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University Students' Referral to Industrial Training and its Impact on Financial Literacy

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ABSTRACT

Financial literacy is very important for individuals to make financial decisions related to daily life therefore, it is important to study the change in financial literacy with the growth of individual's knowledge. By dint of individuals of a country making the right financial decisions has a positive effect on its economic growth process. Accordingly, the primary objective of this research was to study whether or not there is a difference in the financial literacy of the students who were directed to the industrial training given to the university students who study in fourth year and the students of the second and third years. As a sample, 50 fourth year students, 50 second year students, and 50 third year students, were selected through stratified sampling. Both primary data and secondary data were used for this study and questionnaire was used to collect primary data. A one-way ANOVA was conducted to analyze the data collected and the results showed that there was a difference in the financial literacy of students who had gone to industrial training compared to the level of financial literacy of second and third year students. Consider the second and third year students, it could be recognized that there is no significant difference in the financial literacy of the students in those two years. Therefore, according to this research, it is clear that the students' financial literacy has increased through the experience and knowledge they get through the industrial training.

Keywords: Financial Literacy, Industrial Training, University Students

INTRODUCTION

In day-to-day activities, people need the knowledge of how to use their resources properly to satisfy their unlimited needs with limited resources. Knowledge about it is more important especially in the use of financial resources. Accordingly, financial literacy is important for individuals to make rational decisions. Different people have come up with different definitions of financial literacy. According to the OECD (2013), financial literacy refers to the combination of knowledge, skills, attitudes and behaviors necessary to make good financial decisions and ultimately achieve personal financial well-being. Also, according to Hastings et al., (2012), financial literacy is the ability of individuals to use their knowledge and skills to effectively manage their financial resources to achieve financial security in life. Accordingly, through personal financial literacy, individuals are given the opportunity to make more appropriate decisions.

As people get educated, their knowledge begins to grow. Accordingly, it is important to study the relationship between financial literacy and the level of education of individuals. This is because if the relationship between education level and financial literacy is positive, education can be used to enhance sound financial decision-making by arriving at rational economic decisions. In various contexts around the world, it has been directed to study whether or not there is a relationship between the level of education and individual literacy. Chen and Volpe (1998) conducted a research involving university and college students and found that financial literacy increases with the level of education. Also, considering the relationship between education and financial literacy, education is classified into two parts. As students studying subjects such as economics, business studies, accounting, marketing and other subjects who study financial matters and students who do not study such subjects. It has been identified through the study that students who study subjects related to financial matters show a relatively high level of financial literacy (Lusardi & Mitchell, 2011, Mandell, Lewis & Klein, 2008). In this way, although there has been previous research on the relationship between financial literacy and education level, there is not enough research in Sri Lanka. Also, exposure of students to the work environment

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leads to an understanding of the socio-economic background and an awareness of it. According to these studies, in order to fill the research gap, it was studied whether there is a difference in the financial literacy of the humanities and social sciences students of the University of Sri Jayewardenepura. The main objective of this study was to identify whether there is a difference in the financial literacy of fourth-year students who received institutional training and whether there is a difference in financial literacy according to the level of education of other year students. Also, the sub-objective of this study was to study whether there is a difference in students' financial literacy according to the year of study.

METHODOLOGY

This research has been done to identify whether there is a difference in financial literacy among the students of the Faculty of Humanities and Social Sciences of the University of Sri Jayewardenepura through going to institutional training, as well as to identify whether there is a difference in financial literacy according to the year of study. A sample of 150 students, 50 second-year students, 50 third-year students and 50 fourth-year students each, was used for this study. Here, stratified sampling method was used to select the students. A questionnaire method and interview method were used to collect data.

Here, questions were constructed using 7 variables that have been used in previous research to identify the level of financial literacy. Questions were constructed by using the 7 variables as ability of determining financial decisions, Ensuring money to cover financial needs, income and job, money management, Investments and Savings, Loans and Debt, and Risk Management and Insurance. A value was created based on the correct answers given to the questions given to the respondent.

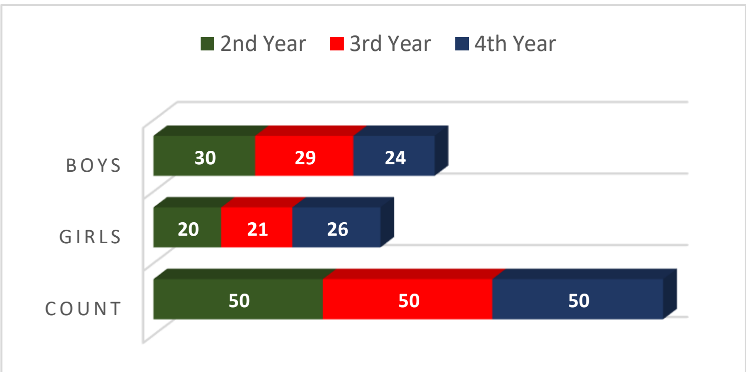
$$Financial\ Literacy = \frac{\text{Number of correct answers}}{Number\ of\ Questions}$$

Based on the value thus obtained, individual financial literacy was measured. Here individual financial literacy was the dependent variable and education level was the independent variable. IBM SPSS (26 version) software and Microsoft Excel software were used to analyze the data. A One Way ANOVA test was conducted to find out whether there is a difference in the financial literacy of students depending on the year of study.

