

Tertiary Students' Financial Behaviour: Recent Study from Slovakia

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— Review of —
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ABSTRACT

This paper describes financial conditions of tertiary students in Europe and the financial habits of tertiary students in Slovakia. The number of students enrolled in tertiary education determines, in part, a country's future competitiveness in terms of its ability to create, transform, and use knowledge in innovative ways. In January 2018, we carried out the survey focused on the financial habits of the tertiary students in Slovakia. In the present study, a sample of 1,250 students currently studying at the institutions of higher education in Slovakia was surveyed to identify their actual financial situation. The purpose of the survey was to analyze the social and economic conditions of Slovak tertiary students as well as their financial habits. Savings are just one way of securing the future. Our study has found that around 36% of tertiary students cannot save money due to the poor social situation in their families. More than 8% of the participants said that they did not need to save because their parents donated their living expenses. We have found that two thirds of the students save money every month. The implications of current findings are mentioned. The limitations and directions for future research are discussed.

Keywords: Financial behaviour, Savings, Tertiary students.

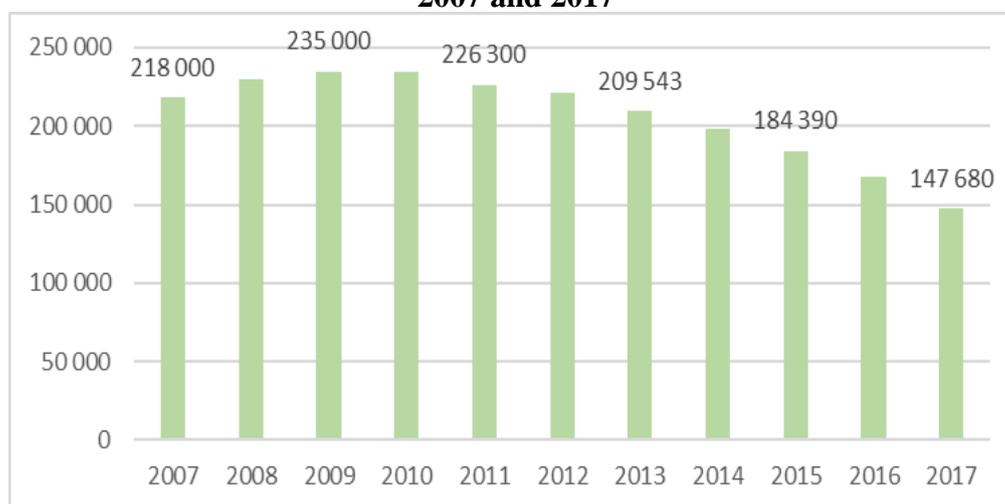
1. INTRODUCTION

All students' behaviour has always been considered to be greatly affected by the motivation they are provided at every level of their education. In recent years, scholars have argued that traditional learning no longer achieves its goals because learning time is used inefficiently. The present goal is to demonstrate a way to more effectively utilize learning time in order to maximize knowledge (Weber *et al.*, 2017). The students' attitude and behaviour towards their education as well as towards those with whom they interact is hugely dependent on whether they have been motivated or demotivated by their superiors. Due to increasing globalization, it has become more important to keep on motivating students to achieve more. The competition has increased, therefore students are under a great pressure to win the race of being number one. Thus, it has become very necessary to motivate students so they can sharpen their skills and accomplish their goals (Destin and Svoboda, 2018). In order to enhance the competencies of students, it is important to keep them motivated. Understanding the characteristics of students and how they combine studying with their daily life is the key to assessing the fairness and effectiveness of a country's higher education system. Student employment is not a recent phenomenon, but it has risen sharply in recent years (Whatley, 2017).

The issues regarding the interaction of student fees and support are, however, complex and difficult to compare accurately at European level. Fees and support play a role in supporting (or discouraging) access to higher education, and can also have an impact on progression and completion rates (Webber, 2017). While fees impose a financial burden – which may be more or less significant depending on the nature and level of the fees and the socio-economic conditions of students and their families – support measures are able to alleviate financial obstacles to study.

