

Chapter 29

The Study of Developing a Financial Literacy Scale for University Students in the Digital Era: Evidence From Inonu University

Nevzat Tetik

Inonu University, Turkey

Ilhan Ilker Albulut

Inonu University, Turkey

ABSTRACT

Financial literacy, in its shortest definition, is the ability of individuals to use money rationally. Today, young individuals' infrastructure and kits are not enough to understand finance and make the right decisions in the modern financial world. It is extremely essential for young university students to have sufficient financial literacy in order to have a high tendency to consume and to be individuals who will go into business life in the near future. In this study, the authors conduct a scale study to measure the financial literacy levels of undergraduate students and its relation to the digital environment in the 2020-2021 academic year. The scale consists of three factors under the headings of financial information, financial prudence, and borrowing attitude, and 20 sub-items. In the study, the authors also compare the financial literacy variable with sociodemographic, socioeconomic, and descriptive variables by using t-test and ANOVA analysis. The findings show that there are no significant differences among undergraduate students.

INTRODUCTION

Nowadays, it is predicted that the individualization of production and consumption habits will shed

DOI: 10.4018/978-1-7998-9187-1.ch029

light on the management of individuals' participation in the market by examining the financial behavior and attitudes of individuals in line with their financial and economic knowledge (Lusardi et al., 2017). Current studies in this field have highlighted the long-term positive and negative effects of economic and financial decisions, both individually and socially (Brüggen et al., 2017). To determine how to limit the adverse effects that arise, it is first necessary to reveal the current situation of the individuals, which means determining their financial literacy level. For instance, Taft et. al (2013) show that a higher level of financial wellbeing is kept track of by financial literacy and a high level of financial well-being reduces the financial concerns. Moreover, Lusardi and Mitchell (2013) address financial literacy as an investment in human capital.

Today's conjuncture, where we assume that individuals are at a certain level of income, leads individuals to take responsibility in evaluating the income they earn. And individuals come up against the decision of how much of their income would spend and/or how much would save. The concept of literacy, which is a socio-cultural phenomenon, turns into the concept of financial literacy when individuals carry their theoretical finance knowledge to practical application areas in terms of managing their income. Remund (2010) classifies the financial literacy definitions as conceptual definitions and operational definitions. Financial literacy was conceptually defined for the first time in the "JumpStart Survey of Financial Literacy Among High School Students" published in 1997. The study defines financial literacy as "the ability to use knowledge and skills to effectively manage personal financial resources throughout the lifetime" (Hastings et al., 2012: 5). When it comes to the operational definition of financial literacy it refers to financial product knowledge (e.g. what are stocks and bonds, what is the difference between fixed and floating mortgage rates); financial concepts knowledge (inflation, compound interest calculations, derivatives, credit score); mathematical skills or numeracy required for effective financial decision making, and to perform activities such as financial planning (Hastings et al., 2012: 5). Erkuş (2016) states that scale development means creating a tool for revealing the structure of the property that aims to measure in the best way and for its operational definition. In this research, the authors prefer to use the operational definition of financial literacy.

A structure that focuses on measuring consumers' ability to make effective financial decisions is needed to measure and improve current financial literacy levels. Huston (2010) lists a successful financial literacy scale as consisting of item contents parallel to the definition, being able to reveal choices that reduce financial well-being, and offering favorable outcomes to financial educators. Moreover, the measurements should provide results showing which outcomes indicate a lack of financial knowledge and skills. Studies focusing only on participation in financial markets can not examine the factors that determine the financial information of those who do not participate in financial markets. However, the fact that an individual does not invest in a financial instrument does not mean that the individual does not know that financial instrument (Bönte and Filipak, 2012: 3402). Fernandes et al. (2014) classify the financial literacy measurements in the literature under two main headings. The studies in the first group include experimental and quasi-experimental studies of the effects of regulations in financial education. The studies in the second group are those that explain financial literacy, the level of financial literacy as measured by the percentage of correct answers in financial knowledge tests, and the predicted financial behavior, correlational and econometrically. The authors call these two group studies "manipulated financial literacy" and "measured financial literacy". According to this classification, the authors shape the study to take account of a "measured financial literacy" study.

The essential purpose of the 21st century's individual is well-being in general. For achieving the purpose individuals need significant tools, and individuals experience different environments in daily life.

31 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/the-study-of-developing-a-financial-literacy-scale-for-university-students-in-the-digital-era/296105

Related Content

Communication and Marketing in the Fight Against Racism in the Sports Context: A Theoretical Reflection on European Football

Bruno Barbosa Sousa, Filipa Costa Magalhães, Ana Teresa Pedreiro, Vasco Ribeiro Santos and Adrian Lubowicki-Vikuk (2022). *Handbook of Research on Digital Violence and Discrimination Studies* (pp. 333-351).

www.irma-international.org/chapter/communication-and-marketing-in-the-fight-against-racism-in-the-sports-context/296092

Deep Learning Models for Airport Demand Forecasting With Google Trends: A Case Study of Madrid International Airports

Bahri Baran Koçak (2023). *International Journal of Cyber Behavior, Psychology and Learning* (pp. 1-13).

www.irma-international.org/article/deep-learning-models-for-airport-demand-forecasting-with-google-trends/324086

COVID-19: The Effects and Implications on Students Mental Health and Wellbeing

Gillala Rekha (2022). *Impact and Role of Digital Technologies in Adolescent Lives* (pp. 219-227).

www.irma-international.org/chapter/covid-19/291368

Ethical Issues in Technology-Mediated Education

John Nnaji (2012). *International Journal of Cyber Ethics in Education* (pp. 44-51).

www.irma-international.org/article/ethical-issues-technology-mediated-education/74789

Cyberspace and Online Education: The Influences of Global Cyberculture on International Students

C. Wang (2007). *Linguistic and Cultural Online Communication Issues in the Global Age* (pp. 239-252).

www.irma-international.org/chapter/cyberspace-online-education/25574