

THE MYSTERIES OF FINANCIAL CULTURE AND FINANCIAL HABITS

Dóra Major, Brigitta Zsótér

Faculty of Engineering, University of Szeged, Mars tér 7 H-6724 Szeged, Hungary,
e-mail: majordora2@gmail.com

Received: February 7, 2021 • Accepted: March 10, 2021

ABSTRACT

In this research we will investigate the financial culture among the students of the Technical Faculty of University of Szeged. We will analyse the results of questionnaires about the students' financial culture and financial habits. We aim to learn more about the student's financial knowledge, debit card usage, savings and loan habits. Also, our research how the students' demographic and social background impact their financial decisions and habits. The results highlight that the respondents mainly seek financial advice from their family regarding financial decisions. Their financial behaviour is based on their communication with their parents and family background. Furthermore, the results show that the majority of the respondents have savings and are concerned about their future. We did not find any significant differences between gender, both genders equally have long-term savings. Generally, the respondents keep their savings in bank accounts or in cash, stocks or investing is not typical. We drew the conclusion that the students tend to refuse to take out personal loans and are risk-adverse in this matter. Finally, the students use their debit card widely and in their day-to-day life without the intention of influencing others.

Keywords: financial culture, financial attitude, financial habits, debit card, consciousness, long term savings

1. INTRODUCTION

Our financial culture and how we spend our money is one of the most important aspect of our life, as these financial decisions and their consequences have an impact on all segments of our life, such as our future and our standard of living. Many 'local and international' researchers have examined this topic, how different generations are considering their financial culture and habits. This topic is still relevant [1] because the recent economic crash in 2008 had a great impact on the fiscal security in Hungary and since then there have been regular financial culture measurements. Following the economic crash, it became crucial to improve our financial literacy and personal money management. [2]. Béres et al. [3] highlight that people who are financially sound, non-indebted, creditworthy people are less risky for financial institutions.

In his research, József Csernák [4] examined the factors influencing the willingness to save and borrow. His research revealed that the willingness of the rural population to save and borrow is influenced by several factors (e.g., respondent's age, occupation, education, marital status, and household income) simultaneously.

Previous studies have shown that the most influential factor is household income, in contrast, in Csernák's [4] research, the opposite result was obtained. According to his study, income remained an important factor, yet not the strongest factor. The results of Csernák [4] also prove that the propensity to save and the financial culture are influenced by many factors.

It is in the common interest of all economic person to develop the financial culture, as negative financial events are easier to avoid for households and businesses with a higher financial culture. However, the success of financial literacy programs requires knowledge of the factors that influence people's financial literacy and behavior [5].

It is difficult to define the financial culture as it is a complex and varied definition, which has been defined by many authors, however, they have not created a universal definition to date [6].

The concept of financial culture is one of the most frequently mentioned expressions of economic life, the importance of which is emphasized by many and the serious consequences of its general absence for society are often presented [7].

It is crucial to present the different definitions [8] as our research goal is to analyse the university students' financial culture.

After researching the relevant literature and sources [9] it is understandable that most authors define financial culture as the best use of financial information, information gathering, organization and comparison; and individual decision-making. Kovács et al. [9] also emphasises the importance of fiscal knowledge, attitude and calculating skills regarding this research topic.

It is worth noting the OECD [10] case study, published in 2012, measured financial culture as the definition as the combination of the following elements; consciousness, skills, attitudes, behaviours, these are essential factors in financial decision-making also helping to reach personal financial stability. This abstract attempts to shed a light on the complexity of financial culture with the various competing components.

In order to learn more about financial culture, it is essential to examine the topic of financial behaviour. Xiao et al [11] considers all human behaviours and actions regarding personal money and spending as financial behaviour. Many researchers have measured the relationship between financial behaviours and demographics. Furnham [12] came to the conclusion in relation to demographic factors, that women are less likely to have long-term financial goals. Gresham and Fontenot [13] also analysed this particular topic, that gender plays a role in the differing financial goals. In their results it is clear that women worry more about their financial situation and they also prefer better quality products and services.

