

# Financial Capability of ICT and Business Students

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## ABSTRACT

This paper explores the financial capability of ICT and business students from a New Zealand Polytechnic. The study builds on previous work conducted by the Commission for Financial Capability (formerly the Commission for Financial Literacy and Retirement Income). A 2013 survey was conducted by the commission which provided a national level summary of the financial knowledge and behaviour of adult New Zealanders. The survey reported findings relating to: goal setting and planning, preparing for the unexpected, every day money management, managing and reducing debt, saving and investing, sources of financial advice, and financial product ownership. Smaller, more regular, additional surveys on the same focus areas have also been conducted by the Commission. This study reports on the findings of a reduced survey focused on the same key areas which was completed by tertiary ICT and business students. The study reveals notable differences between student responses and national averages and recommends additional support be provided to students relating to matters of financial capability prior to graduation before entering the workforce.

**Keywords:** Financial Capability, ICT students, ICT Education

## 1. INTRODUCTION

The Tertiary Education Commission (TEC) states that “Institutes of Technology and Polytechnics (ITPs) focus on both delivering vocational education and undertaking applied research to support vocational learning” (TEC, 2015). The majority of ITPs throughout New Zealand embrace this vocational positioning and often leverage it as a point of difference during marketing, commonly highlighting the production of ‘work ready’ graduates (CPIT, 2015; EIT, 2015; Otago Polytechnic, 2015; UCOL, 2015). In ICT and business areas of most ITPs this ‘work ready graduates’ mantra is generally true, both from a technical perspective and in terms of professional practice and having the necessary soft skills to be effective employees in the workplace. However, one area that has received little attention up until this point is that of financial capability. ITPs prepare students with hard and soft skills to gain and retain employment in industry, but do these students enter the workforce with the necessary skills to manage an income, pay off debt, set financial goals, or save for retirement? If graduates from ITPs lack financial capability are they truly ‘work ready’?

Accordingly, this study aims to investigate the financial capability of ICT and business students currently enrolled at a New Zealand polytechnic in order to determine their work readiness from a financial perspective.

## 2. BACKGROUND

The Commission for Financial Capability (CFFC) is led by the Retirement Commissioner, a role that was established under the New Zealand Superannuation and Retirement Income Act 2001. The Retirement Commissioner position is appointed by the Minister of Commerce. One of the key responsibilities of the Commissioner is leading and coordinating the national strategy for financial capability to improve the financial capability of all New Zealanders aged 5 to 105 (CFFC, 2015a). Interestingly, the vision statement of

the national strategy is perhaps one of the most straight forward succinct vision statements to exist, it is simply: Everyone getting ahead financially (CFFC, 2015b). The national strategy was first launched in 2008 and updated in 2014 to be more targeted at desired outcomes. In addition the 2014 update was informed by a large scale survey conducted by Colmar Brunton during 2013, the *Financial Knowledge and Behaviour Survey 2013* (Colmar Brunton, 2013). The survey was carried out as a follow up to previous surveys conducted in 2009 and 2005 (Colmar Brunton, 2013). The key objective of the survey were:

- to identify areas of low financial literacy (either by topic or population) and therefore assist educators to improve financial literacy in those areas
- to identify sources/channels of financial education used by New Zealanders
- to assist the financial services industry to identify where products or services are misunderstood or confusing to consumers and thus be able to improve design or communication
- to measure changes in financial knowledge levels since 2009 in order to adapt education programmes and the design or communication related to financial products and services
- to make comparisons with financial knowledge surveys carried out in other countries
- to explore links between financial knowledge and financial behaviour
- to assist the Commission in identifying areas of further research

The survey consisted of 852 individual face-to-face questionnaire driven interviews that averaged 61 minutes in duration. The questionnaire used was 52 pages long and included 150 items. The research sample consisted of a robust selection of New Zealanders with a broad range of demographics (more information regarding the research methodology is available from the Commission for Financial Capability website).

Key financial behaviour findings from the study were organised into the following areas: goal setting and planning,

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preparing for the unexpected, everyday money management, managing and reducing debt, saving and investing, sources of financial information and advice, and financial product ownership.

