

**CHRISTIAN SERVICE UNIVERSITY COLLEGE**



**SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**ASSESSING FINANCIAL LITERACY AMONG UNIVERSITY STUDENTS**

**(A STUDY AT CHRISTIAN SERVICE UNIVERSITY COLLEGE)**

**BY**

**ACHEAMPONG, KOFI BOATENG**

**KYEI-BAFFOUR BRIDGET**

**HANSON-COBBINAH JOSEPH**

**OSEI CYNTHIA**

**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE,  
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## STATEMENT OF AUTHENTICITY

We have read the University Regulation relating to plagiarism and certify that this report is all our work and do not contain any unacknowledged work from any other source. We also declare that we have been under Supervision for this report herein submitted.

Name	Index Number	Signature	Date
Acheampong Kofi Boateng	10148306	.....	.....
Kyei-Baffour Bridget	10218255	.....	.....
Hanson-Cobbinah Joseph	10148427	.....	.....
Osei Cynthia	10218655	.....	.....

## Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision laid down by Christian Service University College.

Certified by:

	Signature	Date
<b>Prince Kusi-Mensah (Mr)</b> (Supervisor)	.....	.....
<b>Kwaku Ahenkorah (Dr.)</b> (Dean, School of Business)	.....	.....

## **DECLARATION**

We hereby declare that this work is our own research towards the award of a degree in bachelor of business administration and contain no material formally published by any other person or any material which has accepted for the award of any other degree of the universities except where suitable acknowledgement has been made in the text.

## **ABSTRACT**

Several studies have confirmed that, large proportion of the world's population lack financial knowledge they need to fully participate in the economy or to make informed decisions about their own financial future. It is against this background that this study investigates financial literacy of undergraduate students in Christian Service University College in Ghana. Stratified random sampling technique was employed to select 140 students using questionnaire as the research instrument. The relationship between the financial literacy and students' characteristics such as gender, marital status, level of study, and academic programme offered was also examined. The overall results indicate that students in Christian Service University College have inadequate financial knowledge. The study found that majority of students has a low level of financial literacy with an average financial literacy score of 52.09%. Surprisingly, this survey revealed that female university students have more financial knowledge than male students. Students who are married, level 400 students and students from the School of Business are more financially knowledgeable than the others with a moderate level of financial literacy. It was found that major of participants have lower knowledge about savings and borrowings, insurance, and investment. One factor that can be attributed to low financial knowledge is lack of sound financial education. It has therefore been recommended that financial literacy course should be integrated in the university curriculum in all the departments. Also the university should organise seminars, symposiums, and workshops on financial literacy for students at least twice every semester.

## **DEDICATION**

This project is dedicated to our loving parents and guardians who committed their resources and support towards our education to this level.

## **ACKNOWLEDGEMENT**

I will sing to the Lord because He is good to me (Psalm 13:6). It is the foregoing context that we express our gratitude to God our creator; Holy Spirit our teacher, and Jesus Christ our saviour who has been gracious to us through our entire years of study at Christian Service University College.

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## **ACRONYMS**

OECD	-	Organization for Economic Co-operation and Development
SLTF	-	Students Loan Trust Fund

SSNIT	-	Social Security and National Insurance Trust
UNESCO	-	United Nation Educational, Science and Cultural Organization
NFEC	-	National Financial Educators Council
CFEI	-	Certified Financial Education Instructors
CFEP	-	Certified Financial Education Professionals
APR	-	Annual Percentage Rate
ANOVA	-	Analysis on Variance
NEFE	-	National Endowment for Financial Education
SPSS	-	Statistical Package for Social Science
CSUC	-	Christian Service University College

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 BACKGROUND OF THE STUDY**

The word literacy has perhaps evolved beyond its conventional meaning in contemporary times. It is not just understood as one's ability to read and write, but perhaps a measure of one's learning or mastery of a thing, an art or a discipline. A financial literate is therefore not necessarily a graduate or a teacher of finance, but one who is able to make the best use out of money (Edward, 2014).

There are several definitions for financial literacy. Garman and Gappinger (2008, p. 83) defined financial literacy as ones' "knowledge of facts, concepts, principles, and technological tools that are fundamental to being smart about money". Mason and Wilson (2000) also defined financial literacy as a "meaning-making process" in which individuals use a combination of skills, resources, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of that decision.

Financial literacy was defined in the UK by Noctor, Stoney and Stradling (1992, p.4) as 'the ability to make informed judgments and to take effective decisions regarding the use and management of money'. This definition was operationalised by Schagen and Lines (1996) proposing that a financially-literate person would enjoy a range of abilities and attitudes comprising: an understanding of the key concepts central to money management, a working knowledge of financial institutions, systems and services, a range of "analytical and synthetically" skills, both general and specific, and attitudes which allow effective and responsible management of financial affairs.

Regardless of this definition of, and the skills required for, financial literacy, financial analysts in many countries have emphasized that there is insufficient personal financial literacy in the world. The importance of financial literacy has been on the rising with the

deregulation of the financial markets and the easier access to credit as financial institutions compete strongly with each other for market share, the rapid growth in development and marketing of financial products, and the government's encouragement for people to take more responsibility for their retirement incomes (Beal and Delpachitra, 2003; Abraham and Marcolin, 2006). In addition, financial literacy can prevent the university students from engaging in unprofitable ventures.

The national and international regulatory authorities, especially within the Organization for Economic Co-operation and Development countries, have been conducting several studies on this topic in order to determine the levels of financial literacy of the population, and to establish financial education programs that would raise these levels and therefore positively influence the consumers' behaviour related to financial products and services.

Currently, there are about nine (9) public universities and fifty two (52) private universities and colleges in Ghana and these results in a tremendous increase in the number of students. Hence, our government had introduced an educational loan offered under the Students Loan Trust Fund (SLTF) as an alternative to lessen the parents' burden for supporting the cost of education. In addition, most of the students enjoy their first experience of financial independence during their university life and this means that they are responsible in their own financial decision making. Since they have expanded purchasing power, this had made the university or college students one of the important customer market segments.

However, Ghana as a part of the developing countries has lower financial literacy level compared to other countries and this is further supported by the minimal percentage of the society knowledge on items like saving, investing and budgeting (Junior Achievement, 2009). In our educational institutions, topics on personal finance are still considered minimal. If there are programs or activities on it, they are never addressed directly to young consumers especially those between ages 19 to 25 years (Ibrahim et al, 2009).

## **1.1 STATEMENT OF PROBLEM**

Financial literacy has been an issue in many countries including developed and westernized societies. The cost of low financial literacy rates is substantial for the society and has been clearly identified by researchers (Joo and Garman: 1998, Cuter and Delvin: 2000).

The financial decisions made early in life create habits difficult to break which affect students' ability to become financially secure adults (Martin and Oliva, 2001). Mandell (2004) study shows average personal financial scores declining since the first survey of 1997. Students in the university have limited financial knowledge which is a burden to the national economy.

Currently, university students represent a considerable part of Ghana's population and their level of financial literacy will soon impact the overall economy. It is estimated that very soon number of university graduates will soon catch up with number of senior high school graduates. Since college students are expected to have higher earnings after graduation, they are also expected to be financially literate or at least more literate as a part of their preparation for a career.

Students always find themselves wanting at the early days on campus. Mandell (2001), recognized that there are many problems facing children and students if they didn't get a finance concept for themselves (personal finance) when they were in senior high school. Problems may include bankruptcy, poor retirement planning, and debilitating debt.

Some students in the university lack the awareness of money management, insurance, investment, saving, and spending, and how they can equip themselves with finance knowledge to take charge of their finances and personal decisions. In this global world of late, students can never hide from personal financial literacy and decision making.



In the light of the above circumstances, this study seeks to explore the level of financial literacy among university students in Ghana as well as the factors that impact the students' competency in the field.

## **1.2 OBJECTIVES OF THE STUDY**

Specific Objectives are as follows:

1. To determine the level of personal financial literacy among university students.
2. To determine whether gender of student has an influence on his/her level of financial literacy.
3. To determine whether marital status of student has an influence on his/her level of financial literacy.
4. To determine whether level of study of student has an influence on his/her level of financial literacy.
5. To determine whether programme of study of student has an influence on his/her level of financial literacy.

## **1.3 RESEARCH QUESTIONS**

The study sets out to answer the following questions:

1. What is the level of personal financial literacy of student in Christian Service University College (CSUC)?
2. Does gender of student has an influence on his/her level of financial literacy?
3. Does marital status of student have an influence on his/her level of financial literacy?
4. Does level of study of student has an influence on his/her level of financial literacy?
5. Does programme of study of student has an influence on his/her level of financial literacy?

## **1.4 JUSTIFICATION**

The study is reasonable on the basis that it will serve as good grounds for theory development which would give insight that would be useful to assess the financial literacy among university students and to identify the impact that higher education has had on their levels of financial literacy. This would be a useful resource which would be beneficial to university students to improve on their financial knowledge. Also government agencies such as Social Security and National Insurance Trust (SSNIT) who offer Students Loan Trust Fund (SLTF) and the academia will also know the level of financial literacy of university students and make the right provisions to address it.

Additionally, recommendations from the study will also assist university authorities to streamline their operations to ensure that the academic curriculum is well structured.

## **1.5 RESEARCH METHODOLOGY**

This section elaborates and explains the mode of data collection relevant to the study. The researchers adopted a case study as the type of research design for the study; in which stratified random sampling survey technique was used to investigate financial literacy among university students.

Both primary and secondary source of data collection was employed to analyze the set research objectives. The primary data was collected using a set of questionnaires. The secondary data, on the other hand was drawn from existing related literature, articles, journals, information from the internet, etc.

The primary data (questionnaires) will provide good insight relevant to this research. Considering the fact that the study covers such a vast area, not all the respondents can be included in the study. It is thus significant to draw a sample from the population. In all 140

questionnaires were issued to respondents from Christian Service University College for the survey.

## **1.6 SCOPE AND AREA OF THE STUDY**

The study was confined to Christian Service University College in Kumasi. The study covers all the faculties in the Christian Service University College. The subject area the researchers are studying and discussing includes general personal finance knowledge, knowledge of savings and borrowing, knowledge of insurance and knowledge of investment.

