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FINANCIAL LITERACY AND SAUDI YOUTH

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ABSTRACT

In today's demanding financial environment, it is very important to be acquainted with the knowledge of managing money. Money needs to be earned, invested and saved correctly. Young adults usually tend to find themselves carrying large amount of credit card debt or loans and the inability of managing capital will prevent the aptitude of accumulating wealth. In this research, examined financial literacy rate among the youth of Saudi Arabia was examined using the financial literacy test of FINRA. I showed that the financial literacy is low among the young adults; very few possess basic knowledge of interest rate, inflation, risk diversification, impact that a shorter term can have on total interest payments over the life of a mortgage and the relationship between bond prices and interest rates. Financial education is very important to be taught to young people for financial wellbeing no matter what profession they are in.

INTRODUCTION

Monetary proficiency is the training and comprehension of different money related zones [1]. This subject spotlights on the capacity to oversee individual fund matters in a proficient way, and it incorporates the information of settling on fitting choices about close to home back, for example, contributing, protection, land, paying for school, planning, retirement and expense arranging [2].

Monetary instruction incorporates the capacity of budgetary models and thoughts for instance budgetary arranging, accumulating funds, overseeing obligation, productive investment funds methods and the time estimation of cash [3]. The nonattendance of monetary education may prompt settling on poor budgetary choices that can have negative results on the money related success of a person. Thusly, the government made the Financial Literacy and

Education Commission, which gives assets to individuals who need to take in more about budgetary proficiency [4]

The guideline to achieving budgetary capability incorporate learning fitness to make a financial plan, the ability to track spending, taking in the methods to satisfy obligation, sufficiently preparing for retirement, and directing from a money related master [5]. Preparing about the subject incorporates perceiving how capital capacities. Making and achieving cash related destinations, and overseeing inward and outer budgetary challenges.

As per an examination Saudi scored underneath normal in budgetary education and cash administration. Possibly as anybody may expect that National Bond GCC investment funds Index found in a late research that 92 percent of Saudis believe that their reserve funds reserves were not acceptable for their future 74 percent did not spare routinely [6,7]

A late report released by Saudi Arabian Monetary Agency-SAMA shown that Saudi customers had SR. 333.7 billion in credit which is 35% expansion from 2012 [8]. Besides, a close-by examination of the data shows that while a couple of advances were taken to purchase costly things, for instance autos and house furnishing [9]. Having the lion offer of customer obligation used to buy buyer products as opposed to subsidizing suitable and riches creating business speculations isn't useful for shoppers in the long haul and in actuality it would be undesirable for the economy as it doesn't for the most part prompt financial development [9].

Money related training causes individuals get the chance to be particularly autonomous with the goal that they can accomplish budgetary soundness. The people who appreciate the subject should have the ability to answer a couple of inquiries concerning buy, for instance, regardless of whether a thing is required, whether it is moderate, and whether it a benefit or an obligation [10]

This field demonstrates the conduct and dispositions a person that has about money that is associated with his step-by-step life. Money related proficiency indicates how an individual settles on budgetary choices. This capacity can enable a man to develop a money related manual for perceive what he acquires, what he spends and what he owes. This subject in like manner impacts free organization proprietors, who amazingly add to money related advancement and solidarity to economy of the nation. Money related absence of instruction impacts all ages and each and every monetary dimension. Budgetary lack of education makes numerous individuals moved toward becoming casualties of savage loaning, subprime home loans, and trick and high financing costs, bringing about awful credit, insolvency or abandonment [11]

Organizations should ensure that the youthful representatives comprehend the organization's pledge to the arrangement, its dimension of commitment and the accessible tax reductions. Tailor the message to specific conditions, utilize engaging words and maintain a strategic distance from terms, for example, 'maturity' and 'retirement'. Utilize media that draw in to the more youthful

representatives by sending instant messages and messages, build up an intelligent site or hold casual advantages classes [12] Avoid offering any monetary guidance. Giving erroneously, mistaken or divided advice could mean your worker miss out and surrender you conceivably obligated. Rather pay for budgetary insight; direction costing up to £150 is a tax-exempt preferred standpoint [12].