Summary findings from each the areas were as follows.

Goal Setting and Planning:

- 78% of New Zealanders have financial goals
- 31% say they have financial goals written down or recorded somewhere
- 28% say they have a financial plan written down or recorded somewhere

Preparing for the Unexpected:

- 71% of New Zealanders say they would be able to access up to three months' of their household income in an emergency
- 42% said they would access this money from their own savings and investments
- 29% said they would need to access at least some of the money another way

Everyday Money Management:

- 59% of New Zealanders use internet banking
- 51% have earned more than they've spent over the past three months
- 61% of New Zealanders have a budget

Managing and Reducing Debt

- 57% of those with a credit card paid it off in full each month
- 17% have had a retail purchase agreement in the last year
- 37% of those with a mortgage paid off more than required
- 36% of those with personal loans paid off more than required

Saving and Investing

- 52% of New Zealanders had savings in KiwiSaver
- 62% had put money into savings over the last three months

Sources of Financial Information and Advice:

- 47% got financial advice from banks
- 37% got financial advice from family or friends
- 22% got financial advice from websites

Financial product ownership:

- 16% owned shares
- 34% owned a store card
- 11% had a revolving credit facility

Interestingly, outside of the CFFC and other government led initiatives, very little research has been conducted into financial capability within New Zealand. There has been some work from a U.S. perspective (Lusardi, & Mitchell, 2011a). There has also been some conducted from a global perspective that mentions New Zealand, however this only touches on the work of the CFFC (Lusardi, & Mitchell, 2011b). Finally there has also been some older work published by the Reserve Bank of New Zealand (Widdowson, & Hailwood, 2007).

### 3. METHOD

In order to examine the financial capability of tertiary students, a survey was developed that asked predominately direct yes or no questions relating to the key findings of the Commission's 2013 survey. This was done in order to provide a quick method of data collection and to help maximise the response rate from students. The notion of

conducting the original survey was briefly considered however it was deemed impractical due to it requiring individual one-on-one facilitation to complete with an average response time of 61 minutes. As a new reduced form survey was being developed, a number of additional questions uniquely related to tertiary students and graduates were also added to the survey, this included questions on student loans, student loan repayments, and GST.

The developed reduced form survey consisted of 36 questions that were spread over two pages. The majority of the questions (28) were Yes or No questions, three questions had a range of answers (daily, weekly, monthly, yearly, or never), and five questions had multiple options (e.g. circle those that apply: a, b, c, d, e, f, etc.). The areas covered by the survey were: Financial Goals, Preparing for the Unexpected, Money Management, Managing and Reducing Debt, Saving and Investing, Product Ownership, GST, and Student Loans. The survey was tested for clarity by the researchers and other staff members to help ensure clarity of the instrument. Time to complete was also recorded and estimated at 5 minutes. The survey was conducted during the first two weeks of Semester 1, 2015

The research sample consisted of 107 business and ICT students. Students were invited to optionally participate in the survey at the beginning of a timetabled class. The survey was conducted completely anonymously with only the programme and level being recorded. Students were informed of the intention of the research project prior to the data collection and were made aware that participation or lack of participation would have no bearing on grades. The students who were invited to participate in the study were drawn from four main groups: level 5, 6, and 7 ICT students and level 5 business students. Level 6, and 7 business student were not available to participate in the study as the level 7 business programme had only been introduced at the beginning of the year and no students had progressed through at the time of the data collection.

The results of the surveys were subsequently entered into a spreadsheet and analysed overall, and individually for each of the four groups. These results were then compared to the national averages from the 2013 survey conducted by the Commission of Financial Capability. Results and comparisons are provided in the following section.

## 4. RESULTS AND DISCUSSION

### 4.1 The Research Sample

As mentioned a total of 107 students completed the survey, 47 level 5 ICT students, 22 level 6 ICT students, 21 level 7 ICT students, and 17 level 5 business students (see Figure 1).

