Economics Literacy among University Students: A Case Study of International Islamic University Malaysia (IIUM)

Che Noraini Hashim and Bakare Kazeem Kayode
Institute of Education International Islamic University Malaysia

Abstract: The rapid economic growth has necessitated the need for pupils to have an insight in basic daily economics knowledge that are sufficient for practical application. This work is undertaken to ascertain the level of economics literacy among university students. The study firstly measures the levels of awareness of economics literacy and secondly compares the mean scores of economics literacy among students who studied economics and related courses with those who had not. The study also compares the levels of economics literacy among Malaysian students versus the international students. A quantitative research method was adopted and the Test of Economics Literacy (TEL) was used as a research instrument. Undergraduate students from different faculties at the in International Islamic university Malaysia (IIUM) who registered at semester two were the target population. A sample of 200 students consisting of students from economics department and from other course specializations were randomly selected. In the end, only 161 students had set for the Test with almost 60 percent of them were students from the economics faculty, while close to 63 percent of the sample who set for the test comprised of Malaysians. Three hypotheses were tested. It was found that the mean score among respondents in the TEL test with respect to gender, academic background and nationality was 12pts or equivalent to 60 percent; this level of TEL mean score revealed that undergraduates at the IIUM were lacking in the overall economics literacy. Mean score among students who studied economics was found to be relatively higher than those without economics background, but the difference is not statistically significance. Base on the result from the third hypothesis test, it suggests that there exists a significant difference in the mean score of economics literacy between the local and the international second semester’s undergraduates at the IIUM. The overall findings, point to the conclusion that about one third of the second semester’s undergraduates lacked of economics knowledge and that the exposure to the economics course had positive effect on the TEL mean score. Findings also indicate the consequence of the lack of emphasis on economics education at the Malaysian high school level.

Key words: Economics literacy • Economic Background • Economic Scourse

INTRODUCTION

Education is as important as the thread gives form to the fabric of the society. It has become increasingly more important in a society today, especially at times when education and knowledge are considered to be prerequisites for societal progress. With more and more educated citizens, it is believed that a country in itself would prosper economically and therefore would be politically stable [1]. Many economists felt that basic economics courses such as the principles of economics would not significantly improve the economic literacy among citizens [2-5]. These courses are often taught during the freshman and sophomore years in college by students who are either completing the prerequisites for studying business or for majoring in economics or for completing the general education requirements of an associate or bachelor’s degree. This can be a critical error as [5] cited teaching economic principles with surface understanding might impede creativity and practical application by the students. [6] argued that ignorance about the workings of an economic system can lead to destructive attitudes towards the very system that produces the economic well-being of that society. In Malaysia, the government has given education an important role in uniting the various races and in fostering national income. Therefore, a large investment had been allocated to promote high quality education especially at...
schools levels and at higher learning institutions. In the recent 2014 Budget tabled in the Parliament, some RM54.6 billion or 21% of the total allocation in 2014 had been allocated to education sector, to enhance and accelerate academic achievement, competencies and skills[18].

Thus, any increase in the educational expenditure signifies that there is a relationship between education and economic growth. This increase is to ensure that Malaysians will not lag behind in education and able to produce and develop talented, creative, innovative, educated and knowledgeable Malaysians. In fact according to [7] in his response to the large sum of the budget allocated to education, strongly viewed it as a good investment for future Malaysians—the future educated generations will learn how to manage the country's income and expenditure intelligently and at the same time, can develop the nation rapidly.

As a society and its economic system develop, the problem of making a living and the problem of educating the young become more challenging. Inevitably the possession of knowledge and skills are crucial to enable Malaysians to make intelligent decisions and take actions pertaining to economics matters. We face an economic struggle in our daily life because the nature of our individual or personal problems, too, is partly economic, thus knowledge of economics is helpful in this respect.

In Malaysia, although economics courses are offered in some universities, majority of Malaysian students end their formal education at secondary schools and majority who continued their education at university level are unlikely to take economics course. In few years back, increasing discussions in Malaysia manifests general dissatisfaction with young peoples’ ability to cope with present and potential economic problems. Overall, the examination results of economics in the High School Certificate were also not encouraging. This result was true when compared with other subjects. This low achievement had a close link with the quality of teaching economics course and also contributed to the quality of economics graduates from Malaysian higher institutions [8]. These led to some thought provoking questions that guide this study.

What is the level of economic literacy among university students? Does taking a course in economics have any impact on students' economic literacy? [2] discovered through administering 1,300 questionnaires of the Test of Economic Literacy that test on adults: the findings reveal that adult who had an economics course in high school scored statistically the same as adults who had no economics education in high school. In a study by [9], it was found in a random sample of 300 college seniors that students who had taken economics course in college scored only 62 percent on a 15-question economics knowledge–based test. This would barely be a passing grade using a normal scale. [9], also found that only three percent of students who had taken an economics course rated their knowledge of economics as excellent while 79 percent rated their knowledge as fair to poor.

