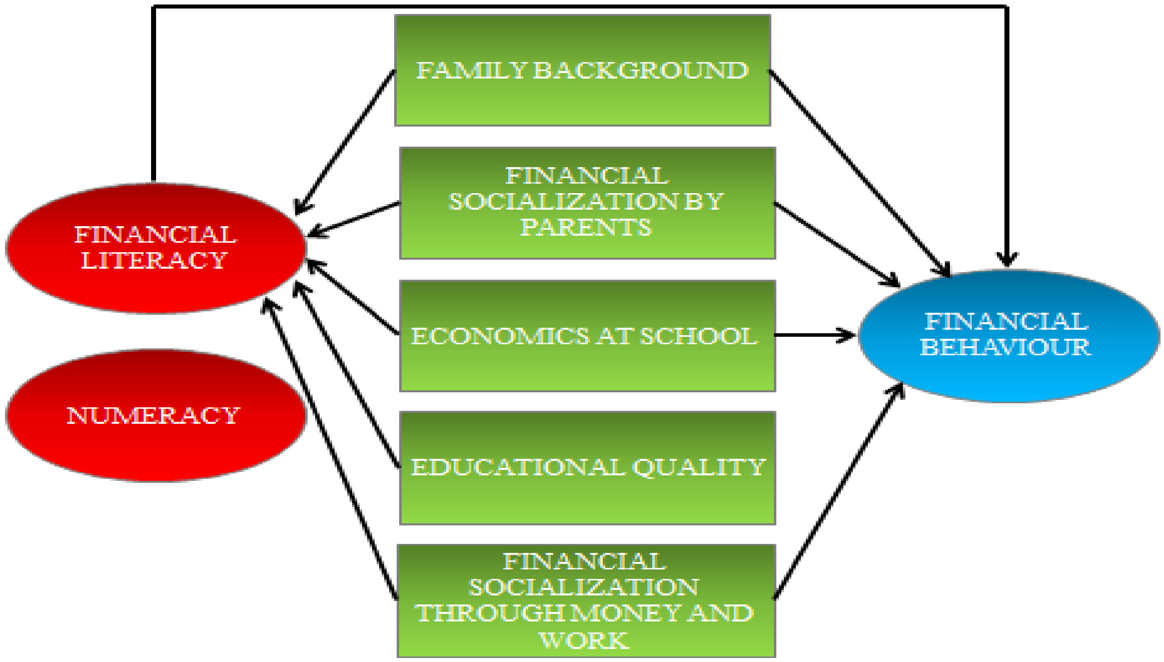

Figure 2: *The Relationship between Childhood, Financial Literacy and Financial Behavior (Source: Grohmann et.al, 2015)*

Fernandes et.al. (2014) analysed an extremely wide range of literature devoted to financial socialization and culture, and they came to the conclusion that the targeted, short-term but pre-decisional intensive transfers of information can be very effective prior to making successful financial decisions. Therefore the intensive transfer of information prior to borrowing or credit card applications can be effective too, if the financial socialization did not happen at the adequate time. On this basis minimum one year should be spent on financial education at least in the 12th grade of middle school (at the age of 18), since after the age of 18 the young adults become creditworthy, meaning that they can take any kind of financial steps from taking out loans to making investments, for which financial knowledge and literacy are essential.

Albeit there is a clear connection between education and financial literacy either in the short or the long term, the quality of knowledge transfer still gets little emphasis. On its own it is not enough that the educational system – even from primary school – is capable of transmitting information in order to provide a financial basis. It is also important that this knowledge is not transmitted at an elementary level, and there shall be motivation as well to reinforce this knowledge in the students. In this respect mathematics has a huge significance, as Herde et.al. (2012) noticed. The students who received higher level education in mathematics have better abilities (Cole et.al, 2011), so in this context the role of primary and secondary education levels is indisputable. However, there are not enough research results regarding how much the financial information transmitted by the higher education influences financial literacy in a positive direction, because we assume that the higher education transmits higher efficiency. In recognition of this, the Hungarian concept of financial education also tried to take the first steps of financial education through mathematics first of all. This study wishes to introduce the results of these initial levels through the basic knowledge of students entering higher education.

