

THE YOUNGSTERS FINANCIAL CONSCIOUSNESS BASED ON THE RESULTS OF A QUESTIONNAIRE RESEARCH

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— Abstract —

A great number of criticism has been made about the Hungarian population's financial culture and its financial knowledge. The main reason of the incredible indebtedness of households is the lack of financial knowledge, according to several studies, researches and papers. 18-year-olds form a legal entity, they are creditable, they may get into debt limitlessly, and they can allocate their savings where they want to. But what are the main considerations when they choose a credit or a saving construction? What kind of information do they use for their financial decisions? The first aim of the present study is to present the background of the financial decisions of young generations, the circumstances of the compilation of the necessary information, based on the results of a questionnaire research. The second aim of the paper is to reveal the inner context of their decisions with the help of mathematical and statistical methods.

Keywords: *financial knowledge, consciousness, financial education, risk taking,*

JEL Classification: G 02**1. REVIEW OF LITERATURE**

Our everyday financial culture, our approach to financial services has gone through significant changes during the past years and decades. Banks and financial institutions have become a part of our everyday lives, since we pay with plastic, we have a credit limit to our accounts, we consume and purchase from credit, and increase the value of our surplus money in several kinds of services. The financial markets provide and sell more and more new bank and financial products and services to exploit these processes. The financial way of thinking and its development of average people cannot cope with the development of bank services. It is typical of all societies, therefore Hungarian households as well that the financial culture of the population is underdeveloped, and cannot keep up with the fast development of the financial world and financial products.

Several studies have dealt with the indebtedness of the population after the millenium as one of the causes of the crisis of 2008. Lentner-Szigeti-Borzán outline the role in the breakout and escalation in the financial markets of the following interest groups:

- The supplying banks and other financial enterprises
- Enterprises and households in demand of credit
- The government, national bank and supervisory board having a controlling role

There are some who consider the American financial governance responsible , since they left the markets without control in the name of financial liberalisation and market fundamentalism, creating a worldwide abundance of money, generating an unnatural credit demand, which reached and dishevelled all economies of the world (Soros, 2008). Sahlman drew attention to the risk of financial innovations, which create and maintain competition on one hand, and on the other, exist on the markets as uncontrollable elements generating risk.

Unfortunately the latter, disadvantageous part of his opinion has been practically proven. Claessens and partners have named four causes for the breakout of the crisis:

- the excessive and sudden increase of asset price

- the credit boom generating serious masses of debt
- excessive credit-taking activity
- the failure of the regulatory activities of the financial supervisory authority

Allen and partners are also looking for those responsible on the regulatory side, who allowed the liberalisation of financial markets, thus suppressing the prices of credit services, giving way to artificially pumped-up demand of credit. According to Simai (2009) after the breakout of crises public opinion and professional literature tend to blame certain people, institutions and methods, as we did this time in connection with various credit services provided with high interest rates. In Simai's opinion the main problem should be sought in the operational mechanisms of economies, which is proven by the unusual rate of development of developing countries before the crisis. This, by itself, is an event which increases prices and boosts credit demand. Several theories and studies could be listed in which the role of those who take out credit can be mentioned directly or indirectly.

In our opinion, when examining the 2008 crisis we should not forget those who take out credit as well as those who supply it. Those households and companies who took out loans only possess little or no knowledge about the risks of their obligation. The financial knowledge and culture of the population, and its relationship to risk is basically defined by its previous financial knowledge. OECD (2005) carried out researches several times in several countries on the financial culture of their population, coming to the unfortunate conclusion that neither the financial background knowledge, nor the financial concept of knowledge of those interviewed were appropriate.

OECD outlines the importance of financial education and the development of financial culture in the afore mentioned document, based on the following reasons:

- the increase of the complexity of bank and financial products
- the increase of the number of financial products
- the increase of the expected lifespan of the population
- the changes occurring in the pension system
- the lack of basic financial knowledge

There have been researches carried out within the framework of the Hungarian National Bank (2012), using the methodology of OECD. According to the main statements of this background material:

- less than two thirds are acquainted with the methodology of counting the interest rate
- the correlation between yield and risk is basically known
- there is a serious lack of knowledge in financial foundations

The study outlines that according to the findings of the researches there is a definitely positive relationship between financial knowledge and culture and educational level. Another interesting statement is that female subjects had less financial knowledge than men who appeared in the sample. Other studies, like Nagy-Jackel (2009) also prove these statements. Their hypothesis that an average citizen possesses little financial knowledge was proven, which can be traced back to the lack of information and basic knowledge. Due to these reasons the latest concept of the National Core Curriculum treats business and financial education as a main priority, starting from grades 5-8, and continuing in grades 9-12. The aim of this study is to examine the financial culture of one of the largest layers of credit-takers, that of households based on statistical correlations; through the correct or incorrect interpretation of some basic financial definitions. Young adults above the age of twenty belong to a segment who can make financial decisions individually, who are able to take out loans, have savings, therefore they can be expected to be aware of basic financial definitions. What is more, research data can be found testifying, that students in tertiary education are not only more knowledgeable about the economic situation around them, but are eager to prove their autonomy and their skills of self-sufficiency and decision making (Lazányi 2012, 2013). The same literatures suggest that these young adults find it very important to have high levels of competencies of information processing and practical adaptation of theoretical knowledge.

