

## **Students' knowledge and understanding of personal financial security**

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**ABSTRACT:** *The aim of this research is to study and analyze students' attitude and their level of understanding towards knowledge of personal financial security. In order to succeed in life it is essential to have financial security knowledge, which is why 120 Business Management students of MA degree majoring in Financial Management and Marketing fields of study in Islamic Azad University of Abhar, admitted in 2010, were selected and studied based on aggregate data analysis. The adapted models of research are the two criteria; life satisfaction and the competency of past researches. The data collection tool of the present research has been questionnaires, which after quality and quantity analysis of the gathered data through variance analysis (ANOVA), have shown the attitude and knowledge of business management students of Azad University of Abhar toward personal financial security, do not differ considering their major (marketing and financial management) and gender.*

**KEYWORDS** - financial attitude, financial management, financial satisfaction, personal finances, financial education (literacy)

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### **I. INTRODUCTION**

In the past few years, it seems financial education programs have become increasingly popular among instructors, social networks, businesses, governmental organizations and policy makers in most countries. In our country, the issue of financial education and reasonable personal financial attitude is not as common as it is assumed to be, and people do not treat money as wisely as they think. Despite intelligence, a lot of effort and hard work, there is no financial improvement and people find themselves challenged by financial problems, since they have not obtained the knowledge required for a real business environment and investment. Money is a manifestation of power, but what is even more powerful is the education; if one receives education concerning its roles and functions, they can dominate it and start building welfare and wealth. Therefore, people's and family's knowledge in this regard, increases their economic- social power. Today, just few number of research study how clients learn financial management, and the information resources used in this regard. Unfortunately, the literacy provided by the educational system at schools and universities in Iran, does not prepare people for the world they are going to face after graduation. Schools and universities are generally reliant on educational teachings and specialized skills, and even graduates or students of major's related to financial management or accounting do not necessarily have profound knowledge of personal financial security. People need more education; one completely different education. Like educational skills, having financial and economic skills is as essential for life. This starts through teaching financial knowledge, first in family levels and then in schools and universities and gradually improves one's financial sense or talent. For instance, they learn how to treat a threat as an opportunity or how to manage cost etc...

If one gains the ability to save and multiply money, their income improves progressively, and this ability is gained through reinforcement of the four skills:

- Financial knowledge (personal financial management)
- Establishing and managing a business skills
- Investing in the market (real estate and properties, stock market, gold, coins and currency...)
- Financial resource security (ceasing the opportunity of using bank loans)

A combination of these skills is the infrastructure and requisite of achieving success and wealth, whether it is reached at by buying small houses or big apartment blocks, or establishing companies, buying stocks, investing, buying valuable metals or the like. In the present research, business management students' understanding and knowledge of personal financial security has been studied scientifically and the findings are used in order to accurately clarify the issue. In the meantime, educating people about personal financial management, especially at homes and schools, has been emphasized and the effect thereof on people's attitudes in financial markets has been investigated. The purpose of this article is to find financial attitude patterns through particular and new information in order to help the instructors and specialists of social development and the policy makers aiming to present financial education programs. One of the most important results expected of this research is to develop theoretic literature related to understanding personal financial security; an area which has not been studied about much in Iran. The variance analysis method and a meaningful comparison of financial attitude with respect to different financial management majors and genders were employed in this research.

In this research, "financial attitude" refers to a positive attitude or willingness introduced by economists and consumers as a means of developing financial welfare. General financial attitudes are related to cash, credit and savings management. (Jeanne et al 2003.)

Since financial welfare of someone can be subjective (measurable concerning income, investment, etc) or objective (measurable regarding financial satisfaction), this is based on the idea that positive financial attitudes should develop financial welfare in both cases. According to .....(2006) among a sample consumer group who had been using credit consulting, positive financial attitudes are observed in financial welfare. A research on university students' use of credit cards also showed positive financial attitudes decrease financial anxieties. Besides, as Maddox and colleagues have showed (2002) intentional activities in order to reduce financial anxieties can facilitate better financial welfare.

Financial literacy is enjoying financial knowledge and understanding financial issues, which is mainly used in relation to personal financial affairs. Financial literacy often requires awareness about validity of decisions around some personal financial affairs such as properties and real estate, insurance, investment, savings (esp. for college), tax and retirement planning. (University of Massachusetts 2013).

