An Examination of the Effectiveness of Financial Education Under Situational Stimuli: A Behavioral Finance Perspective

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Financial education is found to enhance asset-building abilities of low-income and vulnerable households, and can help improve saving and general financial decision-making (Bell & Lerman, 2005; Lusardi, 2008) of households. However, other studies indicate that financial education programs have limited impact on self-evaluated financial literacy and have little link to better financial behaviors (Mandell & Klein, 2009). This study examines: 1) whether financial education can effectively improve financial literacy, and 2) whether situational influences on emotions affect the relationship between financial education and financial literacy. The participants for this study included 172 college students from a large public university located in the Southeastern United States. The results from this study indicate that financial education was associated with improvements in financial knowledge. Participants learned investment knowledge even under conditions of high uncertainty and market volatility. Investment knowledge learned by participants did not change with the knowledge of their peers' investment situation. Consistent with findings from previous studies, our study finds that investment education increased investment knowledge of participants. This study provides further evidence for the need of better financial and investment education for households, regardless of external situational factors such as market and economic uncertainty, and peer effects

References

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