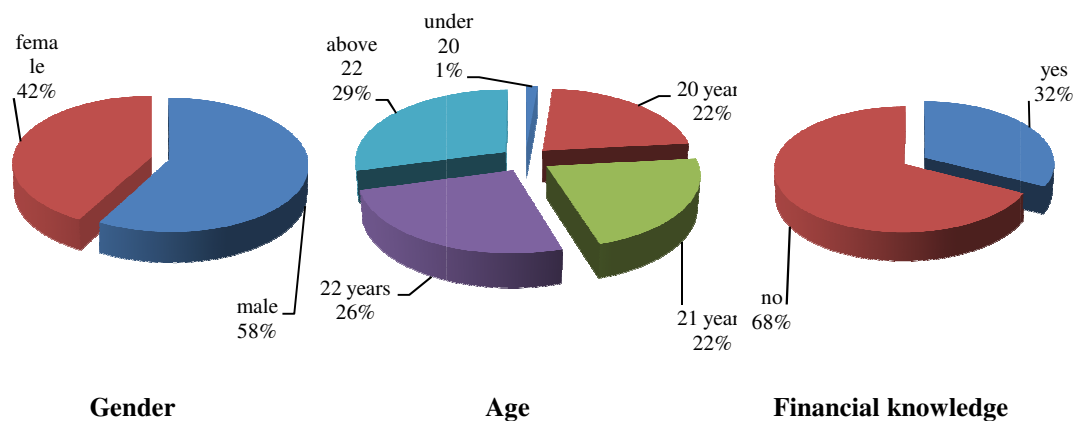
2. MATERIAL AND METHOD

The research was carried out with the help of a standardised written questionnaire which was completed by 219 young people in their twenties in February 2013, preliminary to their financial tuition. This also made possible the research of how much financial knowledge they had from other sources outside the educational system. The knowledge of financial products and the characteristics of financial approach, similarly to other products based on trust, are not only defined by

learned elements but other factors influencing consumer behaviour, like family, educational level, social class. (Fodor et.al, 2011)

The questionnaire was divided in three parts. Young people's knowledge of the most important financial principles and abbreviations was measured in the first, their attitude towards their financial decisions was examined in the second, their relationship with certain credit products, and their personal experiences in the third. The questionnaire did not contain open questions. Furthermore, we were also careful not to include questions which would restrict or stop the respondents from answering, and not to harm their personality rights. We tried to get answers to questions which are necessary for managing in the financial environment, which are able to assess the basic financial knowledge of respondents, and which reflect their personal opinions and experience. The answers were processed with the help of Microsoft Excel 2007 and SPSS 14.0 programmes. The following pie charts show the sample.

Figure-1.: The composition of the sample according to gender, age, and previous financial knowledge



Source: own research, 2013, N = 219

3. RESULTS

In our present study we would like to analyse the replies that we received in the second part of our questionnaire, i.e. we would like to see how our students assess the importance of information necessary to take their decisions. This part of the

questionnaire used an interval scale of four grades, where grade 1 meant complete disagreement with the statement, grade 4 meant complete agreement.

It can be stated that the young respondents almost always get thorough information before taking a financial decision (which is shown by the average 3.51), and it is equally important for them to always conduct their finances at the same bank (3.57). Opinions differ about the other statements where agreement is not so uniform. The consciousness of young people is also shown by the fact that the majority agree with the statement that it is important to follow their finances (3.37). It is interesting that while the young people of the sample listen to their parents' and acquaintances' opinions and experiences (2.83), however, they do not trust advertisements for financial products (1.49). It has also turned out that 20-22-year-olds are beginning to think about their future consciously, therefore they rather save their money than spend it, so, the majority does not agree with the statement "I rather spend my money now than save it", which is shown by the average 2.09 result. It is interesting that young people keep the most important financial principle, which is shown by their strong agreement with the statement "my money today is always worth more than that of the future" (3.11). It is also interesting that they are not afraid of long-term investment, which is proven by the result of the last statement.

