GENDER DISPARITIES IN FINANCIAL LITERACY AMONG UNIVERSITY LEVEL STUDENTS

Khurshed Iqbal and Iftikhar Ahmad

ABSTRACT

The major objective of this study was to determine gender disparities in financial literacy among university level students. Primary data were collected by using the random sampling method across KPK. A total of 300 self-administered questionnaires were distributed among the students and 250 questionnaires were returned. The response rate was eighty four percent which was quite satisfactory. The results of the study found that female respondents enrolled both in colleges and universities have greater talent in saving, financial records, time value of money, use of study loan and manage daily expenses as compares to male students whereas male students have greater skills in future needs, financial goals, investment and general knowledge on personal finance than female students. Based on total mean score, findings showed that overall male students have more knowledge about financial literacy than female students in KPK.

Key Words: Gender Disparities, Financial Literacy and Students

INTRODUCTION

Gender matters have accepted significant consideration in proclamation regarding finance and economics in current decades. Gender diversities have been experiential in several financial areas, such as financial behavior, investment and, financial skills. Gender problems have become an apprehension among gender educators, economists and financial managers. Researchers have recognized gender dissimilarities in financial affairs such as financial attitudes, literacy, and mainly financial behavior. Earlier studies have resolute that pecuniary literacy has imperative insinuations for financial behavior. But it is common among researchers that public with stumpy financial literacy are more expected to have troubles with debt (Lusardi and Tufano, 2009b), worse rank of capital management (Hilgert et al., 2003), and, not have of retirement preparation (Lusardi et al., 2009a).). According to Lusardi (2010) financial literacy is the major element of pecuniary decision-making, and numerous young people want more pecuniary literacy. Juvenile adults principally university level students obtained more consideration from pecuniary educators (Goldsmith and Goldsmith, 2006; 2000; Hira et al., 2000), as they have access to pecuniary sources such as debt, educational loans, and credit, than earlier generations of students. However, due to lack of FMS (Financial Management Skills) students were faced with more financial problems, more anxiety, and poor financial well-being (Hira and Mugenda, 2000;2004; Norvilitis, et al., 2006). According to Goldsmith and Goldsmith, (2006) college level students showed a widespread gender difference. Garman and Forgue (2006) found that financial literacy was a basic instrument in victorious FM (Financial Management). However, researchers found that female students believed that they have less information about financial topics (Hira and Mugenda, 1999), investing (Goldsmith and Goldsmith and financial analysis (Webster and Ellis, 1996) According to Goldsmith and Goldsmith, (2006) women were less knowledgeable financially as compared to men. To assist young people, especially college students, it is vital to recognize their level of pecuniary literacy and, gender diversities in financial literacy. College students are the future human resources, so it is vital to know their financial needs and problems to carry out their finance during university and college life. More significantly, the lack of financial education can lead students to engage in a higher level of financial problems during college life, which has a significant effect on current and future family and professional life. According to Guiso and Jappelli (2009), both education levels & financial literacy have constructive relationship with each other and have a productive effect on portfolio diversification whereas Abreu and Mendes (2010) found the same results for Italian financiers. Bajtelsmit, Bernasek and Jianakoplos (1999); and Powell and Ansic (1997) found that there were comparative gender disparity in the share of investments in retirement policy. Their study concluded that women demonstrate a higher comparative risk aversion. Agarwal et al. (2007) found that the juvenile were extra vulnerable to making pecuniary mistakes.

MATERIALS AND METHODS

Sample and Data Collection Method

The sample of this study comprises students from public sector universities, private sector universities and business and management sciences colleges affiliated with university of Peshawar in KPK (Khyber Pukhtunkhwa) province in Pakistan. Five universities (three public sectors universities namely Universities of Peshawar, Agricultural University Peshawar, Swat University and two private sector universities namely Qurtuba University Peshawar campus, and Iqra National University) and two private sector business and management sciences colleges(Brains Postgraduate College, Peshawar Business School). Primary data were collected by using the random sampling method across KPK. A total of 300 self-administered questionnaires (Questionnaires were consisted of questions like time value of money, financial records, financial goals, savings, investment, education loan, general knowledge on personal finance, and financial management abilities to manage daily expenses.) were distributed among the students and 250 questionnaires were returned. The response rate was eighty four percent which was quite satisfactory.