## **1.7 LIMITATIONS OF THE STUDY**

Due to financial, logistics and time constraint, the sample chosen for the study is small in relation to the entire population of students in Christian Service University College. The time given to us to carry out this research in respect to distribution, collection and analysis of questionnaire was limited. The research was limited to undergraduate students in Christian Service University College. Also the weekend school and January school were eliminated from the study due to time factor.

## **1.8 ORGANISATION OF THE STUDY**

The study is structured into five chapters. The first chapter which is the general introduction includes the background of the study, the statement of the problem as well as the research question, objectives, justification of the study, research methodology, scope and area of the study and limitations, and finally the organization of the study. The literature review of the research which is the chapter two had been executed by the researchers. The chapter shows the nature of knowledge generated in respect of the topic. In chapter three the methodological issues in respect of the study are presented. The target population, the sample

size and sampling technique, the research instruments and data collection procedures are outlined. Analysis of data and discussion of the results is done in chapter four. In chapter five, the summary, conclusions and recommendations of the study are presented.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

In this chapter, we are going to present the most relevant aspects of the extant literature with respect to our research topic. This chapter examines some related literature on previous works done on the topic from a global perspective. It also looks at the thematic areas stated in the objective. The purpose of this literature review is to provide a context for the study through identifying, evaluating, and interpreting the existing body of work on the financial literacy of university students.

#### **2.1 CONCEPTUALIZATION OF FINANCIAL LITERACY**

The financial literacy literature may be readily classified into two classes: evaluations of individual financial literacy education programs and tests of financial literacy among differing cohorts or populations (Beal and Delpachitra, 2003).

##### **2.1.1 Literacy**

Literacy is traditionally understood as the ability to read and write. Literacy is thought to have first emerged with the development of numeracy and computational devices as early as 800 BC. The term's meaning has been expanded to include the ability to use language, numbers, images and other means to understand and use the dominant symbol systems of a culture.

The word literacy is defined by the Oxford English Dictionary as “the quality or state of being literate; knowledge of letters; condition in respect to education especially the ability to read and write”. Also the American Heritage Dictionary of English language, fifth edition

define it as “the condition of quality, especially the ability to read and write. Both definitions emphasize on “quality” and “ability to read and write”.

The concept of literacy is expanding in OECD countries to include skills to access knowledge through technology and ability to assess complex contexts.

The United Nation Educational, Science and Cultural Organization (UNESCO) defines literacy as the “ability to identify, understand, interpret, create, communicate and compute using printed and written materials associated with varying contexts (United Nations Literacy Decade 2003 – 2012).

Literacy represents the lifelong, intellectual process of gaining mainly from a critical interpretation of written or printed text. The key to all literacy is reading development, a progression of skills that begins with the ability to understand spoken words and decode written words, and culminates in the deep understanding of text.

### **2.1.2 Financial Literacy**

Financial literacy is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others. Precisely, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources (Power, 2013).

The Organization for Economic Co-operation and Development (OECD) started an inter-governmental project in 2003 with the objective of providing way to improve financial education and literacy standards through the development of common financial literacy principles. The OECD launched the International Gateway for Financial Education in March 2008, which aims to serve as a clearinghouse for financial education programs, information and research worldwide.

The National Financial Educators Councils defines financial literacy as “possessing the skills and knowledge on financial matters to confidently take effective action that best fulfils an individual’s personal, family and global community goals” (NFEC, 2014)

Although financial literacy definition is varied, most have similar components. Each of the financial literacy definitions refer to the importance of having the skill sets and knowledge to make informed decisions.

### **2.1.3 General Financial Knowledge**

A person can obtain the financial knowledge through their parents, peers, school and media.

A person who studied economics or business courses are more likely to be financial knowledgeable (Chen and Volpe, 2002; Lusardi and Mitchell, 2007). In addition, Falahati et al. (2011) also stated that a student who attend finance education program have more knowledge in managing his/her fund.

According to the findings of Chen and Volpe (1998), students with less financial knowledge tend to give wrong opinions or even make wrong decisions in the area of general knowledge such as savings, borrowings and investments. Furthermore, the researchers also found that students who have limited knowledge in personal finance are unable to make the correct decisions. At the same time, Bianco and Bosco (2001) also researched in America and they found that the persons who lack of personal finance education are facing difficulty to manage their fund.

In addition, general financial knowledge has been noted as significant to the personal financial literacy. The findings of Mandell and Klein (2009) pointed out that financial education also plays an important role in Personal Financial Literacy of Tertiary Level Students. For example, the researchers had provided evidence on the long-term behavioural

effects of high school financial education by showing that the financial education is significantly increases with the saving rates at the household level.

On the other side, parents also play an important role in financial literacy by influencing their children's financial skills and financial futures through modelling, reinforcement and management (Lusardi and Mitchell, 2009). The existing literature suggests that most of the children gain the knowledge of money management from their parents than many other sources (Ibrahim, Harun and Isa, 2009). For example, most of the parents like to discuss sound money management practices with their children at a young age or even some of the parents teach their children regarding financial knowledge since they are young.

Same as the research by Ansong and Gyensare (2012), there is a difference between the financial literacy of business and non-business students. The research stated that business students can display higher financial literacy level than the non-business students. This indicates that students who have business background are more financially sound than non-business major students. However, Wagland and Taylor (2009) stated that business students does not necessary score better than non-business students. Some of the science course students are performing much better than both business students and the students whose study in the areas of compound interest knowledge. Although the findings showed that business students have more financial knowledge but only 34.5 percent of business students answered correctly to financial test.

## **2.2 EARLIER STUDIES ON FINANCIAL LITERACY STUDIES OF UNIVERSITY STUDENTS**

The research on financial literacy of university students is not something new in the world since there have been previous research and studies on it. The first study was conducted by Danes and Hira in 1987 to examine the money management knowledge of university



students. Chen and Volpe (1998) analyzed the personal financial literacy of university students. In 2009, McKenzie also researched on financial literacy of university students. These previous researches will be review in our research.

### **2.2.1 Money Management Knowledge of University Students**

Money management knowledge of university students was studied by Danes and Hira (1987). In their survey, 716 students were chosen for their research at Iowa State University. A total of 323 (45.11%) responded to the survey questions. The survey consisted of 51 questions that were divided into five sub-scales of credit cards, insurance, personal loan, record keeping and overall financial management (p.4).

According to Danes and Hira (1987), the percentage of correct responses of students' financial knowledge level was,

- a. Students' who scored 80 – 99 percent were described as having a high level of knowledge,
- b. Students' who scored 60 – 79 percent were described as having a medium level of knowledge,
- c. Students' who scored 40 – 59 percent were described as having a low level of knowledge,
- d. Students' who scored 20 – 39 percent were described as having a very low level of knowledge.

Danes and Hira (1987) survey found that students were knowledgeable regarding the general use of credit cards as a form of identification and the additional costs associated with late payments. The knowledge level of students who responded to the survey questions decreased when they were asked about interest charges and problems that might arise in when using credit card. Also students were alert to the importance of medical insurance but their

knowledge level regarding disability income insurance, life insurance, the provisions of auto collision insurance and the rate of return on cash value life insurance were low to very low (p.8). In their survey, questions relating to basic knowledge level and personal loans showed a high knowledge level but specific questions regarding balloon payments, credit life insurance and cost comparisons also showed a lower level of knowledge. Students showed medium to high level of knowledge regarding the importance of book keeping.

On the basic questions of each subcategory the respondents showed some knowledge but showed evidence of lower knowledge level on more specific questions relating to the subcategories e.g., the students knew the importance of knowing the total amount to be paid on a personal loan and the number of payments required but few students knew the importance of the prime interest rate on determining the interest rate of a personal loan. The researchers identified incongruence between what the students said they should know and what they actually knew. Eighty-seven percent of the respondents stated that it was important to know the Annual Percentage Rate (APR) when applying for a loan, but only 38% knew the APR on their charge accounts. Also identified was a difference in the money management knowledge level of university seniors and freshmen. The authors found that university seniors had greater knowledge than university freshmen. Although university students showed that they were knowledgeable on some of the subscales when their overall financial knowledge was assessed, the researcher found that their knowledge level was low.

### **2.2.2 An Analysis of Personal Financial Literacy among College Students**

Chen and Volpe (1998) researched on the personal financial literacy of 924 university students from fourteen college campuses in six different states in the United State of America. Chen and Volpe (1998) undertook this survey studying students from colleges that

ranged from small two-year institutions to large four-year institutions which are both public and private colleges.

Chen and Volpe (1998) survey questionnaire consisted of thirty-six (36) questions which tested college students' literacy level according to,

- a. Savings,
- b. Borrowing,
- c. Insurance,
- d. Investments,
- e. General financial knowledge.

A percentage score of 80 or above showed a high level of financial literacy, a score from 60% to 79% showed medium level of financial literacy and a score below 60% showed a low level of financial literacy.

The results of the survey showed that university students' knowledge of personal finance was inadequate with a mean score of 52.87%. Chen and Volpe attributed this to the lack of a sound personal finance education in the university curricula. Business majors performed significantly better and showed a higher level of personal financial literacy than non-business majors. The overall results showed that the students had a relatively low level of financial literacy; the researchers concluded that class rank had an impact on participants' performance. Chen and Volpe (1998) research indicated that graduate students performed significantly better than undergraduates and juniors and seniors performed significantly better than freshmen and sophomore. They also found that male participants performed significantly better than females. Chen and Volpe (1998) cautioned that the challenging issue of financial illiteracy needs to be addressed because when an individual cannot manage their finances it becomes a problem for society.

### **2.2.3 Financial literacy of university students**

McKenzie (2009) undertook a survey on financial literacy of university students. The participants were seniors who enrolled at a large, public, state, and research intensive university located in the South-eastern United States who had attempted at least 105 credit hours and had applied for graduation during the summer term of the 2007 - 2008 academic year (p.46). In all one hundred and eighty six (n=186, 13.71%) graduating university students responses were used in the study. Eighty-four (84) male students representing 45.16% and one hundred and two (102) female students representing 54.84% participated in the study which is comparable to the undergraduate student population of 40.7% males and 57.3 females.

McKenzie (2009) used the rating scale developed by Mandell (2004) to determine financial literacy levels.

