

MAJOR DIFFERENCES IN FINANCIAL LITERACY AMONG ALBANIAN UNIVERSITY STUDENTS

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Abstract

This paper examines the differences in Financial Literacy among students majoring in business and non-business disciplines. The main objectives of this study are: i) firstly, to assess the level of financial knowledge, financial attitude and financial behaviour, as the main components of the financial literacy; ii) secondly, to evaluate an overall score of financial literacy based on the previous results; iii) thirdly, to investigate the differences in financial literacy between students majoring in business and those majoring in non-business academic disciplines, and iv) finally, to provide some conclusion and policy implication with regard to financial literacy. A total of 607 business and non-business students from five public and three private universities in Albania participated in this research. The outcome shows that student's financial behaviour and attitude do not differ based on their academic discipline. In addition, business majors appear to be more knowledgeable and financially literate than their counterparts.

Keywords: Financial Literacy, business, non-business

1. Introduction

Financial literacy is rapidly being recognized as a core skill, essential for individuals operating in an increasingly complex financial landscape. People must plan for long-term investments for their retirement and children education. They must also decide on short-term savings and borrowing for a mortgage, a car loan, and other big ticket items. Additionally, they must manage their own medical and life insurance needs Volpe et al., (1998).

Unfortunately, studies have shown that individuals have inadequate capability of personal finances. They fail to make sound decisions because they have not received a sound personal financial education Hira et al., (1993). Many researchers investigated financial literacy in universities (Anthens, 2004; Murphy, 2005; Godfrey, 2006; Bakken, 1967, Langreher 1979) and continued to report that university students generally have low levels of financial literacy. What is more, studies (Chen and Volpe, 1998, Godfrey, 2006; Hayhoe, 2002; Murphy, 2005; Vitt & Anderson, 2001) have shown that non- business majors are less financially literate and knowledgeable in comparison with business majors.

This paper aims to assess financial behavior, attitude and knowledge of business and non-business Albanian university students. In addition, it will evaluate an overall score of financial literacy and make comparison between business and non-business majors. To investigate these areas of concern, the following research questions guided the study: 1. *Are there differences in financial, knowledge, attitude, and behavior based on academic discipline?* 2. *Are business majors more financially literate in comparison with non-business majors?*

2. Literature Review

Financial literacy has been defined as "knowing the facts and vocabulary necessary to manage one's personal finances successfully" (Garman et al., 2000). Vitt et al., (2000) defines financial literacy as: the ability to read, analyze, manage and communicate about the personal finances conditions that affect material well being. Financial literacy includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that effect everyday financial decisions, including events in general economy (p.xii). Considering

and categorizing the core of these definitions into this study, financial literacy will contain three components, financial attitude, financial behavior and financial knowledge.

The importance of university students becoming knowledgeable about personal finance is considerably being recognized by universities and researchers. A review of the literature on financial literacy found the majority of comprehensive research studies focused on high school students (Alhabeab, 1999; Jump\$art, 2004; NEFE, 2002) or adults (Princeton Survey Research Associates, 1997; Varcoe et al., 2001). Researchers report that neither students, nor adults have the adequate financial literacy to make wise financial decisions.

An informal study of public universities in the state of Florida regarding personal finance courses (McKenzie, 2007), revealed that 80% of the institutions offered a personal financial course. This study found that students, who attended a personal finance course, were more knowledgeable about their personal finances in comparison with those who did not. Volpe, Chen and Pavlicko (1998) researched the personal financial literacy of 924 university students from fourteen university campuses in six states. They found that participants had a low level of personal financial literacy. Nevertheless, the low level of financial literacy among all students, it was observed that business majors performed significantly better on the test than other majors. Mandell et al., (2009) identified the paradox existing between the efficacy of education in improving financial literacy and the impact of education on short and long term financial behavior. They studied the relationship between financial literacy education and financial decision making. Using a matched sample design comprises of 400 high school students half of whom took a personal financial management course. Authors made use of a questionnaire partitioned in three sections: i) current level of financial literacy, ii) financial behavior and risk attitude, and iii) demographic questions. Results demonstrated that those who took the course were no more financially literate than those who had not. In addition, it raises serious questions about the longer term effectiveness of high school financial literacy courses. A study made by Markovich and DeVaney (1997) surveyed 236 randomly selected undergraduate seniors from one university to assess financial knowledge and behavior. They utilized a questionnaire comprises of

34 items. They similarly revealed that the overall financial knowledge of seniors was low and that there was little difference between the college majors represented, although business did have the highest knowledge scores. They also found that students should take a personal finance course and taking a course would help them financially.

