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Contributing Factors of Student's Financial Literacy in a State University in Eastern Philippines

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ABSTRACT

This research aimed at determining the level and contributing factors of the financial concepts of the students in one of the State University of Eastern Philippines. It used a descriptive – correlation method of research. The data were gathered and analyzed through a survey questionnaire distributed to 228 respondents. It was found out that most of the respondents possess inadequate knowledge in terms of financial literacy even on the practical level of application for their day-to-day activities. The study also revealed that the respondents tend to be academically prepared but received lesser guidance in terms of financial literacy. The result showed that parental guidance has a very strong influence on financial literacy. This is followed by academic ability as it also influences the respondents' financial literacy level. Lastly, the degree program is considered a contributing factor as well.

Keywords: *Academic ability, Degree program, Parental guidance*

1. INTRODUCTION

Financial related proficiency is currently recognized globally identifying components for stable monetary and budgetary advancement. For individuals or society, financial literacy centers around the particular learning and ideas purchasers need to deal with their cash and construct riches, depending upon a person's circumstance. It is the use of information about figuring out how to make and oversee family unit spending plans, figuring out how to contribute cash for retirement as per Lusardi and Mitchell, (2011). It is additionally a capacity to comprehend the money related setting to enhance the monetary prosperity of people and society. It can likewise be a general technique for bringing salaried individuals or families to increment monetary security.

The Philippines is among the least financially literate, one among the thirty (30) countries in the bottom of the S & P ranking of 140 countries who were tested of their basic financial concepts (Klapper, Lusardi, & Van Oudheusden, 2015). Various grievances of alleged predatory lending had been accounted for lately. News reports expressed that specific banks exploit unsophisticated borrowers by inducing them to consent to credit that is not to their greatest advantage. This implies that credits are overrated or excessively prohibitive in the wake of modifying for change. These outrageous cases incorporate advances apparently fixed to yield default and abandonment, thus resulted in the borrower losing their homes or home value to the banks.

Recently, the Department of Education under the administration of Sec. Leonor Magtolis Briones shaped a specialized working committee to regulate the fundamental money related education in the essential educational modules, and execute budgetary proficiency program for DepEd representatives across the country (Mateo, 2017). This move in the academe is one step towards financial literacy that must also be considered in higher education.

Some recorded studies on financial literacy focused on the factor of a larger analysis of consumers' financial capability by how consumers manage their resources and apply their financial literateness in making financial decisions. To date, no study has been conducted among College of Business Management and Accountancy Students of Eastern Samar State University – main campus that would measure their financial skills, knowledge and decision-making ability.

Thus, the researcher decided to assess the extent of understanding of financial knowledge among the College of Business Management and Accountancy students. The study will focus on the contributing factors to the financial knowledge and financial decision –making skills in the fulfillment of personal financial wellness. Further, this study will provide an opportunity to expose the students' academic strengths and weaknesses related to financial management. The findings of the study will help expand students ' knowledge, attitude, and behavior, on their personal financial matters. By using topics presented in a financial introductory class, compulsory financial education programs for all students other than business courses will be integrated into the curriculum. It offers an opportunity for the broader university audience to access personal financial literacy. Personal financial education should be conducted both during the first year of study and before graduation to train the students for their own activities needing better financial management skills.

This research work aims to attain the following objectives: 1) Determine the level of financial literacy of students' respondents; 2) Find out the significant relationship among the following contributing factors to the level of financial literacy of the respondents 1.1) Academic Ability; 1.2) Parental Guidance; 1.3) Degree Program; 3) Taken in combination, to find out which contributing factors of respondents significantly affects the degree of their financial behavior.