2. Material and Method

The basis of the study was a questionnaire survey conducted in the autumn of 2017[1]. The research was done with the help of a pretested standardized questionnaire form. The questionnaire did not contain open questions for statistical assessment purposes. The finalization of the questionnaire was preceded by four earlier rounds: a primary quantitative research conducted in 2015, qualitative surveys from 2015 and 2016, and a questionnaire survey carried out in the spring of 2016, as a result of which I was able to come to conclusions from a sample of 3736 people in the form of numerous studies. The current format of the questionnaire was based on the results of the former researches, and it examined a number of issues, from the value of money through the correct usage of financial and investment information to ethical questions, tailored especially to students entering into higher education for the reason of evaluating their financial knowledge. The questionnaire was filled by students of several higher education institutions, who began their studies in the autumn of 2017 within undergraduate education or higher-education vocational training. The questionnaire was filled by 942 respondents in total, but unfortunately only 768 could be assessed.

The questionnaire consisted of 16 questions, 9 of which serving the segmentation of the respondents. The questions covered many fields, from the value of money through financial consciousness to the assessment of basic knowledge. The questionnaire was accessible online, ensuring the anonymity of the respondents. For the segmentation of the respondents we asked about their age, gender, residence-related information, income and the education level of the parents, among other things, including if the respondents had studied finance before or not. Among the questions there were multiple choice questions and rating scales too. The questionnaire was filled by students of the EszterhazyKaroly University, Pannon University, SzentIstvan University and Óbuda University, regardless of the faculties. The only condition of

[1] I hereby would like to thank for the help of the students who contributed to filling the questionnaire form.

the participation was for the students to start their academic studies at the time of filling the questionnaire, so the ones attending master's degree programmes were not included in the sample. The sample was not considered to be representative, but it provided for the possibility of establishing a representative research later. The results of the questionnaire presented in this study were obtained with the help of the SPSS 19.0 and MS Excel 2010 programs. The results obtained are introduced based on whether the students had previously studied finance or not and what form of education they started their academic studies in. We intend to analyse the subject in the course of other studies as well on the basis of the education level of the parents, and previous financial preparatory studies.

