

# **Factors Associated with Student Performance in Introductory Finance: An Empirical Study at a Public University**

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**Abstract.** This paper examines some determinants of student performance in an undergraduate Introductory Finance course. Of the four motivation factors studied (the grade the student intends to earn in the course, intention to take the Chartered Financial Analyst or the Certified Financial Planner examination, intention to take the Certified Public Accountant examination, and intention to attend graduate school) only the second is associated with student performance. None of the three distraction factors studied (job hours, job type, and course load for the semester) has any significant negative effect on student performance. All prior ability factors studied (the grades in pre-requisite financial and managerial accounting courses, and overall GPA) have significant association with student performance. Finally, of the four self-perceived ability factors used in the study (writing, math, reading, and listening) math has strong significant association with student performance but only under the univariate tests, and writing has very weak association with student performance but only under multivariate tests.

**Keywords:** motivation, distraction, student abilities, student performance, introductory finance.

## **1. Introduction**

Several prior research studies have explored various factors (e.g., general academic performance, aptitude, prior exposure to mathematics, prior exposure to accounting, age, gender, motivation, effort, and other intervening variables) that are associated with student performance in college-level courses. It is widely believed that motivation and effort significantly influence individual performance in college. However, as the review of prior research below indicates, very few studies have investigated their impact on required undergraduate Introductory Finance courses. This study investigates the associations between selected motivation, distraction, self-perceived ability, and prior ability factors and student performance in the undergraduate Introductory Finance course at a commuter public university in the U.S.

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As proxies for motivation, we use the grade the students intend to earn in the course, intention to take the Chartered Financial Analyst (CFA) or the Certified Financial Planner (CFP) examination, intention to take the Certified Public Accountant (CPA) examination, and intention to attend graduate school. As proxies for distraction, we use the number of hours of work per week, the type of job (whether or not it is related to accounting, finance, or business in general) and the number of courses taken per semester. We measure students' self-perceived abilities using their own self-reported math, writing, reading, and listening abilities. Students' prior abilities are measured by the actual grade earned in the Financial Accounting and Managerial Accounting courses, which are prerequisites for the Introductory Finance course, and by Overall Grade Point Average (OGPA.) The dependent variable, the student performance, is measured in two different ways: the letter grade for the course, and the total overall points percent score (hereafter referred to as "Points") for the course.

One of the motivations of this study is predicated on the belief that identifying factors that motivate students to perform well and factors that distract them from performing well may help us emphasize the motivation factors and discourage the distraction factors. Another purpose of the study is to provide empirical support to the intuitive notion that motivation does indeed lead to better student performance. Also the study could help us determine whether students' self-assessment of their own writing, math, reading, and listening abilities affect their performance in the course.

The remaining parts of the paper present a review of prior research, discussion of the study objectives, variables and hypotheses, research methodology, and results. The paper ends with conclusions, recommendations, study limitations, and some suggestions for further research.

## **2. Review of Prior Research**

Several prior studies have examined the association between various factors (e.g., general academic performance, aptitude, prior exposure to mathematics, prior exposure to accounting, gender, age, motivation, effort, and other intervening variables) and student performance in college-level courses. The OGPA is used frequently as a proxy for prior academic performance and aptitude.

In the finance area, Paulsen and Gentry (1995); Chan *et al.* (1997); Sen *et al.* (1997); Didia and Hasnat (1998); Marks (1998); Van Ness *et al.* (2000); Johnson *et al.* (2002); Biktimirov and Klassen (2008) find OGPA to be a strong predictor of grade in the Financial Management course that is required of all business majors. Several researchers, using data from various U.S. colleges, find evidence supporting OGPA as a significant predictor of performance in accounting courses (Eckel and Johnson 1983, Hicks and Richardson 1984, Ingram and Peterson 1987, Eskew and Faley 1988, Doran *et al.* 1991, Maksy and Zheng 2008, Maksy 2012