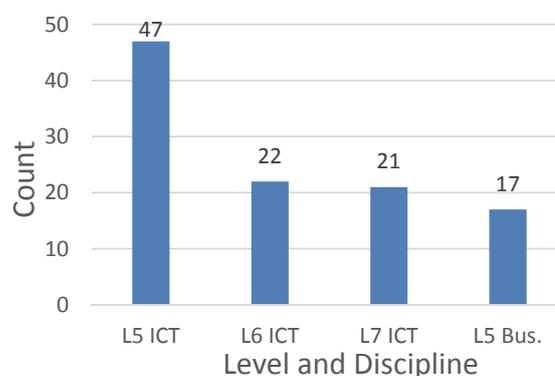
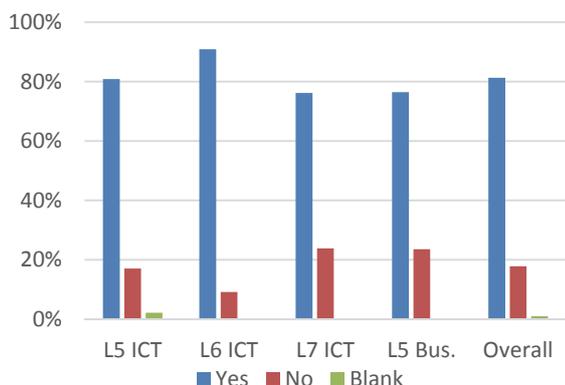


Figure 1. Research Sample

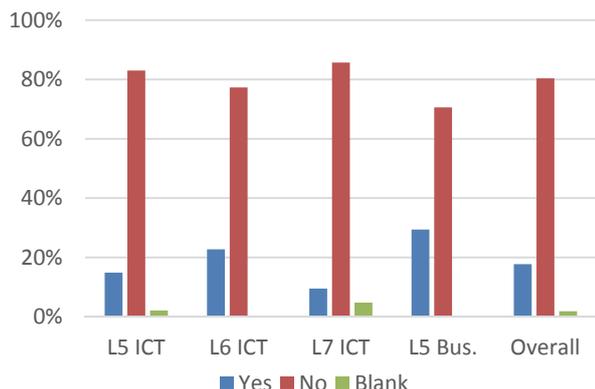
## 4.2 Financial Goals

Based on the responses of the entire research sample, the majority of students indicated they had financial goals (81%), this was also generally consistent across each of the groups (see Figure 2). This result is on par with the national average of 78%.



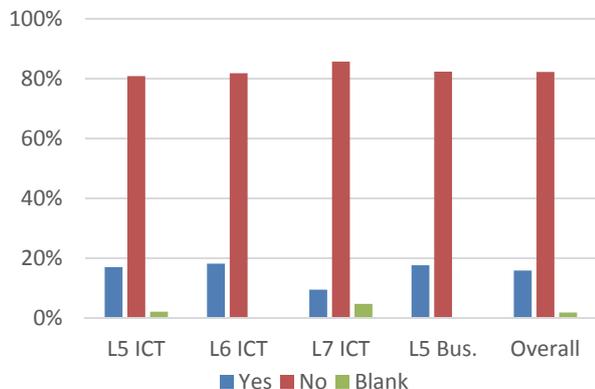
**Figure 2. Students with Financial Goals**

Interestingly, although the large majority of respondents indicated that they had financial goals only a small percentage (18%) indicated that these goals were recorded or written down, again this was consistent across all groups (see Figure 3.). This result is slightly lower than the national average of 31%,



**Figure 3. Students with Financial Goals Written Down**

In a similar trend, only a small minority of students (16%) had a financial plan in place to achieve their goals (see Figure 4.). Again, this result is slightly lower than the national average of 28%.



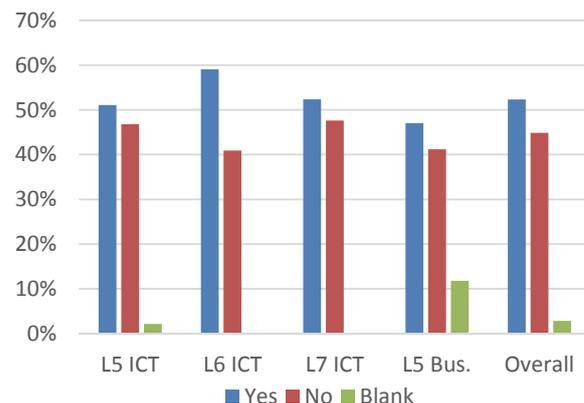
**Figure 4. Students with a Financial Plan to Achieve Goals**

These results suggests that although these students have general financial goals in mind, for the majority, these goals

are solely internal without any attached plan for achievement. These results are also consistent with national averages however the students appear even less prepared in terms of recording financial goals and developing plans to meet these financial goals.

