

Financial Literacy

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Submission date: 24-Jun-2019 08:21PM (UTC+0700)

Submission ID: 1146667521

File name: Rinita-Financial_Literacy.docx (74.1K)

Word count: 4803

Character count: 26110

The Impact of Perceived Financial Literacy and Parental Norm towards Money Management of Bidikmisi Student

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Abstract

This research examines the impact of perceived financial literacy and parental norms towards money management. I collected the data by spreading online and printed questionnaires towards 100 respondents of students who got Bidikmisi scholarship from several universities in Indonesia. Then, the data was processed by SmartPLS. The result of the research shows that perceived financial literacy and parental norms significantly influence money management of students who got Bidikmisi scholarship. So, the role of parents in terms of educating the children about finance shapes the knowledge of the students to manage the scholarship to fulfill the needs of college.

Keywords : *Perceived Financial Literacy, Perental Norms, Money Management, Bidikmisi.*

1. Introduction

Government has a role to make Regulation of Indonesian Republic number 12 year 2012 about higher education. Chapter 76 of the regulation is about fulfillment of students' rights. This law requires the government or higher education institutes to give scholarships, exempt tuition fees, or lending money without interest that can be returned after graduation or having a job. Scholarship helps students to have a financial support to join/finish the study in a university with consideration of achievement or academic potential. Financial support for education could help the students who cannot pay the tuition to join or finish the study in university. The government, especially the Ministry of Research, Technology and higher education, have several programs to help students. They are Bidikmisi scholarship, *Afirmasi pendidikan* scholarship, and *Peningkatan prestasi akademik* scholarship. Bidikmisi scholarship can help students who cannot pay the tuition fee and have an academic potential to study in a university. *Afirmasi Pendidikan Tinggi* can help students to pay the tuition with a purpose of acceleration and equitable in the field of education. *Peningkatan prestasi akademik* scholarship can help the students who have good achievements. In 2015, government allocated 2.34 trillion rupiahs for Bidikmisi scholarship, 40.6 billion for *Afirmasi pendidikan* scholarship, and 5 billion for *Peningkatan prestasi akademik* scholarship. The biggest assistance from government is Bidikmisi scholarship, therefore the subject of the research is focusing on the students who received bidikmisi scholarship (Dikti, Bidikmisi, 2011). Each student gets 6,000,000 rupiahs per semester which is 40% for fulfilling education needs while 60% for daily needs (Dikti, bidikmisi, 2016).

The assistance for daily needs is given to the students every 6 months in order to fulfill the daily needs of the students in 6 months. According to pre survey made to 8 Bidikmisi scholarship students, 37% respondents could spend the money in 3 months. Even 12% respondents could spend it less than 3 months. Other respondents could spend it in 6 months (12.5%), and more than 6 months (12.5%), and the other 12.5% respondents says uncertainly. Generally, they receive the same amount of money, but they can spend it differently. This phenomenon shows that students of Bidikmisi scholarship that could spend it in 6 months have a good financial management, but the others do not have it. On pre survey, 62.5% of students who received Bidikmisi scholarship agree to the statement that they need to manage their financial management, and the rest, 37.5%, only says agree. Practically, respondents do not always manage the money they get in a good way. Only 37.5% who can spend it in a good way, while 62.5% say sometimes. Consequently, a student could get the scholarship, but he/she does not always get the dream (Endang & Horas, 2018). Everyone has his/her own purpose on financial. In order to reach the dream, one of the ways is money management. Money management is an ability to understand, analyze, manage, and communicate the self-financial problem to have a financial welfare. This ability includes the ability of decision making towards the money, discussing the uncomfortableness in finance, making a good influence, and planning the money for the future (Vitt & Siegenthaler,

