

## **FINANCIAL BEHAVIOUR AMONG STUDENTS**

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### **ABSTRACT**

Unwise financial behaviour erodes consumers' financial well-being and also brings financial distress which lowers life quality. Good financial behaviour should be nurtured before the individual goes to work in order to avoid being stuck in a bankruptcy problem. Thus, this study aims to assess the financial behaviour among students through correlation and regression analysis. The sample of the study consisted of 66 Bachelor of Finance students from KUIM. As a result, education factor significantly has a positive relationship with the financial behaviour among students.

**Keywords:** *Financial Behaviour, Education, Parents Experience.*

## **TINGKAH LAKU KEWANGAN PELAJAR**

### **ABSTRAK**

Tingkah laku yang tidak bijaksana menghancurkan kesejahteraan kewangan pengguna dan juga membawa kesusahan kewangan yang menurunkan kualiti hidup. Tingkah laku kewangan yang baik perlu dipupuk sebelum individu pergi bekerja untuk mengelakkan terjebak dalam masalah muflis. Oleh itu, kajian ini bertujuan menilai tingkah laku kewangan di kalangan pelajar melalui analisis korelasi dan regresi. Sampel kajian ini terdiri daripada 66 orang pelajar Sarjana Muda Kewangan dari KUIM. Akibatnya, faktor pendidikan secara signifikan mempunyai hubungan positif dengan tingkah laku kewangan di kalangan pelajar.

**Kata kunci:** *Tingkah Laku Kewangan, Pendidikan, Pengalaman Ibu Bapa.*

### **INTRODUCTION**

According to a Research Center and Consumer Resources (CRRC) survey, about 47% of young workers under 35 years old are burdened with serious debt of more than 30% of their monthly wages used to pay off debts. Among the debt payable by them are debts to PTPTN or National Higher Education Fund Corporation. Since its inception, PTPTN has issued a loan of more than RM9.5 billion to more than 1.3 million borrowers. This shows that financial behavior at higher education institutions also plays an important role in shaping debt-free generation.

Furthermore, Beal and Delpachitra (2003) states that most students in Australia still have low knowledge of finance. However, Yakob, Janor & Khamis (2015) revealed that although the level of financial literacy is very low for all tertiary students, the individual has a high level of knowledge in financial management than individuals who do not have education. Parental experience factor can also influence the financial behavior of students as parents interact with children closely related to spending and finance (Anderson & Newitte, 2005). Exposure and emphasis on the importance of financial management should be applied to students' learning phase. This is closely tied to statistics from 2010 to April showing from 107,000 individuals declared bankruptcy, 23484 of whom are youths aged between 25 and 34 years old.

### **PROBLEM STATEMENT**

*Utusan Malaysia* dated October 10, 2014 had recorded a total of 41 Malaysian youth aged 21-40 years estimated to be bankrupt every day due to ignorance in financial management. According to the Department of Insolvency Malaysia (MDI) records, a total of 122169 Malaysians were declared bankrupt for the period 2007 to 2013. This clearly shows that Malaysians are less knowledgeable in financial management. This is supported by Abdul Rahman & Zulkifly (2016) who proved that most young people like students tend to spend their income quickly on personal needs and thus ignore the need for personal savings. From the context of PTPTN borrower, *Utusan online* (2013) recorded 425792 out of 903920 borrowers failed to repay loans worth RM4.69 billion in that year. Hence, studies focusing on students should be conducted to determine the factors that influence the student's financial behavior.

### **RESEARCH OBJECTIVES**

- i. To identify educational factor in influencing student's financial behavior.
- ii. To scrutinize parents experience factor in influencing student's financial behavior.
- iii. To identify the significant relationship between education factor and parent experience factor towards student behavioral behavior.

## **SCOPE OF THE RESEARCH**

This study was conducted at the University College of Islam Melaka or better known as KUIM is a fully-owned Institution of Higher Learning established under the Act of IPTS 1996. The respondents are from the Bachelor of Finance students' from semester one to the seventh semester of which is 66 people. Finance students are selected as they are more likely to learn aspects of financial management.

## **LITERATURE REVIEW**

This section describes the topic of student financial behavior, educational factors and parental experience factors.

### **Financial Behaviour**

Roy Morgan (1993) defines individuals who are knowledgeable in finance should also be wise in managing finances with austerity practices. Such behaviors can only be tested against individual needs and circumstances and not on the diversity of financial products and services. Sources from AKPK (2015) stated that the attitude of non-levying graduates to make repayments to PTPTN makes the record of payments in the Centralized Credit Reference Information System (CCRIS) impaired. Cases recorded by the Department of Insolvency Malaysia from 2005 to 2012 show the largest cause of bankruptcy contributed by car loans. Rafdi, Puad, Shahar & Nor (2015) found that there were 4 main factors that caused bankruptcy statistics to rise, namely buying a car without a deposit, buying a home out of capacity with a maximum loan, applying for a personal loan for a wedding ceremony and using a credit card with a minimum payment per month. The recommended monthly payment is not more than 15% of the monthly salary and maximum 7 years loan. This proves that at a young age, youths are forced to allocate 15% of net wages to pay off car debt which has asset depreciation.