Financial literacy matters at numerous levels. The benefits of financial knowledge are helpful to the advancement of a stronger money related framework and to the more proficient portion of assets inside the genuine economy. The key to academic success is to focus on studies. Students who want to succeed academically give focus on their studies because they believe in the importance of education or completing a degree as a stepping stone to possibly experience actual success. A study conducted by Sabri and MacDonald (2010) provides evidence that the most common indicator of academic ability, the grade point average (GPA), had been used to predict financial literacy. Further, it was predicted that the academic ability variable, grade point average or class rank to have a positive effect on the quality of life of a person (Cude, et al., 2016). Throughout previous studies, academic skills of graduates also have a positive impact on their success in life. The research shows that students with higher academic potential, regardless of early achievement or skill, have more trouble and continue to work longer; are less likely to engage in risky behaviors that impact school success and reduce self-esteem. The research also illustrates how the researchers work harder and longer.

People display different money values and attitudes connected to different ways money has been treated in the home. Some studies suggest that parents play a significant role in influencing the consumer behavior of their children. In Mandell (2008) indicated the financial education, responsibilities and obligation related to financial planning, which most people learn more from their parents' experiences. Parenting and financial knowledge were linked to positive attitudes and behaviors of financial responsibility of the students (Shim, Serido, & Xiao, 2009). While approximately one third of university student's university students report that their families rarely discussed credit cards with them (Sallie Mae, 2009). A study conducted in Western Hungary high schools has investigated students ' financial knowledge and experience and has found that students get the most from their parents (Kovácsné, 2013), their control of money is often affected by their parents greatly. Similar study of Shim, et al., (2009) concluded that parents have firmer desire about their children's jobs and savings, meaning that they can talk to children about money. It was also noted that parents teach their children to be dependent financially.

The student 's major / specialty has a huge influence on his financial awareness. Students who study in an economic specialization program have 3.4 percentage point higher financial knowledge Index values on average than those with another specialization (Luksander, Béres, Huzdik, & Németh, 2014), It was disclosed that university students are financially more educated than those did not attend tertiary education. Those studying science, social science and engineering have the highest rate of financial literacy and those studying finance, business and economics. Amadeu (2009) revealed that those undergraduates with courses related to finance, economics and accounting had higher financial knowledge levels. However, Sabri and MacDonald (2010) concluded that students had insufficient information, especially in terms of investments, regardless of their educational level.

All of the above-mentioned literature and studies are helpful in organizing the present study. The studies will provide insights for the analysis and explanation of the outcomes this observation.

2. Theoretical Framework

The ability to manage personal finances is important for lifetime financial security. According to Parsons (2014), Rational Choice Theory by Max Weber attempts to understand human behavior in terms of the choices that people make in order to optimize their interests, on the basis that people make calculated decisions about their lives, resources, relationships or behaviors based on a series of restrictions or feasible alternatives. While understanding the rational choice theory, the key emphasis is regarded on logical and fair action, a characteristic of modernity. Rationality is not exclusive to economic market conditions it is also associated with individuals' attitudes or decision making sensitivity. Rationality undeniably infuses social and economic decisions that are possible to ignore or overcome. The actions of a person, as well as the production and characteristics of modern, capitalist society, can be explained by the principle of rational choice. Similar purview from consumers theory which assumes that if consumers are well informed, they maximize their utility as a function of consuming various goods, given prices relative to their income and preferences.

Financial literacy represents a measure as Remund (2010) goes on to explain how well we know the key financial concepts and how we can manage personal finances by means of a sound, long-term financial planning and appropriate decision-making process, while taking into account the life events and the changes in the economy. However, an abstraction of financial literacy refers to a set of skills and knowledge applied in the fulfillment of personal financial wellness objectives. Theory has demonstrated that financial literacy is a history of different positive financial conduct which is important to consider.

3. METHODOLOGY

This section presents the research design, locale of the study, respondents, data gathering procedure and statistical treatment of data.

3.1. Research Design. The study makes use of a descriptive – correlation survey design to examine the level of financial literacy among CBMA students. This design is useful in explaining and interpreting the meaning and the significance that will be derived from the item analysis of the instrument.

3.2. The locale of the Study. The study was conducted at the College of Business Management and Accountancy located at Eastern Samar State University-Main Campus, Maypangdan, Borongan City. The college offers five programs namely, Bachelor of Science in Accountancy, Bachelor of Science in Business Administration, Bachelor of Science in Entrepreneurship, Bachelor of Science in Hospitality Management and Bachelor of Science in Tourism Management.

