

The influence of financial literacy education on students' personal financial management and aspirations

Briefing Report

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Introduction

This short briefing paper focuses on the impact of the *ifs School of Finance* Certificate in Financial Studies (CeFS) course on personal financial management. The findings are based on the 2004/5 cohort of a three-year longitudinal study¹ (cohort 1) at the University of Manchester, School of Education, which examines the impact of the CeFS course. This briefing paper reports on the influence of the CeFS over the duration of the course and beyond. Students were surveyed and interviewed during their CeFS course and six months after completion about its influence on their personal financial management, their perceived financial self-efficacy and future educational and career aspirations.

The CeFS mainly attracts students with a vocational orientation although students who are more academically oriented also enrol on the programme. The percentages of students in receipt of educational maintenance allowances (EMA) and entitled to free school meals are inline with national averages. However, 30% of students in cohort 1 were from non-white minority ethnic groups. This proportion is high when compared to the proportion of such students who enrol on A or A/|S level courses typically around 4.6%

Three vignettes demonstrating the impact of taking the CeFS on personal financial management for individual students are appended.

Key Findings

¹ A mixed methods longitudinal survey design was employed. This combines a repeated questionnaire survey and in-depth qualitative interviews with students from case study institutions (schools and further education colleges). Three surveys were issued to cohort one during the year of study (survey 1, N= 377, survey 2, N= 356, Survey 3. N= 758, Total student population, N=1251). 63 interviews with students were analysed. A follow-up survey was issued 6 months after course completion, N=242, and another is due to be issued 18 months after course completion.

The CeFS course was found to impact positively on:

- students' personal financial management
- financial self-efficacy² and knowledge
- intentions to study in HE
- intention to consider pursuing a career in the financial services sector.

Personal Financial Management

- Students indicated that as a result of taking CeFS they now consider seriously their personal financial management: approximately 50% stated that they had made changes to the way in which they spend money.*
- Most students had already opened a bank account prior to beginning the CeFS course, but typically they purchased new 'replacement' products (e.g. they changed to a different account, which yielded a better return and others purchased additional 'non-traditional' products, such as ISAs or investment bonds). There was an increase in the number of students owning multiple financial products.
- There was a decrease in the proportion of students who owned one or more credit or store cards.*

Quotes from students:

'I've actually changed one of my accounts because of what he [the teacher] said. I've got a savings ISA because at my work I ended up paying tax which they gave back to me a few months ago so that was £400'

'I'm going to open a savings account like I said to get some money, hopefully one with good rates and that, best interest.'

Financial Self-Efficacy and Knowledge

- Students reported that the CeFS course had changed the way they value money*; for example, in terms of their capability to make more considered choices about how they spend money.
- There was a significant improvement in financial understanding detected over the duration of the programme*: 80% of respondents reported understanding money issues better since starting CeFS and this had increased to 91% of respondents by the time of the end of course survey.
- The qualitative data showed students talking confidently about how they were better able to handle financial matters and use their newly acquired knowledge.

² It is now almost thirty years since Bandura (1977) proposed the construct of self-efficacy: "beliefs about one's own ability to successfully perform a given behaviour". He later situated this within a social cognitive theory of human behaviour (Bandura, 1986), before more recently developing this further within a theory of personal and collective agency (Bandura, 1997).

Quotes from students:

“...I'd be able to get a mortgage loan, now I understand the language in depth.

“A lot of my friends, for example, they wouldn't have any idea about how a fixed rate mortgage would work, or variable rate mortgage or how budget affects money but because I took the course I understand them. Otherwise, you don't understand the fact that money depreciates in value over time because of inflation.”

Intentions to Study in HE

- 23% of students reported that their plans in relation to studying in HE had been influenced by taking the CeFS course. This is a high response. Given that students are taking other courses, and there may be many conditions mediating future educational intentions, we suggest that a positive response of 23% is high.
- Often students reported that taking CeFS had either reaffirmed their intention to study business or finance and/or helped them focus on a particular specialism.
- For those students who stated that taking CeFS had influenced their plans to continue to HE responses could be categorised into four groups:
 - enjoyment
 - utility
 - interest to work in financial services sector
 - increased confidence.

