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Financial literacy of students (case of one UK university)

Dr Inna Pomorina Bath Spa University

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

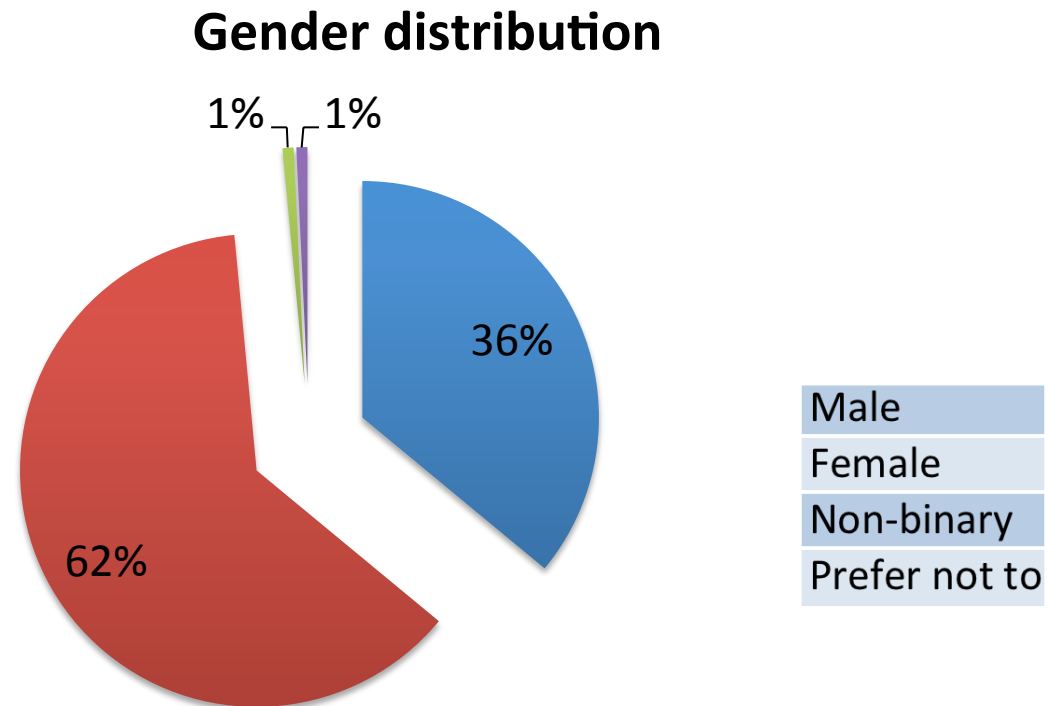
- Most students use and hold financial services and products, yet are reliant on their parents for choosing them
- The use of mobile and internet banking is growing rapidly
- However nearly one in ten have no interactions with their bank whatsoever, heightening the risk of financial exclusion
- An average 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

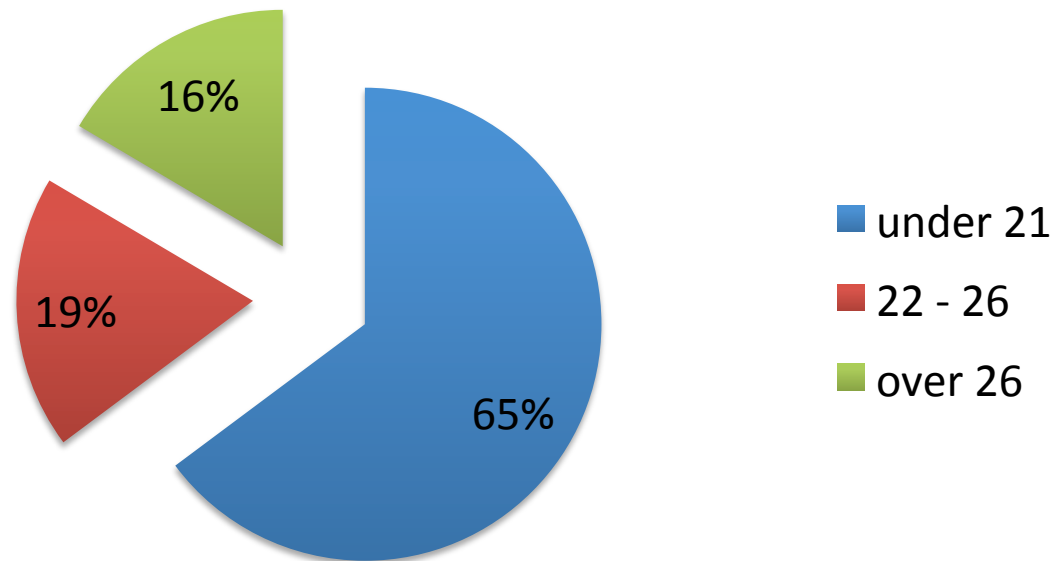
Respondents

1.What is your gender?

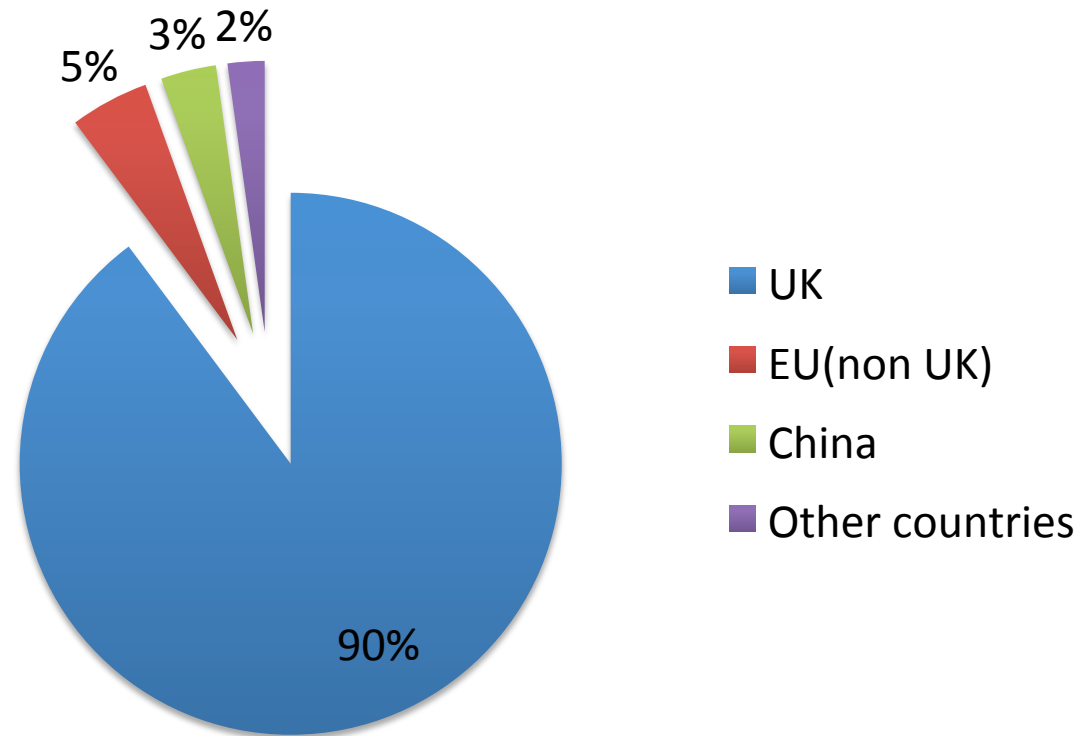


2.How old are you?

