PERCEIVED FINANCIAL LITERACY OF AUSTRIAN STUDENTS AND ITS IMPACT ON SAVING AND INVESTING

Alexandra Kuhnle-Schadn, Oliver Nagy, IMC University of Applied Sciences

Abstract: The proliferation of commission-free trading platforms and the rise of social media in finance have sparked a strong interest in investing among the younger generation, so traditional sources of investment advice have shifted to internet and social media platforms. However, the reliability of information on social media is still questionable, making it difficult to distinguish serious advice from financial fraud.

Despite Austria's good performance in the area of financial literacy, there is a need for further research into the perception of financial literacy and its impact on saving and investment behavior. This study investigates how Austrian students perceive their financial education and whether differences in perception influence saving and investing.

Using a quantitative research methodology, data from 138 Austrian students were analyzed, revealing interesting patterns in financial behavior and attitudes. While a significant proportion save money regularly, a considerable percentage invest actively, mainly in funds, shares, and cryptocurrencies. Remarkably, many respondents have no problem investing in risky assets, especially those who rate their financial literacy higher.

The study further highlights gender differences in satisfaction with financial knowledge and provides insight into the complex interplay between financial behavior, educational attainment, and gender dynamics among students. Despite the limited demographic data of the participants, the study offers valuable insights into the financial habits of Austrian students and underlines the importance of financial knowledge among young people.

Keywords: Financial Literacy, Saving, Investing, Students

1 INTRODUCTION AND PROBLEM STATEMENT

Younger generation's increasing interest in investment, the increasing availability of commission-free trading platforms, and the growing popularity of financial social media groups resulted in a remarkable growth in the popularity of investing in general [4].

These factors also contribute to a change in investment decision-making sources. Sources like brokerage advice, banking advice and print media are taken over by the increasing trust in Internet and social media [12]. Although social media is a valuable source of information, it is often unpredictable, and posts and opinions are generally of unknown origin. Additionally, it is getting harder and harder to tell financial scams and frauds apart [5]. While Austria performs better than average on world financial literacy statistics [7], there needs to be more research on the perception of financial literacy and of its impact on saving and investment. Research on gender differences in financial literacy across countries document that women are less likely than men to answer questions that measures knowledge of basic financial concepts, and they are more likely to indicate that they do not know the answer [1]. Results are similar in the university environment, where female students not only have less financial literacy, but also have less financial confidence and place less importance on financial literacy than their male counterparts [3].

There are two aspects of financial literacy: one is perceived financial literacy, which refers to what an individual feels about his or her knowledge of financial topics [11] and one is actual financial literacy, which refers to the "knowledge and ability to make financial decisions" [9]. Actual financial literacy is paramount to making the best possible financial decisions [8], but perceived financial literacy indicates a bigger chance that one plans for retirement or participates in investing activities [13]. The relevance of both, perceived and actual financial literacy, can be concluded.

2 RESEARCH QUESTION

This research aims to investigate how Austrian students perceive three critical aspects of everybody's life: saving, investing and financial literacy. The following research question can be derived from this: „How do Austrian students perceive the importance of investing, saving and the relevance of financial literacy?"

The research goals are three-fold, firstly it is evaluated how open students are to saving their money, secondly, it is analyzed how open they are to invest their savings into capital markets and their financial habits and, thirdly, their views on being financially literate and their self-confidence in financial matters is investigated. Furthermore, gender differences are to be analyzed.

IMC Fachhochschule Krems GmbH
www.imc.ac.at
Piaristengasse 1
3500 Krems
Austria, Europe
+43 2732 802
office@imc.ac.at
Firmenbuchgericht: LG Krems an der Donau
UID: ATU 37552304
FN: 79297p

3 METHODOLOGY

In order to be able to show differences between groups, correlations or the dependence of investment behavior on financial self-confidence, a quantitative research approach was chosen.

All Austrian university students were defined as the base population. Convenience sampling was employed for participant selection in this study. The decision to use convenience sampling was motivated by the practical considerations of accessibility and ease of recruitment within the specific context of a student population. While acknowledging the inherent limitations of convenience sampling, efforts were made to ensure that the realized sample reflects the characteristics of the broader population under consideration (see also section on limitations). The survey received initially 238 responses. During the sample selection process specific factors were considered to mitigate the risk of including individuals not representative of the overall population. In this study, the most important factors were that the person answering the questionnaire had to be an Austrian citizen on the one hand and currently studying at a university on the other. Finally, after validation, the responses of 138 Austrian students (40% male and 60% female) were analyzed, providing valuable insights into their financial habits.

After the data collection, data was analyzed descriptively, and statistical significance tests were carried out selectively. The questionnaire consisted of 19 to 24 questions depending on individual answers of participants (filter questions). It consisted of four parts: demographics, self-confidence and self-assessment in financial matters, investment and saving habits and, financial education.

4 RESULTS

The results of the study reveal intriguing patterns in participants' financial behaviors and attitudes. A substantial 75% of the respondents state to save money regularly, but an even larger proportion (88%) expresses the importance of saving. While there is hardly a difference between men and women in savings behavior, there is one regarding investing money in capital markets. While 69% of male participants stated to invest money in capital markets only 29% of females said the same which represents a significant difference between the sexes ($p < 0.001$).