As at 1st January 2018, there were twenty public higher education institutions, three state-owned higher education institutions, and twelve private higher education institutions in the Slovak Republic. Figure 1 shows a decreasing amount of tertiary students in Slovakia from year 2010. In 2017, the total amount of tertiary students in Slovakia reached just 147 680 (Eurostat, 2018b). The number of students enrolled in tertiary education determines, to a certain extent, a country's future competitiveness in terms of its ability to create, transform, and use knowledge in innovative ways.

Figure 1: Number of students enrolled in tertiary education in Slovakia between 2007 and 2017



Source: Eurostat (2018b).

The aim of this study is to characterise financial habits of tertiary students in Slovakia and analyse their current financial conditions.

2. FINANCIAL CONDITIONS OF TERTIARY STUDENTS IN EUROPE

Over the past decades, the field of Finance has undergone an interesting evolution (Meier, 2014). Participation in HE¹ is a period of a few years, which may cause a substantial financial burden for students. On the one hand, studies may increase students' expenses, e.g. due to the necessity of moving out of the parents' home and the payment of one's own living and study-related costs (Shireman, 2017). On the other hand, it may be more difficult for students to generate income, especially as their availability for the labour market is limited owing to the time they need to spend on study-related activities. Therefore, sufficient funds available to students can be viewed as a necessary financial condition for taking up and successfully completing HE.

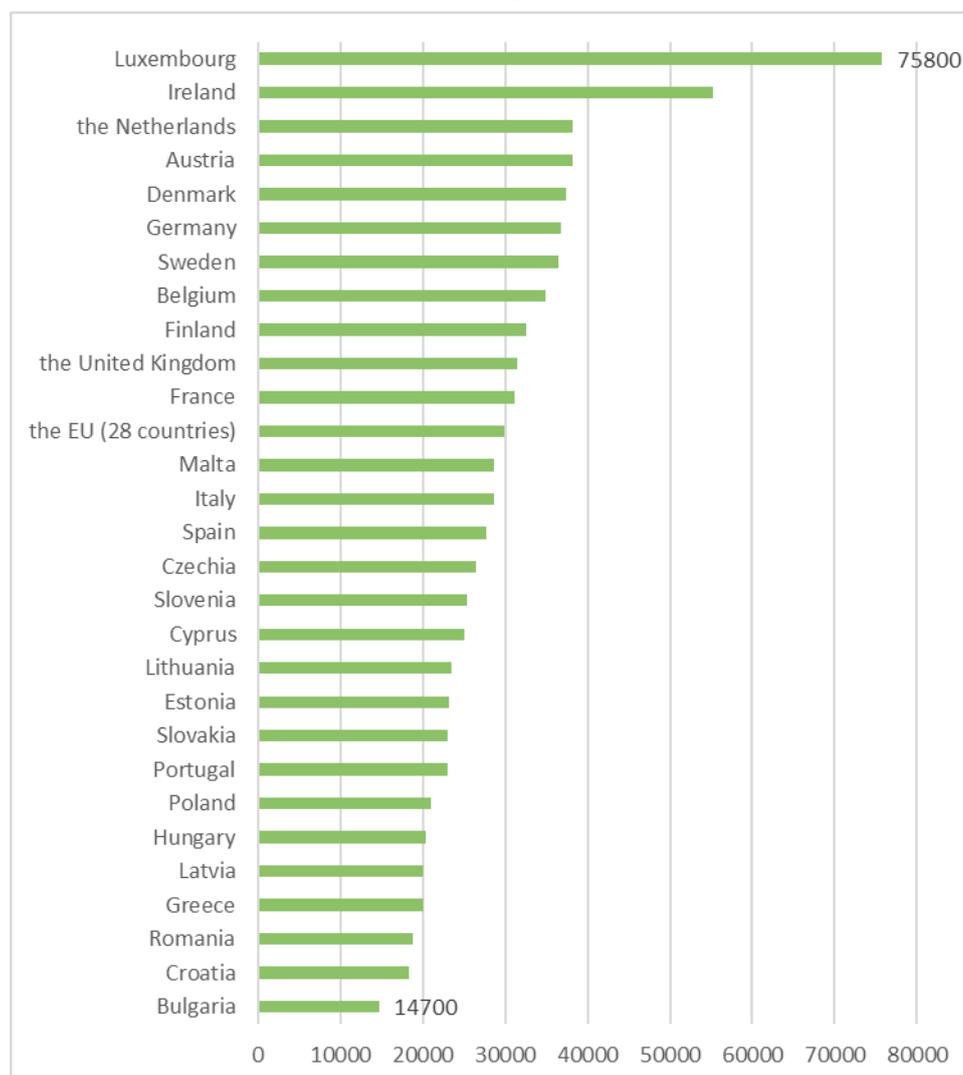
¹ Tertiary education includes further education (FE), as well as higher education (HE).