2000). A bad behavior of spending money could affect negatively in home life and workplace (Mien & Thao, 2015). Factors that affect money management towards young adult people is perceived financial literacy and parental norms (Sheela & Muhammad, 2017). Hogarth & Hilgert (2012) claims that financial literacy is knowledge towards finance; and the ability to use it in a good financial decision making. Financial literacy is related to the ability to manage money (Remund, 2010). Knowledge about managing money is less of a main reason why people are failed to manage their personal finance. In this research, financial literacy of students is from the perception of each individual because the samples of the research are from different majors and different level of knowing and experiencing finance. Besides perceived financial, parents also have an important role to somebody's money management. Parental norms are a behavior that parents usually do then it being taught to the children and the children do so. Parents are the main socialization agent for teenagers and adult (Clarke et al., 2005). Parents are the people that have an important role for every child because almost all children are growing up with their own parents. Even they still live with the parents when they already married. Parents' behavior is influential towards the children in terms of how they talk, behave, and think about managing money (Mulyadi & Trisakti, 2012).

This research has a purpose to examine the impact of perceived financial literacy and parental norms on money management of the students who get *Bidikmisi* scholarship. The benefit of the research shows the difference background of the students who get *Bidikmisi* scholarship with their own perceived financial literacy that they have been had since young and will help the students to manage the scholarship to finish the study in a higher education. that condition also gives a benefits for government in a long-term to prepare the young generation to have a good financial literacy that can help themselves, families, work, and country.

2. Literature review

Money management is the basic domain from financial behavior. Money management is a financial behavior related to the daily spending, payment and plan and the ownership of any products of money, also financial plan to reach the goal of a family. Besides, the financial management behavior is an ability to manage their own money. The ability of managing finance is what everyone needs to have a good finance. Financial management behavior is related to the financial responsibility of somebody in terms of how they manage their own financial money management (Ida & Dwinta, 2010), while according to Kholilah & Iramani (2013), financial management behavior is related to cash management, saving and investment, credit management, and insurance. Cash Management is a form of arrangement to the cash that is owned by somebody so it is sufficient to meet the needs. Cash management is a key of financial freedom (Khuon, 2015). Cash management is focusing on collecting, treatment and the using of cash (Roudik, 2018). Saving & investment is a proponents of today's consuming for the future. Credit is an act of borrowing money that should be returned in a certain time. insurance is a media of consumer to protect their own self from any potential losses in the future. This research is focusing on the cash management and saving & insurance.

The knowledge about financial is needed by everyone who has money, so the money can be utilize as well as possible. According to Hogarth and Hilgert (2012) financial literacy is knowledge towards finance and the ability of using it to make a good financial decision making. According to Bhushan & Medury (2013), consumer that has financial literacy can pass a bad time of finance because they have savings, insurance, diversification of investments. Financial literacy is knowledge of the concept of finance that being used to make a choice of money product that effectively increasing financial well-being from everyone of a group of people to participate in the life of economics. Financial literacy is knowledge about the concept of money such as insurance, mortgages and skills. Financial literacy is measured with the variable of financial knowledge (Raaij, 2016). According to Lusardi & Mithchell (2014), financial knowledge can be measured with 3 indicators: interest rate, inflation, and risk diversification. The interest rate is the behavior of interest rates offered by the financial world or the rate of compensation of monetary value at this time and in the future. Inflation is a general and continuous increase in price within a certain period of time. Risk diversification is a capital that is implanted in various types of investments in order to reduce the chances of risk to be faced. This research uses 2 indicators namely interest rate and risk diversification.

Financial socialization is one's process to gain skills, knowledge, and attitudes related to its functions. Beutler and Dickson (2008) said that family influences the final result in developing attitudes such as attitudes toward money. Ardiana (2016) also said that parents are the agent of main socialization in the child's learning process concerning money and the process of developing financial management behavior that is carried out accidentally and intentionally through learning in the family. In fulfilling the role, parents always try to make their children grow as good,