With the end goal to settle on great money related choices. It is imperative for a person to figure out how to execute to genuine monetary basic leadership Thus, this examination was done to distinguish how well youngsters know about dealing with their cash at Saudi Arabia. The significance of this examination is to distinguishing the money related education among the Saudi youth that will help comprehend the fate of the individual prosperity and in addition of the nation. Individuals who report spending more than their compensation.

METHODOLOGY

A study was directed including 8 question. The respondents of the review were youthful grown-ups from 18-35-year-old of Saudi Arabia. In the overview the respondents were gotten some information about their age, instructive foundation and monetary proficiency test by FINRA Investor Education Foundation (Financial Industry Regulatory Authority). They give underserved Americans the data, capacities and instruments fundamental for monetary achievement all through life. 'The FINRA Foundation imagines a general public portrayed by all-inclusive money related proficiency' [13].

Study respondents were made six inquiries covering parts of financial matters and fund experienced in regular daily existence, for example, accumulated dividends, expansion, standards identifying with hazard and broadening, the connection between security costs and loan costs, and the effect that a shorter term can have on aggregate intrigue installments over the life of a home loan. People require somewhere around a key dimension of money related learning. This learning, matched with budgetary basic leadership abilities, can best guarantee a person's monetary capacity [13].

The overview likewise incorporated an inquiry asking what are the respondents instructive field including therapeutic/designing, business, sociologies or expressions. Regardless of whether you are from a trade or budgetary field it is vital for each person to get the fundamental information of financial aspects and back experienced in regular day to day existence. Each individual need to realize how to deal with their cash accurately with the end goal to not to end up winding up might result in liquidation and dispossessions. Those with lower monetary education will in general purchase using a credit card, and can't pay their full parity every month and wind-up spending more on intrigue expenses.

RESULT AND DISCUSSION

Figure 1 shows that there were 100 respondents and they were from the age of 18-35. 43% are from the age between 18-20, 21% from 21-24 of age, 25%

from 25-30 of age and 10 % from 31-35 of age. Therefore, this research was only experimented on the young Saudi youth.

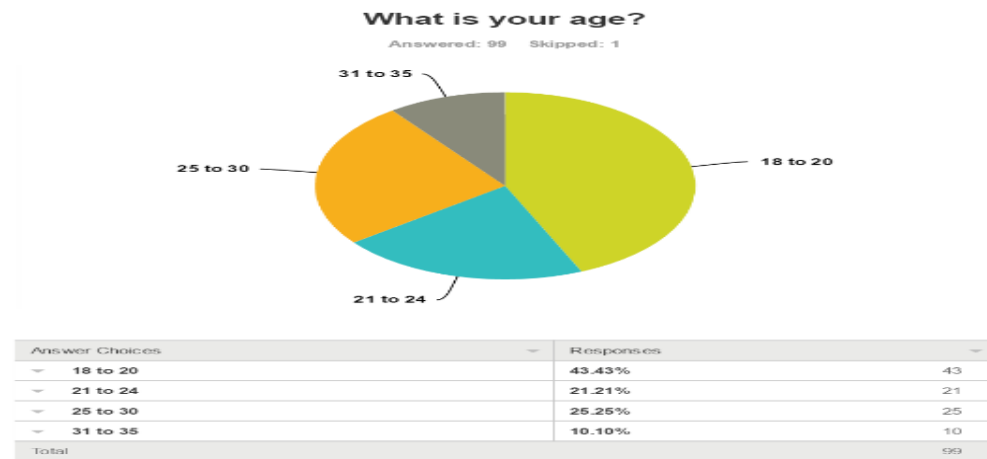


Figure 1. Age Response

Figure 2 shows the educational background of the respondents. All the participants came from different fields. 37% from medical/engineering, 28% from commerce, 27% from social sciences, only 5% from arts.