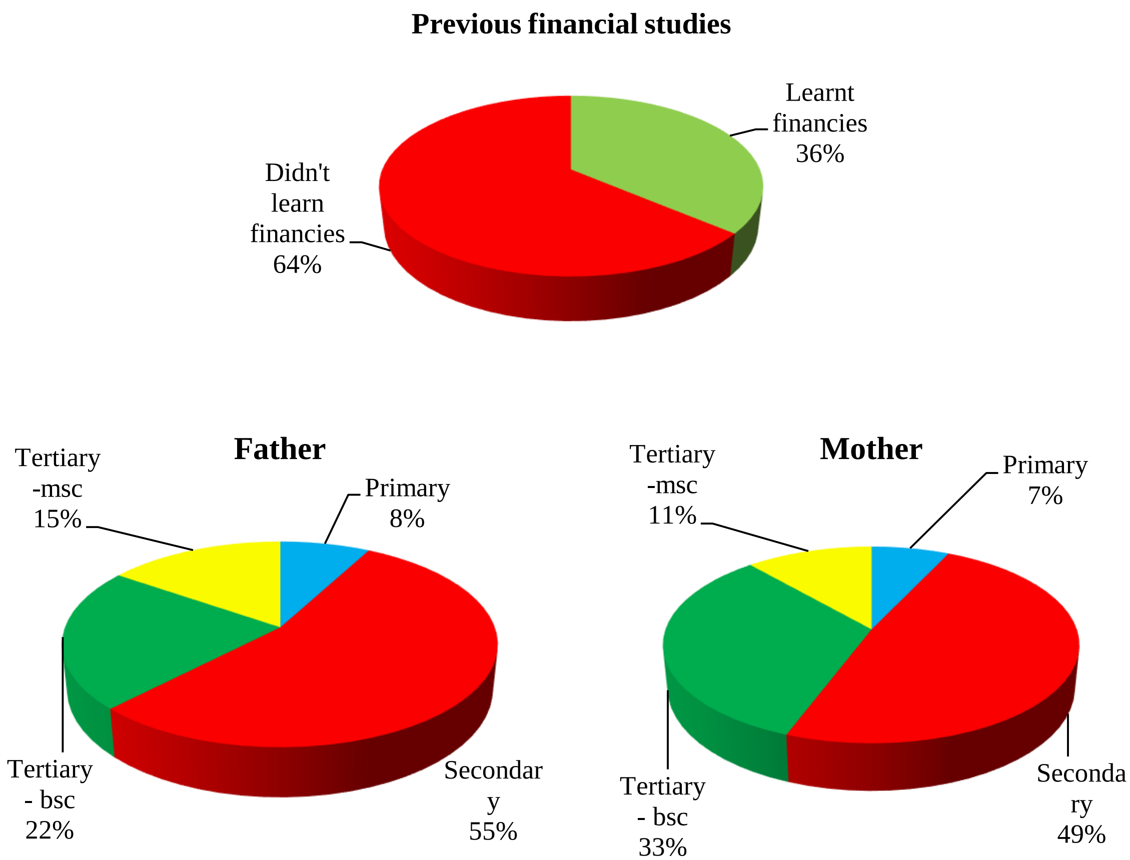

Figure 3: *The Composition of the Sample*

(Source: Own Research, 2017, N = 768)

3. Results

During the survey the students were given the task to assess several statements in the light of financial consciousness, socialization, consumption patterns and ways of dealing with money. Of that list 11 statements were included in this study, and in the case of three of them negative answer was expected, while by the others the expected average was tending towards the positive end of the scale, which is illustrated by the table below. The participants were asked to assess the statements on a Likert scale from one to four, depending on how much they agreed with them. The lowest rating meant complete disagreement, whereas the highest rating represented complete agreement.

Table 1: *Evaluation of the Statements based on the Opinion of the Students in the Sample (Source: own research, 2017, N = 768)*

	Statement	In short	Average
Negative statements	If I don't have money, I'm not worried because I can also take out a loan.	borrowing	1,25
	I trust the advertisements promoting financial products.	advertisement	1,41
	My current money always worth more than my future money (what I will save).	value of money	1,96
Positive statements	I always keep an eye on the external circumstances and economic events affecting my pockets.	paying attention	2,54
	In financial questions I try to rely on external sources of information (advisors, economic news portals, etc.).	seeking information	2,80
	I primarily consider the opinion of my parents / close acquaintances when making financial decisions.	opinion of acquaintances	2,98
	My parents always save money too.	saving money	3,18
	I always keep an eye on my finances.	monitoring financing	3,21
	I try not to spend all my money, I set some aside for the future.	savings	3,42
	I'm always well-informed before I make financial decisions.	founded decision	3,61

	If I go out shopping, I check the prices.	checking prices	3,68

Examining the average ratings of the statements, it can be concluded that the responding students did not agree with borrowing as a money replacing option hardly at all. This shows that based on their experiences from previous years the students are cautious about taking out a loan, which is presumably enhanced by family patterns and tragedies as well. They are also sceptic in relation to advertisements promoting financial products, which is clearly confirmed by the 1.41 average rating. In other words the respondents think that the advertisements are not transmitting all the information or true information in terms of the financial products. The third negative statement was about the principle of finance, and it was kind of tricky. According to the statement our current money worth more than our future money, so in the strict sense of the statement it is not worth saving the money, we should rather spend it. In the case of this statement the complete disagreement cannot be clearly stated, but on the basis of the rating the assessment is still closer to the negative end of the scale.