At least 40% of students not living with their parents engage in paid employment alongside their studies. The employment rate varies especially with the students' educational background and age. Employment during term-time is more common among the students without higher education background. Older students also engage in paid jobs more frequently than their younger peers.

Students mainly work alongside their studies to finance their living, improve their living standard, and to gain work experience. In almost two thirds of the European countries, 'improving living standard' is the most common reason why students take up paid jobs. In about one third of the European countries, the majority of students work during term-time to finance their living. Students' motivation to work is dependent on their educational background and age. In all European countries, the students without higher education background take up paid jobs mainly to finance their living, whereas in the majority of countries the students with higher education background work more often to gain experience. Likewise, in all of the countries, older students (at least 30 years old) engage in paid employment more often to finance their living.

A comparison of students' income by the type of study programme shows that Master students usually have higher incomes than their peers in Bachelor programmes. On cross-country average, Bachelor students living with their parents have a total monthly come of 637 Euro, whereas Master students receive 719 Euro. The Bachelor students who are not living with their parents have a total monthly income of 833 Euro and their fellow students in Master programmes 976 Euro. Exceptions to this pattern are Finland and Sweden with respect to the students who are living with the parents. For the students who are not living with the parents the pattern cannot be observed for Armenia, the Czech Republic, and Sweden. In all these countries, Master students have lower incomes than their counterparts in Bachelor programmes.

In the countries with a high GDP per capita – such as those at the bottom end of the axis – customarily, the overall price level is also markedly higher than in the countries with a low GDP per capita (Figure 2). GDP per capita in Slovakia was under the EU 28 average in 2017 (Eurostat, 2018a). There are also indications that the students' expenses in the high-GDP countries are driven especially by their living costs. In Finland, Norway, Sweden, and Switzerland, the students who are not living with their parents spend, on cross-country average, 94% of total expenses on living costs, whereas this share amounts only to 82% across Armenia, Georgia, Serbia, and Slovakia (Britt, Ammerman, Barret and Jones, 2017).

Figure 2: GDP per capita in PPS² (2017)

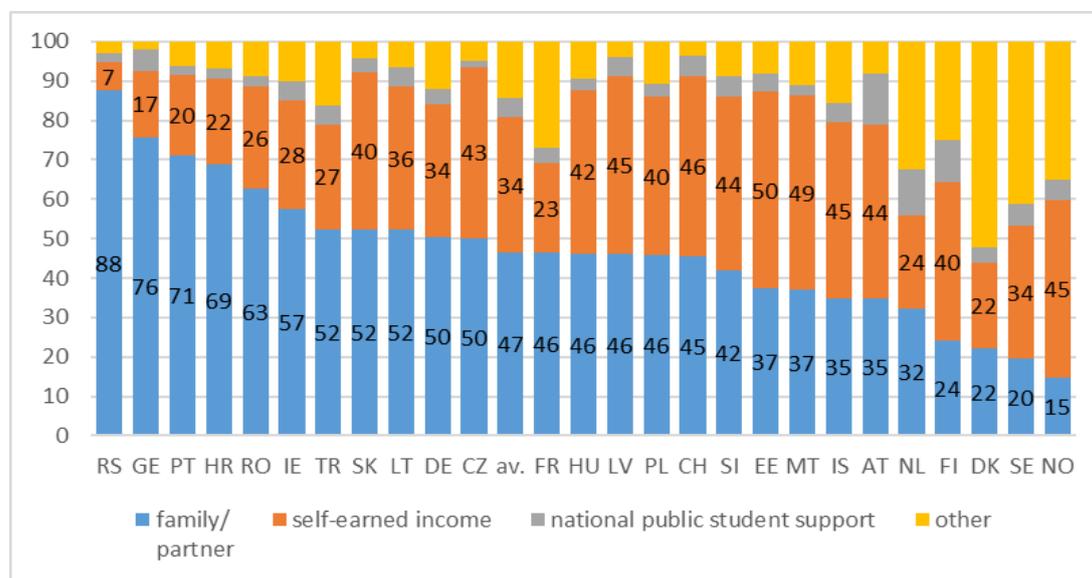
Source: Eurostat (2018a).