The purpose of this study therefore is to ascertain the level of economic literacy among university students in Malaysian. Thus, the following objectives have been formulated:

- To measure the levels of awareness of economic literacy among IIUM students base on sex, age, ethnicity/nationality;
- To compare the mean scores of economic literacy among students who had studied economics or related courses with those who had not;
- To compare the mean scores of economic literacy among local students (Malaysians) with those of international students.

As mentioned earlier, the rapid economic growth in Malaysia, coupled with its engagement in international affairs put economics literacy more important than ever before. Similarly, economics education is perceived by many to be a vital part of the country’s future development programme. The need of economics literacy is therefore imperative, especially when all citizens make choices as consumers, income earners and voters. This means that economics education cannot be restricted to a special group of students, such as the college bound ‘economics students’ or for those who will be future leaders in government, labour and business.

**Review of Literature:** An operational definition of economics literacy must be established in order to see the importance of and success or failure of attaining economics literacy through courses in the principles of economics taken in the traditional college setting. The types of tests used and the results of these tests given at several levels during the span of a person’s education and employment including high school, college, adult and place of employment, will be discussed. More than 40 years ago, [10] argued that citizens have to make decisions on a wide variety of economic problems of local, state, national and international significance and later express their views in the voting booth. These problems range from voting on a school bond issue,
foreign aid issue, poverty problems and labour-management relations. Some knowledge of economics is essential if these decisions are to be made intelligently. [10], concludes that economics understanding is part of the basic fabric of a democratic society wherein, individual and community will be better served and think clearly and objectively when confronting with economics questions.

Recently, [9] stressed the importance of economic education:

Economics education is essential; in all nations to prepare students for the changing world economy... Less developed countries are struggling to improve living standards and economic performance. Nation that formerly relied on central economic planning to direct their economies are being transformed into market-based economies. Students will need more economic knowledge to comprehend and participate actively in the changing global economy” (p: 16)

Similarly in Malaysia, [11] also stressed the importance of economic knowledge and proposed economics to be placed in the new Integrated Secondary School Curriculum (ICSS/KBSM). He claimed that:

“Economics knowledge teaches one to carefully choose the best alternatives in making a decision. It also teaches one to collect relevant information before making any decision and if this is successful, it means that the objective of the economics itself is successful.”

These exceptions point to the fact that knowledge about the use of economics indices both theoretical and their practical application in daily life are very important. Studies [12] & [13] have shown that people are not economically literate and unfamiliar with even the most basic economics concept.

**Economic Literacy:** The economics courses as offered in most colleges and universities, attempts to convey to students the optimization principle—which deals with making decisions using opportunity cost, i.e. comparing costs and benefits. In addition, after the introduction of such concepts as opportunity cost and supply and demand, the rationale behind those courses is to prepare students for the more complex costs versus benefits of government intervention in the market under antitrust law and understanding of why the central Bank should raise interest rates to combat inflation. Better still, the very nature of an understanding or misunderstanding of the importance of profit to an economic system is also critical and can sometimes be counterproductive. Profit in an industry is a necessary signal to the economic system that it should allocate resources (firm entry) to this sector [6]. The firm entry will subsequently lead to mitigation of these higher levels of profit. This analogy to some extent makes it imperative to explore and enlighten the youth on the importance and the situational meanings of some of these economic indices. Furthermore, the recent economic down-turn also point to the fact that there is a huge gap between government explanation and public understand. Some populaces even take the problem as political gimmicks.

[14], in his role as President of the Federal Reserve Bank of Minneapolis USA, also stressed the importance of economic literacy:

“Conveying economics ideas clearly is a very difficult thing to do and yet it is essential that we succeed because too much of what passes for debate on policies is nearly incoherent. Certainly, citizens better steeped in the principles of economics would be able both to understand and to contribute to discussion about policy at a higher level and consequently we should expect better policies over time as a result.”

**Methodology Participants:** The study examines the influence of a number of independent variables, namely sex, nationality and specialization on the dependent variables (Economics literacy.) Undergraduate students from different faculties at the International Islamic University Malaysia (IIUM) who registered at semester two were the target population of this study. A sample of 200 students consisting of students from economics department and other specialization were randomly selected for the test. However, only 161 actually came for the test. While 68.3 percent of students sampled are female, 31.3 percent are male. The specialization breakdown of students participating in the literacy test illustrates that more economic background students (almost 60 percent) participated in the test, economics as specialization comprised 59 percent of the students who sat for the literacy test. The local students consisted of 62.7 percent of the sample while the international students constituted only 37.3 percent.