Despite the large body of literature studying financial literacy, there is still a lack of understanding financial literacy behavior among Albanian students. Few studies have been undertaken on measuring financial literacy on national level. The OECD International Network on Financial Education (INFE) conducted a survey to capture financial literacy in 14 countries, including Albania. They developed a survey instrument comprising financial behavior, knowledge and attitude questions and as well socio-demographic characteristics. They found Albania to be ranked as one of the lowest financial literate countries. It was found that Albania has a relatively large proportion of the population scoring between 0 and 2 in the financial knowledge component, although it shows positive financial attitudes. Furthermore, this study indicate that according to the overall financial literacy score Albania is ranked in the tenth place in a total of 14 countries. Nevertheless, this study falls into the "one size fits all" problem, since it is not targeted to a particular segment of population. According to Angelo et al., (2011), a "one size fits all" measure overlooks particular strengths in certain stages of the life cycle, thereby attributing falsely poor "financial literacy scores" to certain demographics. They also highlights that surveys should be tailored to suit different demographics, just as financial education should be suited to specific needs of different demographics.

This study will investigate the level of financial literacy and it is focused only on university students in Albania. This research will be useful in order to identify any financial education lack among different majors and take relevant policies in order to develop healthy financial habits. Without adequate knowledge students are more likely to make mistakes in the real world. University students are a lucrative market for financial institutions, both as a source of immediate revenue and as a way to establish brand-loyalty through adulthood. (Amato-McCoy 2006).

3. Research Methodology

Questionnaire Design and Data Collection Method

This study uses a comprehensive survey to measure student's financial literacy based on three components: financial behavior, financial attitude and financial knowledge. The survey consists of 34 content questions as well as 17 personal characteristic items. Questions were grouped into four categories (i.e. attitude, behavior, and knowledge and as well student characteristics). The financial attitude section has 11 questions regarding students' perception of money and finances. Participants were asked to rate the importance of different items using Likert scale ranging from 1 – not important, 2-somewhat important, 3-not sure, 4-somewhat important, 5-very important. The financial behavior section contains 8 questions. Participants were asked to rate items using a scale of 1-5 (1-not at all true of me, to 5-very true of me).

The financial knowledge section has 15 questions on general financial knowledge, investment and saving, borrowing and insurance. In the final part, students provided personal characteristics.

In order to provide a score for financial attitude and financial behavior and to incorporate these measures into an overall score of financial literacy we count 1 point for respondents who put themselves at 4 or 5 on the scale and 0 in all other cases. In addition, to estimate a financial knowledge score and to include it in the financial literacy score, we assigned 1 point for correct response and 0 in all other cases.

Data were collected using a stratified sampling method at five public and three private universities across Albania. A group administered technique was used as the data collection method. Students were asked to complete the questionnaire during class time. The survey instrument was voluntary and anonymous. Primary, a pilot study was conducted by using a group of 30 participants. According to Sekaran (2003), the objective of a pilot survey is to measure the face validity and reliability of the survey questionnaire. The suggestions, comments and critics from these participants were evaluated and incorporated into the final survey questionnaire.

4. Data Analysis and Results

This study considered different techniques in order to address the purpose of the paper. Hence, the reliability analysis was useful to identify the underline dimensions of financial literacy. In addition, descriptive statistics helped to explore the sample profile and the one way ANOVA analysis was utilized for investigating student's differences with regard to financial literacy.

Consistency of the instrument

Table 1 below represents the Cronbach's Alpha coefficient for the three components of financial literacy (financial attitude, financial behavior and financial knowledge) and for the overall survey. A reliability coefficient of 0.70 or higher is considered "acceptable" as recommended by Cavana et al., (2001). The statistics demonstrates a moderately high internal consistency of every subscale and of the overall questionnaire, since all the Cronbach's Alpha coefficients stands above the threshold of 0.70.

Table 1: Reliability Analysis

Subscales	α	№ of items
Financial Attitude	0.701	11
Financial Behavior	0.717	8
Financial Knowledge	0.704	15
Overall survey	0.766	34

Sample profile

Based on the frequency analysis in table 2 below, it can be observed that out of the 607 students who responded to the survey, 78.4% attend a bachelor program, 70.7% are business majors, studying mainly in public universities in the area of Management, Finance, or Economics and mostly taken a money management course. Male participants represent about 71% of the sample. About 93.1% of students are from 18 to 29 years of age. Only 39.5% of the respondents have learned in school about

money management, and the rest have learned from other sources like friends' conversations, in their family, from

experience, etc. Most participants have less than two years of work experience.