Regarding the correlation between age and financial behaviour, Furnham [12] found that the older generation are more conscious about their future and they tend to save significantly more than the younger generation. For the younger generations, money is the symbol of power and influence, and they do not consider savings and security as essential.

Furnham [12] and Lynn [14] both found that the educational level plays a significant role in people's financial behaviour. People with lower education tend to have less knowledge of how to manage their money and they see money as an object of social influence. However, people with higher education are more aware of sales and discounts, and they are looking to gain advantage through financial opportunities. As per Furnham [12] people with lower income are more hesitant about financial related decisions and are may be misled by others over their money and using their money to influence others.

The analysis of the knowledge of financial sources are just as important as the analysis of the financial culture. Kovács et al. [9] thinks that in order to be able to examine a groups' financial culture we need to know their financial background and where they source their information. Financial information sources area sources where we gather information about financial decisions or we seek guidance from professional help.

In the above-mentioned source Kovács et al. [9] drew the following conclusion, that younger people tend to seek financial information from their family members, from educational resources, personal experiences and from online sources. Gróf et al. [15] conducted a research among university students in Miskolc college, which led to the conclusion that students mainly trust their parents and siblings when it comes to financial decisions. Not surprisingly online sources are just as important as the parental advice in these situations. Furthermore, in this research we learn that TV and newspaper articles are less important when it comes to influencing one's financial decision-making.

Zsótér [16] found the first source of information young adults seek plays a critical role in defining their financial decision-making. In this research it is obvious that young adults seek advice primarily from their fathers regarding student loan and current account preferences. However, in relation to savings, the students would seek information from their mother.

Parents are the number one influence on their children's financial behaviours, their first financial lessons are so important as they learn how to make wise choices and to live financially fit adult lives. The children's financial concepts like saving and spending will define their financial future; their money attitude and money management. [17]

The above-mentioned research results lead us to believe that the family is the prime information resource for the younger generation, who because of their lack of experience and knowledge follow parental patterns and influences.

2. MATERIALS AND METHODS

In my research I have circulated a paper-based questionnaire among the full-time students of the Technical Faculty in University of Szeged. I have also had meetings and consultations with experienced professionals countrywide. The questionnaire was conducted and analysed in 2020, with 350 respondents.

The sampled data and result analysis was undertaken in Microsoft Excel and PSPP statistical program.

After removing the initial errors, we have had altogether 339 valid responses. The sample cannot be considered as population representative but the quantity of the answers is large enough to draw conclusions about the students' financial habits and culture.

The paper-based questionnaire consists of 5 parts, where we used a mix of closed-ended questions and open-ended questions, and a 5 scales of Likert scale.

Our hypotheses and research questions were based on a previous study by Zsótér Boglárka [16], whose study also focused on the students' financial culture and behaviour in 2015.

In the following section I will address the different parts of the questionnaire:

1. Analysis of financial habits and attitudes:

The questions focused on the student's daily spending habits and highlights the respondents' relationship with money and material goods.

2. Financial knowledge and financial situation related questions:

In the second part of the survey the respondents scored their financial knowledge and financial situation comparing with other young students on a five-level scale. 1 meant the lowest score and 5 was the highest score.

3. Debit card preferences and personal loans:

In this section the respondents answered questions regarding debit card preferences and personal loan questions.

4. Savings and information sources:

In the next section we asked the respondents to answer savings and information gathering sources related questions. We were able to measure what percentage of the students have a financial plan, long-term savings, how they keep their money as well who is their main information source in a decision-making situation.

5. Personal questions:

In the last section of this survey, we asked the respondents personal questions. Questions about their demographics and academic background were asked. In this part the respondents were asked sensitive questions, such as gender, income, study field and questions about financial issues in their family,

The results are presented with graphics [18] and also in the following publication by György Hampel.