- a. Scores of 70% or greater were viewed as a high level of financial literacy.
- b. Scores between 50% and 70% were viewed as an average level of financial literacy.
- c. Scores of 50% or less were viewed as a low level of financial literacy.

McKenzie (2009) financial literacy scores ranged from 13% to 100%. The distribution had a mean score of 72.5% and a median of 75.5% which showed a high level of financial literacy. Regarding money management knowledge, ninety seven (97) participants representing 52.15% indicated that they would take the personal financial course if they had that opportunity at their institution. The majority of participants (n=102, 54.84%) also indicated that their primary method of learning money management was from their own experience, while the second highest method (n=76, 40.866) was learning at home from families (p.87).

#### **2.2.4 Comparison**

Danes and Hira (1987) studied money management knowledge of university students. Money management forms a crucial part of students' day to day life. Chen and Volpe (1998) and McKenzie (2009) examined personal financial literacy and financial literacy of university students. Similar to the Financial Literacy and Education Act, Chen and Volpe (1998) did not provide a definition for financial literacy. McKenzie (2006) research was to assess the financial literacy of graduating seniors and also to determine whether higher education had an impact on the level of one's financial literacy.

Although no explicit definition was given for financial literacy, but Chen and Volpe (1998) tested participants' literacy level based on,

- a. Savings,
- b. Borrowing,
- c. Insurance,
- d. Investments,
- e. general financial knowledge.

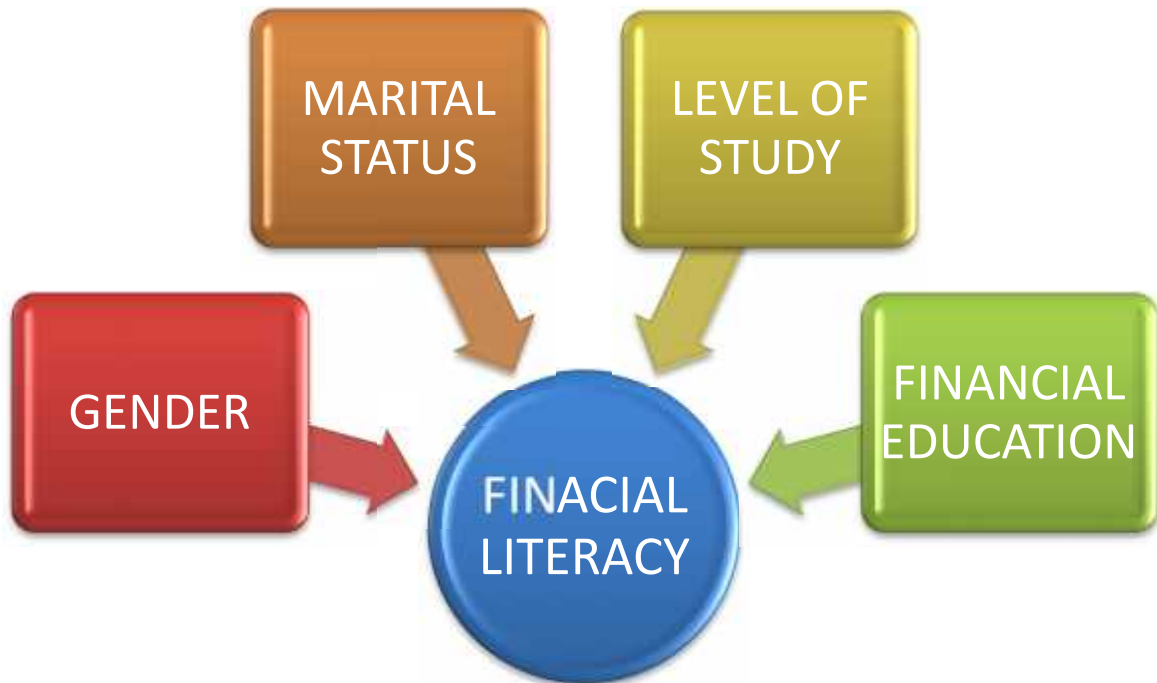
Chen and Volpe (1998) stated that without adequate knowledge students are more likely to make mistakes in the real world (p. 122). The present trend of a negative saving rate, increased bankruptcy filings and skyrocketing revolving debt rate shows the mistakes that are being made by the general population. The behaviour and trends seen in the general population can not be directly attributed to the university population.

Although the university population is a microcosm of the general population there is one major difference between the university population and the general population. The university population consists of people at similar education level.

## 2.3 FACTORS INFLUENCING FINANCIAL LITERACY AMONG UNIVERSITY STUDENTS

Figure 1

Influences of Financial Literacy



(Source: researchers' development)

### 2.3.1 GENDER

Gender can be termed defined as male or female. According to Falahati et al. (2011), male has a positive relationship with financial literacy. Besides, male students are more knowledgeable in financial and have a well management in saving and expenditures than female students. It is because male students were socialized earlier in financial matters such as involved in investment, savings, expenditures and others. Besides, Chen and Volpe (2002) also noted that women have a negative relationship with the personal finance literacy. It is because women have lesser financial knowledge than men as most of the men are prefer in the subjects like Mathematics, Finance, Economies and other calculate subjects while women are prefer in language and theoretical subjects such as History. Similarly, Goldsmith and Goldsmith (1997) also pointed out there is negative relationship between women and

financial literacy. Therefore, women score worse in financial related question as women have less interest in the topics of investment and personal finances.

Besides, the findings of Wagland and Taylor (2009) indicated that males have a positive relationship with financial literacy where males can perform well in both financial and macroeconomic questions than female.

In addition, Newcomb and Rabow (1999) stated that there is a positive relationship between male and personal financial literacy where guys are socialized earlier than girls. It same as the research of Hogarth (2006) where male has positive relationship with financial literacy because men can manage their fund better than female as boys are grown up with the expectation of being the householder while girls had grown up with the expectation of being the caregiver.

### **2.3.2 Marital Status**

Danes and Hira (1987) found that being married created a necessity for learning financial issues that many students who were single may not confront (e.g., health and life insurance, budgeting, investing, and wills). Married students also have to discuss the issue of money and work out how each thinks money should be handled. Chen and Volpe (1998) point out that students are more knowledgeable and score higher on what they are familiar with like credit cards, bank accounts, and rental leases, and have lower scores in areas they haven't thought much about yet such as life insurance and investing. Lachance and Choquette-Bernier (2004) call this life experiences trial and error. Henry et al. (2001) found that of the students who used a written budget, women, married students, and older students were most likely to follow them. These findings support the proposition that "financial literacy is a process that occurs over the entire life cycle" (O'Neill and Brennan, 1997, p. 32).

### **2.3.3 Level Of Study**

Chen and Volpe (1998) survey suggested that participants from different class ranks have different levels of financial knowledge. The researchers asserted that graduate students know more than the undergraduate students, and junior and senior students are more knowledgeable than those from the lower ranks. Again, the differences in the level of literacy among different ranks are statistically significant at the 0.01 level.

Danes and Hira (1987) also conducted a survey on money management of college students and revealed that class status is positively related to financial knowledge. According to the researchers, seniors and graduating students have higher financial knowledge than the freshmen.

### **2.3.4 Financial Education**

According to Chen and Volpe (1998) survey, students' educational background has a significant impact on their knowledge. The results for their survey clearly showed that business majors are more knowledgeable than non-business majors. On average, the business majors answered 60.72% of the survey questions correctly; the non-business majors, 49.94%. This pattern of business majors answering about 8% to 12% more questions correctly than non-business majors is persistent throughout the individual sections. The ANOVA testing of their results also indicated that the differences are statistically significant at the 0.01 level.

Additionally, a research by Falahati et al. (2011) also showed that the financial education is important to maintain the good personal financial literacy. The researchers mentioned that the financial subject is a necessary for the students to have the better financial management skill in order to control all the savings, expenditures, decision making and so on.

There is some subjects offer in the University for the business students which are about the financial management such as Personal Financial Planning and Management and so on. The



researchers mentioned that the students who had taken a subject that teach about the financial management will be more financial literate than those who did not attend such subject (Mandell and Klein, 2009). In addition, some of the researchers analysed the difference among students with the financial education and students who do not have financial education basis in their personal financial literacy. Meier and Sprenger (2012) research found that the students who have more financial information, knowledge or taken the financial subject have high level of financial literacy than the others.

## **2.4 BENEFITS OF FINANCIAL LITERACY**

Many will agree that it is never too early to learn how to spend and save money wisely. The benefits of financial literacy do not have an impact on the learned or the financial educated fellow, but works entirely in each individuals' life. Research has shown that financial literacy is beneficial for individuals and families (Blalock et al., 2004; Danes and Hira, 1987; Grable and Joo, 1998; Hibbert and Beutler, 2001; Kerkmann, Lee, Lown, and Allgood, 2000).

Financial literacy increases ones thinking ability and also helps in decision making such as; budgeting, etc. It also decreases their chances for bankruptcy, receiving government assistance (Bauer et al., 2000; Blalock et al, 2004; Huston et al., 2003), and making poor consumer decisions (Grable and Joo, 1998; Hayhoe, et al, 2000). Students who lack financial knowledge have increased financial difficulties that continue into later years (Danes & Hira, 1987; Hibbert and Beutler, 2001; Hira, 2002). Chen and Volpe (1998) found that students with less financial knowledge had more negative opinions about finances and made more incorrect financial decisions. They point out that having a low level of financial knowledge limits students' ability to make informed decisions. Danes and Hira related students' financial behaviour to their future earning capacity. Danes (1994) mentioned that a higher level of

financial knowledge was positively correlated to a higher level and regular source of income as well as a higher savings rate. The financial habits students have while in college tend to carry on into adult life. The better their financial literacy is when they leave college, the fewer financial hardships they may have in life (Grable and Joo, 1998).