Quotes from students:

- *Due to this course I clearly understand what products are around and I would like to continue enjoying the subject.*
- *I can relate it to my everyday life and can advise other people.*
- *The course I have already done has helped me at work so I would like to continue to extend my knowledge to help me further*
- *I had very little intention of studying finance further, but since studying for this course, I feel that finance is something I would consider studying further.*
- *Seeking a job in finance is more achievable after taking CeFS course*
- *It has given me the confidence in knowing what to do.*

Intentions to Pursue a Career in Finance

- The CeFS course was found to reinforce students' intention to consider pursuing a career in the financial sector.

Continuing Impact Beyond the Duration of CeFS.

The cohort has been surveyed to ascertain student's perceptions of the impact of taking CeFS six months after its completion.

- (a) The survey shows that students' confidence in financial matters remains high.

- Students continued to state that the course had helped their understanding of money issues. Over 90% students agree with the benefits of understanding their own money issues. This figure is same as that in the end of course survey (S13). The change for males is more significant than that for females.
- The vast majority of students continued to state that the course has enabled them to make more sensible decisions about how they spend their money. Approximately 85% of students reported that the course enabled them to make more sensible choices about spending their money. N.B. figures reflect responses to different survey items.

(b) Students reported that their attitudes towards money had changed because of taking the CeFS course.

- Students still considered pursuing a career in the financial services. 50% of students agree they are still likely or very likely to pursue a career in financial services six months later.
- The majority of students continue to agree that their financial management was affected by the course. Approximately 58 % students agree that they benefit from taking the CeFS course in regards to managing their own money.
- Six months on from completion, students usually place educational achievement above income as a factor related to achieving their personal aspirations. Over 90 % students confirm that their aspirations are related to education achievements. This compares with 81% agreeing that aspirations related to income.

(c) Six months on from completion, students continue to be self-efficacious in their personal financial management. Near 95 % students state that they are able to manage their own finances.

These positive responses are unusual when compared to findings from other studies that have evaluated the long-term impact of other training courses.

Widening participation

Consistent with the literature, female students typically report lower levels of confidence and understanding than male students. However, during the programme, the gap between the female and male students lessens and this catch-up effect` continues to remain 6 months after course completion.

The *ifs* School of Finance is taking the issue of widening participation seriously. The University of Manchester Team is providing additional data gathered from talking to teachers and students undertaking the CeFS programme concerned with making the material more socially inclusive, and the *ifs* School of Finance is continually updating their materials to meet the requirements.

Summary

Early indications from the research suggest that the impact of CeFS on students' personal financial management and educational/career aspirations compares well with evaluations of other financial education courses reported in the literature (Braunstein and Welch, 2002). One reason for this may be the 'realistic education' curriculum design underpinning the CeFS programme. The research revealed a strong student voice of the view that the course was 'useful;' and related to real life issues.

Student quote:

I've got lots of friends and family members that are so confused that they don't know anything. They say how do you know this and it's the course I'm doing, it really does make a difference you know because before when people talked about this, I didn't even know what goes on in the world and it helps.

There is evidence in the financial education literature (e.g. Tennyson and Nguyen, 2001) that a specifically designated course where students know that its total aims relate to areas of financial management is more effective than courses which cover a wide range of areas. This view would appear to be supported by our study.

As the research progresses we will continue to examine how the impact of the CeFS course on students' personal financial management, and educational/career aspirations is sustained after course completion.

References

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* statistically significant at 5% level.