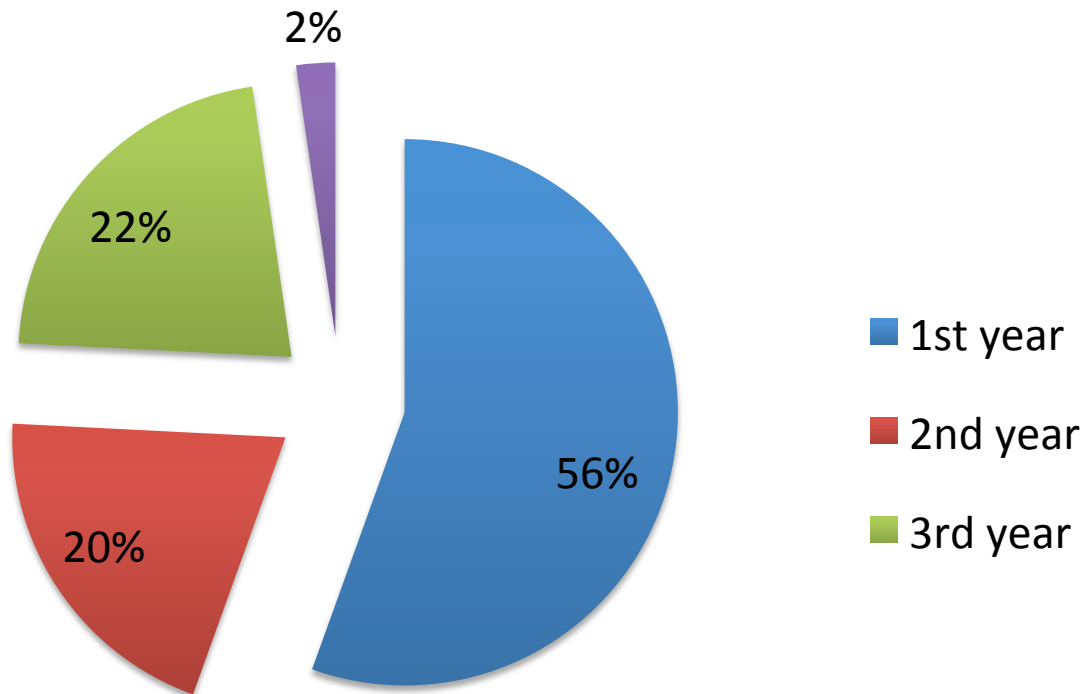
Age distribution



3.What is your permanent place of residence?