## 4.3 Preparing for the Unexpected

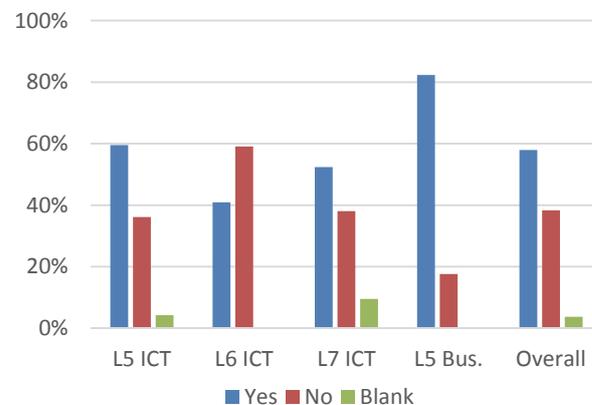
Overall the research sample was generally divided when asked if they would be able to access three months of income in an emergency (52% overall indicating they could). This was generally consistent across all the groups with the level 6 ICT students being slightly more confident (see Figure 5). Overall, this results was noticeably lower than the national average of 71%.



**Figure 5. Students Who Could Access Emergency Income**

Of those students who believed that they could access three months of income in an emergency 54% indicated that this money could be accessed from their own savings and investments (slightly higher than the national average of 42%), while the remaining 46% indicated that it would likely come from other sources. It is probably worth noting that three months of income for a tertiary student living off of student loans and allowances is likely considerably lower than the income of an average New Zealander (accordingly the total amount of money required would be lower).

Interestingly, overall only 58% of the students indicated that they had any type of insurance (see Figure 6). This result was much lower than the national average of 83%. However it should be noted that the averages varied somewhat with the four groups with the level 5 business students being comparable to the national average with 82% and the level 6 ICT students being almost alarming lower with a mere 41%.



**Figure 6. Students with Insurance**

Nevertheless, the results indicate that these students are particularly more at risk from a financial standpoint in the

case of an emergency than the average New Zealander, both in terms of emergency funds and insurance.

#### 4.4 Money Management

Overall the majority of the students regularly use internet banking (37% daily, and 44% weekly) with only 6% indicating that the never used internet banking (see Figure 7). This result is considerably higher than the national average that indicates that only 59% of New Zealanders use internet banking.

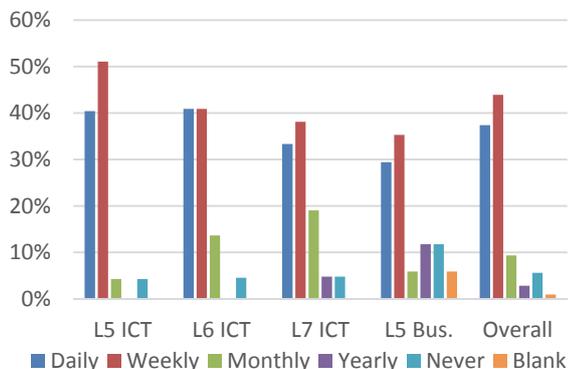


Figure 7. Students who use Internet Banking

Although not included in the national survey, student were also asked about their usage of mobile banking. The majority of students were also found to be avid users of mobile banking, overall 35% daily and 28% weekly (see Figure 8).