Appendix

4 Student Vignettes

Christie is a White UK female student at a Further Education College in the North West of England. She initially took *ifs* Certificate course (CeFS) because “*it just sounded really interesting and useful.*” In the first interview, she said that she changed her bank account as a result of what she learned in the course. When asked for any other changes she has made in her life, she responded, “*I think it’s just made me more aware and I’m more confident now. I know that when I go to University, you know loans, I’ll be expecting [it] and when I get a mortgage I’ll know what’s going on.*” She also states that, “*it’s probably made me more realistic*” and notes that she would not get a credit card based on what she read in newspaper clips about people in debt. She explains further what she means by being realistic when she shares her views on getting loans to pay for university: “*There is the problem of the loan but I think it’s worth it in the long run.*” She is confident in her ability to manage her loans because she is aware of how they work. That is, she knows that “*you don’t start paying it back until you earn a certain amount anyway.*”

In the first interview, she is not yet sure what career to pursue but is considering being a barrister or management accountant. By the second interview, she has decided to go into Financial Management Sector and said that this decision was made based on her experience with the *ifs* Diploma course, which she opted for after completing the certificate. She notes that the course was not the only reason for her decision, saying that, “*well, I was always interested in money and everything before, but yeah, the course helped.*” She has already been offered a place at a University to pursue this interest further. In this second interview, she pointed out that she has always been careful with money, but that the course did teach her about “*stuff for later on in life*” such as mortgages and loans.

The decision to change her bank account was the main way that the course impacted her personal finances, as she notes, “*I wasn’t really interested in interest rates and everything before, I mean I knew about them but I just never bothered to change and then when I was doing it last year I did change my bank account.*” She explains how the course impacted her views on money and budgeting:

And it’s just changed my-- the general way that I treat my money, as in like budgeting properly instead of just having it all in my head or just saying I’ve got this much in my bank so I can spend. But now I know, I always know how much money I’ve got in my bank and I always know what I’m spending it on.

She has plans to open a savings account with money her parents are going to give her and has worked out her budget for when she enters university. She has been living on her own since August (after the end of her first year in the CeFS course), budgeting the money she receives from educational assistance.

Raj is a Male of Indian ethnic background at a state comprehensive school in the West Midlands region of England. He is studying Design, Business and IT. He took the course because he *“wanted to get some general information on how to go about like starting bank accounts, and things like that, general education on financial studies.”* Raj talked about what he learned from the course, saying, *“I’m informed about it now”* and giving examples of what he knows more about: *“Before I didn’t know that there was... Savings products, insurance brokers, what they do, what they are, what you should take, what you shouldn’t take.”*

His career aspirations are geared towards audio video related jobs, with hopes to go into multi-media or broadcasting. He said that these aspirations have been developed through his volunteer work at his Temple. He is not planning to work within the financial world and reminds us that career plans were not the reason he took the *ifs* course: *“I just wanted mainly the knowledge of- when I do like buy my own house, what I should do, shouldn’t do, all that stuff.”*

In the second year, he decided to go on and do the *ifs* Diploma. His Indian cultural heritage played a role in his decision to take the course as he states when explaining why he took the Diploma course: *“Well partially because I heard it was a good course and it was a good kind of subject to take at the time because I’m from an ethnic minority, being Indian, and it’s like a tradition to do business or financial related subjects so that was one thing that I chose to do.”*

He also judged the value of the course in terms of how it has made it possible for him to advise his father. He said:

My Dad used to handle everything, however, like after taking the Certificate I’ve begun to manage my own accounts and do everything myself, I try and manage money, make sure I research into [the] right product, I even help my Dad now, in terms of looking for the right products. And this course is really good in terms of general money handling in your life. It’s not all in depth -- just add money up. It’s more general knowledge you should know, you should be able to do those kind of things.

He further comments, *“I understand quite a lot of stuff about the adverts now because I didn’t know anything about what they were taking about before I took the courses, so a lot more informed. Like I can understand adverts now.”* And although he hasn’t made any changes to his finances, he is confident that he can make changes if necessary: *“I just stay aware in case something dramatic happens, I can always change anything.”*

James is a white UK male from a mixed comprehensive foundation school in the South East of England. He took the *ifs* course because he thought it would be an “*interesting sort of subject to take.*” In his first interview, he talked about his interest in pursuing a career in art design or animation. For him, the course was a side interest:

I sort of like have an interest in finance I think it's a good thing to sort of have when I'm older you know and all-- going to go into the big wide world we all need to know about mortgages, we need to know about loans and things like that, so I thought [I] might as well take it as a sort of fun subject just to sort of learn off it. You know, you hear about people on the news and thousands in pounds of debts and stuff I just thought it was an interesting sort of thing just to have. When I grow older you know, the things I sort of need to know.