It may be said about most of the students that of the positive statements they do pay attention to the financial decisions and questions, since every statement got an average rating higher than 2.5, which rather confirms their assent to these statements. The responding students were mostly agreed with keeping their eye on the external circumstances and economic events affecting their pockets, meaning that they keep monitoring the issues that affect them the most. The same can be mentioned regarding collecting information and asking for opinions prior to making financial decisions too. The majority of the students claimed that their parents had always tried to save money, proved by an average rating higher than 3. This is especially important from the perspective of financial socialization, because if a family pattern shows that the parents are saving money, it will send the information to the children to treat money carefully, not to spend it entirely and prepare for possible unexpected future events as well. Among the statements tending towards complete agreement we definitely have to highlight that the students are not willing to spend all their money, instead they try to save some, and another interesting fact is that they always examine the options before making financial decisions, and they can be deemed absolutely price-conscious, as that statement received the highest average rating.

Hereinafter we will analyse the financial consciousness of the students in the light of their earlier financial education, as it is illustrated on the following graph.

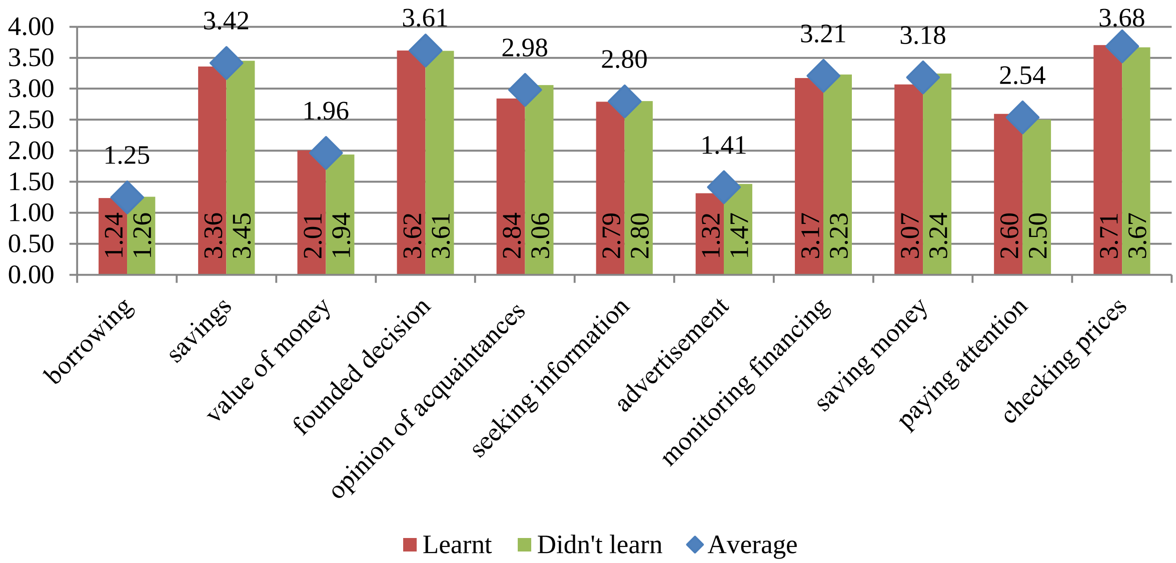

Figure 4: *The Evaluation of the Statements based on the Previous Financial Studies of the Respondents*
(Source: Own Research, 2017, N = 768)

As the above graph showed, the students who had previously learnt finance produced more favourable average ratings in relation to borrowing and the statement on advertisements promoting financial products (ratings lower than the sample mean). In connection with the value of money, namely that it is less worth to save in the future, those students gave better ratings who had not studied finance before. This is probably because one of the principles of finance got the students confused a little.