Across all countries, students' families/partners provide on average 47% of students' income. Students' own contribution to their income by gainful employment amounts to 5% on average. The public sector provides 11% of student income by providing grants/scholarships and loans. Other income sources make up 7%, in the aggregate, of students' total monthly income. On this aggregated measure, the private sector (i.e. the students themselves and their families/partners) provides more than four fifths of a student income, while the public sector accounts for about one tenth. On this rough measure, the European student funding systems seem to broadly follow the subsidiarity

² The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU28) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. The basic figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between the countries.

principle: Only when the private sector has exhausted all means to finance students in HE, the public sector does step into the breach. (Hauschildt, Vögtle and Gwosc', 2018).

Figure 3: Composition of students' funding (2018)



Source: Hauschildt, K., Vögtle, E. M. and Gwosc', C. (2018).

Existing findings on the relationship between paid employment and academic achievement are somewhat inconclusive. While some studies suggest that paid employment can adversely affect academic performance, having detrimental effects ranging from lower grades, missed lectures, to reduced time available for study-related activities (Auers, Rostoks, & Smith, 2007), others have documented various benefits. Employment alongside studies does not necessarily have negative consequences and can benefit students both personally and academically. This is especially true when the jobs are related to the students' fields of study. Students employed in the paid jobs related to their subject areas, may be able to transfer theoretical knowledge acquired during the lectures into their workplace practice (Watts & Pickering, 2000). The positive effects can also include enhanced employability, increased confidence, and better organisational and time management skills (Curtis & William, 2002). The evidence of the relationship between hours devoted towards paid employment and academic achievement is also mixed and contradicting. According to a study by Tessema, Ready and Astani (2014), employment has a positive effect on academic performance and students' satisfaction when students work for fewer than 10 hours. In the European context, the students in paid jobs of 15 hours or more per week have been found to spend the least time on study-related activities when compared to the students who do not work and the students who engage in 6 to 10 hours of paid employment per week (Orr, Gwosc', & Netz, 2011).

3. DATA AND METHODOLOGY

In collecting the data, we conducted an electronic survey in May 2018 from the tertiary students studying at the HEIs in Slovakia or abroad. The survey was anonymous and went online through the website about the students' finance. Most of the participants

were at the age of 19-24 years. The final reports of the EUROSTUDENT survey and the survey conducted by the authors of this study within a sample consists of 3 154 tertiary students are the main sources of data in this paper. The survey consists of 15 questions related to the financial habits of the tertiary students. The survey focused on three main topic areas: characteristics of the students, the students' employment as well as their current financial conditions.

The four sources of student income are distinguished. The respective categories are named: family/partner contributions, public sources, self-earned income and other income. The first source of student income refers to support that students receive from their parents, other relatives, or their partner. It comprises, on the one hand, disposable income, such as cash/money transfers which students can freely use for monthly spending (= transfers in cash). On the other hand, it contains so-called "transfers in kind". Transfers in kind are students' living and study-related costs that are paid by the students' parents, other relatives, or their partner. Public sources comprise the payments which students receive directly from the state, usually due to their student status. It includes, on the one hand, grants and scholarships (= non-repayable support) and, on the other hand, the loans which may be subject to interest or not (= repayable support). The support from all possible institutional levels as well as from the HE institutions (HEIs) is taken into account.

The category "self-earned income" covers the students' income which is generated through gainful employment. The income from both current employment as well as from previous employment (= savings) is taken into account. With respect to the income from previous employment, only the average amount monthly used by students to cover their costs of living and studying is considered.

Other income is a residual category which collects a plethora of income items from either private or public sources that are not assigned to one of the other categories mentioned above. Student income from other private sources can be, for instance, grants and loans from private companies. Income from other public sources can be housing benefits or child benefits for students.