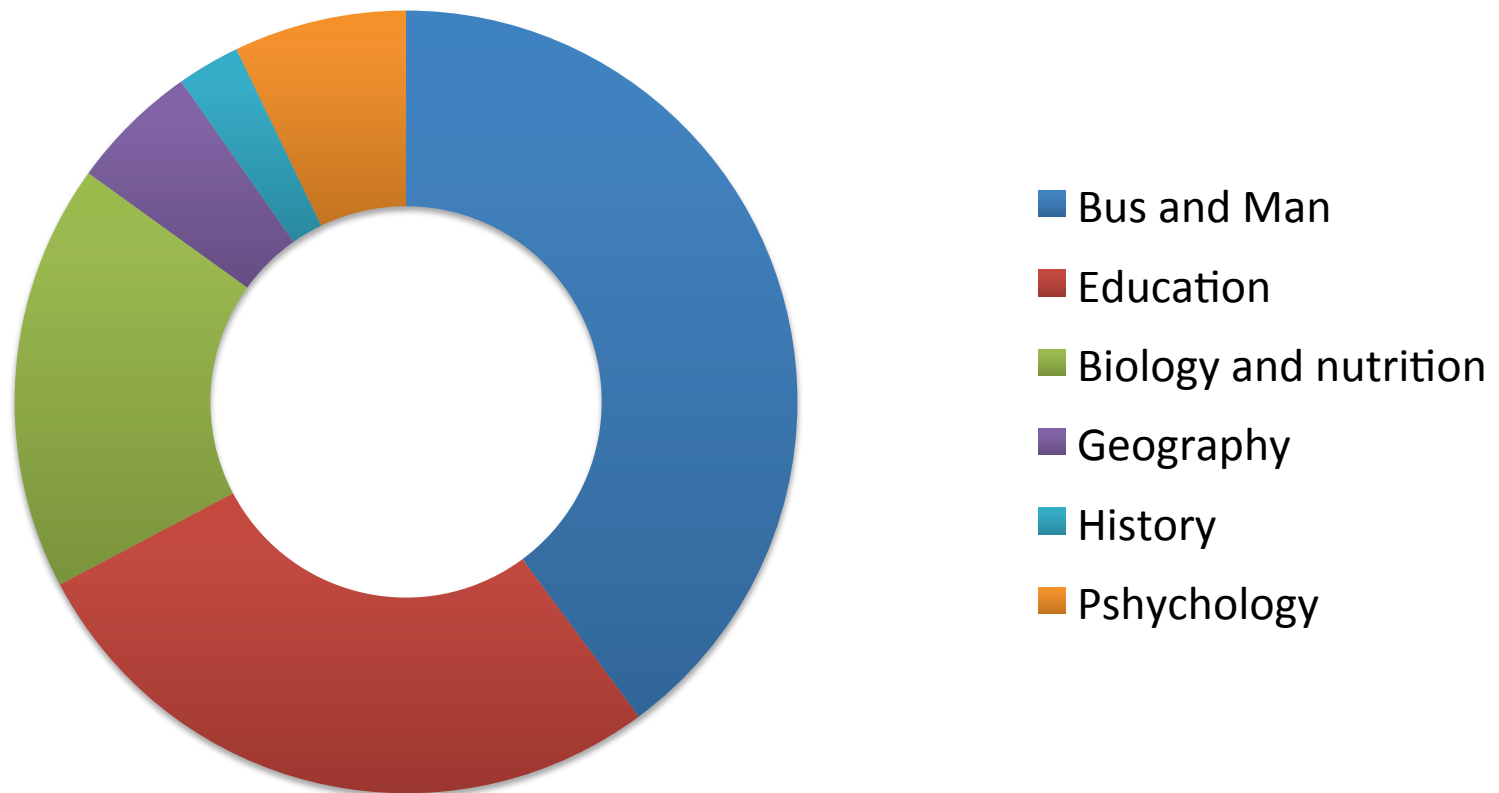


4. What is the level of the programme are you currently in?



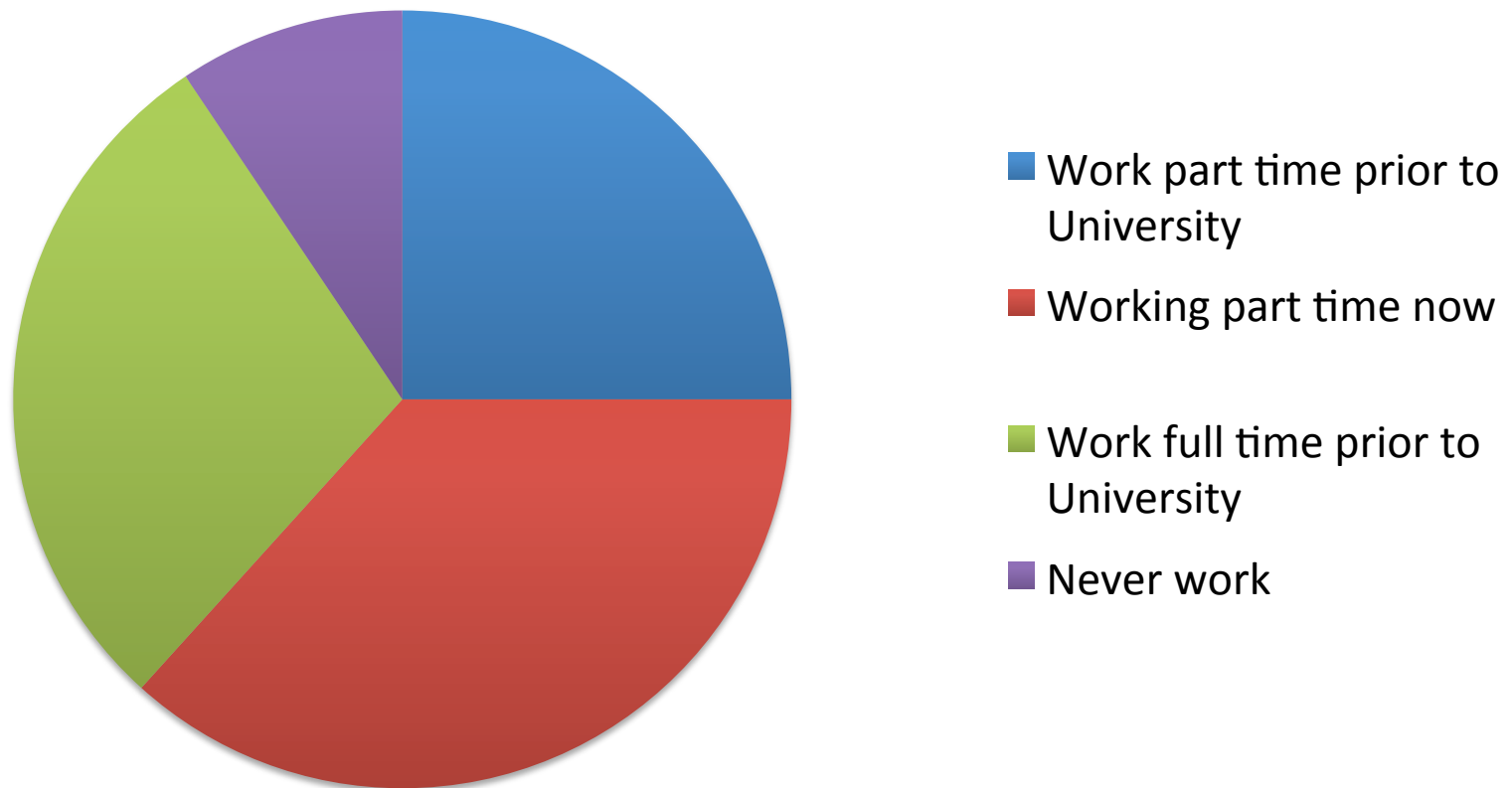
5.Area of Study

Area/subject

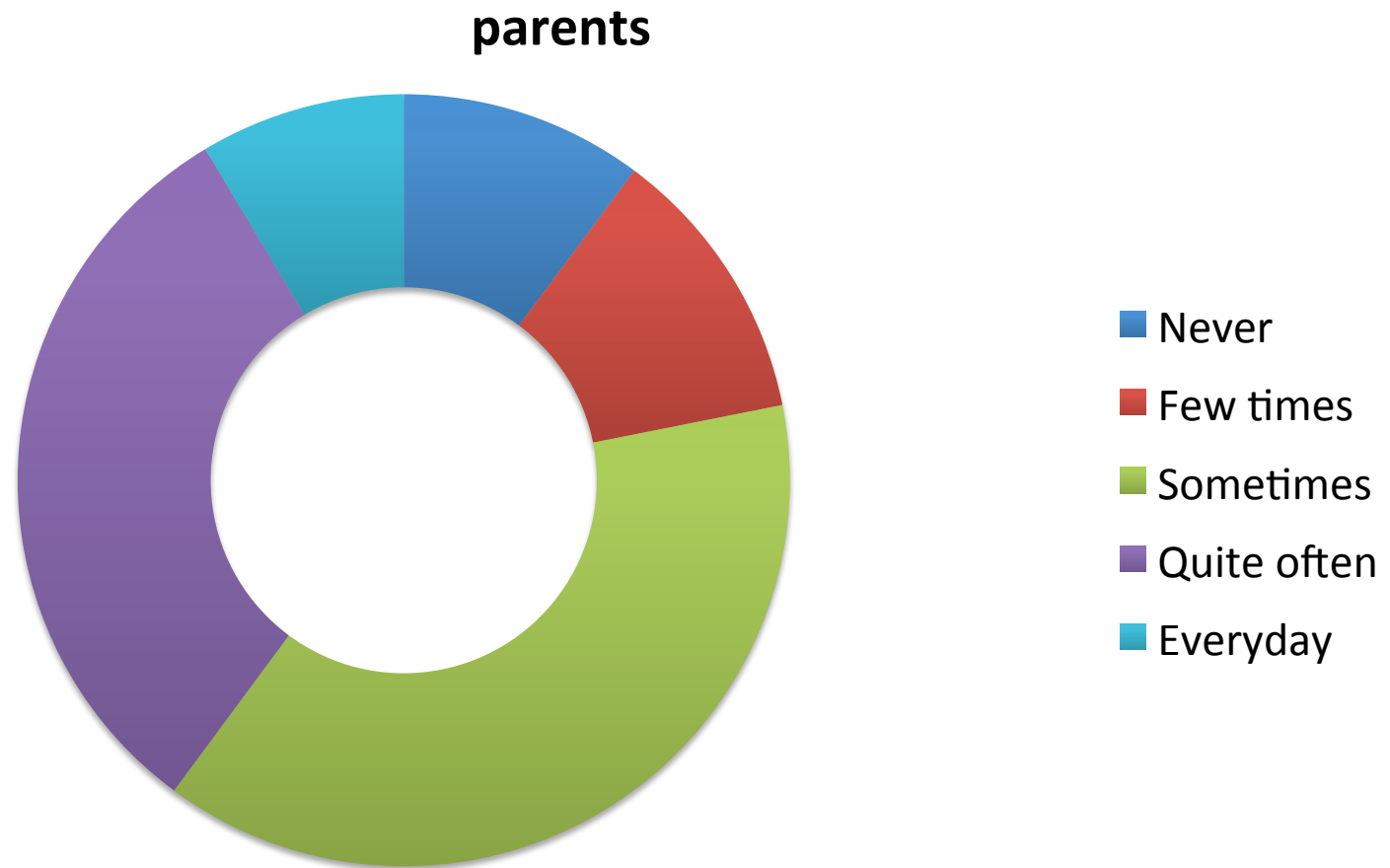


