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Financial literacy of students (case of one UK university)

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Financial literacy in the UK

• YouGov research into the FL reveals that young adults are least likely to understand financial literature. Just 8% of UK 18 to 24 year-olds admitting to having a 'high understanding', compared to at least 20% of older age groups.

• Social class, gender and age also play a key part in consumer understanding of financial products.

• Britons look online for financial products advice (1 in 10 don’t consult anyone before purchase)
Financial literacy in UK

• Standard & Poor Global Financial literacy survey – UK – 67% (USA -57%)
• Young person’s money index – done for IFS UC by ICM agency online survey of 2034 young people of 15-18 in Full time education
• Examined how they acquire financial education, their levels of financial confidence and expectations, their financial behaviour and effects of financial education
Financial Education

• Despite the formal introduction of financial education into the national curriculum, fewer students are learning about finance in school at GCSE level
• Girls are least likely to receive financial education in school or college, with only a quarter saying they currently receive lessons in personal finance, compared to 36 per cent of boys
• A huge gap in financial education provision exists for 17-18 year olds, with only 28 per cent receiving formal financial education before they go to university or start work
Financial expectations

• More than half (56 per cent) feel they already have enough knowledge to manage their own money
• The vast majority rely on their parents for their financial understanding and think their parents are good with managing money
• A majority of students think they will be earning more than double the national salary at the age of 30
Financial interactions and behaviour

• Most students use and hold financial services and products, yet are reliant on their parents for choosing them
• The use of mobile and internet banking is growing rapidly
• However nearly one in ten have no interactions with their bank whatsoever, heightening the risk of financial exclusion
• An average of £111.28 is earned per month by students, with the majority receiving wages from part-time jobs
• The beginnings of a savings culture among students is burgeoning with 59 per cent saying that they would save a spare £1,000
• Teenagers are not exempt from financial crime with 25 per cent having received phishing emails or texts
BSU Survey

• Anonymous on line survey
• About respondent: age, gender, residence, area and level of study, work experience, discussion of money matters with friends and family, bank account, self assessment of financial literacy
• Five questions on Financial literacy (A. Lusardi)
• Financial behaviour and comments
Respondents
1. What is your gender?

Gender distribution

- Male: 62%
- Female: 36%
- Non-binary: 1%
- Prefer not to say: 1%
2. How old are you?

Age distribution:

- **65%** under 21
- **19%** 22 - 26
- **16%** over 26
3. What is your permanent place of residence?

- UK: 90%
- EU (non-UK): 5%
- China: 3%
- Other countries: 2%
4. What is the level of the programme are you currently in?

- 1st year: 56%
- 2nd year: 20%
- 3rd year: 22%
- Others: 2%
5. Area of Study

Area/subject

- Bus and Man
- Education
- Biology and nutrition
- Geography
- History
- Psychology
6. Work experience

- Work part time prior to University
- Working part time now
- Work full time prior to University
- Never work
8.a How often do you discuss issues related to money with parents?
8. b How often do you discuss issues related to money with friends?
10. How would you assess your overall financial literacy
Financial literacy

- 83% students knew about interest rates
- 68% aware about inflation rates
- 65% understood how mortgage works
- 33% knew about investment risks
- 26% could answer bond price question
16. How sure you were when answering questions

honest answers

- Sure
- Not sure
- Some sure some not
- Not a clue
Financial behaviour
17. a How important the following behavior is to you? [Maintaining adequate financial records]

- 1 - not imp. At all
- 2 - not imp
- 3 - Some imp. Some not
- Somewhat imp
- 5 - very important
17.b How important is the following behavior to you? [Maintaining an adequate insurance coverage]
17. How important the following behavior is to you? [Planning and implementing a regular investment program]
18. Agree or disagree: I save regularly

- Totally disagree
- Disagree
- I do not know
- Agree
- Totally agree
Agree or disagree: I prepare regularly a budget with my expenses and revenue.
18. cAgree or disagree: I have difficulty in managing my money
18. Agree or disagree: I spend all of my money as soon as I get it and don’t really plan for the future

- Totally disagree
- Disagree
- I do not know
- Agree
- Totally agree
18. Agree or disagree: I generally feel ‘out of control’ when it comes to spending money and using credit or borrowing.
questions

answer
don't
know

Financial
money
interest
bad
information
mortgage
makes
definitions
expected prices

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Students’ Expectations
Statistically significant relationships

- Gender is SS factor for Q8 (brothers and sisters); Q10, Q11-15, 17,18
- Age – Q10, Q12 (savings), 17 (ins); 18 (save reg)
- Residence – Q8 (tutors); Q14 (mortgage); Q17 (planning)
- Level of study – Q7, Q8 (fr, tut), Q13-Q15
- Area of studies – Q8 (parents); Q17 (save reg)
- Work exp – Q8(friends); Q10; Q17 (save reg)
- Self assessment – Q7, Q11-15, Q16, Q17 (1,3), Q18
Where next?

• Further explore the factors affecting FL
• Results from Scotland (Bus and Econ at schools)
• Effect of FL on behavior associated with good financial practices
• How to help students develop their FL?
• Use best practice from USA, Europe...
Information is not knowledge.
The only source of knowledge is experience.
You need experience to gain wisdom.

Albert Einstein
Any questions?

I’ll be happy to answer any questions regarding this research. Please contact me at

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Thank you!
References

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