independent and have great life values, so they are expected to be a person who appreciates life. One of them ⁴ to respect the money that they owned by spending it wisely. Sim, Xiao, Berber & Arizona (2009) agreed that adults who are confident in their choice of financial transactions tend to have enough guidance from their parents since childhood, in addition to formal financial literacy education from various sources. Parents are people who play a significant role for every child, because almost all children grow up with parents, from childhood to adulthood, even when the child is married and have their own family. Parental behavior can affect children such as how to talk, behave, think and even manage money (Mulyadi & Trizki, 2012). According to Sim, Xiao, Berber & Arizona (2009) there are several indicators ² to measure financial socialization, namely parental socio-economic status (SES), parent financial behavior, parent direct teaching, high school work experience, high school financial education, adopting parental financial role modeling, financial knowledge, parental subjective norms, perceived behavior control, financial attitude, financial relationships with parents, financial satisfaction and healthy financial behavior. There are three indicators that will be used in this study, among others are parental subjective norms, parental direct teaching and adopting parental financial role modeling. Parental subjective norms show parents' financial behavior. Parent direct teaching is a level of parental involvement in educating finance to their children, such as discussing family financial issues with children and teaching children how to use credit cards appropriately. Adopting parental financial role modeling is how much the children make parents as role models in managing finances.

Money management is the individual behavior in managing money that they owned. The more financial knowledge they have, the better the individual managing their money. Low financial knowledge can cause the creation of a wrong financial plan (Widdowson & Hailwood, 2007). Aside from causing the creation of a wrong financial plan, it also will cause undirected daily financial decisions (Yulianti & Silvy, 2013). Widdowson & Hailwood (2011) stated that financial literacy affects individuals in their saving, borrowing, investing and managing financial activities. Perry and Morry (2005) found that ⁸ financial knowledge has a positive effect on financial management behavior. In contrast, Kholilah and Iramani (2013) stated that financial knowledge does not directly affect financial management behavior.

Furthermore, parental role in children's education is crucial, including education in managing personal finance. The knowledge gained by children during their experience living with parents, causes them to grow up as smart as their parents in managing finances and have the same values as their parents (Mulyadi & Trizki, 2012). Shim et al (2009) found that socialization about finances from parents had a great impact on young people in shaping attitudes and behaviors towards money. The same thing was proven by Solheim, Zuiker & Levchenko (2011) that parents are a model that has a positive effect on saving behavior in children. Children gain financial knowledge from parents starting with simple things such as how parents supervise and handle financial problems in the family (Solheim, Zuiker, & Levchenko, 2011).

Based on the discussion that has been explained before, the hypothesis proposed is:

H₁: Perceived Financial Literacy has an effect on Money Management

H₂: Parental Norms has an effect on Money Management

Insert figure 1

3. Methods

The research sample is Bidikmisi scholarship recipients in universities in Indonesia. The sampling technique used incidental sampling on 100 respondents. The measurement of the research variable used is the Likert scale with a range of 1 = strongly disagree to 5 = strongly agree on the money management variable, parental norms. In addition, perceived financial literacy is measured by choosing the correct multiple choice answer. The measurement of money management variables used two indicators, namely cash management and saving & investment according to a study by Dew & Xiao (2011). The perceived financial literacy variables used two indicators, namely interest rate, and risk diversification in accordance with the study of Boon, Yee & Ting (2015). Parental norms variable used two indicators, namely parental direct teaching and adopting parental financial role modeling in line with the study conducted by Sim, Xiao, Berber & Serido (2010). Data processing used Smart-PLS (Partial Least Square) application to test the hypothesis.

4. Results

Data collection is carried out through online questionnaires on 100 Bidikmisi scholarship recipients. The description test results show the dominance of 71 female students and the remaining 29 male students, with the highest age 22 years old (34%), 21 years old (33%), 20 years old (13%) and 19 years old (13%), 23 years old (3%), 24 years old (2%), the remaining 18 years old (1%) and 25 years old (1%). Samples of students from Surabaya State University (46%), University of Brawijaya (15%), Petra Christian University (11%), University of Sam Ratulangi (7%), University of Hasanuddin (5%), Manado State University (4%), University of Mulawarman (3%), University of Haluoleo and State Christian Colleges (2%) respectively, the rest are State University of Makassar, Hamzanwadi University, Pasundan University and The Electronic Engineering Polytechnic Institute of Surabaya (1%), respectively. Student background is dominated by the Faculty of Economics as many as 32 students (34%) and currently has the most student in the 8th semester as many as 58 people (58%), 6th semester as many as 22 people (22%), 4th semester as many as 15 people (15%). The admission period for most scholarships starts in the 1st semester which is 87%. The financial condition of allowance received by students averagely amounted to Rp.820,500.00 while for expenditure per month on average by Rp.823,380.00

