A Study on Financial Literacy of Malaysian Degree Students

UNE ÉTUDE SUR LES CONNAISSANCES FINANCIÈRES DES ÉTUDIANTS MALAISIENS

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Abstract: Interest in exploring the issues of personal finance, particularly money management, has tremendously increased in recent years due to the society's awareness on its importance. Money management skill is a vital element in disciplining them to achieve a quality life as working adults because students spending habits in campus will influence the way they manage money throughout their lives. Looking at the previous literatures from researches outside of Malaysia reveals that financial literacy among students is needed to curb any future problems that may arise due to lack of knowledge on individual financial management. This research stresses on the importance of financial literacy among students, by looking into the student's background, financial attitude, financial knowledge and family. The data obtained from questionnaires and secondary data were analyzed using SPSS version 12.0. From the data analysis, majority of students do not practice proper money management skills. Hence, researchers hope there will be measures taken to step aside this scenario. The recommendation and limitation were also included to assist those future researches who are interested to study further on this topic.
Key words: personal finance; financial literacy; Malaysia

Résumé: Ces dernières années, l'intérêt à étudier les questions de financements personnels, notamment la gestion de l'argent, a énormément augmentégrâce à la sensibilisation de la société sur son importance. La compétence de gestion de l'argen est un élément vital pour eux de mener une vie de qualité en tant que des adultes qui travaillent, car les habitudes de dépenses des élèves dans le campus vont influencer sur la façon dont ils gèrent l'argent tout au long de leur vie. Les études antérieures de

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recherche à l'extérieur de la Malaisie montrent qu'une certaine connaissance financière est indispensable chez les étudiants pour enrayer les problèmes futurs qui pourront se poser en raison d'un manque de connaissance sur la gestion financière individuelle. Cette recherche souligne l'importance des connaissances financières auprès des étudiants, en examinant le profile de l'élève, ses attitudes financières, ses connaissances financières et sa famille. Les données obtenues à partir des questionnaires et des données secondaires ont été analysées en utilisant SPSS version 12.0. De l'analyse des données, on peut constater que la majorité des élèves ne possèdenet pas de leurs propres outils de gestion financière. Par conséquent, les chercheurs espèrent qu'il y aura des mesures prises pour changer cette situation. La recommandation et la limitation ont également été incluses pour aider les recherches ultérieures intéressées par une étude plus approfondie sur ce sujet.
Mots-cles: financement personnel; connaissances financières; Malaisie

1.   INTRODUCTION

Categorized as one of the developed countries, Malaysia is not missed being one of the regions whereby financial literacy level is at the bottom end. Prior to millennium era, percentage of society knowledge on issues such as budgeting, saving, investing and insuring were minimal. Of course, in this millennium era, topics and subjects on financial management are fast growing in our society. There are so many books, seminars and institutions that provide information on basic financial management catering to those who want to improve their financial standing. In fact, financial institutions are actively promoting their range of services which include investment consultation and other areas attached with proper financial management. However, those who do read on the subject matter or seeking for professional advise are normally professionals, semiprofessionals or those who are familiar with money management. There are almost no programs or seminars targeting those of children and young adults. As a consequence, the familiarity level on finance among these young groups is very limited except for what they learned thru experience, family or even peers.

1.1 Problem Statement
In Malaysia, topics on personal finance are still considered minimal. If there are programs or activities on it, they were never addressed directly to young consumers specifically those in between aged 21 to 24 years: the need to improve financial literacy of individuals, specifically, students at university level so they can have positive cash management attitudes before they enter the job market. This positive attitude will help them to practice proper personal financial management as working adults.

1.2 Research Objective
The study aims to assess the level of financial literacy among degree students in UiTM Kedah campus. Specifically, it will have the following objectives; a) researchers investigate the personal financial literacy (knowledge, attitudes and family) of a sample of UiTM Kedah students by gender, programs and parts b) researchers examine parental influences on the level of financial literacy of UiTM Kedah students and c) researchers examine the relationship between UiTM Kedah students' financial knowledge and attitudes, and their financial literacy level.

1.3 LITERATURE REVIEW
Students who lack financial knowledge have increased financial difficulties that continue into later years. Chen and Volpe (1998) found that students with less financial knowledge had more negative opinions

about finances and made more incorrect financial decisions. They pointed out that having a low level of financial knowledge limits student's ability to make informed decisions.