3.3. Respondents. The Fourth Year CBMA students of Eastern Samar State University-Main Campus were the respondents of this study. A sample of respondents was taken from the total number of Fourth Year CBMA Students using Sloven's data sampling technique.

The sample size for the survey was the two hundred twenty-eight (228) graduate respondents. The selection was on an intentionally random basis. The major basis for devising sample was the enrollment records of the university registrar. The actual population of respondents is five hundred thirty (530) as per records of the University.

Below is the formula for the computation of the sample size:

$$n = \frac{N}{(1 + Ne^2)}$$

where:

n = needed sample size corresponding to ones desired tolerable error
N = population size
1 = constant
e = desired tolerable error

3.4. Data Gathering Procedure. The researcher divided the instrument into two parts. The first part was adopted from the Financial Literacy Survey instrument by Lusardi and Mitchell (2012) with some modifications to fit into the present study while the second part of the questionnaire was formulated by the researcher himself. The questions measure the understanding of financial literacy. Survey questionnaires were gathered with a 95% rate of responses. Collected data were tallied and appropriate statistical tools were used in the treatment of the data.

A sampling of the instrument was conducted to the students who were not included in the study. The result of the try-out is important to find out if the test items of the questionnaire are adequately constructed.

3.5. Statistical Treatment of Data. The data collected were analyzed and interpreted using the following statistical tools:

On the level of financial literacy of the student's scores was used such as very high – 100 points; high –80 points, moderate – 60 points, low – 40 points, very low – 20 points, and None – 0 points.

For the selected contributing factors, the academic ability was interpreted following the grading system of the university and for parental guidance, scores assigned for the responses were computed for the mean values which were given qualitative description or interpretation using the scale below.

Mean Value	Qualitative Description
1.0 – 1.9	Strongly disagree
2.0 – 2.9	Disagree
3.0 – 3.9	Undecided
4.0 – 4.9	Agree
5.0	Strongly agree

For the degree program, it was treated using frequency counts and mean. The categorized data on the contributing factors and the actual scores of the respondents were used to find out if there is a significant relationship between the selected factors and the level of financial literacy. To find out the significant relationship between academic ability, parental guidance, and financial literacy Pearson Correlation was used. To find out the significant relationship between a degree program and financial literacy Spearman's Rank Correlation was used. To identify which of the three selected factors has a significant influence on the financial literacy of the students, these four factors will be taken all in the linear regression analysis.

4. RESULTS AND DISCUSSION

The results of the study were taken from the two hundred twenty-eight (228) respondents. Their responses were analyzed and interpreted according to the sequence specified in the objectives.

4.1. Financial Literacy Level of CBMA Students. The financial literacy level among 228 respondent students has a transmuted mean rating of 2.34 which is equivalent to a score of 46.8 and with the standard deviation of 1.00866. The range of score rating is 0 to 100. The concentration of scores also tends to be slightly left-skewed if plotted in a histogram. It appears that there were a considerable number of students that possess inadequate knowledge in terms of financial literacy even on the practical level of application for their day-to-day activities. This study finds support from Sabri and MacDonald (2010) that students had inadequate knowledge, particularly about investment, irrespective of their education degree.

4.2. Academic Ability and Parental Guidance as Contributing Factors to Financial Literacy. The academic ability yielded a higher mean rating of 4.31 with SD of .77086 compared to parental guidance which has a mean of 3.48 and SD of .76225. This shows that student respondents tend to be academically prepared but received lesser guidance in terms of financial literacy from their parents or guardians.

4.3. Academic Ability and Parental Guidance Correlation. For both academic ability and parental guidance correlation at .01 level confidence two-tailed test analysis, possess a very strong relationship in terms of students' financial literacy. These positive relationships are at 99% (p-value=0.000) confidence level. It can be noted also that parental guidance plays a major role in student's financial literacy as it reveals a very strong positive correlation of .94 (p-value=0.000). Consequently, the academic ability also influences students' financial literacy as it registered also a very strong positive correlation but slightly lower than parental guidance of 0.894. This finding supports Mandell, (2008); Shim, et al., and Sallie Mae, (2009), that most individuals learn more about financial planning from their parents.

