



A Comparative Study of Student Perceptions Concerning Financial Literacy

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Introduction

The purpose of this study was to compare what college students perceive they know about Financial Literacy with the knowledge they actually possess on the topic. This allowed for me to decide whether or not students could accurately judge their own understanding of Financial Literacy.

Literature Review

For the purpose of this research paper, the definition of Financial Literacy came from the National Standards in K-12 Personal Finance Education, which defines Financial Literacy as:

“the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security” (National Standards in K-12 Personal Finance Education).

There are four distinct fields that should be tested in order to gauge a students understanding of Financial Literacy (Huston).

- Investing
- Insurance
- General Personal Finance
- Saving and Borrowing

Hypothesis:

The results from the distributed survey will show that Ramapo College students have a poor understanding of Financial Literacy, but will still consider themselves to be at least somewhat Financially Literate it comes to topics such as investments, insurance, and savings/borrowing.

A survey conducted by the AICPA found that students will consider themselves to be Financially Literate when asked about how they perceive their financial routines but do not answer accordingly when asked about their actual personal finance habits (Vien).

In 2008 the Jumpstart coalition administered a Financial Literacy exam to 1,030 full time college students in an attempt to gauge college students general fiscal understanding. The average score for the survey was a 62.2% (Jumpstart.com).

The research that identified students as having poor perceptions of their behaviors, combined with research that suggests that college students do no score well on Financial Literacy exams, allowed me to hypothesize that students would score poorly while assuming that they would do well.

Questionnaire Set Up

Thank you for completing this survey!
If you have been brought to this page after answering only one question, we thank you for attempting to complete our survey.

5/9 55.6%

Which of the following types of investment would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation? 1/1

- A 10-year bond issued by a corporation
- A certificate of deposit at a bank
- A twenty-five year corporate bond
- ✓ A house financed with a fixed-rate mortgage

Indicate your agreement to the following statement:
I consider myself to be Financially Literate.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

Many young people receive health insurance benefits through their parents. Which of the following statements is true about health insurance coverage? 0/1

- ✗ You are covered by your parents' insurance until you marry, regardless of your age
- ✓ If your parents become unemployed, your insurance coverage may stop, regardless of your age
- ✓ Young people don't need health insurance because they are so healthy
- ✓ You continue to be covered by your parents' insurance as long as you live at home, regardless of your age

The questionnaire consisted of 35 questions split into two section:

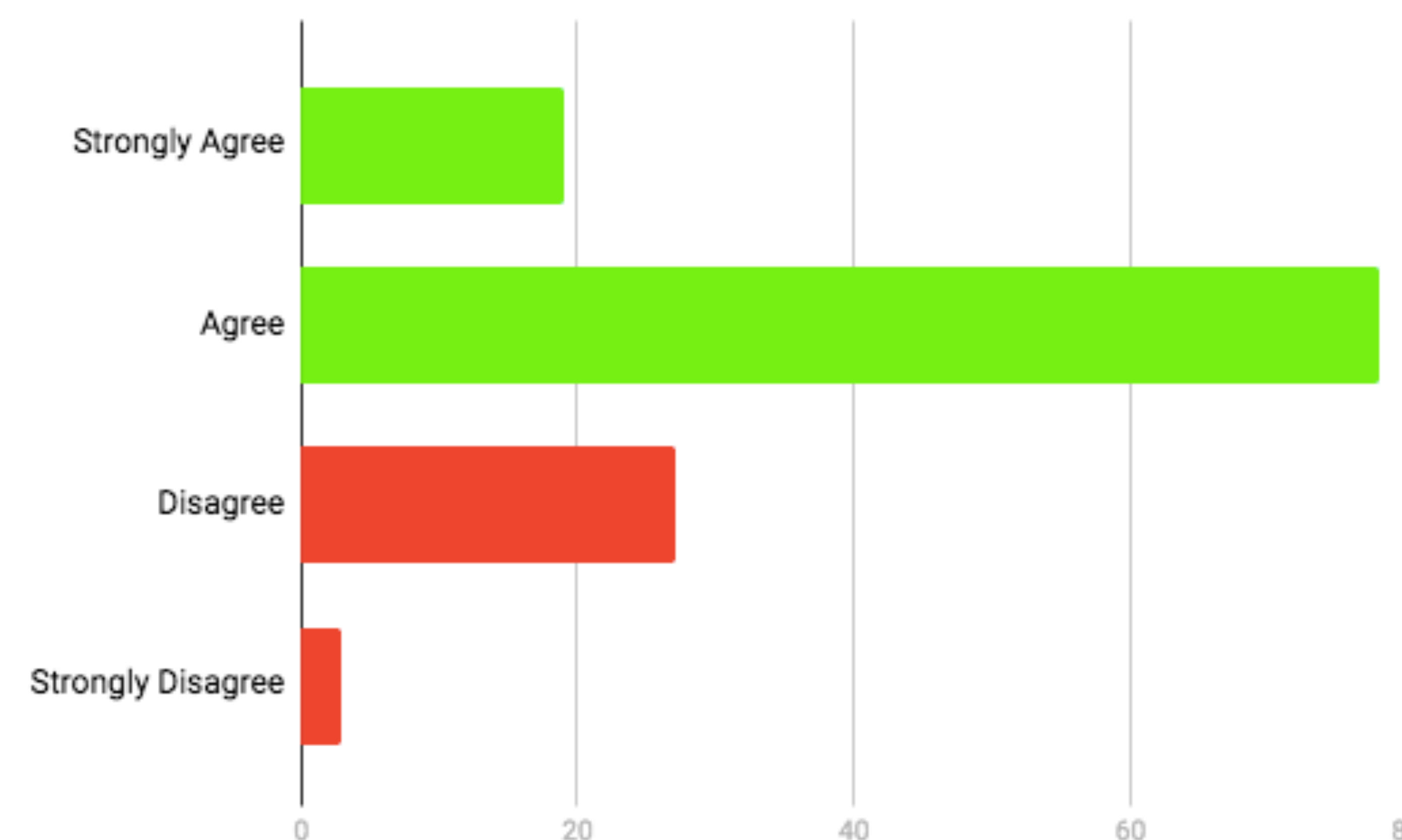
- Section one – 5 Perception questions
21 Demographic questions
- Section two – 9 Graded multiple choice questions

Distribution

The survey was distributed to Ramapo College students via a Qualtrics survey link. There were 127 responses from students of all genders, grade levels, and schools at Ramapo. This allowed for a well rounded distribution in terms of results.