By the second interview, when he was enrolled in the Diploma course, he told us why he decided to pursue a career in finance instead and make art his hobby:

I've dropped of the art idea and feel I can do something in the money business. I think watching TV programmes and the Dragon's Den and things like that it excites me. It's a sort of passion. To wake up in the morning and to go to work to sort out contract deals and businesses and things like that -- it excites me. We need people in the world to do this and it's an area I see myself in.

In the first and second interviews, he also talked about how the course influenced his current financial practices. In the first interview, he noted that he started a job as a waiter and with money coming in now, he's set up an ISA account and a standing order so £10 a month goes into his ISA account. He notes, “*I'm sort of looking to the future and saving things like that you know. Got all different direct debts coming in and out of my bank account for my contract phone and things like that so it's quite nice, you know. I had to set them up myself so it's right...it's changed. Usually it was just like get money and spend it and everything but now I'm sort of looking at the big picture and saving up for you know things that I want. I want golf clubs and things like that. Saving up for a car soon so I put some money aside and things like that.*”

In both interviews, he talked about how he shares what he has learned about finance with his parents. He commented, “*I've actually helped work colleagues and family friends, not saying that I'm a financial expert or anything but I can-- it feels quite nice if you can help them out.*”

In the second interview, he described how the Diploma course further developed his knowledge and confidence in finance:

Just the confidence, I mean, when I was starting then-- I wouldn't say I was scared, I wouldn't go to my bank for you know, since then I've set up direct debit, standing orders to cover phone bills, to cover this. I've set up money transferring I've set up an ISA account transferring money into there it's just the confidence. I can understand why people are scared of banks; it's a big thing.

He has also begun planning for how to pay for university, which will include help from his parents and his savings. He is considering investing some of that money as well, noting that the

money “*might go in investments as well to build up surplus because obviously I have to pay it back after you finish so.*”

He notes that people don’t necessarily know what financial education would entail or why they should take it:

You say the word finance and they think its ‘this, this, this’, and maybe that’s me because I like that kind of thing I was keen to get into it. You know it’s a great help, if people understand how much help it could give them they’d understand that the course is worthwhile; it’s just the helping sort of factor. I can understand why people go on about finance but if they understood it more.

Salima is a woman of Pakistani ethnic background who took the *ifs* Certificate course offered at her Further Education College in the North West of England. She said she took the course because it was presented to her and her classmates as something ‘*interesting*.’ She described the course as, ‘*it’s generally about knowing things really*’ and comments that these are things ‘*you don’t really think too much about it, it’s just something you know*.’ Her other courses are in business, which is something she said she has always been interested in.

In her first interview, she talked about how the *ifs* course changed the way she thinks about her finances: ‘*Now I think what’s more important, you know, your needs... the necessities are far more important than your wants and what you have to put forward is what you need rather than what you want*.’ Although she attributes this change in part to her maturity level, she also comments that ‘*you do tend to learn off the things that you study*.’

Salima also commented on how she thinks more about her future since taking the course. She said, ‘*I’ve never had plans for my future I take things as they come but I have started to make some plans and send some CVs and stuff out now*.’ In her second interview, she admits she still takes life as it comes, but is now considering going to university although she hasn’t worked out how she would pay for it. For the current time being, she is working part-time in a shop and not enrolled in school. She anticipates working in administrative or secretarial work.

She commented on how the course has helped her:

It kind of helps me in my day-to-day life. It has helped me because it’s like I know now what it is that I need and what it is that I couldn’t afford at this moment in time according to my finances and that’s how it has helped. It has actually helped me a bit.

What she learned in the Certificate course about distinguishing needs and wants has continued to impact her approach to her finances one year after the course. In her second interview, she said, ‘*I kind of save up for what I want now. Before I would just go and buy it or whatever, but now I kind of save up for what I want to get and what I need is what I put forward*.’

She also commented on how the knowledge she gained has given her confidence to make financial decisions. She can make some of her own financial decisions now ‘*even if it’s the smallest decision, I can do it myself now because I have that... background information*.’