In the case of the positive statements it is peculiar that those students showed higher average ratings than the sample mean who had not studied finance previously. The suspected cause of this is that they are presumably more cautious with financial issues, as they are aware that their knowledge is not complete. The students with initial financial education performed better with the statement about monitoring finances, and also with regard to the last two statements that were dealing with founding decisions and checking prices. However, from this point of view it can be established that those students who studied finance before are more thoughtful and prudent in certain cases. On the other hand this cannot be clearly stated either, because the students who had not studied finance earlier produced average ratings close to the sample mean. Therefore, based on the above statements, it can be asserted that there is no straightforward correlation on this matter. Nevertheless, it is worth examining in more detail through the Pearson chi square values.

Table 2: *The Correlation between Previous Financial Knowledge and the Perception of Statements based on Chi-Square Values*
(Source: Own Research, 2017, N = 768)

	Statement	Value
Negative statements	If I don't have money, I'm not worried because I can also take out a loan.	0,5747
	I trust the advertisements promoting financial products.	0,0122
	My current money always worth more than my future money (what I will save).	0,0245
Positive statements	I always keep an eye on the external circumstances and economic events affecting my pockets.	0,0590
	In financial questions I try to rely on external sources of information (advisors, economic news portals, etc.).	0,1010
	I primarily consider the opinion of my parents / close acquaintances when making financial decisions.	0,0000
	My parents always save money too.	0,0050
	I always keep an eye on my finances.	0,2417
	I try not to spend all my money, I set some aside for the future.	0,0295
	I'm always well-informed before I make financial decisions.	0,9897
	If I go out shopping, I check the prices.	0,1943

Based on these values, of the made 11 statements the connection between their assessment and the previous finance studies could only be established in five cases. In respect of the negative statements the connection can be seen in two out of three statements, while by the positive statements the correlation is apparent in a total of three out eight cases. Thus the previously acquired financial knowledge does have an impact on the attitude towards advertisements, the opinions on the value of money and of the positive statements it influences information seeking, handling money via spending little and the savings. On this basis it can truly be confirmed that the former finance studies do not lead unequivocally to higher financial consciousness, so they do not affect the assessment of the statements in every case.

Next we examine financial consciousness based on the education of the parents. First, the assessment of the statements is going to be illustrated through the father's highest level of education.