Table-1: The mean and standard deviation values of each statement

	MEAN	ST.DEV
Before I take a financial decision I I always get thorough information about it.	3,5114	0,5364
When I take financial decisions my parents'/close acquaintances' opinion is most important	2,8311	0,9644
I try to rely on external information (consultants, business news portals) in financial matters	2,9178	0,9827
I always conduct my finances at the same bank.	3,5753	1,4199
I trust advertisements for financial products.	1,4886	0,7803
I always follow my financial situation.	3,3653	0,8534
I rather spend my money than save it.	2,0868	1,1239
My present money is always worth more than that in the future. (my savings)	3,1050	1,8752
I am willing to risk a part of my money if it is an investment with high return.	2,7169	1,2606
I would not deposit my money for a long term because I do not trust banks.	2,3379	1,3563

Source: own research, 2013, measurement level: interval scale, N = 219,

We were also interested how we could examine the complex system of relationships of variables according to the few statements which are not measurable. Therefore we carried out factor analysis during which we formed four or five factor groups (Kovács, 2002). In order to group the statements above we carried out a four and five factor test and discovered which statements are considered similarly by certain consumer groups.

Table-2: Grouping of consumers according to their opinion of each statement- four-factor matrix

	Hedonistic	Security seeking	Conscious	Delegating decisions
I am willing to risk a part of my money if it is investment with high return.	0,7981			
I would not deposit my money for a long term because I do not trust banks.	0,7752			
I rather spend my money than save it.	0,5565			
My money today is always worth more then that of the future (my savings)		0,8245		
I always conduct my finances at the same bank.		0,7416		
I always follow my financial situation.			0,7666	
Before I take a financial decision I always get thorough information about it.			0,6973	
When I take financial decisions my parents'/close acquaintances opinion is most important.				0,7179
In financial matters I try to rely on external information sources (advisors, business news portals, etc.)				0,6314
I trust advertisements for financial products.				0,3909

Source: own research, 2013, measurement level: interval scale, N = 219,

Short-term thinking is an unequivocal feature of hedonistic consumers, since they do not prefer depositing their money for long term, but rather spend it. Those young people who are looking for security do not like changing banks, try to conduct all their financial affairs at the same bank, and it is most typical of them

to keep the basic financial principle. The third group consists of those young consumers who deal with their finances consciously, and who collect detailed information before taking financial decisions, therefore we named them conscious. And finally, the fourth group is of those who like delegating decisions and responsibility to their parents and acquaintances, taking their decisions based on their primary decisions and opinions. If they do not find their close acquaintances' decisions appropriate they rely on other, external sources before taking their decisions. It is interesting that they are the consumers who are also sensitive to advertisements, trust them, therefore delegate responsibility in the case of a bad decision. With respect to the above statements we carried out a five-factor test as well, whose results are shown by the third table.

Table-3: Grouping consumers according to their opinion of each statement – five-factor matrix

	Hedonistic	Security seeking	Conscious	Defensive	Promotion-oriented
I am willing to risk a part of my money if it is investment with high return.	0,8015				
I would not deposit my money for a long term because I do not trust banks.	0,7773				
I rather spend my money than save it.	0,5344				
My money today is always worth more than that of the future (my savings)		0,8047			
I always conduct my finances at the same bank.		0,7755			
Before I take a financial decision I always get thorough information about it.			0,7948		
I always follow my financial situation.			0,7626		
When I take financial decisions my parents'/close acquaintances opinion is most important.				0,6894	
In financial matters I try to rely on external information sources (advisors, business news portals, etc.)				0,6486	

I trust advertisements for financial products.						0,8959
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Source: own research, 2013, measurement level: interval scale, N = 219,

In the case of the five-factor matrix we can clearly see the groups of hedonists, those who are looking for security, and conscious consumers. Their features are the same as we showed in the case of the four-factor matrix. The five-factor matrix identifies two new consumer groups, which we named defensive and promotion-oriented, respectively. The defensive group is very similar to the one which delegates decisions in the four-factor matrix, however, defensive consumers are not influenced by advertisements. These young people prefer concrete things, that is reliable people and verifiable external sources. The fifth, promotion-oriented group listens to advertisements, trusts them, and accepts the information conveyed by them without doubt.

4. CONCLUSION

According to the study we can state that the majority of 20-22-year-old students of higher education have a definite opinion about finances, what more, they consciously manage their own financial affairs. It can be stated that the majority of young people try to obtain some information before taking their financial decisions, they do not really listen to promotional advertising, which may be seen as a positive development five years after the global financial crisis. In our opinion education has an important role in raising young people's financial consciousness (Borzán, 2010), because if they learn about the operation of banks, their benefits and risks as well, in their courses, due to the knowledge of the present youth it might be possible to avoid a financial collapse similar to that of 2008.

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