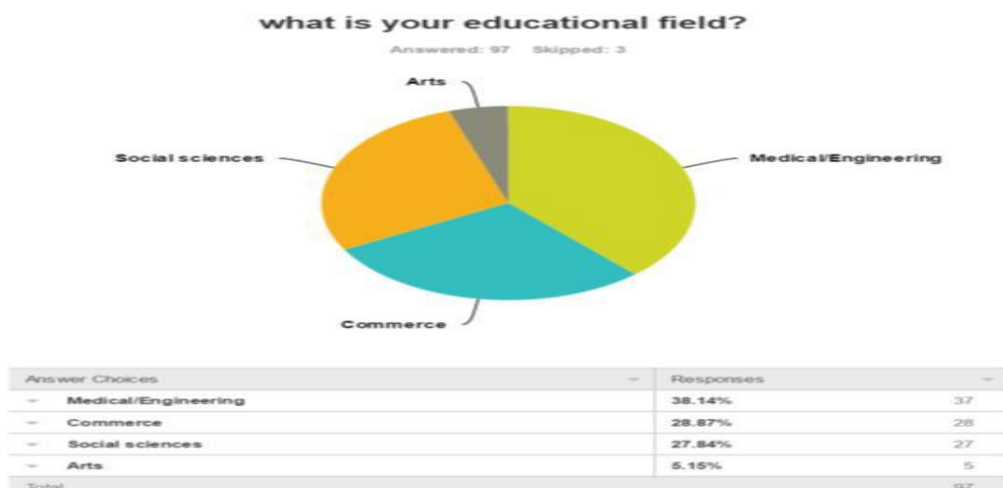


Figure 2. Education Response

In figure 3 demonstrates the reaction of the respondents to fundamental financing cost question. The right response to the inquiry is more than \$102. You'll have more than \$102 toward the finish of five years in light of the fact that your advantage will compound after some time. As such, you win enthusiasm on the cash you spare and on the premium your reserve funds earned in earlier years. A bank account with \$100 and a 2 percent yearly financing cost would gain \$2 in enthusiasm for a consummation equalization of \$102 before the finish of the primary year. Applying a similar 2 percent loan cost, the \$102 would procure \$2.04 in the second year for a closure equalization of \$104.04 toward the finish of that year. Proceeding in this equivalent example, the bank account would develop to \$110.41 before the

finish of the fifth year. 62% addressed effectively and 21% said that they didn't know.

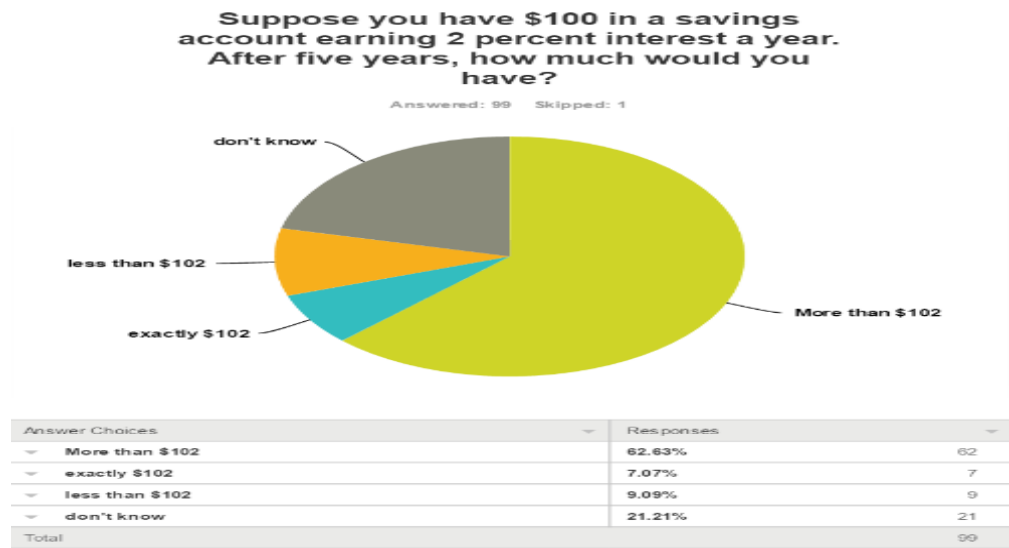


Figure 3. Basic Interest Rate

In figure 4 the respondents were tried about expansion and loan cost. The right answer is less. The reason you have less is expansion. Swelling is the rate at which the cost of merchandise and enterprises rises. On the off chance that the yearly swelling rate is 2 percent however the investment account just procures 1 percent, the expense of merchandise and ventures has outpaced the purchasing influence of the cash in the bank account that year. Put another way, your purchasing power has not stayed aware of swelling. Just 41% said less and 35 % said that they didn't know.