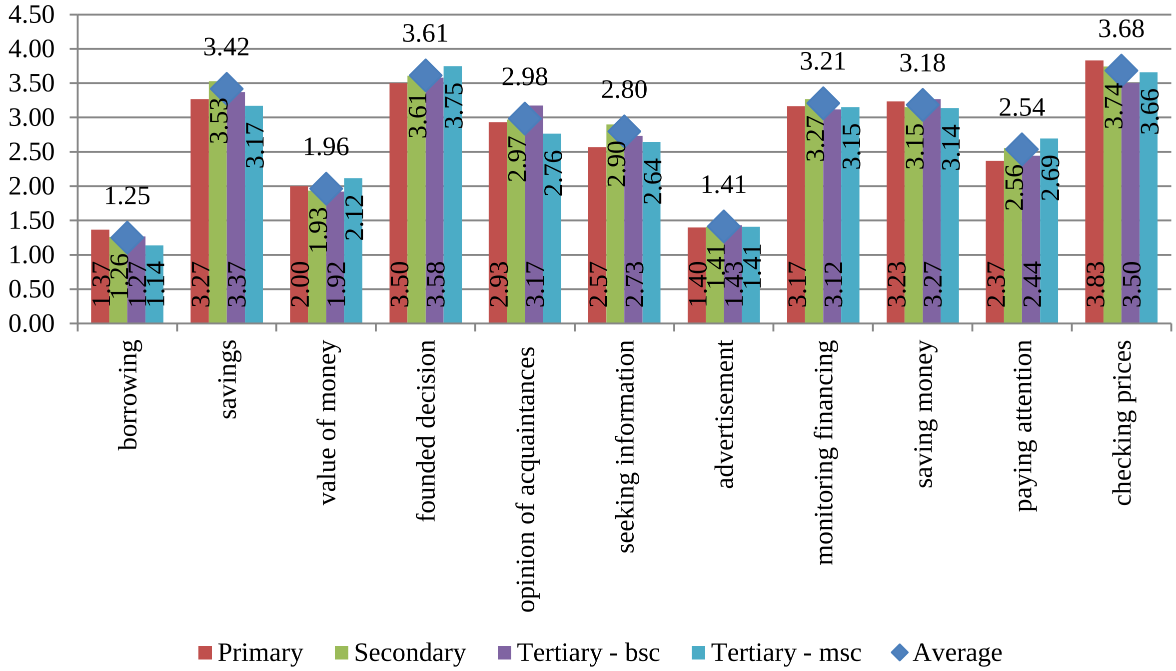

Figure 5: *The Evaluation of the Statements based on the Father's Higher Level of Education (Source: Own Research, 2017, N = 768)*

On the basis of the level of education one would suppose that the parents with higher education show higher financial consciousness than the parents with lower education, considering the subjects they studied. During their studies they might have been taught numerous subjects that substantiate the expectation of a higher level of financial consciousness. However, this is not entirely true in all the occasions, as the graph demonstrates. Financial socialization, the development of financial abilities, does not evolve only in school, but it is strongly affected by life, the world of labour as well, and it is perfectly corroborated by the results, according to which the students whose father only had secondary education showed better average ratings in several cases. Hence it can be acknowledged that in terms of this research there is no significant connection between the education level of the father and his child's attitude towards finance.

The values are presented on the following graph in a similar way, based on the mother's highest level of education.

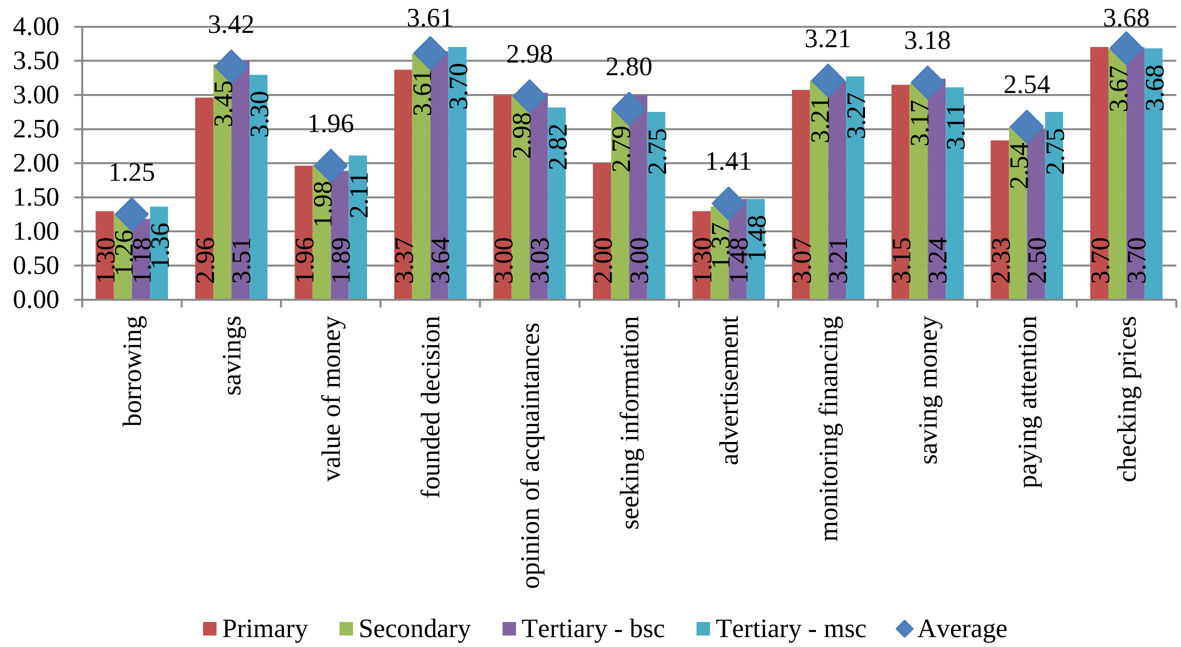

Figure 6: *The Evaluation of the Statements Based on the Mother's Higher Level of Education (Source: Own Research, 2017, N = 768)*