6. Work experience

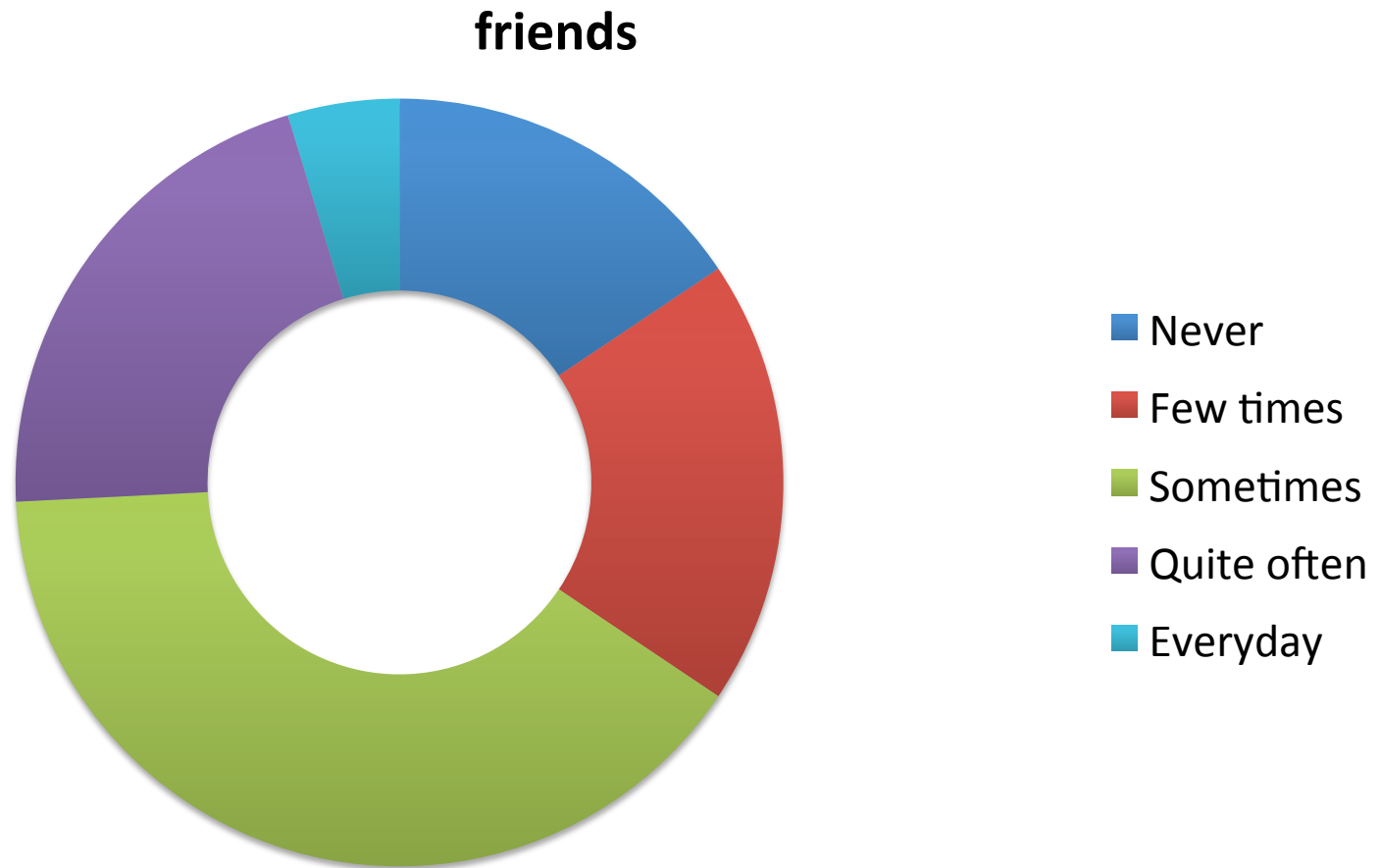
Work



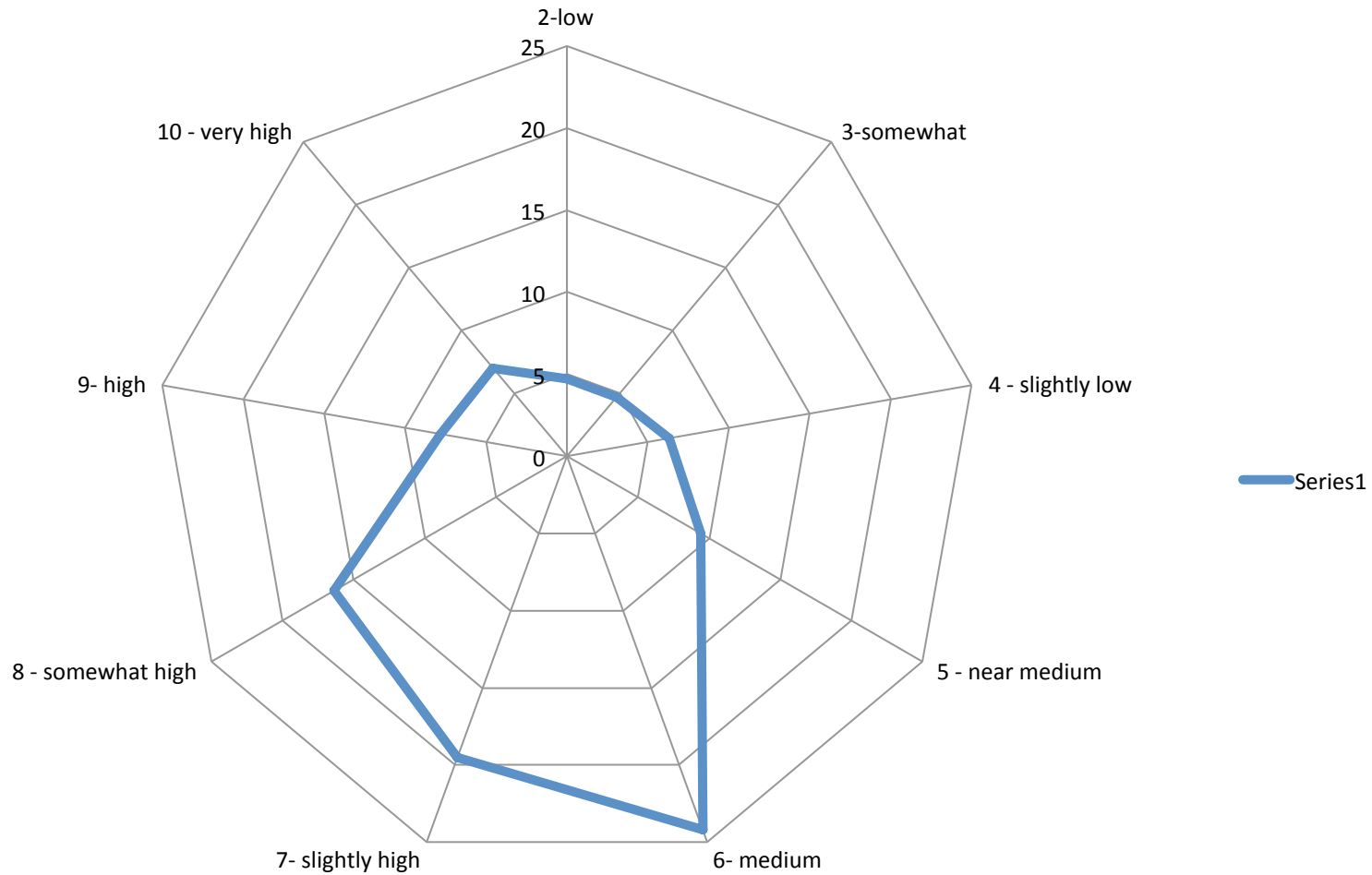
8.a How often do you discuss issues related to money with parents