Econometrics Model

To determine gender dissimilarities in financial literacy both t-tests and mean score were used between male and female students from public and private colleges and universities.

RESULTS AND DISCUSSIONS

From table 1, it is clear that two hundred and fifty students both from public and private sectors were studied, 175 students with 70 percent were 20 to 25 years age, 65 students with 26 percent were of age between 25 to 30 years, while only four percent students were above age 30 years. Fifty percent respondents were male and fifty percent were female. One hundred and seventy five students were enrolled at BS honors level and remaining seventy five students were enrolled at master level. One hundred and fifty students were belonging to urban area whereas hundred students were belonging to rural area. Sixty percent (One hundred and fifty students) students were enrolled at public sector universities and remaining forty percent (hundred students) were enrolled at private sector universities and colleges. Nine points such as financial records, future needs financial goals, savings, investment, education loan, general knowledge on personal finance, time value of money, and financial management abilities to manage daily expenses were incorporated in the questionnaire to find out the financial literacy of the students. The respondents in the study area marked the appropriate answers according to their capability they have.

Table 2 demonstrates result of t-test for financial literacy. Female respondents enrolled across KPK both in colleges and universities have greater talent in saving, financial records, time value of money, use of study loan and manage daily expenses as compared to male students whereas male students have greater skills in future needs, financial goals, investment and general knowledge on personal finance than female students. Based on total mean score, findings showed that overall male students have more knowledge about financial literacy than female students in KPK. The results of the study signify that female students both from public and private colleges and universities, in KPK, have more knowledge about financial recording, general issues and savings, which are relevant to FCM (Cash Flow Management), whereas male students both from public and private colleges and universities have more knowledge regarding credit, risk and investment, which are relevant to FM (Financial Planning). Research findings illustrate that male students are more knowledgeable financially as compared to female students and findings of this study are consistent with previous findings (Chen and Volpe, 2002; Goldsmith and Goldsmith, 2006; Hira and Mugenda, 2000). Female students both from public and private colleges and universities have less knowledge regarding risk, investment and financial goals (Goldsmith and Goldsmith, 2006; Hira and Mugenda, 2000), whereas male students both from public and private colleges and universities are less knowledgeable in financial records and savings (Barber and Odean, 2001).

Table 1: Demographic Factors

Demographic Factors	**No.**	**%age**
20---25 Age	175	70
25---30 Age	65	26
30 and Above Age	10	04
Total	**100**	**100**
Male	125	50
Female	125	50
Total	**250**	**100**
BS Level	175	70
MS Level	75	30
Total	**250**	**100**
Urban	150	60
Rural	100	40
Total	**250**	**100**
Public Students	150	60
Private Students	100	40
Total	**250**	**100**

Table 2: The Result of the t-Test for Financial Literacy

Table 1. Mean Score of Financial Literacy Components	***Male***	***Female***	***t-value***	***Sig.***
Saving	7.29	7.35	9.470	0.000
Financial Records	7.10	7.15	4.001	0.000
Future needs	7.12	7.01	8.342	0.000
Time Value Of Money	7.33	7.35	5.102	0.000
Use of Study Loan	7.22	7.28	9.013	0.000
Manage Daily Expenses	7.54	7.61	7.091	0.000
Financial Goals	7.56	7.20	6.971	0.000
Investment	7.83	7.43	9.023	0.000
General Knowledge On Personal Finance	7.29	7.02	9.124	0.000
Total Mean Score	**7.36**	**7.27**	**7.57**	**0.000**