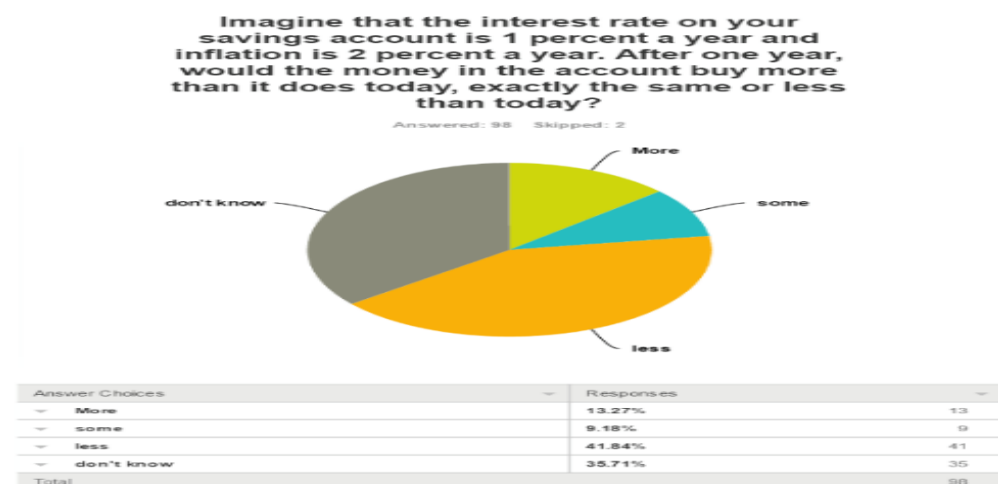


Figure 4. Inflation and Interest Rate

Figure 5 demonstrates whether the respondents know the connection between the loan fee and securities. The correct answer is that the bond cost will fall. At the point when financing costs rise, bond costs fall. What's more, when financing costs fall, bond costs rise. This is on the grounds that as financing costs go up, more current securities come to showcase paying higher premium

yields than more established securities as of now in the hands of speculators, making the more seasoned securities worth less. Just 17 % said that the cost of the bond will fall, 43% accepted the bond cost will rise.

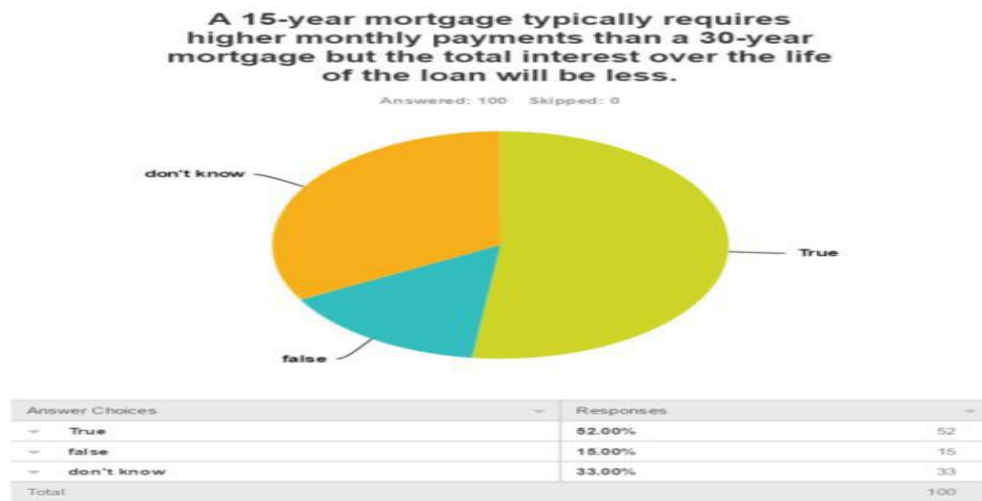


Figure 5. Inflation and Interest Rate

Figure 6 demonstrates the reaction of respondents whether they know the effect that a shorter term can have on aggregate intrigue installments over the life of a home loan. The right answer is valid. Accepting a similar financing cost for the two advances, you will pay less in enthusiasm over the life of a 15-year advance than you would with a 30-year advance since you reimburse the essential at a quicker rate. This likewise clarifies why the regularly scheduled installment for a 15-year credit is higher. Suppose you get a 30-year contract at 6 percent on a \$150,000 home. You will pay \$899 every month in chief and intrigue charges. More than 30 years, you will pay \$173,757 in intrigue alone. Be that as it may, a 15-year contract at a similar rate will cost you less. You will pay \$1,266 every month except just \$77,841 in complete intrigue—almost \$100,000 less. 52% said its actual, 15% false and 33% did not know.