8.b How often do you discuss issues related to money with friends



10.How would you assess your overall financial literacy

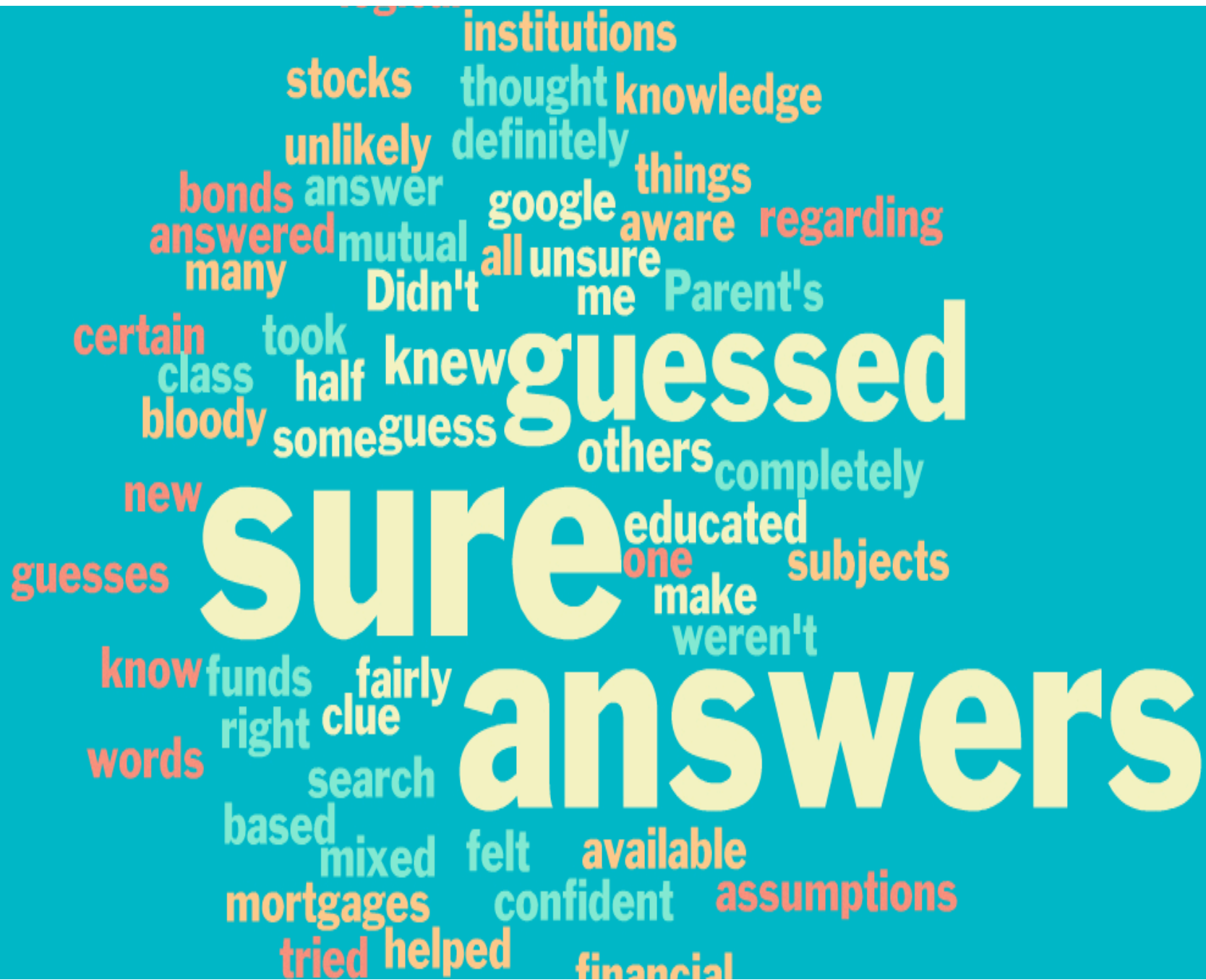


Financial literacy

- 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

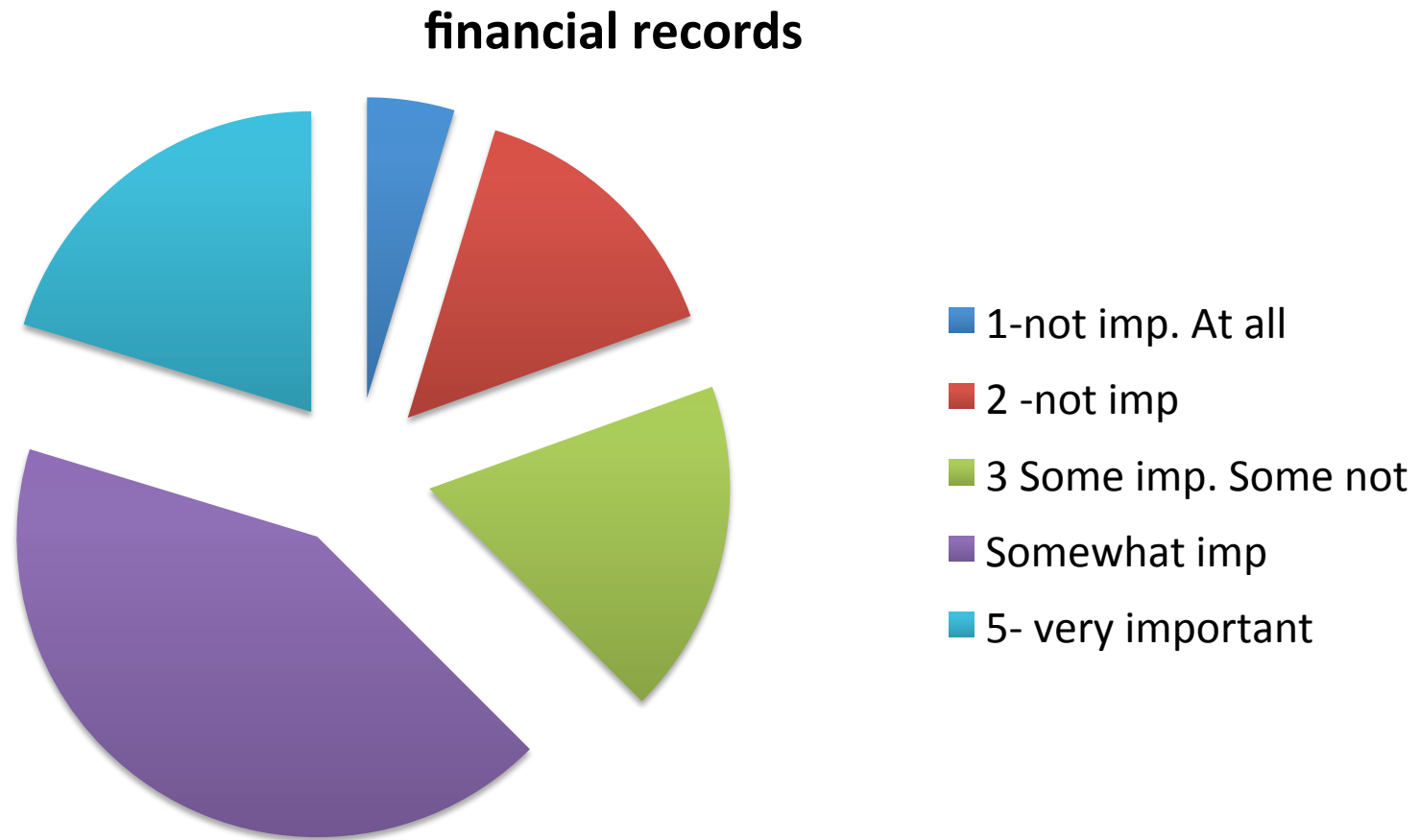
16.How sure you were when answering questions