Insert table 1

Table 1 shows the average value of all indicators used. In the parental norms, variables and parental direct teaching (PN2) indicators have the highest average value (3.877). This indicates that parents play an active role in discussing and teaching finance directly to their children, namely topic about saving, wise ways to shop, and how to finance college needs. Money management variable and cash management indicator (MM1) shows an average value of 3.580, so the students often compare prices when they want to buy a product or service, keep written or electronic records of monthly expenses and expenses in accordance with the budget or plan. Further, the perceived financial literacy variable and the indicator of risk diversification (PFL2) has an average value of 0.507, so the level of student knowledge about risk diversification is high compared to knowledge about interest rates.

Insert table 2

The study was continued with validity and reliability testing of outer model evaluation. The test results are shown in Table 2, where loading values and AVE (Average Variance Extracted) are > 0,50. If the AVE value is below 0,5; the composite reliability is higher than 0,6 so the construct of convergent validity is still considered meets the requirements (Fornell & Larcker, 1981). While the reliability test of all indicators are qualified if the composite reliability value is > 0,70.

Insert table 3

Solimun, Fernandes & Nurjannah (2017) stated that the smallest effect size value of the indicator is 0,02, the effect size value <0,02 is very weak and must be excluded. Table 3 shows the effect size of each indicator of the research variable qualified the standard value because perceived financial literacy of money management has an effect size of 0,214 (medium) while parental norms on money management have an effect size of 0,396 (strong). To measure the relationship between variables and the level of influence of the relationship of the overall variables built, the inner

model is used with Q2 money management variable of 0,217. So, the money management variable is affected by the perceived financial literacy and parental norms by 21.7%, the remaining are predicted by other variables that did not use in this study.

Insert figure 2

Hypothesis testing in this study is shown by the t-test, where the research hypothesis is accepted if $t_{\text{statistic}} \geq 1.96$.

Insert table 4

5. Discussion

1) Perceived Financial Literacy towards Money Management

This study proves that the perceived financial literacy of Bidikmisi scholarship recipients has a significant effect on money management. Financial knowledge regarding risk diversification, which is a matter of opportunity, the function of the stock market, investment in stocks and bonds owned by bidikmisi recipient students turns out to be higher than knowledge about interest rates, namely interest rates and the time value of money. The better the financial knowledge of the students, then the better their ability to manage the money they receive. Money management variables of indicator cash management show that the students carried out price comparisons when buying products or services keep written or electronic records of monthly expenses and manage expenses according to the budget or plan that has been made. While saving & investment indicators found that the students rarely or occasionally doing saving & investment planning, because the amount of allowance received is only enough to meet their daily needs. This is in line with the research of Perry and Morry (2005) which states that financial knowledge has a positive effect on financial management behavior. On the contrary, if one's financial knowledge is low, the ability to manage their money is also low, such as doing wrong financial planning (Widdowson & Hailwood, 2007).

2) Parental Norms towards Money Management

This study also proves that parental norms variable have a significant effect on money management. Students quite agree that parents have good subjective norms in managing finances, active parents in teaching finance, and making parents as role models in managing finances. The indicator of parent direct teaching also found the direct involvement of parents in teaching children about managing money which is very influential in the financial management of the students. Parents who have good and open financial management about finance towards children, encourage the children to adopt or follow what their parents do. A child who has parents with good financial management skills resulting in children to also have the ability to manage money greatly. Solheim, Zuiker & Levchenko (2011) proved that parents are a model that has a positive effect on financial behavior for children, such as saving activities. Children will gain financial knowledge from parents starting from simple things related to the ways their parents supervise and handle financial problems in the family (Solheim, Zuiker, & Levchenko, 2011). These conditions shape children's behavior to imitate their parents' activities.