If we analyse the sample on the basis of the mother's education level, we get a completely different picture than what we have seen regarding the father's education. It is clearly outlined that in many cases those students produced better average ratings than the sample mean, whose mother had a higher level of education, and more specifically at least a BSc degree. Therefore it can be stated that the attitude of the mother and the values transmitted by her in the field of finance are relevant to financial consciousness and financial socialization. The average ratings of 8 out of the made 11 statements were more favourable when the answers came from students whose mother had higher (BSc) degree. If the mother has a higher degree, her children will also have greater financial knowledge and abilities than students whose mother has a lower level of education. On this basis it can be established that the role of the mothers is relevant not only in relation to basic abilities and skills, mindset and forms of behaviour, but it has a major impact from the aspect of financial socialization too.Let's look at the relationships below based on the Chi-square values.

Table 3: *The Correlation between Previous Financial Knowledge and the Parent's Highest Level of Education based on Chi-Square Values (Source: Own Research, 2017, N = 768)*

	Statement	Father	Mother
Negative statements	If I don't have money, I'm not worried because I can also take out a loan.	0,0168	0,0010
	I trust the advertisements promoting financial products.	0,6232	0,0122
	My current money always worth more than my future money (what I will save).	0,0136	0,0002
Positive statements	I always keep an eye on the external circumstances and economic events affecting my pockets.	0,0000	0,0000
	In financial questions I try to rely on external sources of information (advisors, economic news portals, etc.).	0,0148	0,0000
	I primarily consider the opinion of my parents / close acquaintances when making financial decisions.	0,0014	0,0005
	My parents always save money too.	0,0585	0,1038
	I always keep an eye on my finances.	0,0097	0,0050
	I try not to spend all my money, I set some aside for the future.	0,0000	0,0000
	I'm always well-informed before I make financial decisions.	0,0000	0,0009
	If I go out shopping, I check the prices.	0,0000	0,0876

As the table shows, the parents' highest level of education significantly affects the financial knowledge of students and their attitude towards finance. Of the 11 statements the connection could not be discovered in only 2 cases, according to the ratings. The education level of the father does not influence the trust in advertisements promoting financial products, and there is no clear correlation between saving money and the level of education either. The same is true between the mother's highest level of education and monitoring the prices. All in all, it can be concluded that the education level of the parents and their perspective on finance have a substantial mark on the financial thinking of the children.

4. Conclusion and Afterword

The research and the above introduced partial results revealed that financial socialization has the greatest role in respect of financial culture, knowledge and the related terms. What is the point is not what kind of financial knowledge the students get in school, since that knowledge will have to be integrated into practice and into the everyday actions as well in order to truly become an applied ability or skill. Conversely, financial socialization that the family, acquaintances and friends transmit is a lot more important. The experiential learning in this regard is what determines financial success and prosperity in the future and in the long term. Thus it is essential that the future parents and adults receive and use such financial information that will also lay the foundation of the knowledge of the next generations. Failing this, the knowledge passed on in school and all the efforts will be left without a breeding ground, so there will be no real change in the improvement of financial knowledge, only if the school and the family join forces. Family programs (the civil society organizations also have an underlined role here) and knowledge enhancement programs are the ones that could move the ways of thinking into this direction, in addition to education and self-directed knowledge enhancement. This is true for all aspects of life, but now it can be established that it is true for the financial issues as well.