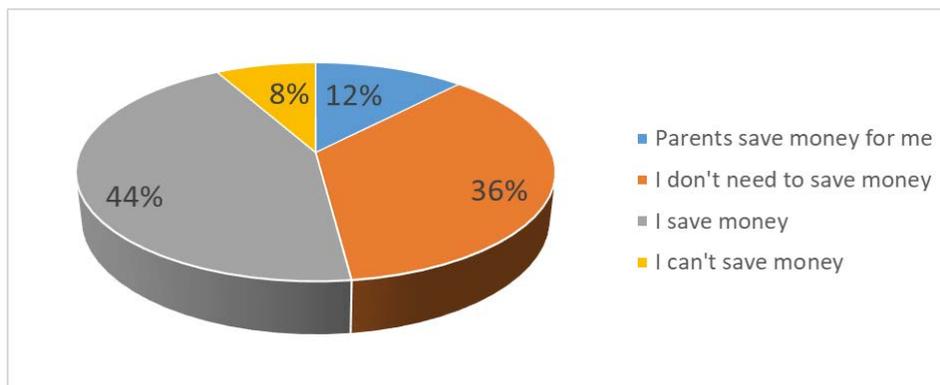
4. RESULTS

This chapter investigates different aspects of the income situation of students that are also relevant for assessing the status quo of the social dimension in the Slovak Republic:

- What is the average amount of income students save?
- What are the sources that students utilize to receive income?
- Are there any differences with regard to the use of certain income sources?

Figure 4 displays financial habits of tertiary students related to saving money. The results of the survey have shown that around 44% of tertiary students save money by themselves. More than a third of tertiary students do not need to save money. Their current financial conditions are under the average. But their decision can lead to an irresponsible financial habit.

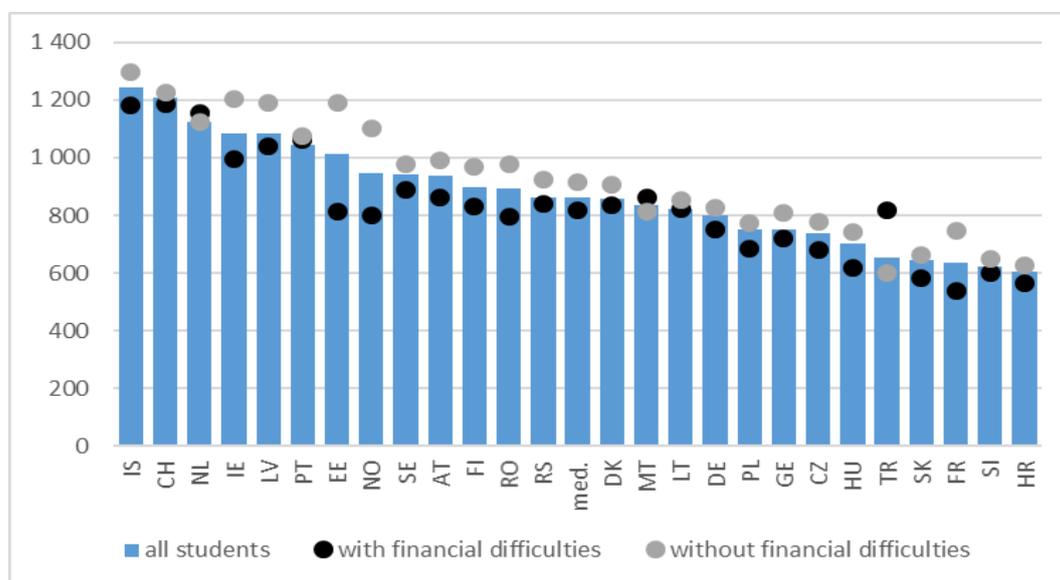
Figure 4: Financial habits of tertiary students in Slovakia (2018)



Source: Author's calculations

By the use of PPS for international comparison, the impact of exchange rates for Euro and the price level differences between the countries have been eliminated. The differences between the students with financial difficulties and the students without financial difficulties are rather low in Switzerland, Portugal, Slovenia, Slovakia and Lithuania (Figure 5). In those countries, the median income of the students with financial difficulties is less than 100 PPS lower (Hauschildt, Vögtle and Gwosc', 2018).