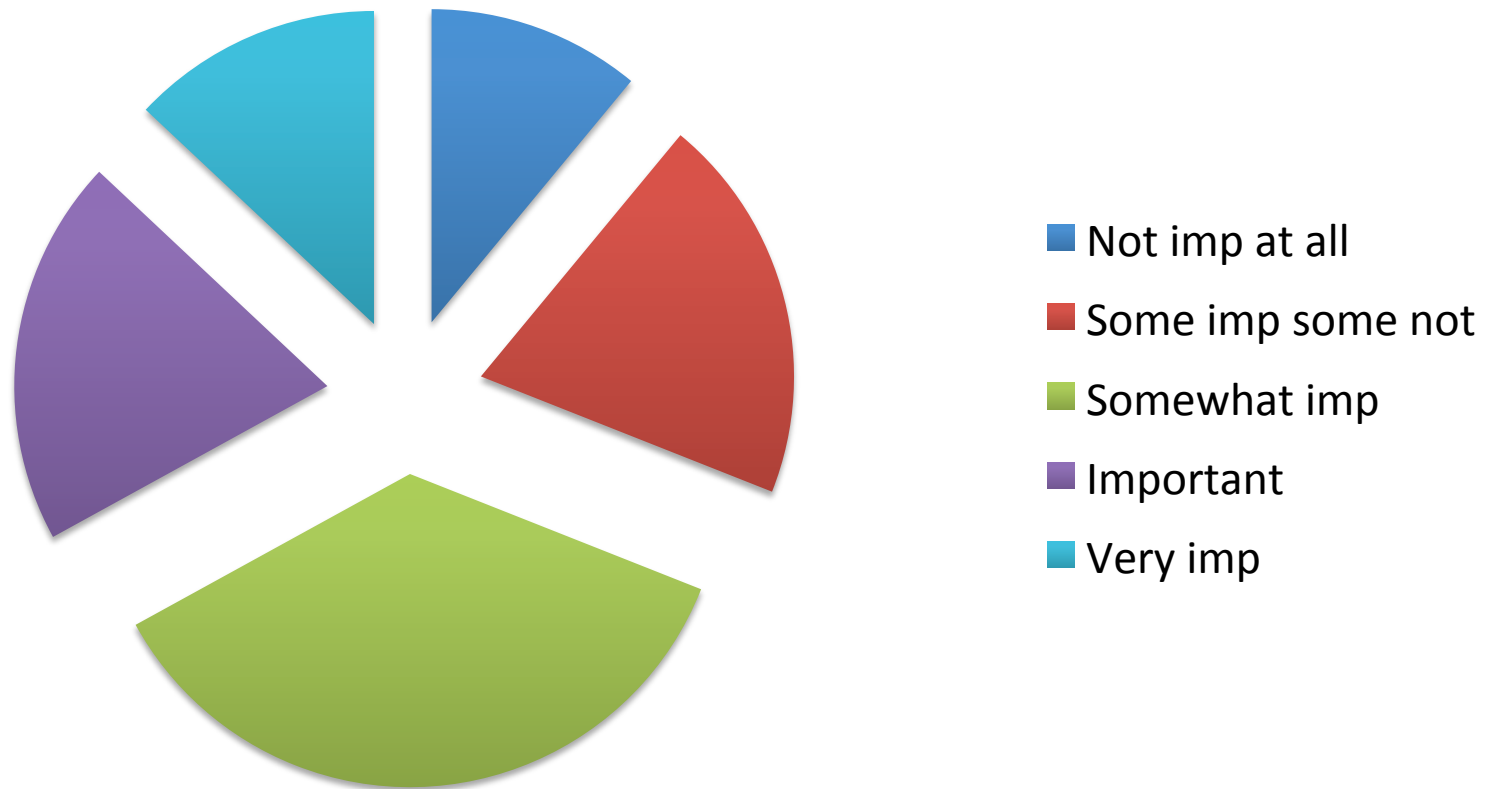
Financial behaviour

17.a How important the following behavior is to you? [Maintaining adequate financial records]



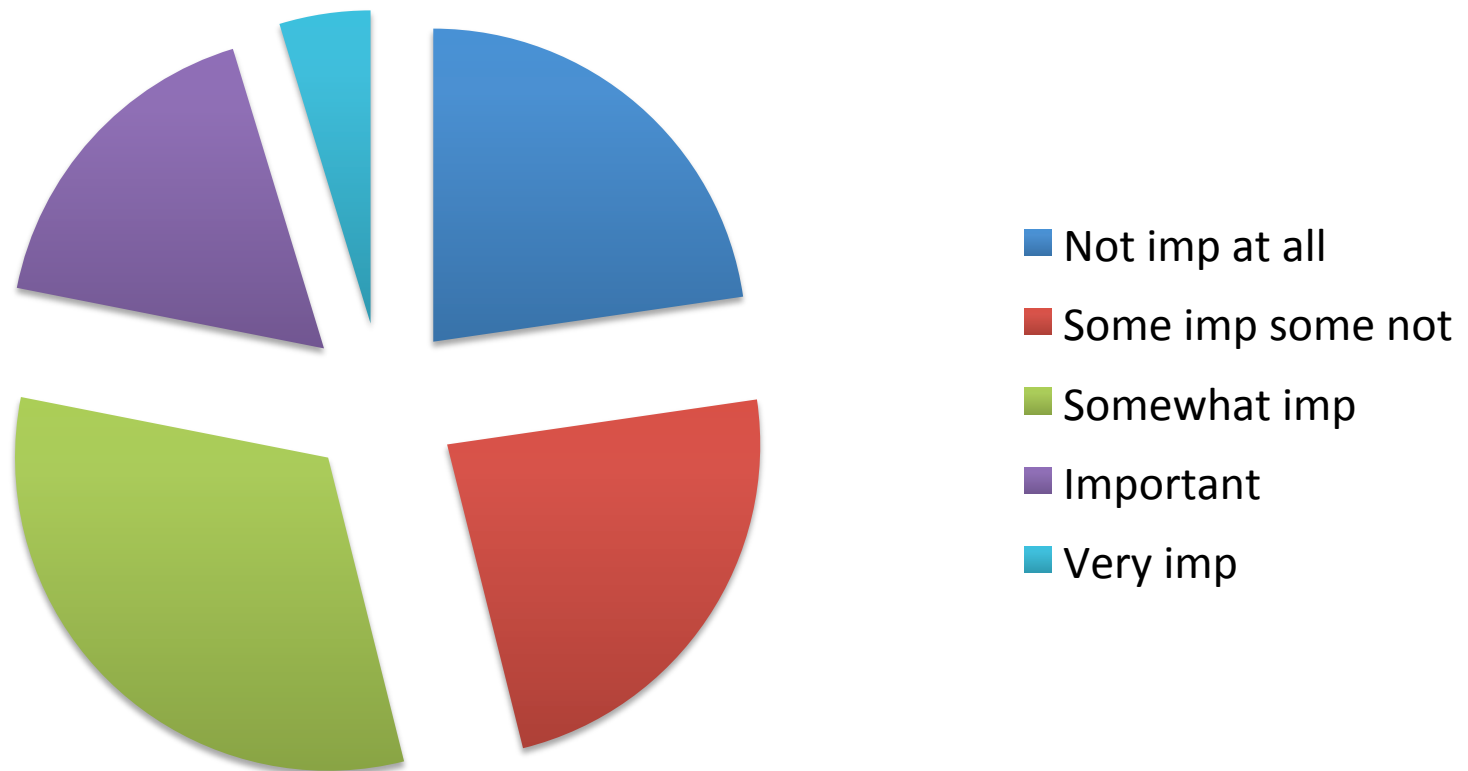
17.b How important the following behavior is to you? [Maintaining an adequate insurance coverage]