Many students do not know how to manage their income. Once they have abundance of money, they simply use it out on necessary expenses and some which are not necessary. This spending pattern clearly shows the lacking of financial literacy among students which need to be changed. We must improve the financial knowledge of our students. There is a need to start the training from high schools and comprehensively in colleges and universities (Davidson, 2006, p. 22).

Students like to use credit cards and those students who owned credit cards were more likely to hold favorable behavioral attitudes toward credit card usage than students who did not own credit cards (Xiao et al., 1995 as cited in Borden et al., 2007, p.25) Finally, more frequent use of credit cards was associated with more favorable overall and affective attitudes toward credit card use.

Consumer and Financial Literacy [CFL] Treasury Taskforce (2004) reported that financial literacy level among university students and young adults were poor and lead to various financial situations which include more students working part-time job, increase cost of financing higher education and other. To explain further, those aged 18-24 lack of financial literacy is linked to lack of financial education offered to them after graduation (Sharma, 2004, Introduction Section).

Older children have little knowledge to be financially independent contrary to what most parents expected. Danes and Hira (1987) indicated that college students only knew general not specific facts on money management topics that explained their low levels of knowledge in insurance, credit cards, and overall financial management areas. It is a wondrous how parents transferred their money management knowledge and attitudes about money to children within families. There is scarcity about the financial socialization of children or the transfer of financial attitudes, values, standards, or behaviors within the context of the family (Danes, 1994, p.127).

1.4 RESEARCH METHODOLOGY

The population involved in this research will be all degree students in UiTM Kedah. These students are currently pursuing degree program in UiTM Kedah. The programs are Bachelor in Marketing, Bachelor in Islamic Banking, Bachelor in Administration Science and Bachelor in Information Service. The population will include all programs and parts.

The goal for this project was to recruit a sample size of 200 UiTM Kedah students. Out of 200 students participated, 160 total students completed the survey with 133 usable entries, giving a 66.5% response/completion rate. All data collected were analyzed using SPSS Windows (Version 12.0). The researches conducted descriptive analysis for easy interpretation of data. The researches used cross-tabulation technique to study the relationship between variables. In all, the analysis used basic frequency, percentage calculation, mean, and standard deviation, Cronbach's Alpha, T-test, ANOVA, Pearson's Correlation and Chi-Square to achieve the objectives of the study.

1.5 SUMMARY OF FINDINGS

Out of 200 students participated, 160 total students completed the survey with 133 usable entries, giving a 66.5% response/completion rate. Sixty-seven percent of the respondents (n=90) identified themselves as female. Another thirty-three percent of the respondents (n=43) were male. A majority of respondents, 59% (n=79) were between ages of 22-23. Other age ranges and participant percentages were: 25.6% (n=34) between the ages of 20-21, 12.8% (n=17) between 24-25, and 2.3% (n=3) others. This sample is representative of the overall degree students at UiTM Kedah.

2. RESULT REPORTED BY RESEARCH QUESTION

Question One: Are there differences in financial knowledge based on gender, programs and parts?

Question one was analyzed using a T-test to look at the differences between the dichotomous personal characteristic of gender and continuous financial knowledge sum score. ANOVA was used to look at the differences between the categorical personal characteristics of programs and parts and the continuous financial knowledge sum score.

Based on the above table, no differences were found in the level of financial knowledge between males and females students. Programs also do not have any significant with financial knowledge since the p-value for the programs at 0.073. No differences were found in level of financial knowledge between parts (semester).

Question Two: Are there differences in financial attitudes based on gender, programs and parts?

Question two was analyzed using a T-test to look at the differences between the dichotomous personal characteristic of gender and continuous financial attitude mean score. ANOVA was used to look at the differences between the categorical personal characteristics of programs and parts and the continuous financial attitude mean score.

Differences were found in level of financial attitudes between males and females with significant at the $p < 0.05$ level. No differences were found in the level of financial attitude between degree programs. Same as programs, no differences were found in level of financial attitudes between parts.

Question Three: Are there differences in family influence based on gender, programs and parts?