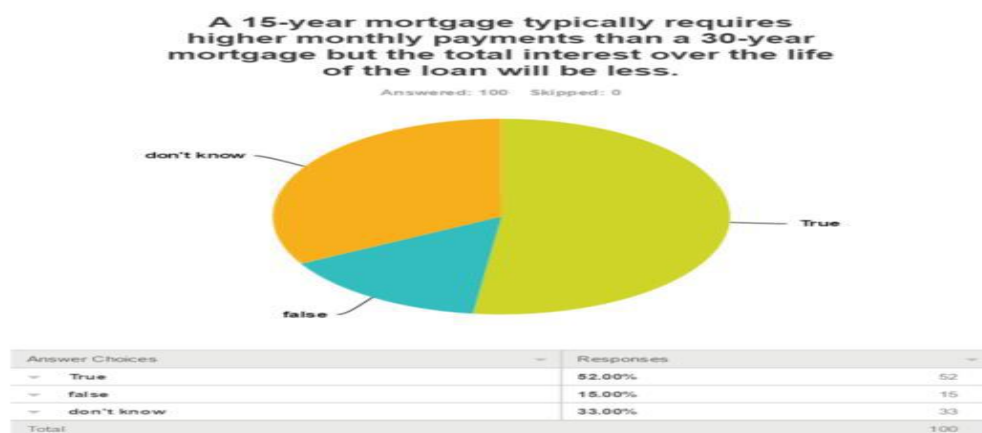


Figure 6. Mortgage

Figure 7 demonstrates the consequence of the trial of standards identifying with hazard and expansion. The appropriate response is false. All in all, putting resources into a stock common store is less hazardous than putting resources into a solitary stock on the grounds that shared subsidizes offer an approach to broaden. Enhancement implies spreading your hazard by spreading your speculations. With a solitary stock, all your investments are tied up on one place. In the event that the value falls when you offer, you lose cash. With a shared store that puts resources into the supplies of many organizations, you bring down the odds that a value decrease for any single stock will affect your arrival. Enhancement for the most part may result in a more predictable execution in various economic situations. Just 27% idea its false and 40% did not know.