If an increase in financial knowledge can improve financial attitude, financial education can therefore potentially improve attitude through increasing knowledge. In the meantime, financial education programs usually do more than providing financial information. Helping people setting real financial goals, showing the fact that accumulation of small savings happens by the time pass and offering support to colleagues and the like, financial education programs often boost their motivation in performing reserve funds, savings and investment functions.

Brenheim and colleagues (2001) studied the relationship between the options of high school financial education programs and the saving patterns of adults and net assets. Their studies show these options, increases provision of financial education and this is associated with higher amounts of savings and net assets. They concluded that education can be a powerful tool to encourage personal savings.

O'Neil (2000) found 15 significant behavior changes and financial tendencies before and after attending an educational program. Staten and colleagues (2002) were able to trace financial credits counseling clients (those not participating in debt management program), and showed that families who received counseling had improved in financial management behaviors (lower debts, better credit card management, fewer delayed payments) compared to those who received no counseling. Similarly, Hira and Zom (2001) studied the effects of counseling for pre-purchased house ownership and realized those loan takers who had received counseling had 19% fewer outstanding bank payments.

Other studies have focused on the effects of financial educational seminars in business centers (markets). Kim and colleagues (2001) say that the participation of employees, who attend financial education workshops, improves and at least one feature changes in them.

In the same way, Kim and colleagues (1999) found out that since attending these workshops, 75% of those choosing to attend the programs, not only make better financial decisions, but also act more confidently making investment decisions. In the evaluation of proving American ideal project, it was concluded that financial education is directly related to the average net monthly deposits. Particularly, the results show that financial education affects savings positively and in order to enjoy the potential benefits, there is no need for lengthy courses (less than 8-10-hour courses) (Schreiner 2002)

It is worth mentioning that financial programs are not the only ways of improving income. In “Tomorrow with more Savings” program (in which instead of saving the present income, the employees promise to save their future raises) Thaler and Benartzi (2001) show that financial structure help attitude changes, and it is important to note that, present studies, generally evaluate programs recommended to those seeking financial education. They also mention that these people might have improved their financial attitude without the education. Therefore, more research on the effects of financial education, especially incidental examinations, is needed.

Few numbers of researches have studied the client's learning of financial management and the related resources they use. Financial information sources are generally categorized to official (e.g. classes, seminars, or employers' information) or unofficial (e.g. family, stories). A research on low income clients shows the priority of education through friends or mates who are successful monetary managers. Perry and ....(2001) add the component; tough personal experiences, which they call “hardship school”.Bernheim and Garrett (1996) have shown the replacement of information sources. Families who received financial information from employers are less likely to gather information form unreliable sources (families and friends). Also they are less likely to gather information from reliable sources (financial planners). Nevertheless, there has been more deviation toward unreliable sources.

Researches through studies and visiting educational centers and the internet, partially related to this topic in this country, were not found. However, similar studies as below, have been carried out in other countries:In a research called “Activities for welfare: financial attitude and life satisfaction among university students” Xiao and colleagues (2008) have studied the relationship between financial attitude and life satisfaction and its effects among university students in general, which has shown some students are involved in dangerous financial attitudes that can have negative consequences for them.

.....'s study (2008) shows that students of higher levels are less willing to save their money while they tend to participate more in dangerous financial behaviors. Having these negative attitudes and supposing these financial management tendencies of school hood, accompany them in future years of their lives, they believe a better understanding of how university students develop their conscious or subconscious attitudes and that how these attitudes influence their quality of life, can help those who are willing to improve life satisfaction and all society members. In their study named “financial attitude pattern: concepts for trainers and policy makers” Jany and colleagues (2003) have concluded that discovering financial attitude patterns using new and specific information can help the trainers of the society, development specialists and policy makers aiming at financial education programs. Personal financial security is one of the most important components of development. In general, financial resource consumers are categorized in three groups: small consumers (families), small and average economic institutions, major economic institutions. Among these, consumer groups, i.e. families, need financial sources in order to provide their personal financial needs. Using facilities and bank loans for marriage, car or house purchase, credit cards, life insurance and retirement are considered among the most important examples of personal financial security. Financial security and the knowledge related to it are among the necessary life skills learning which should start from childhood. Financial attitudes and personal financial security are among the important aspects of social attitude which have significant influences on both personal life and the society. Knowledge in this area helps people to better manage their financial resources. Improving the knowledge of individuals and the families in this domain increases socio-economic power of families. In our country individuals' and families' financial knowledge is little and studies show that even graduates of related majors, like financial management and accounting do not necessarily have profound knowledge of personal financial security. This article has tried to analyze the personal financial security knowledge and understanding of financial management students majoring in local business of Islamic Azad University of Abhar (2010 admissions). The following are the methods of findings and the results of the research. The research model has been developed based on previous studies in which the variants of functionality and life satisfaction have been mentioned as dependent variants and personal financial knowledge as independent variant. The main research theory: considering business majors (financial management and marketing), personal financial knowledge has a meaningful relationship with functionality and life satisfaction.