Financial education influences financial knowledge, attitudes, and behaviours (Ajzen and Fishbein, 1980; Grable and Joo, 1998; Varcoe and Wright, 1991). Financial education increases financial knowledge and affects financial attitudes (DeVaney et al, 1996; Grable and Joo, 1998; NEFE, 1998). For example, Fletcher et al. (1997) completed a post-assessment of financial knowledge, attitudes, and behaviours to evaluate the effectiveness of Iowa State's personal finance workshops and found that participants had improved knowledge, attitudes, and behaviours. Increased financial knowledge was also found to influence students' attitudes positively toward business in general and their ability to be wise consumers in society (Langrehr, 1979). Lyons and Hunt (2003) found that college students want to receive financial information and have a preference about how financial education is taught, who teaches it, and what the content is. Also, although perceived economic well-being may differ by gender (Leach, et al, 1999), Grable and Joo (1998) found that financial education "levels the playing field" in regards to gender differences and "is effective in changing knowledge, attitudes, and behaviours" (p. 213). Increasing financial knowledge through education was found to be significantly related to risk tolerance, financial attitudes, and saving and investing behaviour.

There are several specific benefits of financial literacy. Increasing financial literacy is a way to increase empowerment and improve the quality of life (Knapp, 1991; Voydanoff, 1990).

Energy, thought, and time are spent pursuing money and limiting the unnecessary waste of money. Thus, when students gain more knowledge and more positive attitudes toward

money, they make a better decision, which save resources and improves their situation (Knapp, 1991).

Financial literacy also promotes self-confidence, control, and independence (Allen et al., 2007; Conger et al., 1999). This comes by feeling in control and knowing how to function in a complex marketplace. When consumers feel they are in control of their finances, they are more likely to participate in the marketplace (Knapp, 1991).

Another benefit of financial literacy is increased physical, emotional, and psychological well-being. Norvilitis et al. (2003) found that perceived financial well-being in college students appeared to be related to psychological well-being, an ability to be more in control of their lives, and having lower levels of dysfunctional attributes. Economic stress is associated with depression, anxiety, and psychological distress (Voydanoff, 1990) as well as emotional distress and internalizing problems (Conger et al., 1999). Sobolewski and Amato (2005) found that economic hardship negatively affects the parent-teen relationship, student's educational attainment, and student's earned income. Financial literacy goes beyond knowledge about money; it includes being a wise consumer of foods (increasing one's health) and other purchases such as cars (affecting their safety and the environment) (Knapp, 1991). Thus, increasing financial literacy can affect students' physical health and safety as well as their psychological well-being.

The financial literacy of students can also affect their current and future family relationships. Hibbert and Beutler (2001) confirmed previous studies that found financial issues to be a common source of conflict in personal, marital, and family relationships. These authors also found that the quality of family life was perceived to be greater where financial self-reliance was more highly valued. Families who spent less than they earned, paid bills on time, and avoided unnecessary debt had fewer family tensions and an increased sense of self-worth.

Families who were poor managers of their finances experienced more unkindness, less communication, and a lower quality of life (Hibbert and Beutler, 2001). Voydanoff (1990) noted that economic stress is associated with low levels of family satisfaction and that higher levels of income are modestly associated with greater marital and family satisfaction. Student's sense of control and self-mastery are also lower when they experience economic distress (Conger et al., 1999). Thus, as financial literacy is increased, quality of life should improve.

Another benefit of increased financial literacy is an increase in marital satisfaction. Kerkmann et al. (2000) found that behaviours and perceptions of finances as well as problems and their perceived magnitude were significantly related to marital satisfaction. Some have suggested that financial problems are one of the leading causes of marital conflict and divorce (Amato and Rogers, 1997; Cleek and Pearson, 1985). Oggins (2003) found that in both the first and third years of marriage the top reason for marital disagreement was finances. Conger et al. (1990) found that economic difficulties affected family relationships through increased hostility in marital interactions while limiting warm and supportive behaviours expressed by the couple. Financial behaviours are important in marriage because good financial behaviours such as budgeting, paying down debt, saving, and spending less than one earns increase marital satisfaction more than just what one earns (Kerkmann et al., 2000). For example, Kerkmann et al. found that when couples argue about finances, they tend to disagree more about how available finances should be managed or spent rather than about how much or how little they have.

## **2.5 CONCLUSION**

Mandell (2009) noted and argued that students who took up financial literacy courses were not better off than those who did not. Yglesias (2008) also pointed ‘basic illiteracy’ as the reason for a great number of people who lacked financial literacy. Ballenger (2012) also argued that age gap was not positively related to financial literacy. However, the Financial Literacy (2012) stated that most young people had a relatively poor financial literacy and a 29 year-old got difficulties to even budget. As such, being older is not necessarily wiser in terms of decisions when it comes to money and finance matters. Annamaria (2012) argued that the older population displays low level of financial literacy and this will affect their financial decision making pattern. Financial illiteracy is not only a worldwide reality affecting all people.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter contains descriptions of the study area and the research techniques used by the researchers. Topics discussed are the research design, population and sample size, sample techniques, data collection techniques, research instrument, and data analysis.

#### **3.1 RESEARCH DESIGN**

The main aim of this research study is to examine the level of financial literacy among university students and also to emphasize on the factors that influence financial literacy among university students. The study also seeks to determine whether gender, class rank, academic discipline and marital status have impact on a student's financial knowledge. Quantitative method was chosen to help the researchers analyse desire information to achieve our objective of study. In natural sciences and social sciences, quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical or computational techniques (Lisa, 2008). Quantitative research is about asking people for their opinions in a structured way so that you can produce hard facts and statistics to guide you. A descriptive research was also chosen to meet the objectives of this study. Descriptive surveys are designed to portray accurately the characteristics of particular individuals, situations or groups (Avoke, 2005). It is used as a needs assessment tool to provide information on which to base sound decisions and to prepare the background for more constructive programme of educational research. To get reliable statistical results, it's important to survey people in fairly large numbers and to make sure they are a representative sample of your target market

### **3.2 POPULATION AND SAMPLE SIZE**

According to Polit and Beck (2006:260) study population is defined “as the entire group of persons or objects that are of interest to the researcher”. Thus a research population is generally a large collection of individuals or objects that is the main focus of a scientific query. It is for the benefit of the population that researches are done. The population for this research was students from all private universities in Ghana.

In all the sample size chosen for the study were 150 students from Christian Service University College.

### **3.3 SAMPLING TECHNIQUES**

Due to the large sizes of the population, researchers often cannot test every individual in the population because it is too expensive and time-consuming. This is the reason why researchers rely on sampling techniques. The sampling technique employed to select the respondents for this research was the stratified random sampling technique. Saunders et al. (2007) explain that stratified random sampling is a modification of random sampling in which you divide the population into two or more relevant and significant strata based on one or a number of attribute (in this study the division is considered). In fact, the sampling frame is divided into a number of subsets. A random sample is then drawn from each of the subsets (strata). Dividing the population into a series of relevant strata means that the sample is more likely to be representative, as it can be ensured that each of the strata is represented proportionally.

**Table 3.1**

<b>Faculty/Department</b>	<b>Sample size</b>	<b>Sampling technique</b>	
School of Business	55	Stratified random sampling	Questionnaire
Faculty of Humanities	35	Stratified random sampling	Questionnaire
Department of Nursing	20	Stratified random sampling	Questionnaire
Department of Computer Science	30	Stratified random sampling	Questionnaire
<b>TOTAL</b>	<b>140</b>	Stratified random sampling	Questionnaire

Also convenience sampling was used to select Christian Service University College. Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher.

### **3.4 DATA COLLECTION TECHNIQUE**

For the purpose of this study, both primary and secondary source of data collection were used. Primary data was collected directly from first hand experience. The primary data was the use of structured questionnaires which was distributed evenly to students of Christian Service University College to assess the level of financial literacy among university students in Ghana.

The researchers' secondary data were articles, books and journals of other researchers on financial literacy. Also the electronic media was not left out, especially the internet where articles, journals, books, etc on the topic were accessed.



### **3.5 RESEARCH INSTRUMENT**

The research instrument used was mainly the questionnaire. In conducting a survey where the views of most people are needed, the most appropriate instrument is the questionnaire. The questionnaire used for our research was adopted from Chen and Volpe (1998), Furtuna (2007) and JumpStart coalition (Mandell, 2004) which was modified to suit our research objectives. The JumpStart coalition (2004) questionnaire has been tested and proven reliable for a research on financial literacy. In conducting a research like this where the knowledge and skills of the respondents factor most, questions on academics are not left out.

Chen and Volpe (1998) outlined their survey instrument based on savings and borrowing, insurance, investment, and general financial knowledge. Our research questionnaire was designed to cover Chen and Volpe (1998) survey instrument. A total of 35 multi-choice questions were set for the research questionnaire.

The “section A” which is the first part consists of the demographic characteristics of respondents (students). Nine (9) questions were asked which consist of the gender, age group, marital status, level of study, faculty/department, status of student, residential status, working experience and source of allowance for student.

The general financial knowledge was sub-divided into two (2) parts. The first which tests how respondents (students) understand about some financial items consist of four (4) questions. The answers for this subsection are categorized into 1-nothing, 2-little, 3-some, 4-a fair amount, and 5-a lot. The next subsection also contains three (3) questions was also design to know the correct score of respondents. Savings and borrowing was classified under “section C” where five (5) questions are asked. Questions were designed to seek the knowledge of savings and borrowing of students. The “section D” also assesses the knowledge about insurance. Respondents were asked four (4) multi-choice questions. The

knowledge and level of investment of students was also assessed in “section E” which compress of two (2) questions on investments.

Last but not least the personal finance opinions, decisions and education were also grouped in “Section F”. The section is subdivided into two (2) parts. The first part looks at the personal finance decisions of students. Under this subsection, five (5) questions were asked which were grouped into likert scale. 1 - Never, 2 - Seldom, 3 - Sometimes, 4 - Often, and 5 - Always. The second subsection also looks at the financial education of students which consist of three (3) multi-choice questions.

### **3.6 DATA ANALYSIS**

The data collected was analysed using descriptive and inferential statistical analysis. Tables and charts as well as numerical method such as mean, median, standard deviation, and Pearson’s chi-square were descriptive statistics developed. The statistical packages employed in our analysis were the Statistical Package for Social Science (SPSS 16.0) and Microsoft Excel 2007.

The level of financial literacy among students which is the first and the main research objective of the study was analysed using the statistical package for social science and Microsoft excel software to compute the mean percentage of financial knowledge of students in each section. A percentage score of 80% or above showed a high level of financial literacy, a score from 60% to 79% also showed medium level of financial literacy, and a score below 60% showed a lower level of financial literacy (Chen and Volpe, 1998).