3. RESULTS AND DISCUSSION

3.1. The attributes of the student sample

In our research 61,9 percentage of the students (210 people) were men and 38,1percentage were women (129 people). Furthermore, 88 % of the respondents (300 students) were studying in a BSc course, 12 % (39 people) were MSc students. Also, we learnt from our research data that 49% of the students scored their financial knowledge average/ the same in comparison to their classmates, 36 % scored it slightly better, 9 % scored it much better than other students.

Only 6 % of the respondents answered that their financial knowledge is much worse than other people's. They scored their financial knowledge on a 5 level Likert scale with an average score of 3,35 (deviation 0,80) This result means a slightly better than average adjunction, with a high rate of deviation.

3.2. Analysis student's financial habits and attributes

We aim to learn more about the students' financial habits and attributes with 9 statements in our questionnaire, scoring 1 to 5. We used statistical analysis to measure the given answers. The lowest score (2,38) was the following answer „I am keeping a financial plan, I keep a budget of my outcomes and incomes”, and the highest score (4,55) was the next statement „I always pay back any borrowed money”. Furthermore, 37,2 % of the respondents agreed on the next hypotheses „I regularly and thoroughly check my financial state”. The highest score associated with this reply „I chat with my family about my money situation”. More than half of the questioned students (56%) found the following statement correct, that they always pay any outstanding bills on time. It is worth mentioning that 33 % of students had regular monthly savings, and 41 % also consider their future expenses and save for them. Most of the respondents have agreed that „I tend to achieve my financial goals” and „I use my money cautiously, considering my goals”.

3.3. Students materialization

We used the above mentioned nine statements in our survey to measure the students' material thoughts, on a one to five scale. The respondents have given the following answers. Most of the students (29%) did not perceive a person more successful because of the value of their property or car. One of the success factors in life is considered to be gathering more material goods was not replicated by our respondents, also most of the students did not mind if their classmates owned more valuables. The majority of the respondents disagreed on the following statement „I like products that influences' have an impact on others”. We learnt from the research that most students were happier if they could afford more and own better-quality products. Despite this, the students believe they have everything required to be able to live an enjoyable life. The respondents had a mixed opinion on the following remark „It sometimes frustrates me that I cannot afford some goods, that I desire” but most of them (28%) had marked this neutrally.

3.4. Debit card usage habits and attitudes

In our research we discuss the debit card usage habits and account information. We learnt from the survey that the majority of the respondents (94%) have their own bank account, while only 4 % do not. Also, 95 % of the students own a personal debit card, most of have either 1 or 2 cards, while only 5 % of the respondents do not have a personal debit card. The data clearly identifies that the majority (36 % of the respondents) are using their card regularly every week, while 33 % of the students are using their debit cards on a daily basis. The following figure (Fig. 1) will illustrate our findings of different types of the students regular spending.

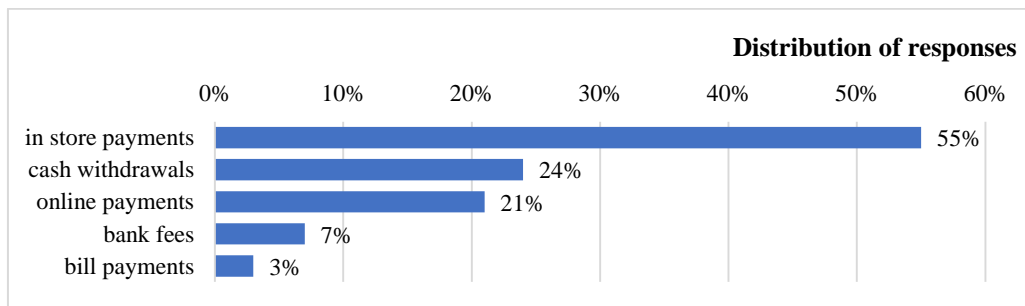


Figure 1. Most common debit card spending, Source: own work

As the above illustration shows the most popular mode of debit card use are still in-store purchases and cash withdrawals. It is worth mentioning that the less common type of spending was bill payment, because of the fact that their parents may be still the main bill payer.