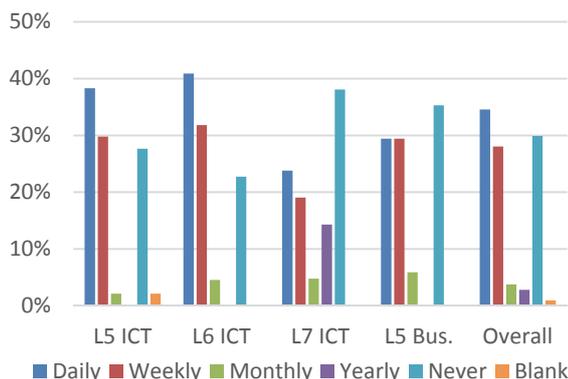


Figure 8. Students who use Mobile Banking

Overall, 67% of the students believed that over the past three months they had spent less than they had earned (Figure 9).

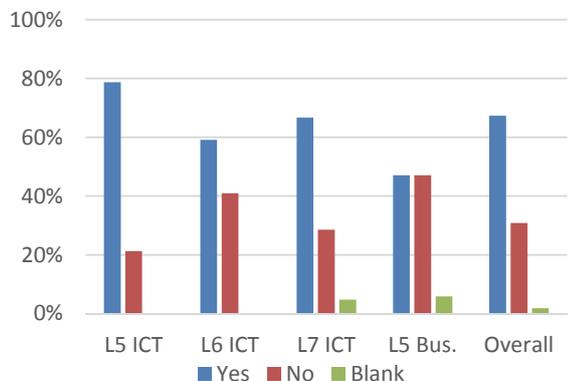


Figure 9. Students who have Spent Less than they have earned over the Last Three Months

This result is somewhat higher than the nation average of 51%. However, the timing of the data collection may have impacted this result. As the survey was conducted at the beginning of Semester 1, the previous three months would have generally equated to the summer break during which many students would likely have been working more than they would normally during the academic year.

The students were generally split with regards to having a budget. Overall, 55% of the students indicated that they had a budget with level 7 ICT and level 5 business students being the most likely (see Figure 10). This result is comparable, however slightly less, than the national average of 61%.

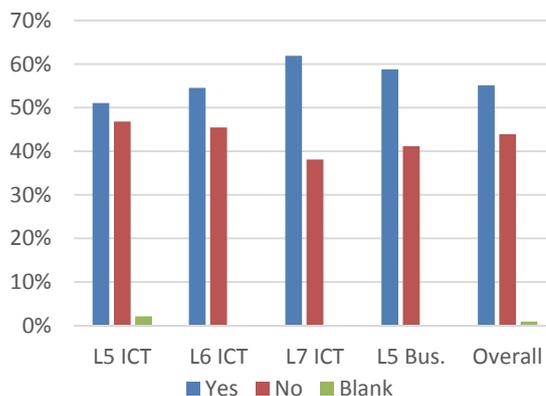


Figure 10. Student with a Budget

Those students with budgets further indicated that they updated their budgets mainly weekly (25%) or monthly (20%), see Figure 11.

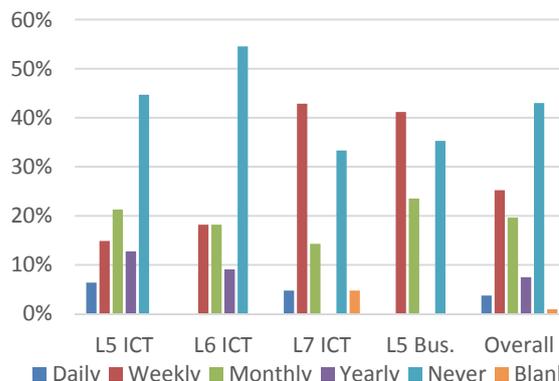
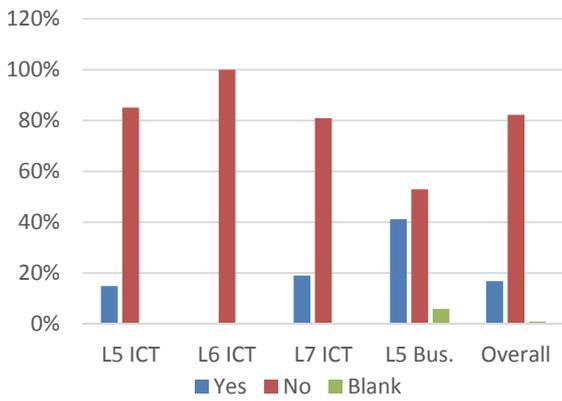


Figure 11. Budget Update Frequency

The results tend to suggest that the students from the research sample are on par with national averages with regards to money management in the area of budgeting but are also much more proficient with using internet and mobile banking for money management purposes. This result is however very likely skewed due to the fact that majority of the students are generally younger than the average New Zealand and are also enrolled in ICT and business programmes which necessitate online and technical proficiency.