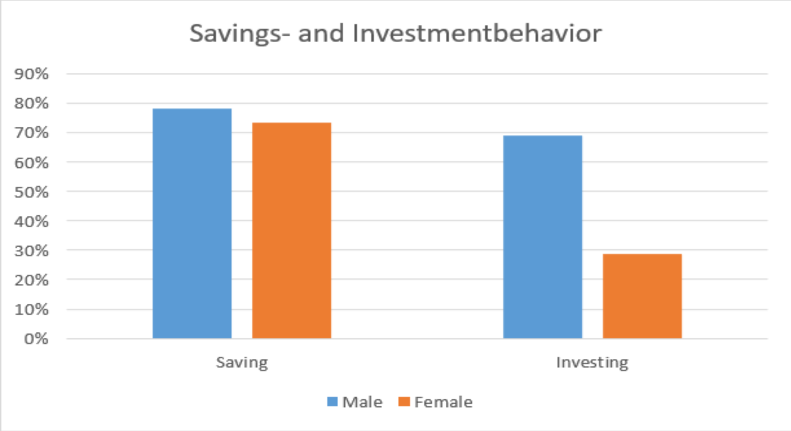

Figure 1.: Savings- and Investment-Behavior of male and female students

Another interesting – but not surprising aspect – is the fact, that students who invest have a significantly higher perceived financial literacy than students who don't invest ($p < 0.001$).

4.1 STUDENTS INVESTING IN CAPITAL MARKETS

Notably, 45% actively invest their money, with the most prevalent investment choices being funds (65%), stocks (55%), and cryptocurrencies (40%). Participants were asked how many individual financial assets they had in their portfolio, regardless of their type, to investigate how aware they were of one of the most important rules of investing, the "do not put all your eggs in one basket rule" [10]. Results showed that only 9% of investing students had more than 20 different assets in their portfolio, but 76% had only 5 assets or fewer, which indicates a low level of risk diversification in the students' portfolios.

Surprisingly, 42% of participants – 58% of male and 17% of female participants – express comfort with risky investments, while only 23% feel uncomfortable in taking financial risks. The responses of women and men reveal a statistically significant difference in risk affinity ($p = 0.009$) which has already been shown in other studies [2]. A statistically significant connection was also found between risk affinity and perceived financial literacy ($p = 0.031$).

Asked about attractiveness of different financial assets, 71% of respondents named Exchange Traded Funds and 63% large capital stocks as their first or second choice, while the least attractive investment is money at bank (19% first or second choice). If the results are combined with the Risk Pyramid Theory, which is a helpful framework for investors to support them allocate their portfolios in the best possible way to minimize risk and maximize return [6], it can be clearly seen that the Austrian students surveyed prefer medium-risk investments. When asked about the three most important sources of information for financial decisions, "the student's own knowledge" was among the top three sources of information for 85% of investing students, closely followed by online sources (82%). In contrast, both financial advisors and financial magazines were only named as one of the three most important sources of information by around 35%.

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4.2 STUDENTS NOT INVESTING IN CAPITAL MARKETS

For students who refrain from investing, the primary reasons include a perceived lack of financial knowledge (51%), a lack of confidence (35%) and the fear of losing money (28%). Nearly one third of the non-investing students stated that they didn't have the money to invest.

Figure 2.: Reasons of Austrian students for not-investing

Asked if they wanted to invest in the future, encouragingly, 88% express a willingness to do so.

4.3 FINANCIAL LITERACY

In the last part the focus was on financial literacy. Students were asked about their perception of financial literacy by rating themselves on a scale of 1 (no self-confidence in financial matters) to 10 (full self-confidence in financial matters). Their answers resulted in a mean score of 6.26, whereby the average result for women was 5.47 and for men 7.45 which is statistically significant difference ($p < 0.001$). A gender disparity is also evident in satisfaction with financial literacy, with 70% of men reporting satisfaction compared to only 31% of women (statistically significant difference with $p < 0.001$). A comparable result was also achieved for the question of whether students felt financially more literate or less literate than their peers. 69% of male students feel more financially literate than their peers, whereas only 23% of female students said the same. Female students were most likely (54%) to rate themselves as equally literate compared to their peers. This difference between sexes is statistically significant ($p < 0.001$).

The study also asked how important financial literacy is to them, with the result that 90% of all respondents answered this question with "very important" or "important" (with slight differences between women and men). What is interesting, however, is the difference in the answer option "very important", which was chosen by 65% of men and only 33% of women. This also showed a significant relation between gender and the perceived importance of financial literacy ($p = 0.001$).

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4.4 FINANCIAL EDUCATION

The survey painted a rather bleak picture of financial education in schools, with 50% of respondents stating that they had received no financial education at all during their school years (not even integrated into another subject). However, financial education in schools is considered very important, as almost all respondents stated that it was very important (79%) or important (17%) to them.These findings underscore the complex interplay between financial behaviors, financial literacy levels, and gender dynamics among the study participants.

5 CONCLUSION

In current research, the topic of financial literacy plays a major role and is also in the center of public debate. This study emphasizes the importance of financial literacy especially among young people. In particular, the self-assessment of financial knowledge, financial education and its impact on investment decisions provides interesting insights into how young people can be introduced to sensible investment behavior. The limitations of this scientific article are primarily stemming from the skewed participant demographics. The majority of responses were solicited from students of universities of applied sciences, and an overwhelming 70% belonged to the business student category. This restricted participant pool raises concerns about the generalizability of the study's findings, as the sample may not adequately represent the broader student population. Nevertheless, statements about trends can be made, and we argue that deviations from the sample characteristics to population characteristics may not be that large after all. However, to address this limitation, future research endeavors should strive to increase the sample size, encompassing a more diverse range of universities and subjects to enhance the study's external validity and ensure a more comprehensive understanding of the phenomena under investigation.

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