



Investigating the Factors Affecting Financial Literacy among University Students: A Case study of The Islamia University of Bahawalpur and Bahauddin Zakariya University of Multan

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ABSTRACT

Financial knowledge is necessary for money management. The objective of this research is to determine the level of financial knowledge and its effect on financial literacy among university students in Punjab, Pakistan. The data was collected through a questionnaire among the different management, economic, and business students in the different universities of Punjab, Pakistan. Data were analyzed through Smart-PLS. Results showed a significant effect of financial attitude and financial Behavior on financial literacy. It also indicates that financial Behavior and financial attitude have a direct positive effect on financial literacy. While the financial influence has a non-significant and negative impact on financial literacy. This research helps to contribute to the review of literature on determinants of financial literacy among university students in the future.



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1. Introduction

Financial literacy is a multi-component concept in a modern society defined as "A collection of skill, attitude, knowledge, Behavior and awareness which help us to do strong financial decisions (Atkinson & Messy, 2012). The International Student Assessment (PISA) program for 2012 students highlights symbols of financial literacy to understand the concept of risk and financial literacy as well as the belief to make effective decisions of improving the financial well-being of society and individuals (Atkinson & Messy, 2012).

Financial literacy is necessary to get the sophistication of the skills required to do the best financial decisions. The meaning of financial literacy is the minimum knowledge of financial information; the use of the knowledge and the information in the decision making and the microeconomics activities. Literacy is a wide concept which consists of economic Behavior and decision making. (i.e. consumption, savings and investments).

Financial intelligence is regarded to be qualified in terms of understanding the high level of financial literacy. Financial literacy is the ability to read, analyses, manage and communicate regarding personal finance that will ultimately have an impact on the well-being material. It is included as the ability to classify financial discussions and choices about money and financial issues, related to every life occurrence which will have implications for financial decisions, including general economic events. Understanding and knowledge of personal finance are needed by humans to provide the precise and correct decisions in finance, so needed by everyone to use the products and appropriate financial instruments

optimally. Students are an integral part of the public that have a very large number and have a significant impact on the change in development in a nation (agent of change). Students as next and millennial generation will face difficulty in increasing of the financial markets, products and services. But they were impressed to get more financial difficulties than their parents in the future. Students in principle have a choice in terms of making personal decisions regarding finances. Students apply the trial and error principle; nevertheless, this still cannot make the students become intelligent people in life. The students were rumored on various issues whether they are ready to live independently. And initiate a new family review by the financial side.

Lusardi and Mitchell (2014) define financial literacy as the economic information and construct informed decisions about wealth, debt and financial planning. According to the research of (Norman, 2010), financial education helps us to understand the use and importance of money. Financial literacy is the capability to understand finance. Furthermore, financial literacy is the collection of knowledge and skills that permit to an individual in the effective decisions of finances.

The studies of (Cameron, Calderwood, Cox, Lim, & Yamaoka, 2014; Totenhagen et al., 2015) showed that financial literacy is not satisfactory among young people. The results of the PISA in the OECD countries mostly shows that only 10% of secondary school students of age 15-years old display a high level of financial literacy while 15% score is low (Lusardi, 2015). Garg and Singh (2018) conducted a review that the level of financial literacy is very low among young in the world. Financial education is much needed in the youth and delivers this education in the secondary school systems. Except this, the effect of financial education is limited in the secondary school system, evidence supported by the rigorous experiment. There is only 2.4% financial literacy among the total population in Pakistan. While 53% financial literacy was found in the adult population of Pakistan. The purpose of our study is to check the factors affecting the determinants of financial literacy in university students in Southern Punjab, Pakistan.

After the introduction of the paper, the 2nd part of this paper is a description of the association between financial attitude, financial knowledge, financial influence and financial Behavior. 3rd portion of this study deals with collecting and analyzing the data from different university students in Pakistan. Results were found based on the data. After an effective discussion, study results are compared to and approved by the previous studies. In the end, the paper provides the implications, conclusions and limitations of this study.

2. Literature Review

Financial literacy is defined as skill, confidence and knowledge to manage the personal finance of a person. It is defined as someone knowledge regarding financial literacy and having the ability to make financial decisions. It is a continuous process in the life of a person. Financial literacy affects the level of making decisions with the level of society.

Different factors have been identified to check the level of financial literacy by researchers; financial knowledge (FK), financial attitude (FA) and financial influence (FI) are the steps used for this study. Schools, family and media are the major socialization sources.