Figure 5: Students' income and assessment of their financial situation (2018)



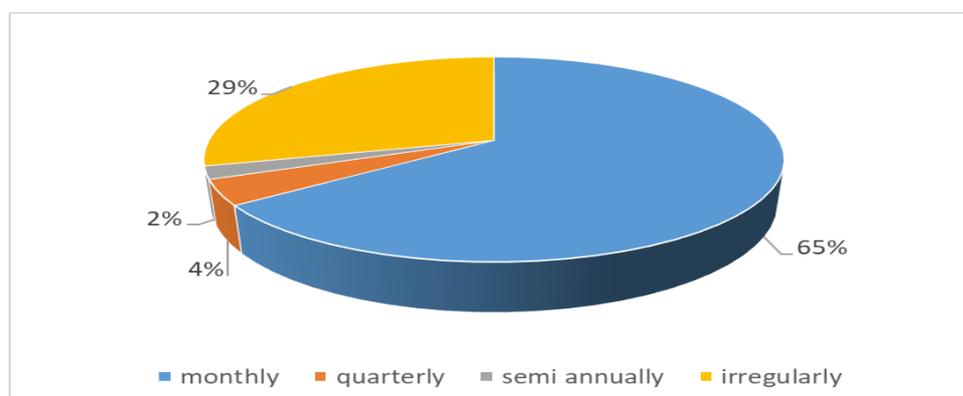
Source: Hauschildt, K., Vögtle, E. M. and Gwosc', C. (2018).

For the students who are living with their parents, some differences can be observed in comparison to their peers who are living away from their parents. In almost all countries, the total income of the students living with their parents is lower than for the

students not living with their parents. Only in Latvia, Montenegro, and Slovakia, income of the students living with parents is higher than for their counterparts not living with the parents. These countries have in common that their family/partner provisions are higher for the students who are living with the parents than for their peers who moved away from their parents. On cross-country average, the total monthly income of the students living with their parents amounts to 646 Euro (Hauschildt, Gwosc', Netz and Mishra, 2015).

Figure 6 shows the frequency how often tertiary students in Slovakia save money. Most of the students who save money by themselves do so regularly - every month. Almost one third of students saves money irregularly.

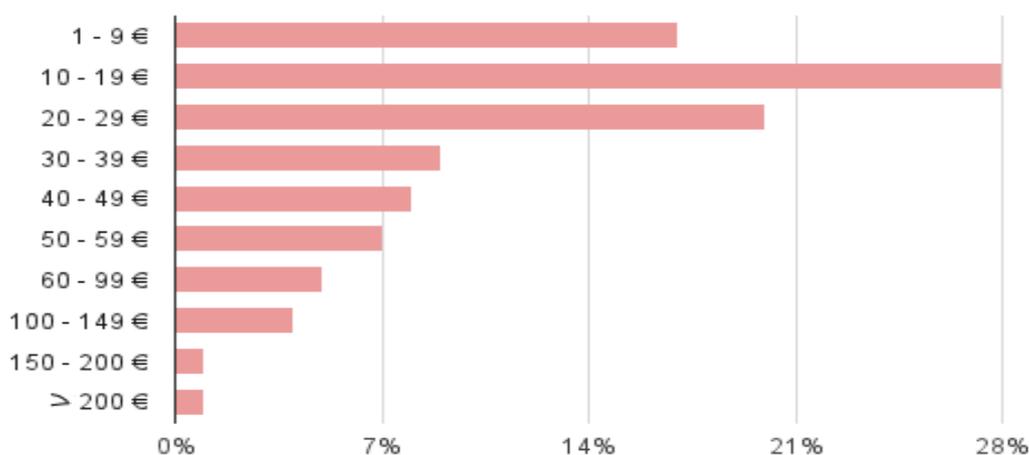
Figure 6: Frequency of saving money by tertiary students in Slovakia



Source: Author's calculations

Monthly saving is a responsible financial habit. There is also evidence that the financial expectations of the head of household have an influence on their offspring's saving behaviour. Around a half of tertiary students saves money on monthly basis between 10 and 29 Euros.