## **CHAPTER FOUR**

### **DATA ANALYSIS**

#### **4.0 INTRODUCTION**

The main purpose of this study is to determine the level of personal financial literacy among university students. This chapter is divided into two sections. The first part comprises of the demographic characteristics and social profile of respondents. The other section also consists of the analysis of the research objectives and findings.

#### **4.1 DEMOGRAPHIC CHARACTERISTICS/SOCIAL PROFILE OF RESPONDENTS**

This section comprises of the demographic characteristics or social profile of students. Variable such as gender, age, marital status, level of study, faculty/department, and working experience are considered. The presentation examines and analyzes data on how these variables are represented and distributed among the students and how it influence or affect their financial literacy. This is essential for analyzing how these variables correlate with each other in the study and also providing depth of understanding for the discussion of the study (Boateng et al, 2012).

##### **4.1.1 Gender of students**

The gender of students was sought. This was to provide the overall view whether gender has an impact on the financial literacy of students. Table 4.1 provides the frequencies of gender of the respondents. The total number of respondents was 140. The data from the field revealed that 90 respondents representing 64.3% was male and the total number of female students who took part of the survey also was 50 representing 35.7%.

**Table 4.1**

<b>Gender of students</b>			
<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
<b>male</b>	90	64.3	64.3
<b>female</b>	50	35.7	35.7
<b>Total</b>	140	100	100

(Source: field survey, April 2015)

#### **4.1.2 Age of students**

The age of students was also indicated in the research to ascertain whether a respondent's age has an effect on his/her level of financial literacy. Generally one can emphasize that as a person grows older, the more knowledgeable that person becomes. The total number of respondents in this question was 140 as shown in table 4.2.

**Table 4.2**

<b>Age group</b>			
<b>Age categories</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
<b>18-20 years</b>	14	10	10
<b>21-25 years</b>	70	50	50
<b>26-30 years</b>	30	21.4	21.4
<b>31-40 years</b>	26	18.6	18.6
<b>Total</b>	140	100	100

(Source: field survey, April 2015)

Out of the total number of respondents, 70 students' age ranges from 21 – 25 years representing 50%. The number of respondents whose ages falls from 26 – 30 years, 31 – 40 years, and 18 – 20 years were 30, 26, and 14 respectively, representing of 21.4%, 18.6%, 10% respectively.

#### 4.1.3 Marital status of students

The marital status of respondents was also catered for. This was done to ascertain the level of financial among married and single students.

**Table 4.3**

<b>Marital status</b>			
<b>Status</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
<b>single</b>	113	80.7	80.7
<b>married</b>	27	19.3	19.3
<b>Total</b>	140	100	100

(Source: field survey, April 2015)

The data displayed in table 4.3 revealed that a total number of 140 students responded to the survey questionnaire. In all 113 responded for single representing 80.7% and the minority side going for married students was 27 representing 19.3%.

#### 4.1.4 Level of study of students

The level of study of students was also recognized. This was to check whether a student's level of study has an impact on his/her financial knowledge. Level 400 students were the highest number of respondents in the survey with 56 respondents, followed by level 200, level 100, and level 300 students representing 22.9%, 21.4%, and 15.7% respectively.

**Table 4.4**

<b>Level of study</b>			
<b>Class ranks</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
<b>100</b>	30	21.4	21.4
<b>200</b>	32	22.9	22.9
<b>300</b>	22	15.7	15.7
<b>400</b>	56	40	40
<b>Total</b>	140	100	100

(Source: field survey, April 2015)

#### 4.1.5 Faculty/Department of students

Students were grouped according to their various faculties and departments. This was done to assess the impact of business background of a student has on his/her level of financial literacy. .

**Table 4.5**

<b>Faculty/Department of student</b>			
<b>Faculty/Departments</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
<b>school of business</b>	80	57.1	57.1
<b>faculty of humanities</b>	26	18.6	18.6
<b>department of nursing</b>	14	10	10
<b>department of computer science</b>	20	14.3	14.3
<b>Total</b>	140	100	100

(Source: field survey, April 2015)

The most dominated group was students from the School of Business with respondents of 80 representing 57.1%. The minor side were students from Faculty of Humanities, Department of Computer Science, and Department of Nursing with 18%, 14.3%, and 10% respectively

#### 4.1.6 Working experience of students

The working experience of students was analysed to check whether a student's level of financial literacy depends on the working experience of students. In all 140 students responded. Students who with no working experience topped the table with 48 respondents representing 34.3%. Students with less than two (2) years working experience, more than four (4) years working experience, and two (2) to four (4) years working experience also follows in descending order representing 28%, 22.9%, and 14.3% respectively.

**Table 4.6**

<b>Working experience</b>			
	Frequency	Percent	Valid Percent
<b>None</b>	48	34.3	34.3
<b>less than 2 years</b>	40	28.6	28.6
<b>2 years to 4 years</b>	20	14.3	14.3
<b>more than 4 years</b>	32	22.9	22.9
<b>Total</b>	140	100	100

(Source: field survey, April 2015).

## **4.2 LEVEL OF FINANCIAL LITERACY**

The overall results for the level of financial literacy among university students are tabulated in table 4.7. Chen and Volpe (1998) grouped the mean percentage of correct score into three categories: 80% and above, 60% to 79%, and below 60%. A percentage score of 80 or above showed a high level of financial literacy, a score from 60% to 79% showed medium level of financial literacy and a score below 60% showed a low level of financial literacy. Chen and Volpe (1998) tested the level of financial literacy of college students on; savings, borrowing, insurance, investments, and general financial knowledge. The mean score for general financial knowledge of student was 72.6% which indicates that students in Christian Service University College have medium level of financial literacy in this section. Under the savings and borrowing section, the mean percentage of correct score was 36.45% indicating that CSUC students' financial knowledge on savings and borrowing is low. The next section is the insurance, and the mean percentage of correct score for CSUC students was 45% which also falls under the low category. Students' level of knowledge on investment was also assessed. The mean percentage of correct score was 54.3%, indicating that their level of financial literacy concerning investment is also low. In general, this study indicates that students' level of financial literacy about general financial knowledge is medium as

compared to the other sections which all fall in the low category. The overall mean percentage of correct score for the survey is 52.09%, indicating that the level of financial literacy of students in Christian Service University College is low.

**Table 4.7**

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**Mean percentage of correct score to the survey questions and their various subsections**

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	<b>Low Below 60%</b>	<b>Moderate 60%-79%</b>	<b>High Above 80%</b>
<b>General Financial Knowledge (Section B)</b>			
Source of government income			86.4%
Retirement income paid by a company		67.1%	
Instrument typically associated with spending		64.3%	
<b>Mean percentage</b>		<b>72.6%</b>	
<b>Savings and Borrowing (Section C)</b>			
Acquisition of e-zwich card	42.9%		
Over spending	30%		
<b>Mean percentage</b>	<b>36.45%</b>		
<b>Insurance (Section D)</b>			
Main reason to purchase insurance	35.7%		
Knowledge about health insurance	54.3%		
<b>Mean percentage</b>	<b>45%</b>		
<b>Investment (Section E)</b>			
Place where shares are traded	54.3%		
<b>Mean percentage</b>	<b>54.3%</b>		
<b>Overall mean percentage</b>	<b>52.09%</b>		

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(Source: field survey, April 2015)



One reason for the low level of knowledge is the systematic lack of a sound personal finance education in college curricula (Chen and Volpe, 1998). Danes and Hira (1987) asserted that most of the higher education institutions put little emphasis on students' personal finance education. Even business schools do not require students to take a Personal Finance Management course (Bialaszewski et al., 1993). According to a survey by Gitman and Bacon (1985), only 5% of business school offers an undergraduate major in finance services.

### 4.3 INFLUENCES OF FINANCIAL LITERACY

#### 4.3.1 Gender

Table 4.8 shows percentages of students' gender and their level of financial knowledge. In all female students were at the top with 57.7% mean correct score to financial literacy questions while male students also had a mean score of 54.8%.

**Table 4.8**

	<b>GENDER</b>	
	<b>Male</b>	<b>Female</b>
<b>General financial knowledge</b>		
Source of government income	84.4%	91.8%
Retirement income paid by a company	69.0%	78.3%
Instrument typically associated with spending	73.8%	70.0%
<b>Mean percentage</b>	<b>75.7%</b>	<b>80.0%</b>
<b>Savings and borrowing</b>		
Acquisition of e-zwich card	52.3%	31.1%
Over spending	27.9%	43.9%
<b>Mean percentage</b>	<b>40.1%</b>	<b>37.5%</b>
<b>Insurance</b>		
Main reason to purchase insurance	40.9%	34.1%
Knowledge about health insurance	56.8%	59.1%
<b>Mean percentage</b>	<b>48.9%</b>	<b>46.6%</b>
<b>Investment</b>		
Place where shares are traded	54.5%	66.7%
<b>Mean percentage</b>	<b>54.5%</b>	<b>66.7%</b>
<b>Overall mean percentage of correct score</b>	<b>54.8%</b>	<b>57.7%</b>

(Source: field survey, April 2015)

In respect of this analysis, female university students are more financial sound than male university students. This pattern varies among the various sections; General financial knowledge (male: 75.7%, female: 80%), savings and borrowing (male: 40.1%, female: 37.5%), insurance (male: 48.9%, female: 46.6%), and investment (male: 54.5%, female: 66.7%).

This survey shows that although female respondents are knowledgeable than male respondents but in terms of savings and borrowing, and investment, male respondents had higher knowledge than female respondents. The researchers emphasized that gender difference remain statistically significant. This research disagree with Chen and Volpe (2002) survey. Chen and Volpe (2002) survey on financial literacy among college students found that women generally have less knowledge about personal finance topic.