Research by (Thomas & Subhashree, 2020) was written to identify the different factors of financial literacy in engineering students in three different Indian states. Data of 300 respondents were collected through the questionnaire by convenience sampling. To analyze this empirical data, structural equation modeling was used. A low level of financial literacy was found in the results. Results showed the direct and positive impact of financial attitude towards financial literacy. Suggestions were to upgrade the financial literacy of engineering students. Results of the study of (Asad, Hayat, & Kanwal, 2017) revealed that that financial literacy has a positive relationship with financial attitude. Another research was conducted by (Shimizutani & Yamada, 2020) which analyzed the factors of financial literacy among middle or older aged individuals in Japan and The United States. Micro data set was used for the two comparable data sets. Regression was used for the analysis. The

results showed the level of financial in males have more educated and have more cognitive skills.

Another study conducted by (Hermawan, Gunardi, & Agustine, 2019) analyzed the relationship between financial Behavior and financial literacy in economic students of private universities in Bandung Indonesia. Data of 316 respondents were collected. Results showed a positive impact of financial Behavior on financial literacy. Suggestions were to increase the sample size and also include some other variables in future research. Another research was conducted by (Rai, Dua, & Yadav, 2019) aimed to check the financial Behavior towards financial literacy. Data of 394 respondents were collected. Results showed the positive impact of financial Behavior on financial literacy. Financial literacy authorities of India suggest increasing the financial knowledge of women. Cera, Poleshi, Khan, Shumeli, and Kojku (2019) analyzed the effect of financial literacy on the financial Behavior of individuals. Data of 280 individuals were used to test the hypothesis. Results concluded that financial knowledge and financial attitudes are important factors for enhancing individual financial behavior.

Sundarasen, Rahman, Othman, and Danaraj (2016) analyzed the impact of financial literacy. Data of 200 respondents were collected from the different university postgraduate students. To analyze the data, structural equation modeling (SEM) was used. The results showed the non-significance impact of financial influence on financial literacy.

3. Research Methods

The current study investigates the impact of Financial Influence (FI), Financial Behavior (FB), Financial Attitude (FA) and Financial Knowledge (FK) on Financial Literacy (FL) among the students of business departments in the different universities of Punjab. Data was collected with the help of questionnaires from business students in the different universities of Punjab. The questionnaires were sent to the university students through emails taken from the university database. The present study has been used simple random sampling to select the respondents.

The present study has adopted the smart-PLS to analyze the financial literacy among the constructs. Smart-PLS has been selected due to the model complexity and large data set. The current study has the four constructs in which Financial Knowledge has 1, Financial Attitude has five, Financial Behavior has six and Financial Influence has 1 item. This construct has been shown in Figure 1.

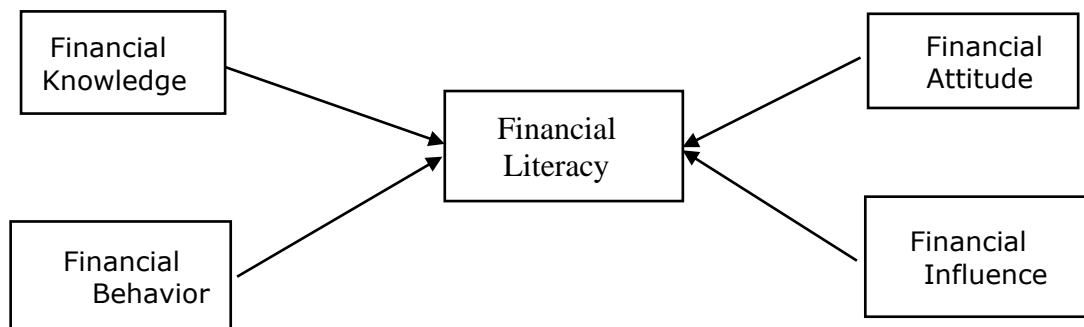


Figure 1: Theoretical Model

4. Research Findings

The result section of the current article has shown the convergent and discriminant validity to find the reliability and validity of construct items and the path analysis to test the hypothesis and relationship among the constructs. Firstly, the findings have been shown the convergent validity that shows the relation among the items. The figures have been exposed the high correlation among items and valid convergent because the value of composite reliability (CR) and Alpha are higher than 0.70 and average variance extracted (AVE), and factor loadings are more than 0.50. These values are given in Table No. 1.