Figure 7: Amount of money saved monthly by tertiary students in Slovakia

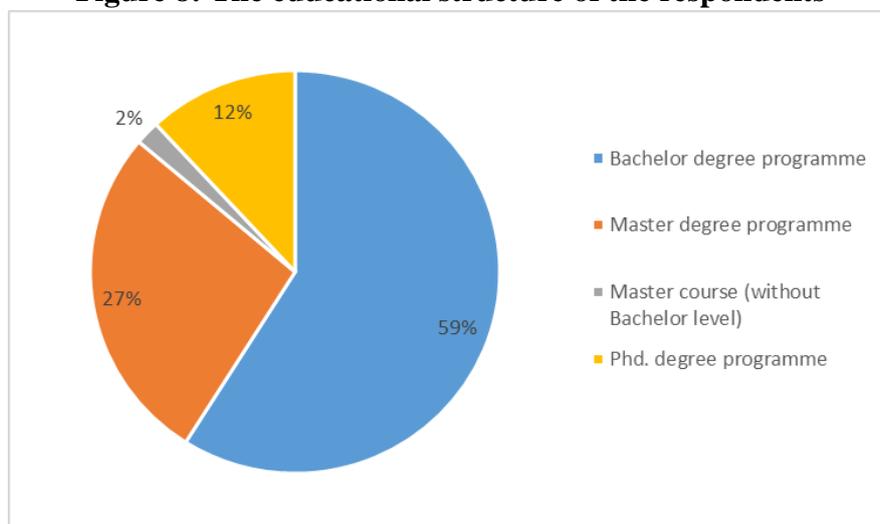


Source: Author's calculations

The following figures (Figure 8 to 11) show the results related to the living costs of tertiary students in Slovakia and the student loans provided by the Education Support

Fund. Figure 8 analyses the educational structure of the respondents who participated on our survey. The most of our respondents (59%) are studying Bachelor programme. The sample of tertiary students reflects reality at the higher education market in Slovakia.

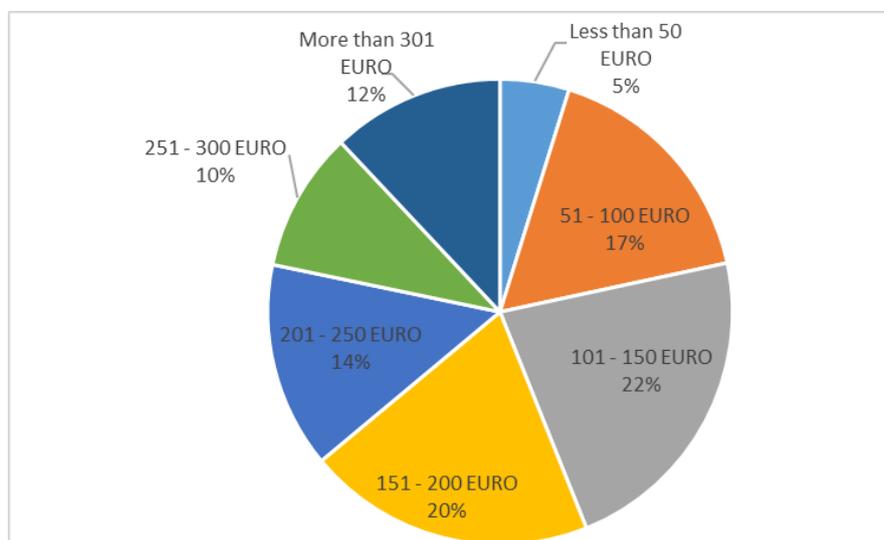
Figure 8: The educational structure of the respondents



Source: Author's calculations

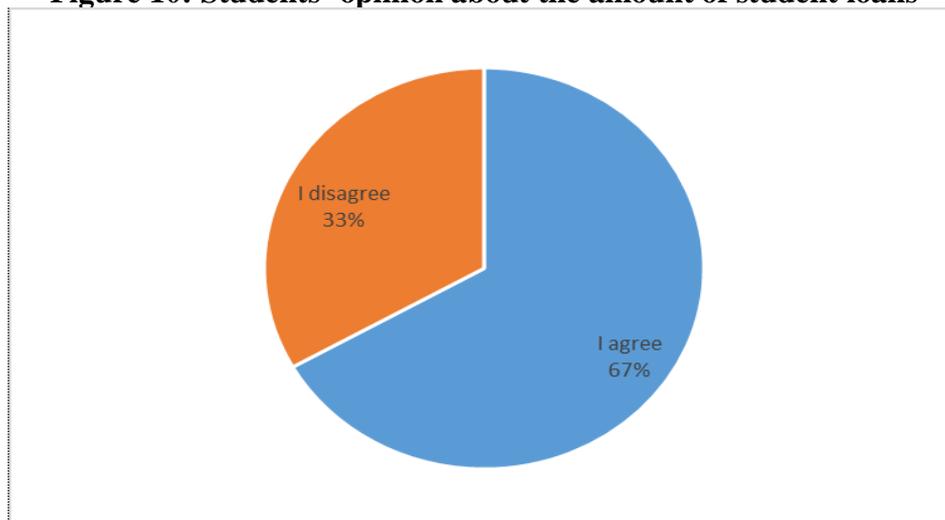
Figure 9 showed the average amount of monthly living expenses of tertiary students in Slovakia. Most of the tertiary students (59%) claimed that their average living costs per month range between 51 and 200 Euro. The focus of this category is on the students' regular monthly costs.