#### **4.3.2 Marital Status**

A tabulation of marital status of respondents and financial literacy score was performed in table 4.9 and the results revealed that respondents who are single had 52.8% of the overall mean percentage of correct score. The married respondents topped with 68.3% indicating that married university students have moderate financial knowledge and those single have low financial knowledge. The married respondents came top in all the four (4) sections of the survey's questionnaire; general financial knowledge (single: 77.1%, married: 78.2%), savings and borrowing (single: 37.4%, married: 47%), insurance (single: 47.3%, married: 52.2%), and investment (single: 49.5%, married: 96%). Table 4.11 shows that both single and married respondents have moderate level of financial knowledge concerning general financial knowledge with 77.1% and 78.2% respectively. Questions on savings and borrowing, and insurance were also asked and the respondents' knowledge was low. Concerning investment, one (1) question was asked in the survey questionnaire that seeks to find the place where

shares are traded in Ghana. Married respondents had 96% of the correct score indicating a high level of financial literacy at that section while single respondents also had a low level of financial literacy of 49.5%.

**Table 4.9**

<b>GENERAL FINANCIAL KNOWLEDGE</b>	<b>MARITAL STATUS</b>	
	<b>Single</b>	<b>Married</b>
Source of government income	85.7%	92.6%
Retirement income paid by a company	71.0%	78.3%
Instrument typically associated with spending	74.5%	63.6%
<b>Mean percentage</b>	<b>77.1%</b>	<b>78.2%</b>
<b>SAVINGS AND BORROWING</b>		
Acquisition of e-zwich card	40.4%	66.7%
Over spending	34.3%	27.3%
<b>Mean percentage</b>	<b>37.4%</b>	<b>47.0%</b>
<b>INSURANCE</b>		
Main reason to purchase insurance	35.8%	52.2%
Knowledge about health insurance	58.7%	52.2%
<b>Mean percentage</b>	<b>47.3%</b>	<b>52.2%</b>
<b>INVESTMENT</b>		
Place where shares are traded	49.5%	96.0%
<b>Mean percentage</b>	<b>49.5%</b>	<b>96.0%</b>
<b>Overall mean percentage of correct score</b>	<b>52.8%</b>	<b>68.3%</b>

(Source: field survey, April 2015)

The results of this research on marital status and the level of financial literacy of university students are similar to the earlier survey by Danes and Hira (19987). Danes and Hira (1987) researched on the money management of college students and in their survey, married students were knowledgeable than single students. Danes and Hira (19987) asserted that married students are directly involved in various aspects of money management due to the demand of their lifestyle.

### 4.3.3 Class Rank

The findings also suggest that participants from different level of study have different financial knowledge (Chen and Volpe, 1998). The overall mean percentage of correct score to financial literacy questions showed that level 400 participants are most knowledgeable with 63.9%. Level 300, 100, and 200 participants' follows with a mean percentage of correct score of 63%, 47.9%, and 44.9% respectively.

**Table 4.10**

	<b>CLASS RANK</b>			
<b>GENERAL FINANCIAL KNOWLEDGE</b>	<b>100</b>	<b>200</b>	<b>300</b>	<b>400</b>
Source of government income	73.3%	87.5%	90.5%	92.9%
Retirement income paid by a company	73.3%	59.3%	85.7%	73.1%
Instrument typically associated with spending	73.3%	62.1%	73.7%	78.3%
<b>Mean percentage</b>	<b>73.3%</b>	<b>69.6%</b>	<b>83.3%</b>	<b>81.4%</b>
<b>SAVINGS AND BORROWING</b>				
Acquisition of e-zwich card	33.3%	43.8%	50.0%	51.0%
Over spending	20.0%	28.6%	33.3%	43.1%
<b>Mean percentage</b>	<b>26.7%</b>	<b>36.2%</b>	<b>41.7%</b>	<b>47.1%</b>
<b>INSURANCE</b>				
Main reason to purchase insurance	28.6%	25.0%	23.5%	57.7%
Knowledge about health insurance	60.7%	56.2%	80.0%	48.1%
<b>Mean percentage</b>	<b>44.7%</b>	<b>40.6%</b>	<b>51.8%</b>	<b>52.9%</b>
<b>INVESTMENT</b>				
Place where shares are traded	46.7%	33.3%	75.0%	74.1%
<b>Mean percentage</b>	<b>46.7%</b>	<b>33.3%</b>	<b>75.0%</b>	<b>74.1%</b>
<b>Overall mean percentage of correct score</b>	<b>47.9%</b>	<b>44.9%</b>	<b>63.0%</b>	<b>63.9%</b>

(Source: field survey, April 2015)

Generally final year students have more financial knowledge than the lower level of study. Chen and Volpe (1998) analysed on personal financial literacy among college students and revealed that the financial knowledge of college students depends on the class rank of students. Although level 400 participants had the highest overall mean percentage of correct score, but the various sections also revealed that under general financial knowledge and investment sections, level 300 participants were the most knowledgeable among all the level of study.

#### 4.3.4 FACULTY/ DEPARTMENT

The results for the entire survey clearly showed that business majors are more knowledgeable than non-business majors (Chen and Volpe, 1998).

**Table 4.11**

<b>GENERAL FINANCIAL KNOWLEDGE</b>	<b>FACULTY/DEPARTMENT</b>			
	<b>School of Business</b>	<b>Faculty of Humanities</b>	<b>Department of Nursing</b>	<b>Department of Computer Science</b>
Source of government income	92.4%	76.9%	100%	70.0%
Retirement income paid by a company	74.3%	69.2%	71.4%	70.0%
Instrument typically associated with spending	73.5%	81.8%	71.4%	60.0%
<b>Mean percentage</b>	<b>80.1%</b>	<b>76.0%</b>	<b>80.9%</b>	<b>66.7%</b>
<b>SAVINGS AND BORROWING</b>				
Acquisition of e-zwich card	55.3%	23.1%	0%	60.0%
Over spending	34.3%	30.8%	36.4%	30.0%
<b>Mean percentage</b>	<b>44.8%</b>	<b>27.0%</b>	<b>18.2%</b>	<b>45.0%</b>
<b>INSURANCE</b>				
Main reason to purchase insurance	48.0%	15.4%	50.0%	30.0%
Knowledge about health insurance	60.3%	50.0%	75.0%	50.0%
<b>Mean percentage</b>	<b>54.2%</b>	<b>32.7%</b>	<b>62.5%</b>	<b>40.0%</b>
<b>INVESTMENT</b>				
Place where shares are traded	68.6%	46.2%	57.1%	40.0%
<b>Mean percentage</b>	<b>68.6%</b>	<b>46.2%</b>	<b>57.1%</b>	<b>40.0%</b>
<b>Overall mean percentage of correct score</b>	<b>61.9%</b>	<b>45.2%</b>	<b>54.7%</b>	<b>47.9%</b>

(Source: field survey, April 2015)

On average, the business majors (School of Business) answered 61.9% of the survey questions correctly; the non-business majors (Department of Nursing: 54.7%, Department of Computer Science: 47.9%, and Faculty of Humanities: 45.2%). The survey revealed that participants from the Department of Nursing are knowledgeable than the other departments under general financial knowledge and insurance. Chen and Volpe (1998) survey revealed that participants' educational background has a significant impact on their financial knowledge. The survey conducted by Chen and Volpe (1998) showed business majors

having an average percentage score of 60.72%; non-business majors, 49.94%. This survey agree with the earlier research on financial literacy of college students conducted by Chen and Volpe (1998) on the grounds that generally business majors are financially knowledgeable than non-business majors.

#### **4.4 FINANCIAL KNOWLEDGE**

##### **4.4.1 General Financial Knowledge**

Table 4.12 assesses students' general financial knowledge. The result indicates that majority of the respondents have a fair amount of knowledge concerning interest rate, finance charges and credit items, bank accounts, and financial institutions. On the other hand, majority of the respondents indicated that they have no knowledge on pension scheme.

**Table 4.12**

<b>General Financial Knowledge</b>	<b>Nothing</b>	<b>Little</b>	<b>Some</b>	<b>A fair amount</b>	<b>A lot</b>
Interest rate, finance charges and credit items	34	19	22	41	18
Pension scheme	44	30	28	26	10
Bank accounts	28	21	27	39	22
Financial institutions	10	27	33	40	28

**(Source: field survey, April 2015)**

#### 4.4.2 Savings and Borrowing

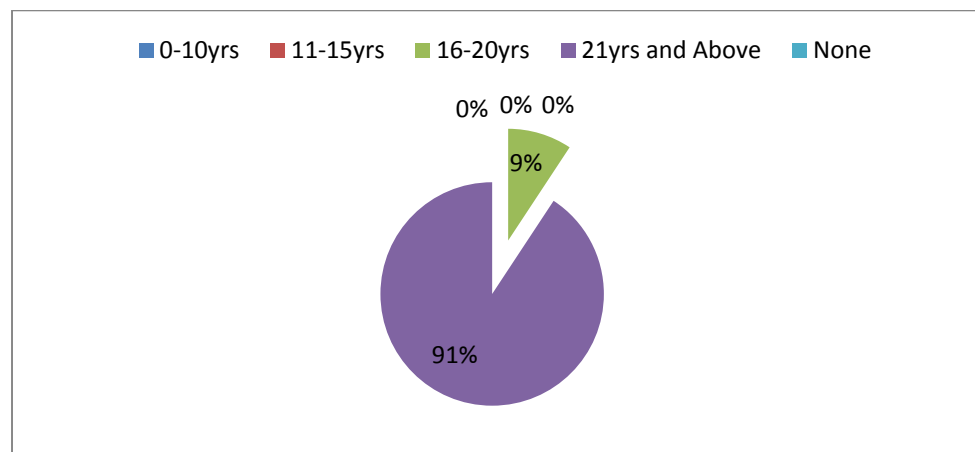
**Table 4.13**

<b>PERSONAL BANK ACCOUNT</b>			
	Frequency	Percent	Valid Percent
<b>yes</b>	120	85.7	88.2
<b>no</b>	16	11.4	11.8
<b>Total</b>	136	97.1	100
<b>Missing</b>	4	2.9	
<b>Total</b>	<b>140</b>	<b>100</b>	

(Source: field survey, April 2015)

According to table 4.13, majority of students who participated in the survey indicated that they have a personal bank account. In all one hundred and twenty (120) respondents agreed that they have a personal bank account whiles sixteen (16) respondents indicated that they do not own a personal bank account.