Perception Question

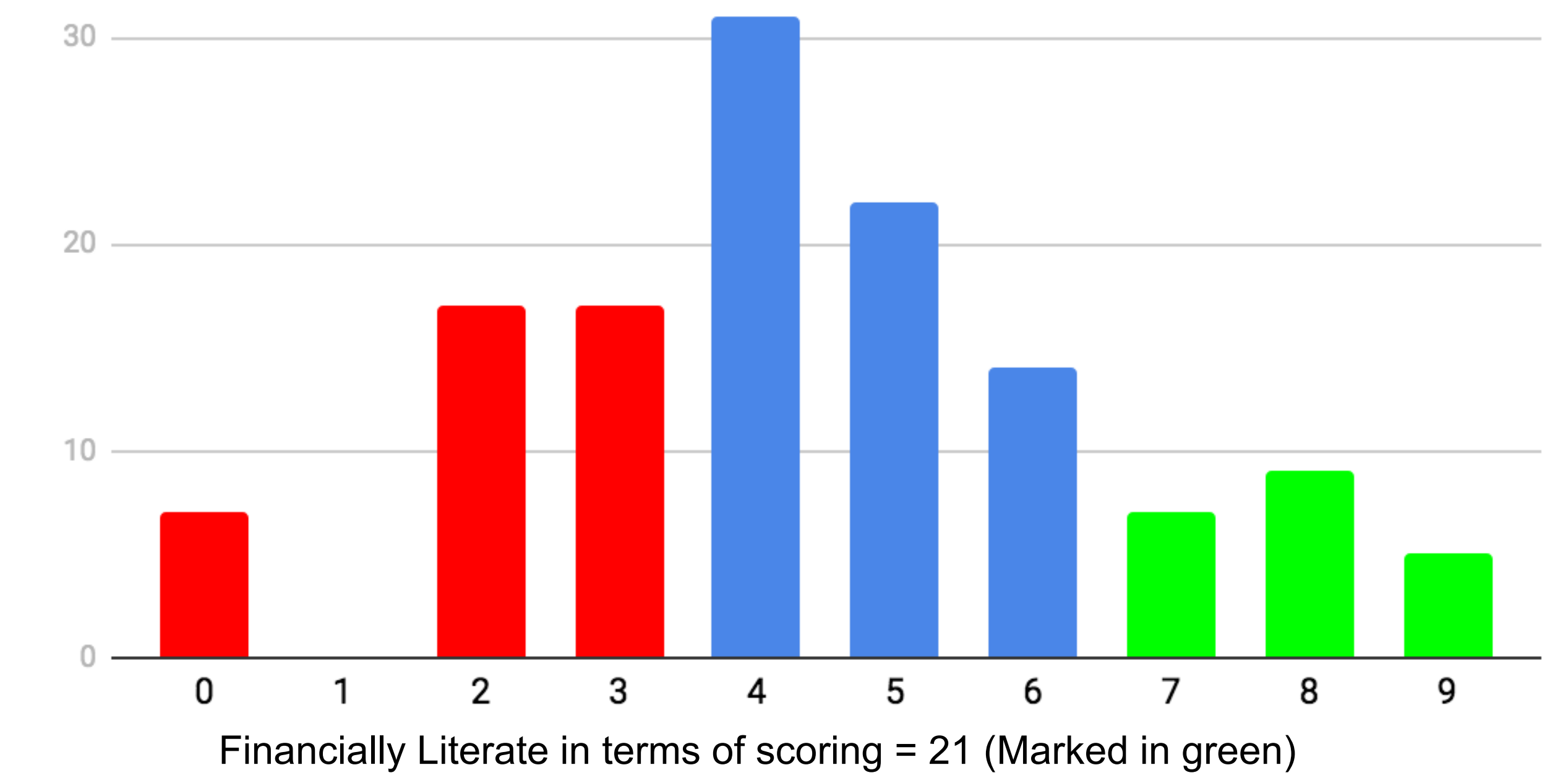
Would you consider yourself to be Financially Literate?



- Perceived to be Financially Literate = 97 Students (in green)
- Perceived to be Financially Illiterate = 30 Students (in red)

76.3% of students considered themselves to be Financially Literate and only 23.6% considered themselves to be illiterate.

Exam Scores



The graded scores were split into three categories:

- Complete understanding = 9 to 7 correct answers
- Average understanding = 6 to 4 correct answers
- Little to no understanding = 4 to 0 correct answers

21 students fell into the complete understanding category.

Conclusion

While **75%** of students agreed or strongly agreed with the statement “I consider myself to be Financially Literate” only **16.5%** scored high enough to be considered Financially Literate.

From this comparison it is clear that students are not able to accurately judge their own understanding of their Financial Literacy skills.

Recommendation

How can we expect individuals to go out of their way to improve their financial knowledge if they are unaware that they are in need of improvement?

Thing that need to do done in addition to traditional Financial Literacy education:

- Teach in depth about how broad Financial Literacy is.
- Cover all four fields during literacy education.
- Prepare students with the ability to judge their own understanding.