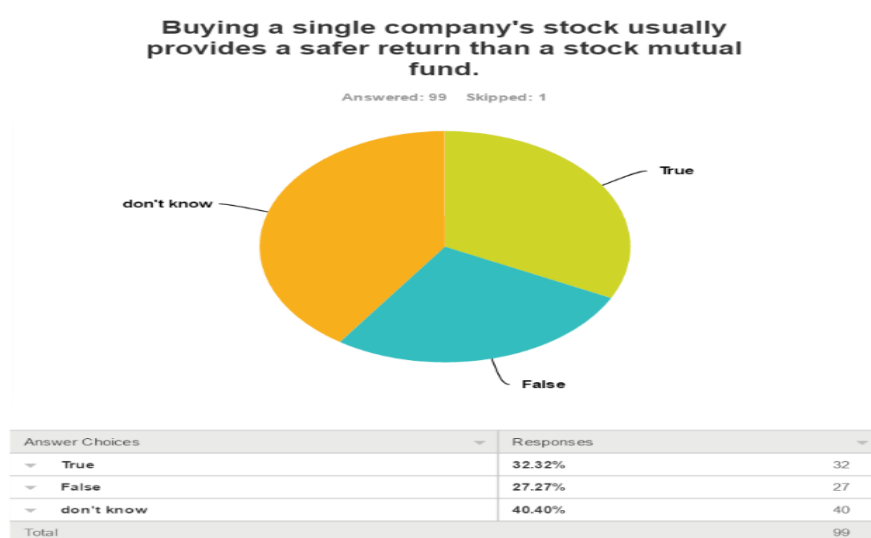


Figure 7. Risk and Diversification

Figure 8 demonstrates the aftereffects of the inquiry testing the information of self-multiplying dividends. This inquiry was generally hard and was kept as a reward question. The right answer is 2-4 years. Disregarding enthusiasm exacerbating, obtaining at 20 percent for each year would prompt multiplying in five years; somebody who thought about enthusiasm on intrigue may have chosen a number under five. Somebody who knows the 'standard of 72' heuristic would realize that it would be about 3.6 years, which makes the right answer "2 to 4 years." In fund, the standard of 72 is a technique for evaluating a speculation's multiplying time. The standard number (i.e., 72) is separated by the intrigue rate per period to acquire the rough number of periods (normally years) required for multiplying. Alternate reactions mirror a misconception of the idea of intrigue accumulation. Just 31% addressed effectively and 27% did not know.

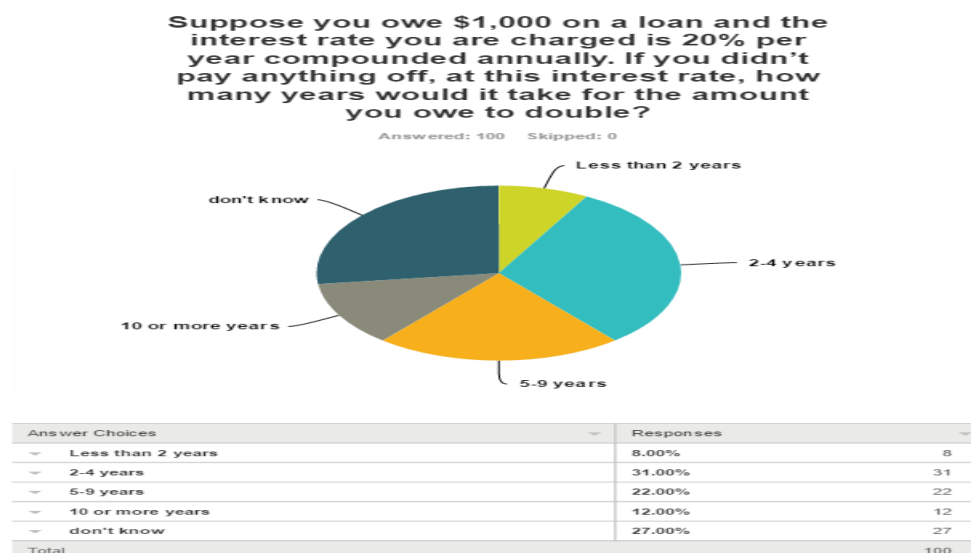


Figure 8. Knowledge of Compound Interest

CONCLUSION

Administering the reactions of the study, the authors infer that the young needs money related education by an extraordinary rate. Under 42% addressed effectively in five inquiry out of six. Just 62% addressed effectively in the expansion and loan cost question. As the review was directed among various age gatherings and diverse instructive foundations, it demonstrates that the young aren't being taught adequately on dealing with their cash and livelihoods. An inappropriate monetary instruction can end us up acquiring cash without really requiring it and can undoubtedly wind up with costs that could have been stayed away from. It is vital that the instructive establishments add monetary education to their educational modules that shows essential budgetary angles for individual prosperity. On the other hand, those with low money related information get more, have less wealth and end up paying futile costs for budgetary items. By the day's end, those with lower monetary education will in general buy on layaway, and can't pay their full equalization consistently and end up spending more on intrigue charges. This gathering also does not contribute, encounters trouble with obligation and a poor learning of the terms of their home loan or credits. Monetary lack of education isn't an individual issue, Financial proficiency is an issue with wide ramifications for financial wellbeing and an enhancement by instructing the adolescent can lead the path to a worldwide economy that is focused and solid. Any positive enhancement in money related education will significantly influence purchasers and their ability to suit their future while maintaining a strategic distance from the entanglements of obligation. Unimaginably, the single most noteworthy capacity that can speak to the critical point in time your budgetary accomplishment isn't taught in school

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