Figure 9: Monthly living expenses of tertiary students in Slovakia



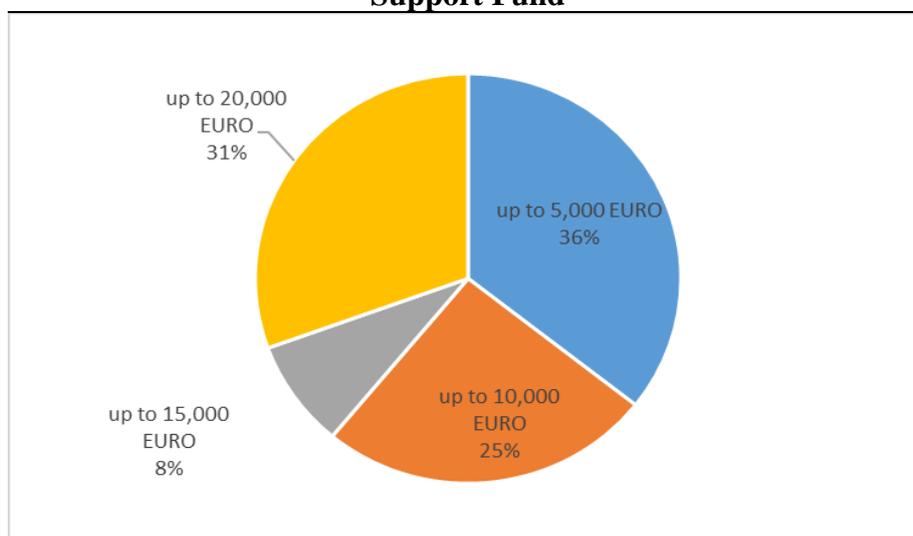
Source: Author's calculations

We were asking the tertiary students if they agree with the statement that the actual student loan amount is sufficient (Figure 10). Most of the students (67%) agreed with that statement. As one can see, most of our respondents are studying Bachelor programme and for this group of tertiary students the offered amount of student loans is covering the expenses related to their study.

Figure 10: Students' opinion about the amount of student loans

Source: Author's calculations

Those students who disagreed with the actual offered amount of student loans prefer to increase the maximum student loan amount to 5,000 Euro (Figure 11). Student loans are approved just for one academic year. This fact also influenced the preferred student loan amount.

Figure 11: Preferred amount of the student loan provided by the Education Support Fund

Source: Author's calculations

The impact of changing the maximum student loan amount up to 5,000 Euro on the Education Support Fund's budget is sustainable. The financial capabilities of the Education Support Fund should be increased by the loan provided by the European Investment Bank.

5. CONCLUSION

In the aggregate across countries, the students' families/partners provide about a half of students' total monthly income. Students themselves earn about one third of their

income through gainful employment. Public support accounts roughly for one tenth of students' means. The rest is provided by other sources. These results hold for both groups, the students who are living with their parents and those who are not. Our research has showed that tertiary students in Slovakia save money by themselves.

Our study has found that around 36% of tertiary students cannot save money because of the poor social situation in their family. More than 8% of the participants said that they did not need to save because their parents donated their living expenses. We have found that two thirds of students save money every month.

Students' financial difficulties seem to be generally related to the magnitude of student income. Students' families regularly cover the living expenses of tertiary students'. Parents save money for their tertiary student in 12% of the respondents. When comparing the monthly median income of the students across different student groups, it becomes apparent in more than 80% of the European countries, the students with financial difficulties have lower incomes compared to all students and to their peers without financial difficulties. Across the countries, the students with financial difficulties have a monthly median income, including transfers in kind, of 819 PPS which is below the value for all students and especially below that of the students without financial difficulties.

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