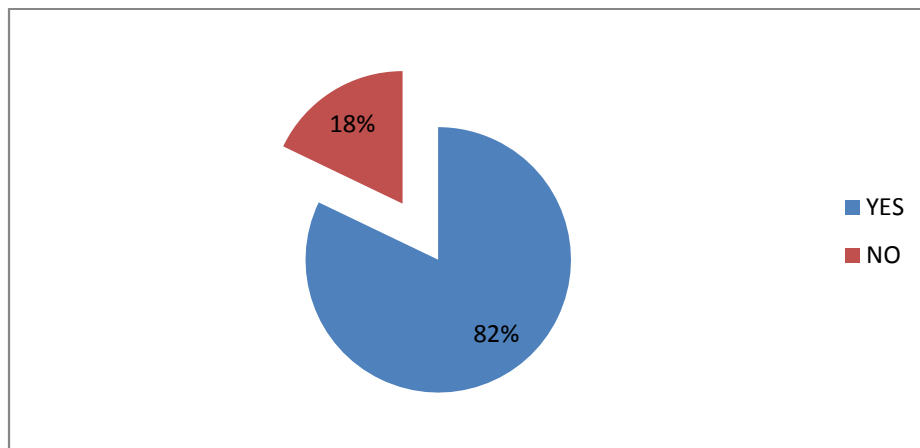
**Figure 2: Savings Habit**



**Source: Field Survey, April 2015**

The above figure indicates that, 91% of the respondents cultivate and start the habit of savings at 21years and above. 9% also tend to save between the age range of 16 to 20. Below 15years had none. This clearly shows that, majority of the students develop the savings habit at their youthful ages, specifically 21years and above.

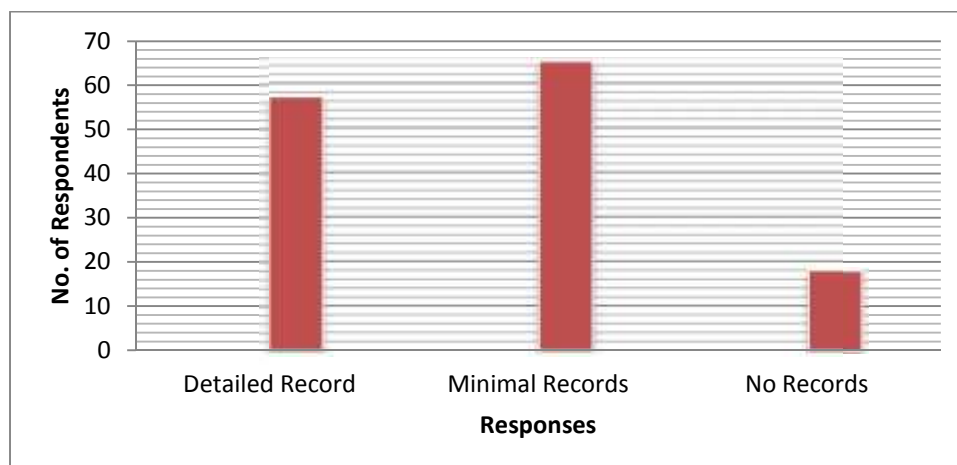
**Figure 3: Personal Bank Account**



**Source: Field Survey, April 2015**

The above figure illustrates that, 82% majority of the respondents have personal bank account while 18% have none. This means students have fair knowledge in banking services in terms of savings.

**Figure 4: Personal Finance Records**



**Source: Field Survey, April 2015**

According to Figure 4, 57 of the respondents representing 41% keep detailed of the personal financial activities. 65 of the respondents also constituting 46% keep minimal records and their personal finance while 18 respondents (13%) do not keep any financial records.



However, it can be concluded that, majority of students are ignorant on the importance of keeping personal financial records to track their financial activities.

#### 4.4.3 Insurance

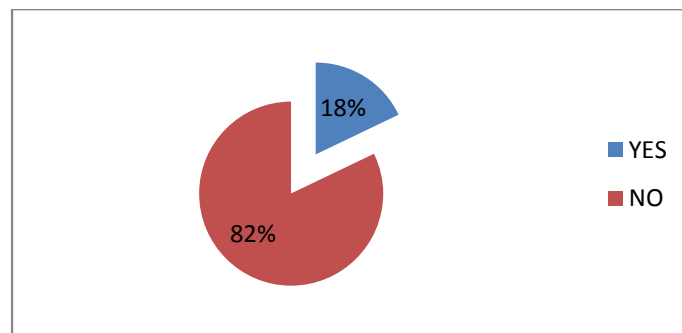
**Table 4.14**

<b>PERSONAL INSURANCE COVER</b>			
	Frequency	Percent	Valid Percent
<b>Yes</b>	89	63.6	65.4
<b>No</b>	47	33.6	34.6
<b>Total</b>	136	97.1	100
<b>Missing</b>	4	2.9	
<b>Total</b>	<b>140</b>	<b>100</b>	

(Source: field survey, April 2015)

Most of the students who participated in the survey have personal insurance cover (NHIS). 63.6% of the respondents indicated that they have personal insurance cover; while 33.6% of the respondents also do not have a personal insurance cover.

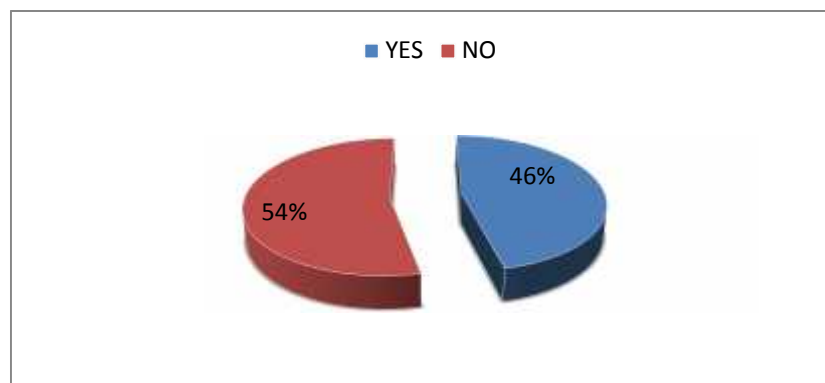
**Figure 5: Personal Insurance Cover / NHIS**



**Source: Field Survey, April 2015**

The result of figure 5 is almost directly opposite to that of NHIS. Most of the students who participated in the survey do not have personal insurance cover. 18% of the respondents indicated that they have personal insurance cover; while 82% of the respondents also do not have a personal insurance cover.

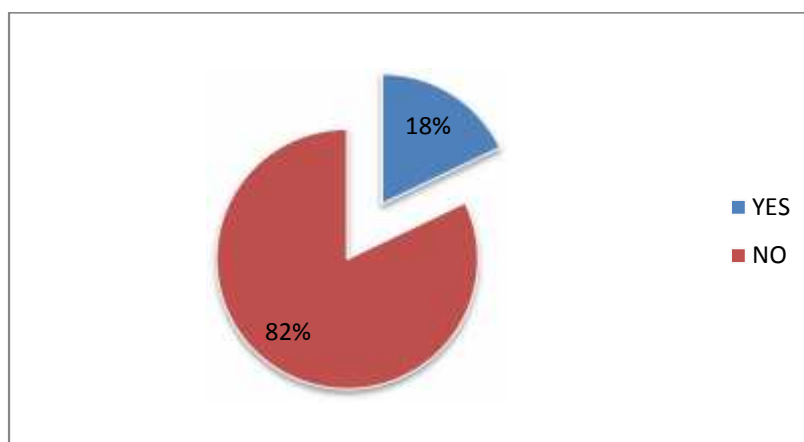
**Figure 6: Investment Packages and Bonds**



**Source: Field Survey, April 2015**

The figure above illustrates that 54% of the respondents constituting majority do not engage in bond trading and other investment products therefore do not own one. Only 45% own investment packages.

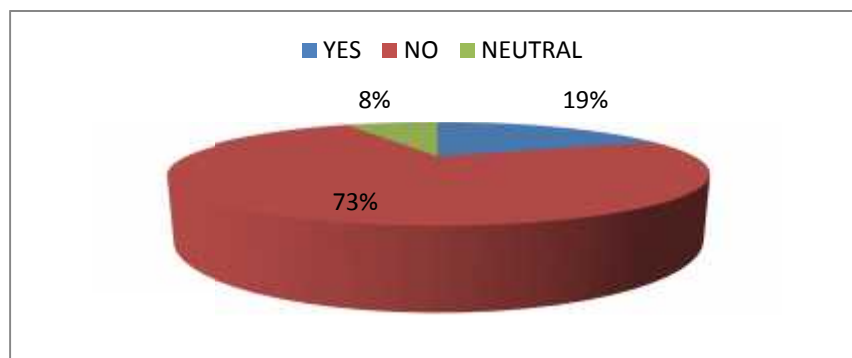
**Figure 7: Personal Finance Course**



**Source: Field Survey, April 2015**

Figure 7 indicates that majority of students who participated in the survey have not taken a course in personal finance. In all one hundred and fifteen (115; 82%) respondents have not pursue personal finance course. 25 of them representing 18% have attended financial education courses or seminars.

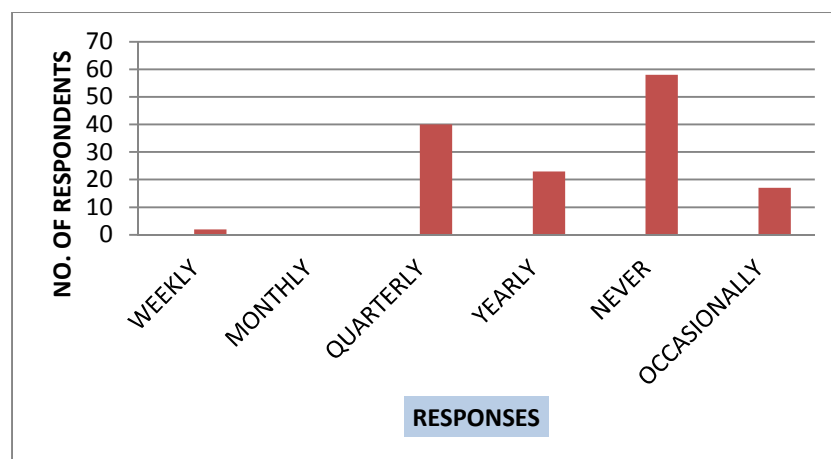
**Figure 8: Consideration of Personal Finance Course Enrolment**



**Source: Field Survey, April 2015**

The above figure (figure 8) indicates that majority of students who participated in the survey have not taken a course in personal finance. In all one hundred and five (105; 73%) respondents has not taken personal finance course. 28 of them representing 19% have attended financial education seminars while 11 respondents (8%) stayed neutral.