Table 2: Characteristics of the Sample

		Frequency	Percentage
A. EDUCATION			
1.	Academic Status	607	100%
	a) Bachelor	421	78.4%
	b) Master	186	21.6%
2.	Academic Disciplines	607	100%
	a) Business	429	70.7%
	b) Non business	178	29.3%
3.	Area of Study	607	100%
	a) Finance	74	12.2%
	b) Management	197	32.5%
	c) Tourism	18	3%
	d) History	34	5.6%
	e) Agribusiness	59	9.7%
	f) Economics	85	14%
	g) Medicine	71	11.7%
	h) Journalism	17	2.8%
	i) Law	52	8.6%
4.	University	607	100%
	a) Public	582	95.9%
	b) Private	25	4.1%
5.	Personal finance course	607	100%
	a) Yes	476	78.4%
	b) No	131	21.6%
B. OTHER CHARACTERISTICS			
1.	Gender	607	100%
	a) Female	176	29%
	b) Male	431	71%
2.	Years of Age	606	99.8%
	a) 18 to 22	439	72.3%
	b) 23 to 29	126	20.8%
	c) 30 to 39	37	6.1%
	d) 39 and over	4	0.7%
3.	Money Management Learning	604	99.5%
	a) In my family	176	29%
	b) In the school	239	39.5%
	c) Conversation with friends	21	3.5%
	d) Media	33	5.4%
	e) Experience	135	22.2%
4.	Work Experience	607	100%
	a) None	291	47.9%
	b) Less than two years	137	22.6%
	c) Two to less than four years	78	12.9%
	d) Four to less than six years	40	6.6%
	e) Six years or more	56	9.2%

Analysis by Major

Tables 3 and 4 below provide information about the descriptive statistics and the ANOVA analysis. The results emerged a statistically significant difference in the overall score of financial literacy among business and non-business majors, although its components appear not to be all statistically significant.

In closer inspection of the data it can be observed that business majors yielded 4.88 in financial behavior, whereas non-business majors scored slightly more with 8 points. This is a statistically insignificant difference since the significance of the F-test ($p=0.427$), is greater than the alpha value ($\alpha=0.05$).

Table 3: Descriptive Statistics

		Mean	Std. Deviation	95% Confidence Interval for Mean	
				Lower Bound	Upper Bound
Financial behavior	Business	4.88	2.206	4.77	4.99
	No-business	4.96	1.893	4.81	5.11
	Total	4.90	2.122	4.82	4.99
Financial attitude	Business	7.99	2.102	7.89	8.09
	No-business	8.02	2.083	7.85	8.18
	Total	8.00	2.096	7.91	8.08
Financial knowledge	Business	7.41	2.868	7.27	7.55
	No-business	6.12	2.706	5.91	6.33
	Total	7.04	2.882	6.93	7.16
Financial literacy	Business	20.28	4.914	20.04	20.52
	No-business	19.09	4.138	18.77	19.41
	Total	19.94	4.736	19.75	20.14

In addition, the overall score of financial attitude for business majors accounts for 7.99, representing a three points discrepancy from that of no-business ones which stands at 8.02. The value of the F test ($p=0.781$) is greater than the alpha value of 0.05. Therefore, it can be concluded that there is no statistically significant difference in financial attitude among business and no-business majors. Different from the first two components, financial knowledge is revealed to differ significantly among the two groups of students. Results of mean comparison

demonstrates that business students are more financially knowledgeable ($M=7.41$) than their counterparts ($M=6.12$). This difference is explored to be significant at 0.01 or greater level of significance ($p = .000$). Finally, given the results of the overall score of financial literacy, revealed that business majors are more financially literate ($M=20.28$) compare to the non-business ones ($M=19.09$). Findings of the F-test examined this discrepancy to statistically significant ($p=0.000$) at 0.01 level or more.

Table 4: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Financial behavior	Between Groups	2.839	1	2.839	.630	.427
	Within Groups	10239.089	2274	4.503		
	Total	10241.928	2275			
Financial attitude	Between Groups	.341	1	.341	.077	.781
	Within Groups	9994.624	2274	4.395		
	Total	9994.964	2275			
Financial knowledge	Between Groups	774.073	1	774.073	97.152	.000
	Within Groups	18118.445	2274	7.968		
	Total	18892.518	2275			
Financial literacy	Between Groups	652.996	1	652.996	29.478	.000
	Within Groups	50372.917	2274	22.152		
	Total	51025.913	2275			

5. Conclusions and Implications

This study surveys 607 students from multiple universities across the country to investigate major differences in financial literacy among Albanian university students. The study reveals that in a comparison of financial literacy components, business majors are more financially knowledgeable than non-business majors. However, results of this research indicate no differences in the financial behavior and attitude score between the two groups of students. Considering all the three components together, it is found evidence that academic discipline is associated with financial literacy. It can be concluded that business majors are more financially literate in comparison with no-business majors. To sum up, the results of the entire survey clearly show that students who attend business disciplines have more

knowledge and are more financially capable compare to students who study in other academic disciplines. This difference can be mainly explained by the lack of the personal finance education in the non business majors' curricula. The lack of financial education has costly consequences since affects individuals to not manage efficiently their finances. It is acceptable among researchers that differences in financial literacy may result in different financial management, which should receive more attention by practitioners and educational institutions to include personal finance subjects in the school curriculum. Based on the findings of the present study it is recommended that further research be conducted to understand and control for other factors that predict financial literacy for university students.

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