CONCLUSIONS

It is concluded from the study that female respondents enrolled both in colleges and universities have greater talent in saving, financial records, time value of money, use of study loan and manage daily expenses as compared to male students whereas male students have greater skills in future needs, financial goals, investment and general knowledge on personal finance than female students. Based on total mean score, findings showed that overall male students have more knowledge about financial literacy than female students in KPK. Findings of this study are consistent with previous findings (Chen and Volpe, 2002; Eitel and Martin, 2009; Goldsmith and Goldsmith, 2006; Hira and Mugenda, 2000; Lim et al., 2003; Shim et al., 2010).

REFERENCES

Abreu, Margarida, and Victor Mendes. 2010. ? Financial Literacy and Portfolio Diversification.Quantitative Finance 10, no. 5. Quantitative Finance (2010): 515–528.

Agarwal, Sumit, John C. Driscoll, Xavier Gabaix, and David Laibson. 2007. The Age of Reason: Financial Decisions over the Lifecycle. NBER Working Paper n. 13191.

Bajtelsmit V. L, Bernasek A and Jianakoplos N. A. (1999) “Gender differences in defined contribution pension decisions”, Financial Services review 8 pp. 1-10

Chen H. Volpe R.P. Gender Differences in Personal Financial Literacy among College Students. Financial Services Review, 2002, 11: 289-307.

Garman T.E. Forgue R.E. Personal Finance (8th ed.). Boston: Houghton Mifflin Company, 2006

Goldsmith R.E. Goldsmith E.B. Gender differences in perceived and real knowledge of financial investments. Journal of Psychological Reports, 1997:80, 236-238.

Goldsmith R.E. Goldsmith E.B. The Effects of Investment Education on Gender Differences in Financial Knowledge Journal of Personal Finance, 2006, 5(2): 55-69.

Hilgert M.A. Hogarth J.M. Beverly S.G. Household financial management: The connection between knowledge and behavior. Federal Reserve Bulletin (Jul), 2003: 309-322.

Hira T.K. Anderson M. Petersen K. Students' Perceptions of Their Education Debt and Its Impact on Life after Graduation. Journal of Student Financial AID, 2000, 30(1): 7-19.

Hira T.K. Mugenda O.M. The relationships between self-worth and financial beliefs, behavior, and satisfaction. Journal of Family and Consumer Sciences Education, 1999, 91(4): 76–82.

Jappelli, Tullio. 2010. —Economic Literacy: An International Comparison.? The Economic Journal 120 (548) (November 1): F429-F451.

Lusardi A. Mitchell O.S. Curto, V. Financial literacy among the young: Evidence and implications for consumer policy: National Bureau of Economic Research Cambridge, Mass., USA. 2009a

Lusardi A. Mitchell O.S. Curto V. Financial Literacy among the Young. Journal of Consumer Affairs, 2010, 44(2): 358-380.

Lusardi A. Tufano P. Debt literacy, financial experiences, and over indebtedness: National Bureau of Economic Research Cambridge, Mass., USA. 2009b.

Powell, Melanie & Ansic, David (1997); "Gender differences in risk behaviour in financial decision-making: An experimental analysis" Journal of Economic Psychology [0167-4870] vol.:18 number: 6 pp.: 605

Webster R.L. Ellis T.S. Men's and Women's Self-Confidence in Performing Financial Analysis. Journal of Psychological Reports, 1996, 79:1251-1254.

Khurshed Iqbal: Lecturer, Department of Management Sciences, Brains Degree College, Peshawar. MS in Finance from IBMS, KPK Agricultural University, Peshawar. More than four years teaching experience and Published 02 Research Papers in International Journal. Area of interest is Finance.
E-mail : khurshed_mba@yahoo.com

Iftikhar Ahmad: Ph.D Scholar at Qurtuba University. I have 5 years of teaching experience. And currently working as a Assistant Professor in Peshawar Business School. And having 15 research paper.