3.5. Personal saving habits and loan willingness

After analysing the data, it is obvious that 84 % of the respondents have saved money and only 16 % do not have any forms of personal savings. The majority of female respondents (84,5 %) and male respondents (84,3 %) possess personal savings. The students of the Engineering Faculty mainly keep their savings in a savings bank account or at home in cash. Investments are not preferred in this research group; this can be considered as a risk-averse behaviour. I have implemented 4 statements in order to examine the student’s savings related attributes. After undertaking quality data analysis, it is clear that 11 % totally agree, and 25 % agree with the next statement „Money is there to be spent (consumed)”, while 39 % marked this neutrally.

Furthermore, „I live for today, do not worry about the tomorrow” statement was strongly disagreed between the respondents. 73 % of the answers scored this as disagree. With the „Savings are crucial” statement and „We need to save for worse times” the students had a mixed opinion, 50 % totally agree with this and 38 % rather agree with this hypothesis.

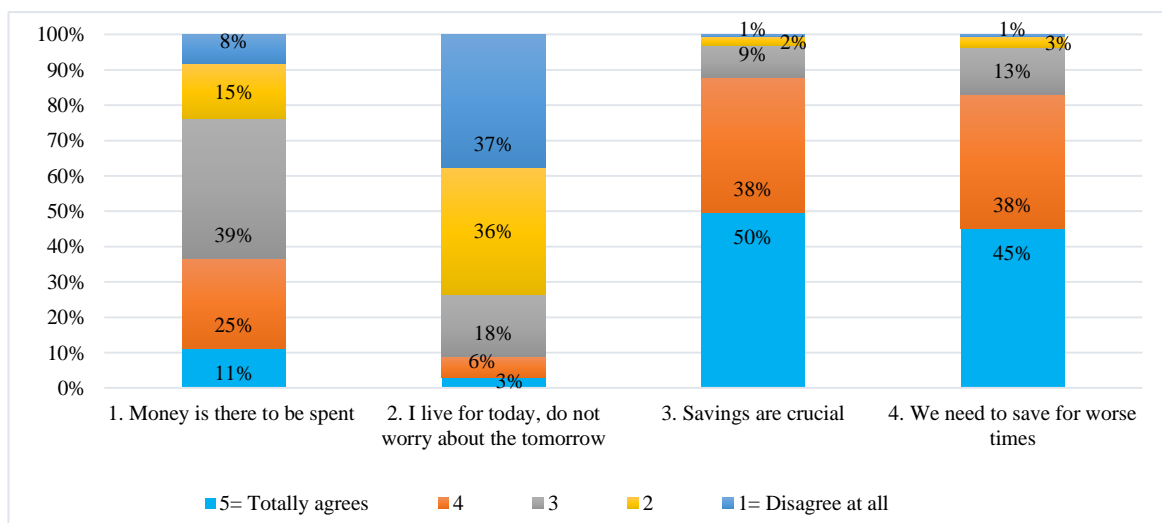


Figure 2. The student’s relationship with savings, Source: own work

Moreover, we found in our research that 90% of the students did not take a student loan and 4 % plan to take out in the future and 6 % already have a student loan. The 1. Figure represents the high cost of banking services, 7 %, in spite of that 90 % of the respondents did not take out a loan. This can be explained by their savings accounts' monthly maintenance fee and withdrawal fee.

Additionally, we have examined if the savings and student loans have a correlation to the individual's monthly income rate. We have used a chi square distribution table to measure the variants and we found out that there is no correlation between the individuals' monthly income and their loan willingness. In relation to the question whether the students' saving rate is being influenced by their university studies (for example, undertaking a finance course) we have used a Pearson's chi-squared test. We learnt from this test that there is a significant relationship between the two variants, and completing a finance course can greatly benefit our long-term savings.

3.6. Information gathering and family communication

We have highlighted in our research the information gathering topic, who the students consider as their primary source of information in financial decision-making and in choosing products and services.

