Low financial literacy among Hong Kong tertiary students calls for enhanced educational programs

15th December 2023 — (Hong Kong) Hong Kong's tertiary educational institutions need to step up their efforts in providing financial literacy programs as the average financial literacy score among students surveyed stands at 12.7 out of 21. The findings highlight a clear demand for improved financial education to meet the needs of students.

According to the Investor and Financial Education Council's (IFEC) 2021 Financial Literacy and Competency Study, only a small proportion of tertiary students feel adequately knowledgeable about investment products such as stocks, funds, and bonds. This lack of understanding underscores the importance of financial literacy initiatives to empower students with the necessary knowledge and skills.

The study revealed that students pursuing business-related subjects, including accounting, finance, economics, actuarial science, and business administration, scored higher in financial literacy (13.1) compared to those studying non-business-related subjects (12.5). However, despite having a better grasp of financial knowledge, students in business-related disciplines did not exhibit significant differences in their financial behavior or attitudes. This suggests that while subject-specific education may enhance financial knowledge, it does not necessarily translate into changes in behavior or attitude towards financial management.

When it comes to investment decision-making, 69.0% of student investors rely on their own analysis, demonstrating their confidence in their financial analytical skills. Additionally, the top five sources students use to obtain investment-related information are YouTube (39.3%), friends and family (35.5%), television (32.5%), financial websites (31.3%), and investment applications (19.7%). The preference for visual sources of information, particularly YouTube, indicates that students find videos more engaging and accessible for learning about investments. However, this reliance on unspecialized sources may stem from limited access to more in-depth financial analysis resources, which are often behind paywalls.

Based on the survey data collected, several policy recommendations have been proposed. Firstly, there is a need to increase regulation on the provision of investment advice on social media platforms, as 58.9% of surveyed students receive investment-related information from social media. Strengthening regulation in this area will ensure the accuracy and reliability of investment advice provided online.

Secondly, tertiary educational institutions should play a more active role in providing financial literacy training. With their vast resources and reach, these institutions can offer courses that include simulated investment sessions, enabling students to understand the risks and returns associated with different investment products.

Thirdly, the government could introduce a youth bond exclusively available to young people under the age of 30. This would cater to student investors who prioritize long-term returns and have a lower risk capacity, making bonds a suitable investment option for them. The bond's affordability, with each lot priced at HK$1,000, would enable more young people to participate.

Lastly, raising the age limit for access to credit facilities is recommended to prevent tertiary students from accumulating debts before they have a stable income. By aligning with practices in the United States and certain banks in Hong Kong, the government and banking sector can minimize the financial burden on students.