RESULTS

The results obtained through this study can be discussed as follows.

Graph 1: Gender



Source: Survey data, 2023

In this study, 150 undergraduate students were used for data collection, out of 50 second year students, 30 students were boys and the remaining 20 were girls, and 50 third year students were also made to participate in this, out of which 29 were boys and the remaining 21 were girls. Also, 50 students of the fourth year of industrial training were considered to this study, 24 of whom were boys and the remaining 26 were girls.

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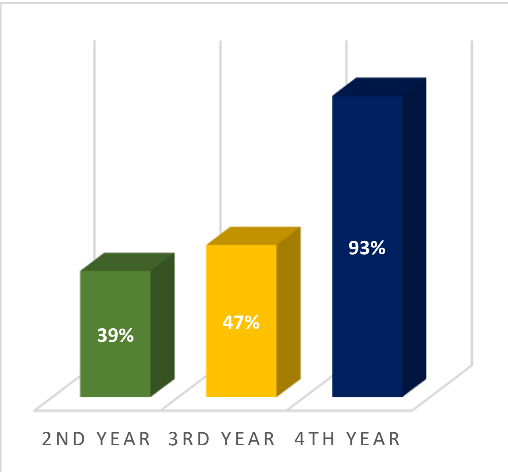
Table 1: variables used to measure students' financial literacy

Variables related to the Questions	Number of Correct Answers		
	2nd year	3rd year	4th year
Ability of determining financial decisions	18	16	45
Ensuring money to cover financial needs	12	15	47
Income and job	22	30	48
Money management	15	24	50
Investments and Savings	26	24	46
Loans and Debt	23	31	46
Risk Management and Insurance.	19	25	45

Source: Survey data, 2023

Graph 1: probability of giving correct answers



Source: Survey data, 2023

Table number 1 shows the variables used to measure students' financial literacy and the answers given by students to the questions asked. Considering the correct answers given by the second and third year students, it is clear that there is some equality. But compared to these two years, fourth year students have a high level of correct answers. Considering the second year students, the probability of giving correct answers to the questions asked is at the level of 39% and considering the third year students, it is at the level of 47%. But considering the fourth year students, its value is as high as 93%. Accordingly, it is clear that fourth year students have a higher level of knowledge about financial literacy compared to second and third year students.

Table 3: Results of financial literacy

	Sum of Squares	df	Mean Square	F	Sig.	(I) Edu-Level	(J) Edu-Level	Mean Difference (I-J)	Sig.
Between Groups	1.554	2	0.777	13.279	.000	2nd Year	3rd Year	-0.058000	.456
Within Groups	8.602	147	0.058				4th Year	-0.239000	.000
Total	10.156	149				3rd Year	4th Year	-0.181000	.001

Source: SPSS Output, 2023

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Here it was examined whether there is a difference between the financial literacy of the fourth year students who received institutional training and other years students. There the following hypothesis was tested

H_0: There is no difference between the financial literacy of fourth year students who received institutional training and other years students.

It could be recognized that there is a difference between the groups used here. That is, $P < 0.05$ $(0.00 < 0.05)$, so the null hypothesis was rejected.

It was also examined whether there was a difference in the means between the groups used, namely the fourth year students who received institutional training and the second and third year students in terms of financial literacy.

Here the mean difference between the groups of second year students and third year students is -0.058000. But it is not statistically significant at 5% confidence level. That is $(0.456< 0.05)$. Accordingly, it is clear that there is no difference in financial literacy between second and third year students.

But in the study of the financial literacy of the second year students and the fourth year students who went to institutional training and the study of the financial literacy of the third year students and the fourth year students who went to institutional training, it could be recognized that there is a difference. The difference in the study between these groups was -0.239000 and -0.181000 respectively. According to the test, it is clear that there is a statistically significant difference between the two groups of second-year students and the fourth-year students who went to institutional training $P < 0.05$ $(0.00 < 0.05)$ and between the third-year students and the fourth-year students who went to institutional training $P < 0.05$ $(0.01 < 0.05)$. There is a significant difference.

CONCLUSION

This study investigated whether or not there is a difference in financial literacy of students based on their level of education. Accordingly, it could be identified that there is a difference in financial literacy between the second, third and fourth year student groups depending on the year of study at the university. It was clear that there is no significant difference in financial literacy between second and third year students. Also, when comparing the second year and third year students, it was clear that there is a difference in the financial literacy of the fourth year institutional training students. Institutional training is compulsory for fourth year students of Faculty of Humanities and Social Sciences.

Accordingly, through the interviews, it could be identified that the socio-economic knowledge gained through these students through going to the institutional training led to this situation. And also, it is clear that institutional training has had a positive effect on increasing the financial literacy of university students. It is also important to raise financial literacy and raise a generation of students who will make correct financial decisions in the future. Also, it is advisable to prepare programs, conduct lectures and conduct awareness programs provided through external parties to give students proper awareness about financial affairs. It will produce graduates with high financial literacy and will be able to solve many economic and social problems caused by their effective financial decisions.

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