**Figure 9: Financial Course/Seminars**



**Source: Field Survey, April 2015**

Figure 9 above shows that, only 2 respondents have noticed the importance of financial literacy and therefore are pursuing short course on personal finance. 45 of the respondents have never attended course or seminar on financial literacy. 22 of the respondents attend financial training annually while none of them do have monthly studies on personal finance.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 INTRODUCTION**

This chapter presents summary of findings, conclusion, and recommendations of the study. Future prospects of research have also been presented in this chapter.

#### **5.1 SUMMARY OF FINDINGS**

This study of financial literacy among university students surveys 140 students from Christian Service University College in Ghana. The first objective for this study seeks to determine the level of personal financial literacy among university students which came out that the average score of financial literacy for the survey was 52.09%. This indicates that the majority of Christian Service University College students could answer correctly to more than half of the questions contained in the questionnaire. One reason for the low level of knowledge is the systematic lack of a sound personal finance education in college curricula. Given the lack of personal finance education, it is not surprising the results show that university students have inadequate knowledge on personal finance. Also low level of financial knowledge can be attributed to young age of respondents. Table 4.2 indicates that 60% of the participants are from the ages of 18 to 25 years. This means that majority of them are in a very early stage of their financial life cycle. At this stage of their cycle, they are exposed to a limited number of financial issues related to general knowledge, savings and borrowing, and insurance. During this period, most of their incomes are spent on consumption rather than investment. These factors may explain the differences in the mean percentages of correct answers for the sections of General Financial Knowledge (72.6%), Savings and Borrowing (36.45%), Insurance (45%), and Investment (54.3%). A further look

into the scores on individual questions shows that students score higher on issues with which they are familiar. For example, the highest score is related to source of government income. Participants are familiar with the issue because it is general issue. In contrast, students have little experience with e-zwich card, investment, and insurance policies. Subsequently, they earn low scores in these areas.

The second objective is to determine whether gender of student has an influence on his/her level of financial literacy. A tabulation of gender and financial literacy was analysed. The result of this research indicates that female university students are more financially knowledgeable than male students.

The third objective is also to determine whether marital status of student has an influence on his/her level of financial literacy. The findings revealed that marital status of student has a significant impact on his/her level of financial literacy. Result from the analysis indicates that married students are more financially knowledgeable than students who are single. This could be attributed to the fact that married students have several financial and management duties to attend to.

This study also revealed that participants at the higher level of study earned higher scores in the survey. This is attributed to the fourth objective. One cause of this is that by staying in university longer, students will naturally pick up more about personal finance.

The last objective of this study is to determine whether programme of study of student has an influence on his/her level of financial literacy. The overall result indicates that business major students are financially knowledgeable than non business major students. The researchers' argument is that students do not gain more knowledge of personal finance by just spending more time in college learning other unrelated subjects. They learn the subject through a business course, seminars, or their own mistakes. The argument is consistent with the finding of this study that business majors are more knowledgeable than non-business

majors. The finding is not surprising because curriculum requirements of business majors give them more opportunity to take finance and related courses.

## **5.2 CONCLUSION**

In conclusion, this research examines the level of financial literacy among university students in Ghana and the findings reveal that students in Christian Service University College have low level of financial knowledge. Although care must be taken not to generalize the results beyond this university college, the findings indicate the need for financial literacy education. This study become a matter of an interest as majority of university students today are unable to make financial decisions on insurance, savings and borrowing, and investment. The results help to identify student populations that would benefit most from educational programs about financial literacy. Students' age, marital status, level of study, and course offered at the university have significant impact on their level of financial knowledge.

## **5.3 RECOMMENDATIONS**

The researchers recommend that financial literacy course should be integrated in the university curriculum in all the departments. Perhaps it should be a mandatory course to studied not less than two semesters.

Also the university should organise seminars, symposiums, and workshops on financial literacy for students at least twice every semester. It is imperative that universities take an active part in preparing their graduates to better obtain, understand and evaluate financial information. This will help boost students' financial knowledge, attitude and habit.

Students should incorporate the habit of financial education in their day to day activities in order to enhance their financial knowledge. This can be done by attending lectures and reading books on financial knowledge and management.

Lastly, the researchers recommend that students should put into practice the financial knowledge they acquire from attending financial literacy courses to broaden their horizon.

#### **5.4 RECOMMENDATIONS FOR FUTURE RESEARCH**

Future researchers should focus on respondents from different universities in Kumasi to make the result more reliable. This should be done by focusing on either private or public universities in the regional capital. Further research on it should also consider a comparison of public university students and private university students to ascertain which of them are more financially sound.

Lastly, future researchers on this topic should also perform more advance statistical analysis considering Analysis on Variance (ANOVA) and regression.

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**APPENDIX I**  
**CHRISTIAN SERVICE UNIVERSITY COLLEGE**  
**SCHOOL OF BUSINESS**  
**RESEARCH QUESTIONNAIRE**

Dear respondent,

This is business administration students from Christian Service University College (CSUC) level 400. Pursuing an academic research; this questionnaire is intended to find out the level of financial literacy among university students “CSUC”. The quest for information is principally for academic purposes. Responses provided shall be treated confidentially and uniquely for the stated purposes. Please be candid in expressing your opinions closet to the way you feel about the issue.

**Demographics: (section A)**

Please tick the response that you find most applicable to you.

1. Gender

☐ Male ☐ Female

2. Age group

☐ 18-20 ☐ 21-25 ☐ 26-30 ☐ 31-40 ☐ Above 40

3. Marital status

☐ Single ☐ Married

4. Level of study

☐ 100 ☐ 200 ☐ 300 ☐ 400

5. Faculty/department

☐ School of Business (Accounting, Marketing, HRM, Banking and Finance)

☐ Faculty of Humanities (Community Dev't, Theology and Communication Studies)

☐ Department of Nursing

☐ Department of Computer Science

6. Are you a

☐ Regular student ☐ Part-time student

7. Do you reside in the hostel?

☐ Yes ☐ No

8. How many years of working experience do you have? Include full or part time experience, internships etc.

☐ None ☐ Less than 2 years ☐ 2 years to 4 years ☐ More than 4 years

9. How do you get your allowance for every month?

☐ SSNIT loan (student loan trust fund)

☐ Scholarship

☐ From parents

☐ Working

### Financial Knowledge (Section B)

In this section, we would like to know how much do you understand about the following statements. Please circle the answer to indicate your degree of financial knowledge.

		Nothing	Little	Some	A fair amount	A lot
10	Interest rate, finance charges and credit terms.	1	2	3	4	5
11	Pension scheme	1	2	3	4	5
12	Current account and fixed deposit.	1	2	3	4	5
13	Commercial bank, Rural bank, Savings and Loans and Microfinance.	1	2	3	4	5

14. Which of the following is NOT a source of income for the government?

☐ Tax                      ☐ Bond                      ☐ Free education                      ☐ Import duties

15. Retirement income paid by a company is called:

☐ Single Span              ☐ Social Security  
☐ Pension                      ☐ Rents and profits

16. Which of the following instruments is NOT typically associated with spending?

☐ Credit card                      ☐ Certificate of deposit  
☐ Cash                              ☐ Debit card

### Savings and Borrowing (Section C)

17. When did you start your saving habit?

☐ Below 10 years old  
☐ 11 - 15 years old  
☐ 16 - 20 years old  
☐ Above 21 years old  
☐ I don't have any saving habit.

18. Do you have a personal bank account?

☐ Yes                      ☐ No

19. Do you maintain financial records?

☐ Maintain very detailed records                      ☐ Maintain minimal records  
☐ Maintain no records

20. Is it necessary to have a bank account before acquiring an e-zwich card?

☐ Yes                      ☐ No

21. You are not over spending if

☐ You apply for a bank overdraft

- ☐ Your monthly salary is GHS500 and you owe GHS800
- ☐ You frequently receive calls from your creditors (people you owe)
- ☐ Your monthly debt payment is 30% of your net income

#### **Insurance (Section D)**

22. Do you have a personal insurance cover / NHIS?

- ☐ Yes ☐ No

23. How important it is for you to maintain adequate personal insurance coverage?

*Circle the most applicable answer:*

Strongly Unimportant 1	Somewhat Unimportant 2	Not Sure 3	Somewhat Important 4	Very Important 5
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24. The main reason to purchase insurance is to

- ☐ Protect you from a loss recently incurred
- ☐ Provide you with excellent investment returns
- ☐ Protect you from sustaining a catastrophic loss
- ☐ Protect you from small incidental losses
- ☐ Improve your standard of living by filing fraudulent claims

25. Health insurance provides

- ☐ Insurance against illness or bodily injury
- ☐ Insurance coverage for medicine and visits to the doctor
- ☐ Insurance for hospital stays and other medical expenses
- ☐ All of the above

#### **Investment (Section E)**

26. Do you own an investment package (bond, Treasury bill, etc?)

- ☐ Yes ☐ No

27. In Ghana, listed/issued shares are traded on the

- ☐ Bank of Ghana ☐ Ghana stock exchange
- ☐ Securities and Exchange Commission ☐ Ghana investment Market

#### **YOUR PERSONAL FINANCE OPINIONS, DECISIONS AND EDUCATION (Section F)**

**Please circle the most appropriate**

		Never	Seldom	Sometimes	Often	Always
28	Paying student bills on time	1	2	3	4	5
29	Managing finances.	1	2	3	4	5
30	Record expenditures.	1	2	3	4	5
31	Compare prices when shopping.	1	2	3	4	5
32	Exceeding my monthly budget.	1	2	3	4	5

33. Have you taken a course in personal finance?

☐ Yes ☐ No

34. If you haven't, would you consider enrolling in one?

☐ Yes ☐ No ☐ Neutral

35. On average, how frequently you attend talks and activities that related to finance?

☐ Weekly ☐ Yearly  
☐ Monthly ☐ Never attend  
☐ Quarterly ☐ Occasionally

**Thank you for participating in the survey. We appreciate your assistance**