Insurance coverage

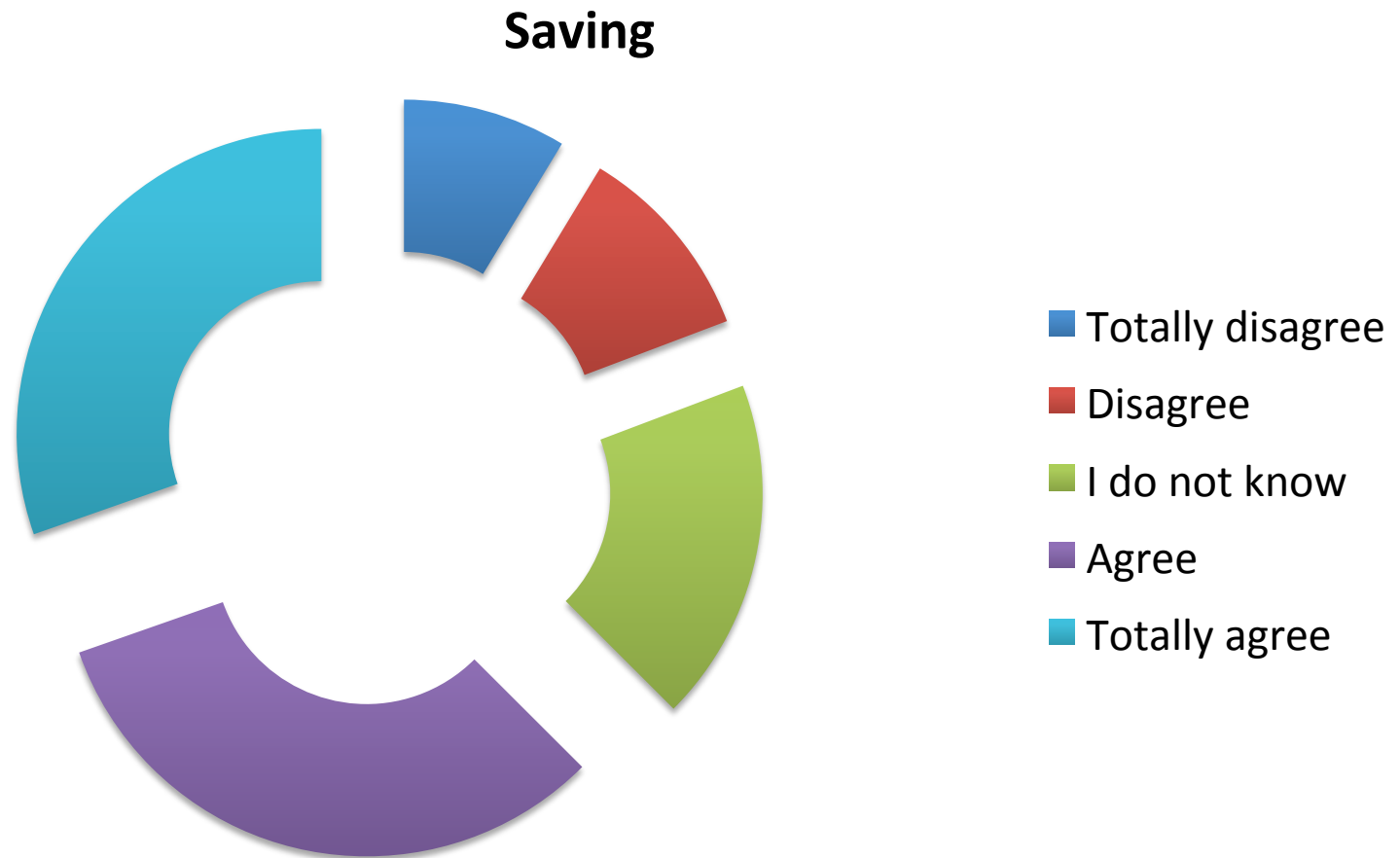


**17.cHow important the following behavior is to you?
[Planning and implementing a regular investment
program]**

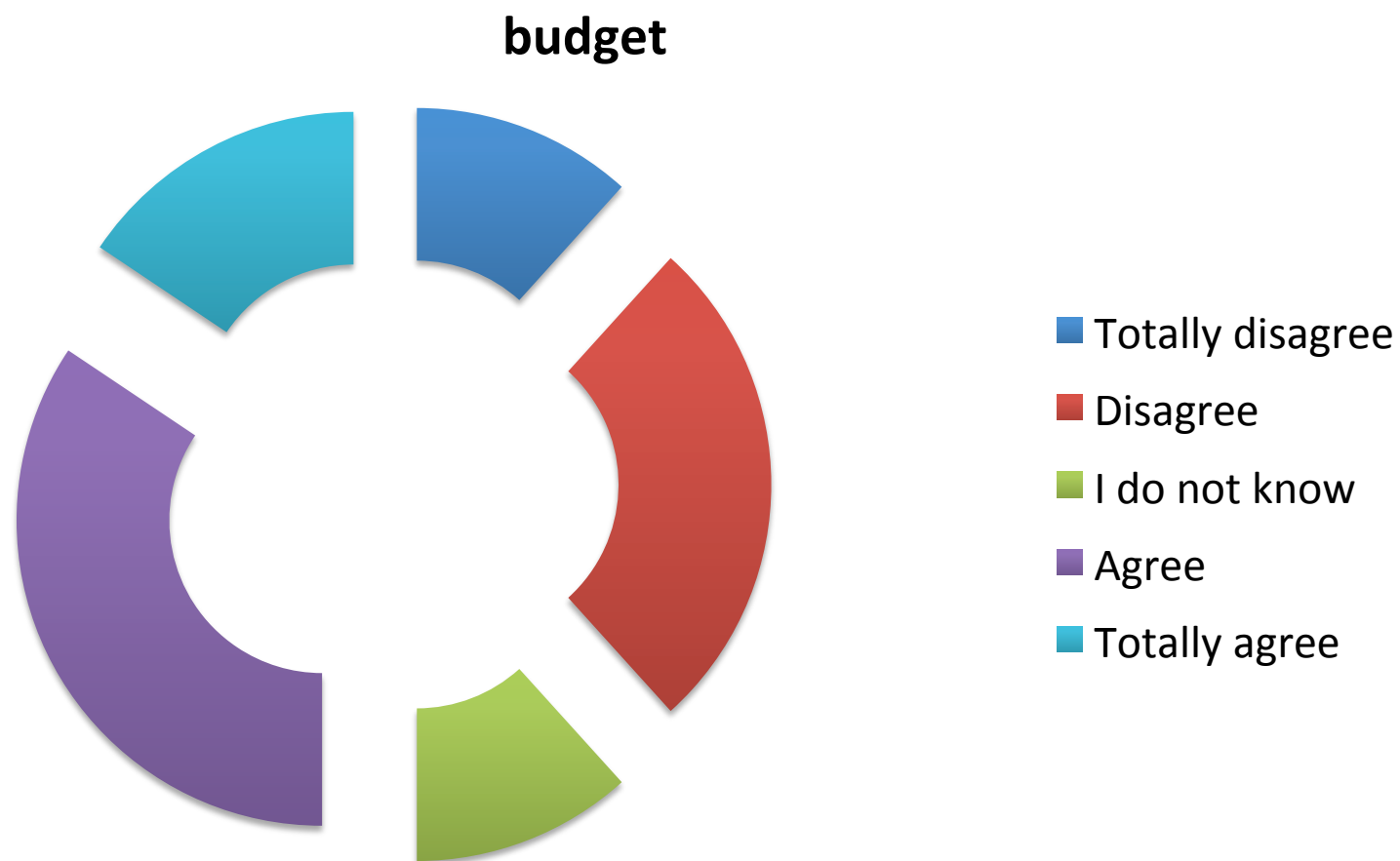
Investment



18.a Agree or disagree: I save regularly



18.b Agree or disagree: I prepare regularly a budget with my expenses and revenue