#### 4.5 Managing and Reducing Debt

Only 17% of the students indicated that they had had a retail hire purchase during the last 12 months (Figure 12). This is exactly equivalent with the national average of 17%. Of those students, the majority also paid off the purchase during the interest free period (94%).



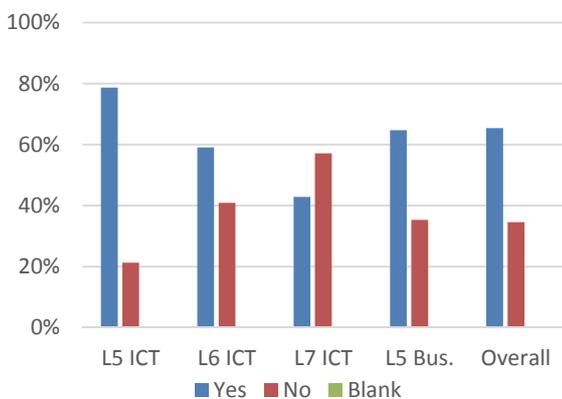
**Figure 12. Students with a Hire Purchase during the past 12 Months**

Only 30% of students overall had a credit card, and of those with a credit card only 47% indicated that they paid off their balance in full each month. This is slightly below the national average of 57% (of people with credit cards who pay them off in full each month). An even smaller proportion of students (9%) indicated that they had a mortgage, of those with a mortgage 56% paid off more than required each instalment. This is higher than the national average of 37%, however is likely skewed by the size of the research sample. Additionally, 24% of students had a personal debt, and of those with a personal debt only 29% paid off more than was required each instalment. This is almost on par with the national average of 36%. However, feedback from a number of students indicated that they were unsure if a student loan counted as a personal debt.

Generally speaking, the students from the study were roughly on par with the national averages in terms of managing and reducing debt. However, it should be noted many of the students (level 5 ICT and level 5 business) were only beginning study with a large number coming straight from secondary school. Accordingly, this subset would be unlikely to have had much opportunity to get into debt.

#### 4.6 Saving and Investing

Interestingly, overall 65% of the students reported that they had KiwiSaver savings. This is relatively higher than the national average of 52%. Furthermore, the level 5 students were the most likely, followed by the level 6, and then the level 7 students (see Figure 13).

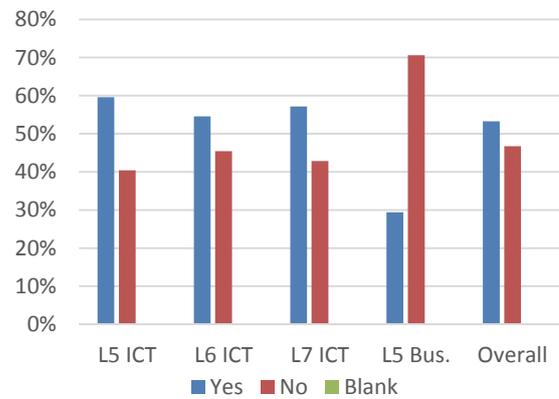


**Figure 13. Students with KiwiSaver Savings**

This pattern may be due to the automatic enrolment that would occur for any part-time or full-time work that the level 5 students may have been undertaking prior to commencing tertiary study and switching to student loans and allowances.