**Measurement:** Studies have corroborated the lack of basic knowledge of economics literacy. Two major instruments which were developed to assess economic literacy are the Test of Economics Literacy (TEL), by the Joint Council on Economic Education (JCEE) and The Standards in Economics Survey by the National Council on Economic Education (NCEE). Using the TEL test, [2] tested economics literacy of both adults and high school
students, the adults in the survey answered approximately 53 percent of the questions correctly while the high school students answered approximately 43 percent of the questions correctly. Similarly, with respect to the objectives of the study mentioned earlier, TEL test was used to ascertain the economic literacy of both economic and non-economic background undergraduate students. The TEL test was also tested across gender, nationality, ethnic and age. Hypotheses that were tested in this study are:

- **H1:** There is a significant difference in the mean scores of economics literacy test between male and female students;
- **H2:** There is a significant difference in mean scores of economics literacy test among students with economics background with those without economics background; and
- **H3:** There is a significant difference in mean scores of economics literacy test between local and international students at the IIUM.

### Results Demographic and Descriptive Analysis:

The distribution of the respondents was based on gender, academic background and nationality. The result shows that 31.7 percent of respondents are male, while 68.3 percent are female. 59 percent of the respondents have economic background, while the remaining 41 percent have economic background in their present specializations. Malaysian students constitute the majority with 62.7 percent, while the remaining are international students. Majority of the students are 22 years of age. In addition, the average score of the respondents in the TEL test with respect to gender, academic background and nationality was 12pts or equivalent to 60 percent. However, there is a difference in the TEL test mean scores between Malaysian and international students. Table 1: Independent sample T-test for: Gender, Academic background and Nationality.

<table>
<thead>
<tr>
<th>Grouping variables</th>
<th>Levene test</th>
<th>Df</th>
<th>Sig(p-value)</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>.272</td>
<td>159</td>
<td>.84</td>
<td>1.738</td>
</tr>
<tr>
<td>Academic Background</td>
<td>.978</td>
<td>159</td>
<td>.141</td>
<td>1.481</td>
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<tr>
<td>Nationality</td>
<td>.999</td>
<td>159</td>
<td>.856</td>
<td>0.001</td>
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Table 1 shows the outcome of an Independent Samples t-test conducted to compare the economics literacy test scores for genders, academic background and nationality for undergraduate students in IIUM. The test of assumption for equality of variance (Levene test) was not violated P<0.05, this indicates the distribution of variance across groups are equal. However, no statistically significant difference was found in the mean scores of TEL test between groups. Gender: males (M = 13.3725, SD = 3.64) and females, (M = 12.4364, SD = 3.78); t (159) = 1.738, P = .272 (two-tailed), Academic background: Economics (M = 13.0737, SD = 3.84) and non-economics, (M = 12.2424, SD = 3.59); t (159) = 1.481, P = .141 (two-tailed) and Nationality: Malaysian (M = 12.7327, SD = 3.86) and international, (M = 12.7333, SD = 3.58); t (159) = 0.001, P = .856. Based on the above result, only one (H3) of the hypotheses stated in this study was confirmed.

### DISCUSSION AND CONCLUSION

As mentioned in the purpose and objectives of this study, the findings of this study showed that the level of economics literacy awareness among undergraduates at the IIUM is still low. The mean score derived from TEL test among respondents irrespective of their gender, age, nationality and background is 12pts (60 percent). However, this is relatively low if compared with finding of [15], wherein the average score was 67 percent. However, it must be noted that the participant in [15] were corporate employees. On the other hand, the score is relatively high when compared with that of [6] which found that adults scored an average of 57. Again the targeted population is the major reason for variations in the scores. Participants in Louis and Associate are grade 9 and 12 pupils.

Subsequently, educational backgrounds (economics or non-economics background) of the students played no significant role in determining the level of economics awareness of the IIUM undergraduates. This is supported by findings of [2]; [16] and [17]. In addition, since the youths (especially those at the university level ) of the present time are found not to be enthusiastic of enhancing their entrepreneurship prowess [7], therefore, sex and nationality also played a less significant role in determining students' economic literacy.

Further research using larger populations and different specific nationality and specialization should be undertaken to investigate whether specific nationality, locality (rural and urban) and parents’ educational background should actually be of concerned in investigating the level of awareness of economics indices among youths. In addition, the impact of religion and socio-economic status of parents must be investigated, namely why there are more non Muslims entrepreneurs parents than Muslims and whether this situation would have an impact on the level of economics literacy among Malaysian youths.
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