4.4. Degree Program and Financial Literacy Correlation. For degree program being pursued has some influence of financial literacy with a significant correlation at .01. The outcome of the rank correlation between financial literacy and degree program by Spearman resulted in a correlation coefficient of 0.964 (p-value=0.000) for the degree program.

4.5. Degree Program Summaries. It can be gleaned further from the result of the case summaries per degree program responses that aspiring entrepreneurs tend to be well aware of financial mechanisms on the practical level as they have registered a mean response of 5.0. Likewise, the students from Tourism Management have a mean rating of 5.0 which signifies that they are also financially literate. A noticeable lower mean response of the Accountancy implies that the students lack financial literacy subjects or seminars. Thus, there is a need to expose them to financial literacy and investment decision topics.

4.6. Contributing Factors to Financial Literacy. The findings reveal that the highest coefficient of determination (R Square) which is .940 denotes that all three predictor factors namely academic ability, degree program currently pursued and parental guidance can predict the financial knowledge of students. It suggests that at least 94 percent of the financial literacy probability outcome among students can be explained by the three predictor variables. It appears also that the degree program predictor has been consistent for three proposed models since it has the highest correlation coefficient as discussed in the foregoing paragraphs. Since both correlation and regression are influenced by the weight of the individual predictor coefficients, it will appear that the degree program will be the most viable predictor for financial literacy. However, the analysis of such an outcome must be cautiously dealt with in terms of other underlying parameters.

4.7 Relationship Between Variables. Recalling the prior discussed results for individual relationships for financial literacy, it appears that parental guidance would have a very strong influence on student's financial literacy. This claim is based on the premise that both financial literacy and parental guidance are products of scaled measurement. This finding supports the study of Kovácsné (2013), that the students learned much of their knowledge and largely influenced about their financial management actions through their parents.. Lastly, the degree program can be a contributing factor as well. However, due to the nature of degree program as a nominal variable, its power to predict the financial literacy among students may be subjective and should it yield a very high rank correlation result, such is just merely attributed to chance.

Nevertheless, the selected predictor variables are valid to manifest significant relationships in terms of financial literacy among students but only to the extent of their academic ability, degree program, currently pursued and the level of parental guidance given to them. This can be further verified through the standardized coefficients with each predictor variable having their beta exhibit significant relationship to the dependent variable which is financial literacy. The significant relationship of the standardized coefficients is at 99% significance since the p-value yielded a 0.000 outcome.

5. CONCLUSIONS

This study was conducted using the responses of 228 respondents from the different programs and year level of the College of Business Management and Accountancy.

It was revealed that there were a considerable number of respondents that possess inadequate knowledge in terms of financial literacy. The academic ability has a higher mean rating compared to parental guidance. It was also found out that both academic ability and parental guidance possess a very strong positive relationship in terms of students' financial literacy and the degree program pursued by the respondent has some influence on financial literacy.

The concentration of the scores on the financial literacy level of the respondents tends to be slightly left-skewed. It means that most of the respondents possess inadequate knowledge in terms of financial literacy even on the practical level of application for their day-to-day activities.

The study also revealed that the respondents tend to be academically prepared but received lesser guidance in terms of financial literacy. The result showed that parental guidance has a very strong influence on financial literacy. This is followed by academic ability as it also influences the respondents' financial literacy level. Lastly, the degree program is considered a contributing factor as well. Based on the findings, it is recommended that the Office of the Students and Alumni Affairs may consider conducting a financial literacy seminar with the students at least once a year. The top management of the University may send faculty members of the college to trainings to update their knowledge and enhanced their level of competence in the area of finance and investment so they can provide the best lecture for a seminar to the students once they are granted a nominal title, CMITAP which stands for Capital Market Investment Teaching Professional. Forging partnerships with Financial Institutions like banks and Investment Companies may be also helpful to provide financial literacy programs to the students. It is likewise recommended for further investigation by future researchers on other factors that may affect financial literacy among students.

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