6. Conclusions

This study proves that perceptive financial literacy and parental norms have a significant effect on money management. With a good perceived financial literacy and the role of parents as agents of socialization, it increases the ability of students in financial management. The government that has set aside the state budget in the form of educational scholarships at universities also plays a role in the development of people who have intelligence and personal financial management to face the future. This study can be used as a reference for Higher Education Institutions Service (LLDIKTI) to continue to play a role in educating students about the importance of managing Bidikmisi scholarship money they receive. Parents play a role as agents of socialization to build awareness and concrete or actual action for both parties (parents and children)

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Tables

Table 1. Variable description data (n=100)

Indikator	Mean	Standar Deviasi	Minimum	Maksimum
Parental Subjective Norms (PN1)	3.654	0.817	1	5
Parent Direct Teaching (PN2)	3.877	0.782	1	5
Adopting Parental Financial Role Modeling (PN3)	3.737	1.033	1	5
Cash management (MM1)	3.580	0.697	1	5
Saving & Insurance (M2)	2.662	0.892	1	5
Interest rate (PFL1)	0.325	0.349	0	1
Risk diversifikasi (PFL2)	0.507	0.227	0	1

Table 2. Validity & Relief Test Test results based on Loading Value, AVE and Composite Reliability

Indicator	Loading Value	AVE	Composite Reability
PFL1	0,536	0.615	0.747
PFL2	0.971		
PN1	0.780	0.687	0.868
PN2	0.850		
PN3	0.854		
MM1	0.825	0.678	0.808
MM2	0.822		

Table 3. Effect Sizes, R-square, Q-square

Variabel	Money Management
Perceived Financial Literacy	0.214
Parental Norm	0.396
Nilai Adjusted R-square	0.201
Nilai Q-square	0.217

Table 4. Hypothesis test

Variabel	Path Coefficient	t _{statistik}	p-value	Explanation
Perceived Financial Literacy → Money management	0.214	2.390	0.017	Signifikan
Parental Norms → Money management	0.396	4.747	0.000	Signifikan

Figures

Figure 1 Equation model and hypothesis relationship

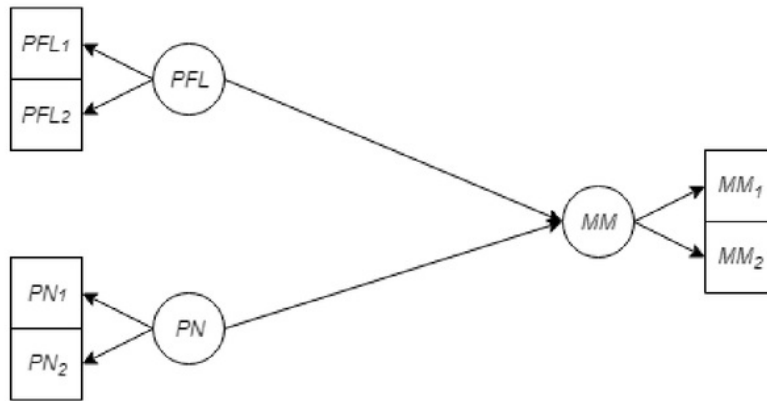
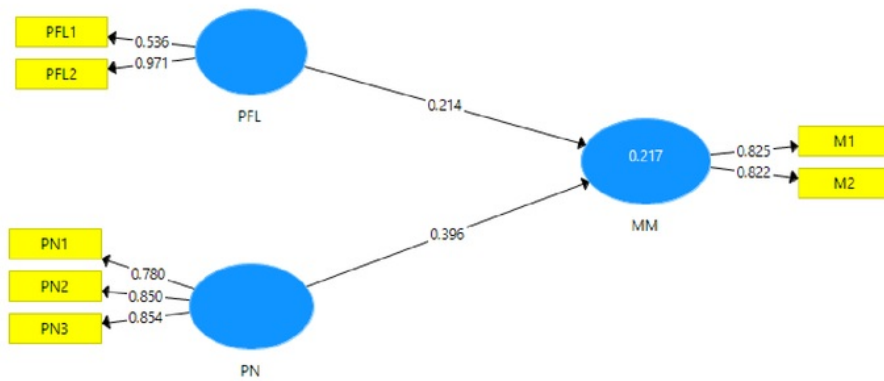