Table 1
Reliability and validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
FA	0.784	0.802	0.851	0.534
FB	0.808	0.821	0.861	0.51
FI	0.72	0.75	0.823	0.538
FL	1	1	1	1

Secondly, the findings have been shown the discriminant validity that shows the relations among constructs. Firstly, cross-loadings and Fornell Larcker were used, and the figures have been exposed that low correlation among constructs and valid discriminant validity because the values that indicated relations with construct are larger than those values that reveal the links with other constructs. These values are mentioned in Table 2 and

Table 2
Former Larker Criterion

	FA	FB	FI	FL
FA	0.731			
FB	0.685	0.741		
FI	0.532	0.498	0.734	
FL	0.435	0.479	0.328	111

Table 3
Cross Loading

	FA	FB	FI	FL
F.A10	0.737	0.476	0.342	0.229
F.A14	0.75	0.557	0.456	0.349
F.A5	0.747	0.536	0.384	0.4
F.A6	0.64	0.387	0.308	0.226
F.A9	0.773	0.511	0.426	0.32
F.B16	0.493	0.751	0.288	0.385
F.B17	0.54	0.787	0.44	0.371
F.B19	0.427	0.636	0.286	0.248
F.B20	0.302	0.634	0.22	0.285
F.B8	0.639	0.742	0.481	0.409
F.B9	0.476	0.721	0.374	0.313
F.I1	0.43	0.344	0.699	0.201
F.I17	0.476	0.461	0.8	0.317
F.I2	0.357	0.317	0.705	0.212
F.I7	0.269	0.301	0.727	0.201
FKN	0.435	0.479	0.328	1

The Heterotrait Monotrait (HTMT) ratio was used to check discriminant validity. The figures have been exposed the low correlation among constructs and valid discriminant validity because the value of the HTMT ratio is lower than 0.90. These values are mentioned in Table 4.

Table 4
HTMT Ratio

	FA	FB	FI	FL
FA				
FB	0.83			
FI	0.68	0.62		
FL	0.47	0.522	0.372	

The path analysis has been highlighted the nexus among the understudy constructs. The results have concluded that financial attitude has a positive impact on financial literacy. Moreover, financial Behavior also has a positive effect on financial literacy. Further, financial influence has a non-significant and negative relationship with financial literacy. Table 5 shows the direct relationship among the constructs.

Table 5
T-Statistics & P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
FA-> FL	0.175	0.179	0.077	2.269	0.024
FB -> FL	0.322	0.326	0.078	4.111	0.000
FI -> FL	0.075	0.077	0.076`	0.99	0.322

5. Discussion and Implications

It has been indicated by the study results that the financial attitude has a positive and significant role in financial literacy. This will confirm by the study of (Asad et al., 2017) that financial literacy is positively related to financial attitude. Financial attitude is the source to strengthen financial decisions. An increase in the power of financial decisions is a result of an increase in the financial literacy and financial attitude. It is revealed in the study of (Bawre & Kar, 2019) that financial attitude is better among the people of low-income groups. The higher-income group has no significance on financial literacy.

The results also concluded that financial Behavior has a positive impact on financial literacy. Research conducted by (Lusardi & Tufano, 2009) stated that people who have low financial literacy are facing more problems with debt. The students in university could run into debts in their financial challenges without proper financial literacy. The study of (Akben-Selcuk, 2015) stated that student's financial Behavior can be seen from their punctuality in creating personal budgeting, paying bills, and saving for the future. Regional and cultural conditions could form their financial Behavior. Furthermore, (Shim, Song, Kwak, Kim, & Han, 2009) said that student's financial Behavior can be obtained with the help of their financial learning in the college for years and will affect their decision-making in the future. It has also seen that the financial influence has a non-significant and negative effect on financial literacy.

6. Conclusion

This study survey is conducted by the students of Bachelor, Master, M.Phil. and Ph.D. in the finance and the economic faculties from the different universities of Punjab, Pakistan. Most of the respondents are between 23 to 29 years old. This research revealed that most university students lack proper financial literacy. That's why their money management skills are very weak. Moreover, data analysis revealed that financial attitude and financial Behavior have a positive and significant relationship with financial literacy while financial influence has a non-significant and negative impact on financial literacy. This study helps to contribute a review of literature on financial literacy and its determinant factors that influence financial literacy among university students.

7. Policy Recommendation

In the future, policymakers will consider to implementing financial literacy into their core curriculum. Financial literary programs should start in the universities that could help students in the better money management and resources. Administrators and faculty will start a new course of financial knowledge. Financial training sessions will be provided to the university students.

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