References

Atkinson, A. – Messy, F.A. (2012): Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study. OECD Working

Behrman, J. R. – Mitchell, O. S. – Soo, C. K. – Bravo, D. (2012): How financial literacy affects household wealth accumulation, American Economic Review Papers and Proceedings, vol. 102, no. 3., 300.–304. pp. https://doi.org/10.1257/aer.102.3.300

Bucciol, A. – Veronesi, M. (2014): Teaching children to save and lifetime savings: What is the best strategy?, Journal of Economics Psychology, no. 45., 1.–17. pp. https://doi.org/10.1016/j.joep.2014.07.003

Cole, S. – Sampson, T. – Zia, B. (2011): Prices or knowledge? What drives demand for financial services in emerging markets?, Journal of Finance, no. 66, 1933.–1967. pp. https://doi.org/10.1111/j.1540-6261.2011.01696.x

Csiszárik-Kocsir, Á. – Varga, J. – Fodor, M. (2016): The value based analysis of the financial culture, The Journal of Macro Trends in Social Science (JMSS), Vol. 2., no. 1. 89.-100. pp.

Grohmann, A. – Kouwenberg, R. – Menkhoff, L. (2015): Childhood roots of financial literacy, Journal of Economic Psychology, vol. 51, no. C., 114.–133.pp. https://doi.org/10.1016/j.joep.2015.09.002

Fernandes, F. – Lynch, J., Jr. – Netemeyer, R. (2014): Financial literacy, financial education, and downstream financial behavior, Management Science, vol. 60., no. 8., 1861-1883. pp. https://doi.org/10.1287/mnsc.2013.1849

Fodor, M. – Jaeckel, K. – Szilágyi, T.P. (2017): A Z generációmunkaahelyválasztásipreferenciájánakelemzése primer adatoktükrébenLIX. GeorgikonNapokKonferenciakiadványa, PannonEgyetemGeorgikonKarKeszthely. 646-655 pp

Herde, P. – Holden, K. – Su, Y. T. (2012): The links between early-life cognition and late-life financial knowledge, Journal of Consumer Affairs, vol. 46., no. 3, 411.–435. pp. https://doi.org/10.1111/j.1745-6606.2012.01235.x

Lusardi, A. – Mitchell, O. S. – Curto, V. (2010): Financial literacy among the young, Journal of Consumer Affairs, no. 44, 358.–380. pp. https://doi.org/10.1111/j.1745-6606.2010.01173.x

Lusardi, A. – Mitchell, O.S. (2014): The Economic Importance of Financial Literacy: Theory and Evidence, Journal of Economic Literature, vol52., no. 1., 5.-44. pp. https://doi.org/10.1257/jel.52.1.5

Mandell, L. (2009): The impact of financial education in high school and college on financial literacy and subsequent financial decision making, American Economic Association Meeting, January 4, 2009.

Quraisha, J. B. (2019): "Stripped wallets, ripped hearts" victims of financial fraud: an analysis beyond financial fraud, PEOPLE - International Journal of Social Sciences, 4 (3), 1101-1112. pp. https://doi.org/10.20319/pijss.2019.43.11011112

Shim, S. – Barber, B. L. – Lyons, A. C. (2009): Pathway to life success: A conceptual model of financial well-being for young adults, Journal of Applied Developmental Psychology, no. 30, 708.–723.pp. https://doi.org/10.1016/j.appdev.2009.02.003

Suryani, T. – Lindiawati, Iramani, R. (2015): The challenge of financial inclusion for small and micro entreprises in Indonesia, PEOPLE - International Journal of Social Sciences, 1 (1), 1076 – 1087. pp. https://doi.org/10.20319/pijss.2015.s11.10761087

Xu, L. – Zia, B. (2012): Financial Literacy around the World, An Overview of the Evidence with Practical Suggestions for the Way Forward, The World Bank Development Research Group Finance and Private Sector Development Team, Policy Research Working Paper, June 2012 https://doi.org/10.1596/1813-9450-6107