Question three was analyzed using a T-test to look at the differences between the dichotomous personal characteristic of gender and continuous family influences attitude mean score. ANOVA was used to look at the differences between the categorical personal characteristics of programs and parts and the continuous family influence attitude mean score.

Based on the above table, no differences were found in the level of family influences between males and females. Programs also do not have any significant with family influence with the p-value for the programs at 0.10. No differences were found in level of family influences between parts (semester).

Question Four: Are there differences in financial knowledge, attitudes, and family based on education level of parents?

Question four was analyzed using a T-test to find the relationship between the dichotomous independents variables of education level of parents and the continuous dependent variables of financial knowledge, attitudes, and family scores.

Differences were found in financial knowledge ($P < 0.05$) based on mother's education level. Students who reported they learned some or a lot about managing their money from their mothers had higher financial knowledge than students who reported learning about managing their money from their father's. Differences were not found in financial attitude, family influences based on their parent's education level.

Question Five: Are UiTM Kedah students financial literacy correlated with their financial knowledge and attitudes?

Question five was analyzed using Pearson's Correlation with the continuous variables of knowledge mean score, attitude mean score, and family influence mean score. Pearson's Correlation was used to determine if students with a higher knowledge score or a higher attitude score had a higher financial literacy.

A correlation was found between financial literacy and financial attitude. Degree students who had higher financial attitude had higher level of financial literacy. Each variable was correlated at $p < .01$ significant level. The result reported in this chapter show students having high level of financial literacy which is influenced by gender and mother's education background but not programs and parts (semester).

3. CHI –SQUARE TEST.

Research Question Six: Is there any significant relationship between financial Literacy and Degree Course.
   This test was carried out at a significant level of 0.05 to determine whether there is any significance relationship between financial literacy and University Course.

   Chi square test was performed to answer Research Question 6 at significant level of 0.05. From Table 4.17, it is noted that there is no significant relationship between most of the items in the Financial Attitude and Degree Courses. There is only a significant relationship between Financial Attitude and Degree Courses such as *ask family members for money and maintaining savings account balance all the time.* There is a significant relationship between 3 items in financial knowledge and degree Courses, such as *how would u describe how finances were handled in your family, do your parents have monthly budgeting plan and how would you describe the allowance u received when growing up.* As for Financial Knowledge, there were 2 items shows significant with Degree Courses which are *where did u most learn managing money and which classes have u had.*

4. CONCLUSION

In this study on degree students in UiTM Kedah campus, it was founded that our degree students in Kedah campus are very much lacking in their financial knowledge and hence their money management skill are very weak. The time this study was done, the campus may have offered seminars on financial matters but the number of students participated are very low. Most of the time, financial related seminars conducted were normally targeted for business/finance students or finance lectures. This is much so because of the budget constraint that would not allow every student to attend these kinds of seminars.

   In Malaysia, studies on financial literacy among the age group 18-24 year are very limited, let alone those in the age group below than 18 years old. Therefore, it is prudent to suggest that future research should be concentrating on this age group below than 18 years to improve their financial knowledge and subsequently prepare them with money management skill before embarking on their college life.

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TABLES

Table 1.0: Differences in financial knowledge based on gender, programs and parts (N=133)

Characteristic	N	Mean	s.d	df	F	P
Gender				1	3.72	0.075
Male	43	0.79	0.70			
Female	90	0.59	0.54			
Programs				3	2.38	0.073
BBA (H) Marketing	37	0.80	0.73			
BBA (H) Islamic Banking	43	0.52	0.43			
Bachelor in Admin Science (H)	46	0.62	0.59			
Bachelor of Information Studies(H)	7	1.00	0.67			
Parts				5	1.22	0.30
part 01	9	0.37	0.35			
part 02	26	0.76	0.74			
part 03	35	0.77	0.69			
part 04	31	0.53	0.49			
part 05	11	0.55	0.45			
part 06	21	0.71	0.50			

$*p < 0.005$

Table 1.1: Differences in financial attitudes based on gender, programs and parts (N=133)