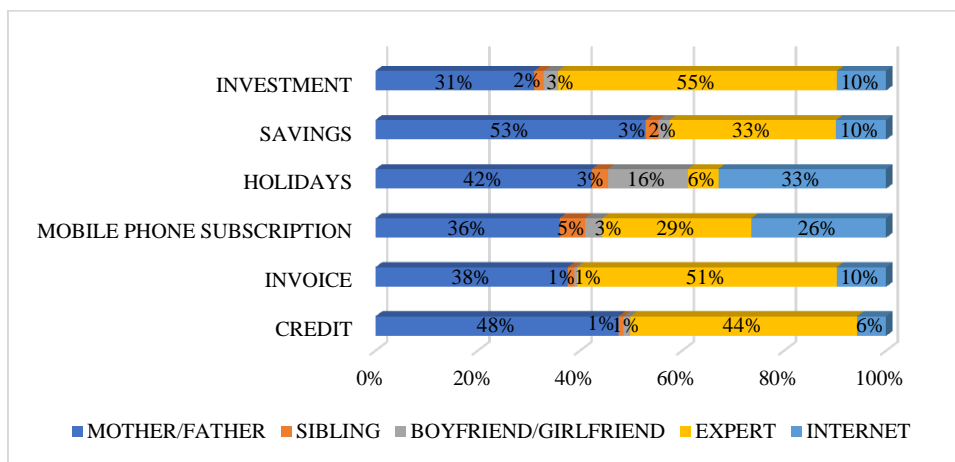


Figure 3. Primary information sources in financial decision-making situations, Source: Own work

Fig. 3 illustrates our research results in relation to primary sources of financial advice; parental advice is the most important so the family is the prime information resource. Another crucial information source is also from financial experts (bankers) and finally online resources. In addition, friends and acquaintances were a less common source.

4. CONCLUSIONS

We can draw the following conclusions from our research results:

1. The students of the Engineering Faculty are aware of the future, most of them possess savings. There are no gender differences considering savings, because they own savings in a very similar rate. Generally, they keep their money in bank accounts or in cash at home, they do not tend to choose investments as a type of saving solution. Students can be considered as risk-adverse.
2. The debit card use is certainly widespread and frequent, also the majority of the students own at least one personal debit card with weekly use.
3. Most of the respondents do not have a student loan, so in this respect they can also be considered risk-adverse.

4. Csernák's [4] findings and our numerical results show that the household income is not the strongest influencing factor in the financial decision-making process. We did not find a correlation between their existing savings, loan and monthly income rate. However, it is worth mentioning that previous financial studies have impacted the students' savings related behaviours.
5. The research statements have led to the next conclusions, such as the students are not prioritizing material goods, they do not use money to influence others and they do not associate money with success.
6. In relation to the student's information resources, the results were similar to our previous findings. The majority of the respondents would ask their parents about savings, holiday, mobile subscription and loan related issues. It is worth mentioning that the family is the prime information source of the young adults, communication with their parents is critical.

It would be essential to carry out further research among the students of dual education in order to learn more about the topic [19].

ACKNOWLEDGEMENTS

The study was supported by a grant from the Ministry of Human Resources, the Human Resources Support Manager and the National Talent Program NTP-HHTDK-20-0001.