Figure 2 Structural Model



Appendices

Money Management

Cash Management

8. Comparison shopped when purchasing a product or service
- Kept a written or electronic record of your monthly expenses
- Stayed within your budget or spending plan

Saving & Insurance

- Began or maintained an emergency savings fund
10. Saved money from every paycheck/pocket money/ Bidikmisi scholarship
- Saved for a long term goal such as a car, education, home, etc.
- Contributed money to a retirement account

Perceived Financial Literacy

Interest rate

7. Let's say you have Rp 200 in a savings account. The account earns 10% interest per year. How much would you have in the account at the end of two years? Assuming you did not take out the money and interest after first year.
 - Rp 220
 - Rp 240
 5. **Rp 242**
 9. Do not know
- Suppose you have a friend inherits Rp 1,000,000 today and his siblings inherits Rp 1,000,000 3 years from now. Who is richer because of the inheritance?
 - My friend
 - His sibling
 - They're equally rich
 - Do not know

Risk Diverification

5. If the chance of getting a disease is 10%, how many people out of 1,000 would be expected to get the disease?
 - 10
 - 11
 - 100
 - Do not know
- If 5 people all have the winning number in the lottery and the prize is Rp 2,000,000, how much will each of them get?
 - Rp 40,000
 1. **Rp 400,000**
 - 2,000,000
 - Do not know
- Which of the following statements describes the main function of the stock market?
 - The stock market helps to predict stock earnings
 - The stock market results in an increase in the price of stocks
 3. **The stock market brings people who want to buy stocks together with those who want to sell stocks**
 - None of the above
 - Do not know
- Which of the following statements is correct?
 - Once one invests in a mutual fund, one cannot withdraw the money in the first year
 4. **Mutual funds can invest in several assets, for example invest in both stocks and bonds**
 - Mutual funds pay a guaranteed rate of return which depends on their past performance
 - None of the above
 - Do not know
- If the interest rate falls, what should happen to bond prices?
 - Rise
 - Fall
 - Stay the same

- d. None of the above
 - e. Do not know
8. Buying a company stock usually provides a safer return than a stock mutual fund.
- a. True
 - b. False**
 - c. Do not know
9. Stocks are normally riskier than bonds.
- a. True**
 - b. False
 - c. Do not know
10. Considering a long time period (for example 10 or 20 years), which asset normally gives the highest return?
- a. Savings accounts
 - b. Bonds
 - c. Stocks**
 - d. Do not know
- 6** 11. Which asset displays the highest fluctuations over time?
- a. Savings accounts
 - b. Bonds
 - c. Stocks**
 - d. Do not know
12. When an investor spreads his money among different assets, the risk of losing money:
- a. Increase
 - b. Decrease**
 - c. Stay the same
 - d. Do not know

Parental Norms

Parental **3**bjective Norms

1. Track monthly expenses
2. Spend within the budget
3. Pay credit card balances in full each month
4. Save money each month for the future
5. Invest for long-term financial goals regularly

Parent Direct Teaching

1. Discussed family financial matters with me
2. Spoke to me about the importance of saving
3. Taught me how to be a smart shopper
- 2** 4. Discussed how to finance my college education with me

Adopting Parental Financial Role Modeling

1. I make financial decisions based on what my parent(s) have done in similar situations
2. When it comes to managing money, I look to my parent(s) as my role models
3. **3**y parent(s) are role models for me about how to manage financial matters
4. I argue a lot with my parent(s) about money matters

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