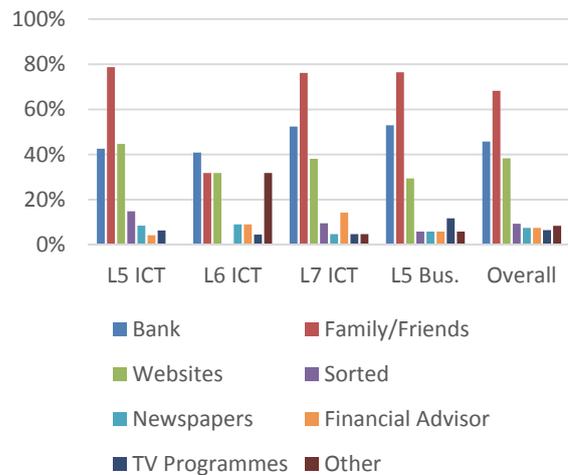
It will be interesting to see if the removal of the \$1000 kick-starter will have an impact on these figures in the future.

About half of the students (53%) also reported that they had other savings that they had added to in the past three months (see Figure 14). This result is slightly below the national average of 62%.



**Figure 14. Students with other Savings**

When asked where they got their financial information and/or advice, overall the students expressed a variety of opinions however the most common were family and friends (68%), followed by banks (46%), and then websites (38%), see Figure 15. Interestingly, the New Zealand averages are quite different with family and friends only achieving 37% nationally, banks the highest at 47% (comparable to the student responses), and websites only scoring 22%.



**Figure 15. Where Students Get Financial Advice**

Overall, in terms of saving and investing the students from the research sample are reasonably well placed when compared to the national averages. The results also indicate that the students, perhaps due to their generally younger age demographic are more likely to rely on family and friends for financial advice than the average New Zealander.

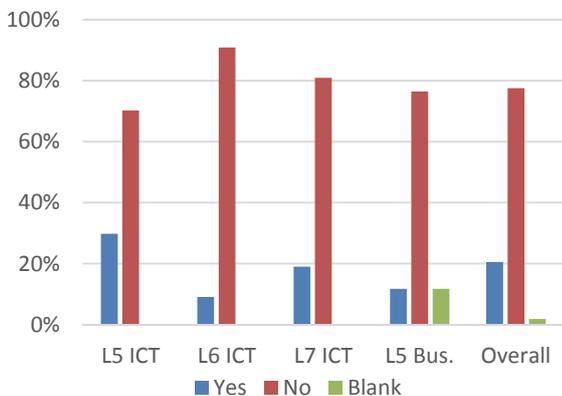
#### 4.7 Product Ownership

Student responses to the product ownership questions were generally negative with only 6% indicating that they owned shares in a company (lower than the national average of 16%). Similarly, only 5% of the students had a revolving credit facility (again slightly lower than the national average of 11%). However, 32% of the students provided a positive response to store card ownership (on par with the national average of 34%). These results suggest the students are

reasonably equivalent to the national average in terms of product ownership.

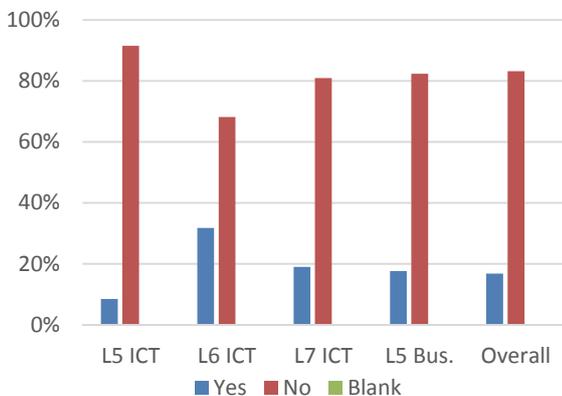
### 4.8 Financial Matters and Retirement

When asked questions related to their financial future 21% of the students reported that they believed the government was responsible for their financial future (see Figure 16). However at the same time, 92% of the students indicated that they also believed they were personally responsible for their financial future. This is on par with the national average of 91%.