REFERENCES

- [1] A. Dunay, U. Swadzba, S. Vinogradov, B. Cs. Illés, Magyar egyetemi hallgatók pénzügyi tudatossága és vállalkozói attitűdje, Miskolc-Lillafüred, „Mérleg és Kihívások” IX. Nemzetközi Tudományos Konferencia, October 15-16. 2015, pp. 516-528.
- [2] Á. Csiszárík-Kocsir, M. Garai-Fodor, Miért fontos a pénzügyi ismeretek oktatása a Z generáció véleménye alapján? *Polgári Szemle* 14 (1–3), 2018, pp. 108–111.
- [3] D. Béres., K. Huzdik, P. Kovács., Á. Sági, E. Németh. Felmérés a felsőoktatásban tanuló fiatalok pénzügyi kultúrájáról. *Kutatási jelentés*, Budapest: ÁSZ, BKF, Econventio, SZTE, 2013. pp. 2-3.
- [4] J. Csernák, A lakosság pénzügyekkel kapcsolatos attitűdjei a Kiskunságban, Doktori (PhD) értekezés, 2018. pp. 24-25.
- [5] A. Luksander, D. Béres, K. Huzdik, E. Németh, A felsőoktatásban tanuló fiatalok pénzügyi kultúráját befolyásoló tényezők vizsgálata, *Pénzügyi Szemle*, 59 (2), 2014, pp. 237–239.
- [6] E. Hollóné Kacsó, J. Csugány, I. Kádek, T. Tánzos, A gazdálkodási-pénzügyi kultúra fejlesztésére való felkészítés a közgazdász tanár képzésben, A pénzügyi kultúra aktuális kérdései, különös tekintettel a banki szolgáltatásokra, Miskolc, 2017, pp. 39-53.
- [7] Z. Magyar Z., Pénzügyi kultúra – Közügy vagy magánügy? *Gazdasági és Társadalomtudományi Közlemények*, 2, 2012, pp. 85-93.
- [8] A. Hornyák, Attitűdök és kompetenciák a középiskolás diákok, mint potenciális banki ügyletek körében, Doktori (P.h.D.) értekezés, Nyugat-magyarországi Egyetem Sopron, 2015, pp. 16-18.
- [9] P. Kovács, B. Révész, G. Ország, A pénzügyi kultúra és attitűd mérése, „Marketing megújulás”, Marketing Oktatók Klubja 20. Konferenciája előadásai, Szeged, 2014, pp. 439-447.
- [10] A. Atkinson, F. Messy, „A pénzügyi kultúra mérése: Az OECD / Nemzetközi Pénzügyi Képzési Hálózata (INFE) kísérleti kutatásának eredményei”, OECD Pénzügyi, Biztosítási és Magánnyugdíjpénztári Műhelytanulmányok 15. OECD Publishing, 2012, pp. 14.

- [11] S. Shim, B. L. Barber, N. A. Card, J. J. Xiao, J. Serido, Financial Socialization of First-year College Students: The Roles of Parents, Work and Education, *Journal of Youth Adolescence* 39, 2010, pp. 1457–1470.
- [12] A. Furnham, Many sides to the coins, The psychology of money usage, *Personality and Individual Differences*, 5 (5), 1984, pp. 501–509.
- [13] A. B. Gresham, G. F. Fontenot, Different attitudes of the sexes toward money: an application of the money attitude scale In: Gordon P., Kellerman B. (szerk.), *Advances in Marketing*, Southwestern Marketing Association, 1989, pp. 380–384.
- [14] R. Lynn, *The secret of the miracle economy*, London: SAU, 1991.
- [15] P. Gróf, G. Süveges, J. Szemán, *Felmérés a pénzügyi kultúráról a Miskolci Egyetemen, A pénzügyi kultúra aktuális kérdései, különös tekintettel a banki szolgáltatásokra*, Miskolc, 2017, pp. 55-66.
- [16] B. Zsótér, *Alma a fájától... A fiatalok pénzügyi szocializációját befolyásoló intergenerációs hatások a családban*, PhD értekezés, Budapesti Corvinus Egyetem Gazdálkodástani Doktori Iskola, Budapest, 2015, pp. 104.
- [17] P. Nagy, Zs. Tóth, *Értelem és érzelem. A lakossági ügyfelek gazdasági magatartása és a bankokkal kapcsolatos attitűdjei. Hitelintézeti Szemle, Különszám: 11, 2012, pp. 213–24.*
- [18] Gy. Hampel, *Információközlés diagramok használatával, Jelenkori társadalmi gazdasági folyamatok*, Vol. 15. No. 3-4, 2020, 145-162.
- [19] J. Ginavičienė, R. Vitkūnas, J. Gál, I. Bíró, *Adapting a dual higher education system in Vilnius College of Technologies and Design: the case of University of Szeged*, SOCIETY. INTEGRATION. EDUCATION Proceedings of the International Scientific Conference. 2020, 625-634.