

Analyzing the effect of economics education on students' financial literacy and decision-making with the moderating role of the family's socio-economic status

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ABSTRACT

The aim of the current research is to analyze the effect of economics education on financial literacy and decision-making of students with the moderating role of the socio-economic status of the family. In terms of practical purpose, the research is based on structural equation modeling according to the method of descriptive-correlation data collection. The statistical population studied is students studying in Urmia University in two faculties of Economics and Management and Literature and Human Sciences in the academic year of 2021-22 in the number of 1632 people, of which 313 people were selected by stratified random sampling method. Data collection was done using questionnaires of risk-taking, social norms, probabilistic thinking, financial literacy and socio-economic status of the family, and to analyze the data, firstly, the indicators of the research variables were analyzed using the analysis method. Multiple correspondence was calculated with XLSTAT 2019 software and then the desired model was estimated using generalized structural equation modeling with Stata 17 software. The findings indicate that economics education has a positive and significant effect on students' financial literacy and decision-making, and economics education through financial literacy has a significant effect on students' risk preferences, social preferences and probabilistic beliefs, and the moderating role of socio-economic status in relation to education. Economics and financial literacy were approved. The results of the present research support the effectiveness of policies promoting general and specific economics education and emphasize the distributive and egalitarian nature of such policies.

Keywords: Economics education- financial literacy- probabilistic beliefs- risk preferences- social preferences.



Introduction

Considering the complexity of financial markets, the development and expansion of the scope of activities of financial institutions and their continuous efforts to increase market share, the need to master financial literacy has become more important and understanding the concepts and skills related to financial literacy is essential (Almenberg & Dreber, 2015). In the era of financialization, people should look for their own financial security; so that they decide how much and where to save, and this means that more aspects of people's lives are connected with the market and subsequent financial decisions. Therefore, people should be able to make correct financial decisions to avoid the decline in welfare level due to the losses caused by incorrect financial decisions (Lyons & Hunt, 2003:73). People may act according to the theories of economic rationality when faced with different decision options, and this may not lead to optimal financial decision making without sufficient financial literacy (Campbell, 2006). On the other hand, economics students show a higher decision-making quality in the investment game; where probabilistic reasoning is essential. Statistical courses in economics give students the ability to understand and calculate probability. Economics curriculum plays a subtle role in shaping social preferences, and it seems that economics education affects how people interact with other people (Chen, Lin & Wang, 2021:1125). On the other hand, people with educated parents have higher financial literacy. These people have a higher income and their financial planning is done considering the future. These people have a better financial situation during retirement, and the number of people who are from educated families and have experienced bankruptcy has been small (O'Neill, Sorhaindo, Xiao & Garman, 2005). Governments around the world are interested in finding appropriate approaches and solutions to improve the level of financial literacy of people through national strategies that aim to create learning opportunities at different levels of education (Atkinson & Messy, 2012). Education improves people's decision-making ability and leads them to make better decisions in different choice environments. The effects of education on decision-making can be a potential mechanism that provides context for financial and non-financial returns (Kim, Choi, Kim & Pop-Eleches, 2018). But in Iran, the education provided by the educational system of schools and universities does not prepare people to face the world they will face after completing their studies. Therefore, considering the increasing importance of financial literacy in the life and employment of students as economic activists and future builders of the country and that acquiring financial literacy can lead to fundamental changes in their decision making. The current research seeks to answer the question, what effect does economics education have on the financial literacy and decision-making of students with the moderating role of the socio-economic status of the family?

Methodology

The current research is a descriptive research based on structural equation modeling in terms of its practical purpose and in terms of the method of data collection. The statistical population of the research includes 1632 students studying in two faculties of Literature and Humanities and Economics and Management of Urmia University in the academic year 1400-1401. The statistical sample is 313 people based on Krejci and Morgan's table. Questionnaires of risk taking, social norms, probabilistic thinking and financial literacy were used to collect data. In the present study, after confirming the validity and reliability of the research tools, the indicators of risk preferences variables, social preferences, possible beliefs, socio-economic status and financial literacy were calculated using the Multiple Correspondence Analysis (MCA) method by XLSTAT 2019 software. Then, the desired model was estimated using the generalized structural equation model (GSEM) by Stata 17 software.

Findings

The data analysis showed that most of the students in the sample group are male and single, and in examining the research hypotheses, the value of the z coefficients of all paths is greater than 1.96 ($p < 0.05$). As a result, all research hypotheses are confirmed.

Table 1

Summary of Model

Variable	Path Coefficient	Z-statistics	Significance Level	Result
From economics education on				
Financial literacy	0.22	13.04	0.00	Supported
Probabilistic beliefs	0.09	4.63	0.00	Supported
Social preferences	-0.04	-2.84	0.00	Supported
Risk preferences	0.01	1.96	0.05	Supported
From financial literacy on				
Probabilistic beliefs	0.05	2.41	0.05	Supported
Social preferences	-0.04	-2.87	0.00	Supported
Risk preferences	0.13	4.64	0.00	Supported
The moderating effect of the socio-economic status of the family	0.46	2.98	0.00	Supported

Conclusion

Lack of financial literacy due to inappropriate financial decisions overshadows the lives of individuals, their families, friends and business partners, and this has inappropriate effects on people's lives and even reduces national wealth and prosperity in that society. Considering the importance of students as economic activists and considering that attending the economics training course has positive effects on students' performance and decision-making in financial and social issues. The results of the current research can be used in universities and other educational institutions, and from the perspective of policy making, economic education can improve people's financial literacy and provide positive evidence about possible policies to promote financial education in schools and universities. Therefore, it is suggested that:

- Educational policy makers should support policies to promote economic education and gain financial literacy and emphasize the distributive and egalitarian nature of such policies.
- The educational content of the university should be examined in terms of the level of attention to the components of economics and financial literacy, and by including economic units in the curriculum of all fields, financial decision-making and investment in students should be strengthened and the necessary motivation for economic activity should be created.
- After providing training related to economic and financial literacy, the effectiveness of the provided training should be evaluated. The possible effectiveness of economic education should be evaluated not only in terms of skill acquisition, but also in terms of increasing motivation, developing creativity, self-confidence, etc.

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