**Figure 16. The Government is Responsible for Student Financial Future**

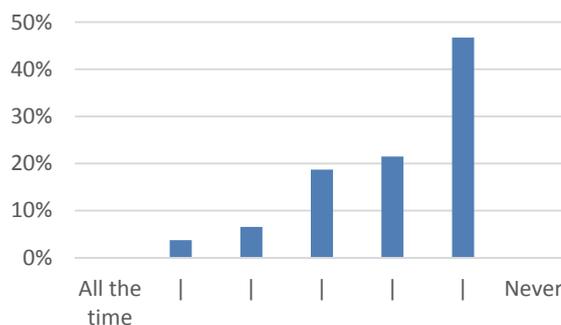
In a similar thread, 96% of students indicated that they believed they would need to save for their future/retirement. This result is on par, but slightly above the national average of 88%. Interestingly, although this need to save for the future was held by the strong majority of students, only 17% had worked out how much they would need to save (see Figure 17). This is also lower than the already low national average of 31%.



**Figure 17. Students who have worked out how much they will need for retirement**

When asked to mark on a five point continuum between “all the time” and “never” their response to the question “How often do you think about financial planning for retirement the majority of students (68%) leaned towards never, with 47% selecting the absolute end of the continuum (see Figure 18).

This results is not surprising as the majority of students are at the beginning stages of the professional career and matters of upskilling, training, and employment are likely more of a focus at this stage than retirement.



**Figure 18. How often Students consider Financial Planning for Retirement**

### 4.9 Student Loans and GST

Although not specifically covered by the national survey a number of additional questions were included in the student survey. The first concerned GST (Goods and Services Tax), perhaps surprisingly only 73% of students good accurately recall the current rate of GST (15%), and in a similar thread only 69% understood that it is consumers that pay GST, the remainder believed it was either the business (7%) or the government (16%), with the remaining 7% leaving the question blank.

The second part asked students who funds student loan repayments once a graduate (with a student loan) is employed and begins working. Again, perhaps surprisingly only 72% realised that the student/graduates makes the repayments, with the remainder believing that it was the employer (14%) or the government (8%), the final 6% left the question blank. Similarly, when asked about what needs to get repaid 97% correctly circled student loan (course fees), only 78% circled student loan (living costs), and a similar amount (74%) correctly circled course related costs, finally 7% also incorrectly circled student allowance.

Overall the results suggest that the majority of students have a correct understanding relating to student loans and GST, however there still remains a somewhat alarming sub group which appear to have significant knowledge gaps in these areas.

## 5. CONCLUSION

This paper set out to explore the financial capability of ICT and Business students. The investigation built on previous work conducted by the Commission for Financial Capability and focused on a number of key areas which included: financial goals, preparing for the unexpected, money management, managing and reducing debt, saving and investing, product ownership, financial matters and retirements, and student loans and GST.

The students were found to have financials goals, however for the majority these goals were not recorded, nor were plans in place to achieve these goals. Overall, the students were also found to be unprepared for the unexpected and appear to be particularly vulnerable in emergency situations in terms of emergency funding and insurance. The student were found to be generally on par with national averages in terms of money management and were avid users of both internet and mobile banking. Students were found to be reasonably well positioned regarding managing and reducing debt, however it was noted due to their current life stage debt may not have had a chance to become a reality. Overall, students were aware that they need to save for their futures and retirement but very few had worked out what and how much was needed. Finally, most students were aware of their student loan obligations.

Although in a number of areas the student responses were mentioned as being on par with national averages it should be noted that this is not necessarily a positive result. As mentioned at the beginning of this paper one of the main reasons for the existence of the Commission for Financial Capability is to help improve the financial capability of New Zealanders, something that has been recognised as area of deficiency throughout the country.

Overall, the financial capability of the students was determined to be reasonable when compared to national averages, but ultimately deficient in a number of key areas, specifically: financial goal setting, being prepared for emergencies, and planning and saving for retirement.

Based on the outcome of this study, initiatives will be explored in order to help address the deficiencies in financial knowledge and capability that have been found throughout the research sample. Implementation of potentially suitable initiatives will be pursued by the researchers with the aim of providing additional support to students regarding financial capability.

Future work will aim to continue the data collection on a yearly basis to determine if the introduced initiatives have an impact of student's self-reported financial knowledge and capability. Finally, other tertiary educators are encouraged to explore and improve their own students' levels of financial capability to ensure work ready graduates are truly work ready.

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