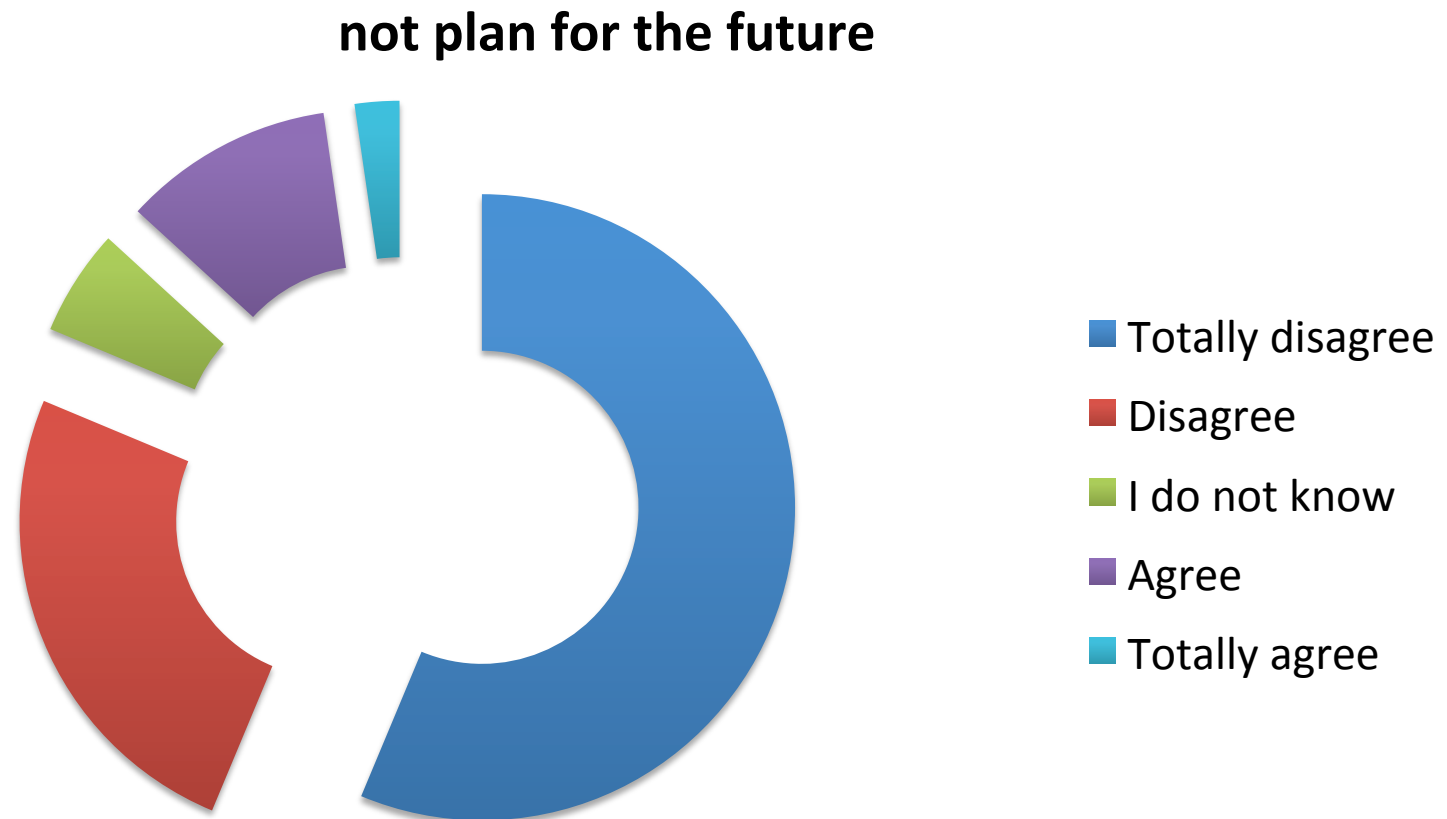


18.c Agree or disagree: I have difficulty in managing my money

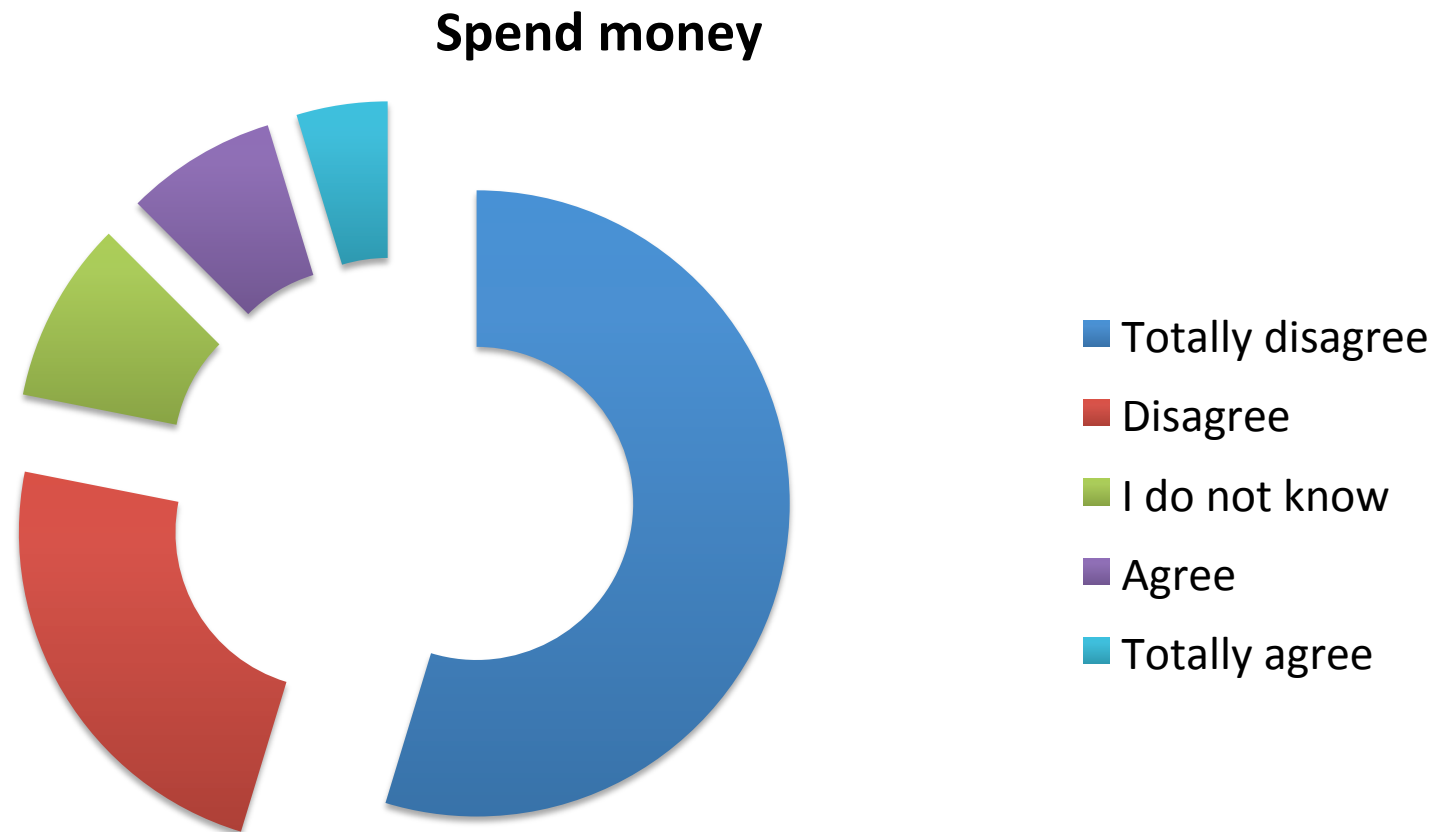
difficulty in managing money



18.d Agree or disagree: I spend all of my money as soon as I get it and don't really plan for the future



18.e Agree or disagree: I generally feel 'out of control' when it comes to spending money and using credit or borrowing



Comments



little useful maths terminology
inflation survey important end
going taught didn't undergraduate
that job possible relevant challenging
lot Please question really difficult plan
packs well help finance rates bonds questionnaire
much lack saving unsure quite enough key Students
score talk result etc shares finances idea ex
beforehand explaining save actually
true answer don't know
expected prices
bad information mortgage definitions brought
interest makes
Financial money I'm things
understand section people
irrelevant
words
choice
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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

i.pomorina@bathspa.ac.uk

Thank you!

References

- Britain's financial literacy
- <https://yougov.co.uk/news/2012/06/07/britains-financial-literacy/>
- Breitbach, E., Walstad, W. (2015). Financial Literacy of Young Adults: How much do they know and does it influence behavior? (CTREE)
- Mitchell, O., Lusardi, A. and Curto, V. (2009). Financial Literacy Among the Young: Evidence and Implications for Consumer Policy. *SSRN Electronic Journal*
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- Young persons money index 2015 - <http://www.ifslearning.ac.uk/financial-capability/junior-membership/young-persons'-money-index>