## **II. Research Methodology**

Regarding subject matter characteristics, this research is descriptive, concerning data collection time, it is measurable and concerning data collection methodology, it is a field research. Community and statistical sample of the research (focus group)The focus group of the present research includes all MA students of Business Management majoring in Financial Management and Marketing at Islamic Azad University of Iran-Abhar, (admitted in October 2010), 120 in number, all of whom have been studied as research sample.

### III. Data analysis

Table 1 shows the results of the variants' analysis between gender and life satisfaction considering personal financial knowledge. Sig>0.05 means there is not a significant difference between men and women.

Table 1: The results of the variants' analysis between gender and life satisfaction considering personal financial knowledge

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.412	1	.412	1.261	.264
Within Groups	38.594	118	.327		
Total	39.007	119			

Table 2 shows the results of the variants' analysis between majors and life satisfaction considering personal financial knowledge. Sig>0.05 means there is not a significant difference between the above majors i.e. financial management and marketing.

Table 2: The results of the variants' analysis between majors (financial management and marketing) and life satisfaction considering personal financial knowledge

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.048	1	.048	.145	.704
Within Groups	38.959	118	.330		
Total	39.007	119			

Table 3 shows the results of the variants' analysis between gender and functionality considering personal financial knowledge. Sig>0.05 means there is not a significant difference between men and women.

Table 3: The results of the variants' analysis between gender and functionality considering personal financial knowledge

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.173	1	.173	.561	.455
Within Groups	36.504	118	.309		
Total	36.677	119			

Table 4 shows the results of the variants' analysis between majors and functionality considering personal financial knowledge. Sig>0.05 means there is not a significant difference between majors (financial management and marketing).

Table 4: The results of the variants' analysis between majors and functionality considering personal financial knowledge

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.456	1	.456	1.487	.225
Within Groups	36.221	118	.307		
Total	36.677	119			

#### IV. Conclusion

As in all aspects of life there is something simple but critical called “personal management”, “personal financial management” is also one of the fundamentals and essentials of other areas of management in personal life. Informed consumers, who have been trained, should make the most important decisions for their families so that their financial security and welfare will increase. Families with better financial knowledge are able to influence flourishing societies as well as economic development. Therefore, financial education is not only important for individuals and their families but also for their societies. The purpose of this research is identifying financial attitude patterns through particular and new information in order to help the instructors and specialists of social development and the policy makers aiming to present financial education programs. Besides, the importance and necessity of educating people about personal financial management, especially in families and schools has been emphasized and its effects on people’s attitude in financial markets have been studied, which showed concerning personal financial security the knowledge and understanding of financial management students of Azad university of Abhar is in a desirable level. In our inferential analysis, it was concluded that between gender and financial management and marketing majors there was no difference in the importance of having personal financial knowledge. The necessity of having this knowledge is beyond the limits of different majors or genders. However, the risks of investment can result in negative outcomes for marketing students without financial knowledge. In ....research (2008) this risk has been identified. In our research as well, without considering meaning for majors, the importance of financial knowledge is equal. In ....research (2008) the difference among higher levels has been proved which can also be approved in our research considering the unanimous ideas of the same degree (Masters degree). Offering higher level programs together with designing investment related material can better the efficiency and effectiveness of students’ personal financial literacy development. Encouraging research on investment and feasibility can prove very useful in practical training.

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