Characteristic	N	Mean	s.d	df	F	P
Gender				1	5.87	0.02*
Male	43	1.8	0.77			
Female	90	1.5	0.62			
Programs				3	0.29	0.83
BBA (H) Marketing	37	1.69	0.58			
BBA (H) Islamic Banking	43	1.57	0.58			
Bachelor in Admin Science (H)	46	1.56	0.84			
Bachelor of Information Studies(H)	7	1.54	0.65			
Parts				5	0.67	0.65
part 01	9	1.47	0.77			
part 02	26	1.68	0.73			
part 03	35	1.64	0.61			
part 04	31	1.57	0.83			
part 05	11	1.29	0.45			
part 06	21	1.68	0.56			

$*p < 0.05$

Table 1.2:   Differences in family influence based on gender, programs and parts (N=133)

Characteristic	N	Mean	s.d	df	F	P
Gender				1	0.61	0.43
Male	43	1.34	0.75			
Female	90	1.24	0.58			
Programs				3	2.15	0.10
BBA (H) Marketing	37	1.43	0.728			
BBA (H) Islamic Banking	43	1.30	0.490			
Bachelor in Admin Science (H)	46	1.10	0.647			
Bachelor of Information Studies(H)	7	1.43	0.732			
Parts				5	0.78	0.56
part 01	9	1.39	0.70			
part 02	26	1.25	0.64			
part 03	35	1.29	0.70			
part 04	31	1.15	0.70			
part 05	11	1.18	0.46			
part 06	21	1.48	0.49			

Table 1.3: Differences in financial knowledge, attitudes, and family based on education level of parents (N=133)

Characteristic	N	Mean	s.d	df	F	p
Father's education level	133					
Financial attitude		0.48	0.68	6	1.05	0.40
Family		0.62	0.64	6	1.56	0.16
Knowledge		0.20	0.69	6	0.42	0.87
Mother's education level	133					
Financial attitude		0.81	0.68	6	1.83	0.10
Family		0.19	0.64	6	0.47	0.83
Knowledge		1.31	0.69	6	3.01	0.01*

*P<0.05

Table 1.4:   Are UiTM Kedah students financial literacy correlated with their financial knowledge and attitudes?

Correlations	FINANCIAL LITERACY	FINANCIAL ATTITUDE	KNOWLEDGE	FAMILY
Financial Literacy		0.197* 0.023	0.042 0.627	0.073 0.402
FINANCIAL ATTITUDE	0.197* 0.023		-0.074 0.399	-0.009 0.922
KNOWLEDGE	0.042 0.627	-0.074 0.399		0.169 0.052
FAMILY	0.073 0.402	-0.009 0.922	0.169 0.052	

Table 1.5:   Chi –Square result for determining any significant relationship between Financial Literacy and Degree Course

Items	Degree Course	
	Value	Asymp. Sig
Financial Attitudes		
How sure do u feel about your ability to manage your own finances	7.704[a]	.808
How interested are u in increasing financial knowledge	18.795	.094
Would u take a personal finance course if offered	6.909	.075
Neglect your academic work	10.884	.539
drop out or consider dropping out of college	9.729	.640
Reduce class load(drop)	8.534	.742
Ask family members for money	24.784	.016
Take out or considered taking out debt consolidating loan	3.718	.988
How much u maintain in your savings account balance at all time	29.591	.003
Do u have an ATM car	5.628	.153
How often u withdraw cash using your ATM card	14.303	.112
Do u ever borrow money to buy something	.315	.957

   Significant level=0.05

Items	Degree Course	
	Value	Asymp. Sig
Family Influence		
How often did your parents discuss money matters with u or in front of u	15.929	0.68
How would u describe how finances were handled in your family	35.781	.003
Comparing yourself to your parents, would u say that u are	7.890	.794
What is your father highest level of schooling	17.485	.490
What is your mother highest level of schooling	20.394	.311
Do your parents have monthly budgeting plan	16.458	.011
How would you describe the allowance u received when growing up	19.867	.019

   Significant level=0.05

Items	Degree Course	
	Value	Asymp. Sig
Knowledge		
I read to increase my financial knowledge	17.729	.124
I compare prices when shopping for purchases	17.101	.146
I budget spending	9.613	.650
I track spending	8.249	.765
Where did u most learn managing money	16.984	.049
Who most influenced you on finances	8.963	.706
Which classes have u had	29.016	.001
What you learn about in your home while u grow up	11.904	.453
Compared with other people at your age, how much do you feel you know about managing your money	7.504	.823

Significant level=0.05