### **Educational Factor**

Huston (2010) explains that if an individual is in the financial field, the individual will be more resourceful and capable of using financial knowledge in an act. This is because they practice what they learn to achieve the goals they want. Idris, Krishnan & Azmi (2013) defines financial literacy as assessing the level of individual understanding of fundamental financial concepts and capabilities as well as individual confidence in managing personal finances. Knowledge is an important foundation in preparation for the coming days. Sallie Mae (2009) explains that students prefer to study themselves with passive methods. Students often choose to study in class, followed by learning from parents and further learning from friends. This involves the general learning process. Thus, Mahdzan & Tabiani (2013) proves that the relationship between the saving practices and the level of individual financial literacy is significant and positive. This means that good financial knowledge can lead to positive financial behavior among students. Then, the hypothesis of the study is;

H<sup>01</sup>: Educational factor do not affect the student's financial behaviour.

H<sup>a1</sup>: Educational factor affect students' financial behaviour.

### **Parental Experience Factor**

Parents are usually models for children. Even though they are entering adulthood, parental influence remains relevant and has social potential (Shim, 2013). This suggests that the way parents spend irregularly is likely to be followed by their children. According to Abdul Rahman & Zulkifly (2016), after part of the money is used to pay tuition fees, a large number of students spend their remaining scholarships before the semester ends. This includes being used for buying cell phones, fun and spending a lot of money. However, Neal Godfrey (2002) emphasized that the child not only learned the financial facts, but also learned about life. Thus, parents should be the best examples by instilling austerity and encouraging the child to save. Thus, the hypothesis of the study is;

H<sup>0</sup>: Parental experience factor do not affect the student's financial behaviour.

H<sup>a</sup>: Parental experience factor affect students' financial behaviour.

## RESEARCH METHODOLOGY

This section consists of explanation on research design, population and sample size, pilot test and data analysis.

### Research Design

Besides testing the hypotheses that have been established, this quantitative study is based on primary data. Questionnaire forms are given directly to students of Bachelor of Finance at KUIM. This unit of analysis is focused from the first semester to the seventh semester.

### Population & Sample Size

The population of the study was 108 and the sample was 66 people using Tabacknich & Fidell counting.

### Pilot Test

Pilot study has been conducted on 13 students with a number of cronbach alpa of 0.699. This value is still relevant as it still exceeds 0.6. Thus, this study can still be continued using the questionnaire provided.

### Data Analysis

The type of analysis used is multiple regression and correlation analysis to test the relationship between factors while measuring the relationship between mean of one variable and value related to other variables.

## RESULT & DISCUSSION

This section examines the findings based on several tables that have been produced through SPSS.

### Data Reliability

Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.699	.726.	15

Cronbach Alpha is the item that has a relationship with the total score of 0 to 1. With a score of 0.699 for all 15 questions, the reliability of this research data is at a good level and all data is valid.

### Multiple Regression Analysis

Table 2: Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.392 <sup>a</sup>	.154	.127	.49205	1.745

a. Predictors: (Constant), Parental experience, Education

b. Dependent Variable: Financial Behaviour

Table 2 shows the results of a summary model between financial behaviour variables among students with education and parental experience. Through the hypothesis that has been done, the relationship between education variables and parent experience with financial behavior among students has been

identified. The determinant coefficient is 0.154. Thus, about 15.4% of the variation in y is explained in parental education and experience.

Table 3: Coefficient<sup>a</sup>

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.	95.0% Confidence Interval for $\beta$		Collinearity Statistics	
	$\beta$	Std. Error				Beta	Lower Bound	Upper Bound	Tolerance
1 Constant	2.747	.474		5.791	.000	1.799	3.695		
Education	.312	.106	.344	2.948	.004	.101	.524	.988	1.012
Parental experience	.108	.081	.155	1.329	.189	-.054	.269	.988	1.012

a. Dependent Variable: Financial Behaviour

Table 3 is the result of coefficients between educational variables and parental experiences. Hence, there is a significant influence between the education factor and the student's financial behaviour. This is evidenced by significant value less than or equal to 0.05. It shows a significant and positive influence between the two variables. Therefore, H<sup>01</sup> is rejected and H<sup>a1</sup> is accepted because there is a strong and significant influence between education and financial behavior among students. This coincides with Huston (2010) stating that an individual in finance will be more resourceful and capable of applying their knowledge. Surprisingly, there was no significant influence between parent experience factor and financial behaviour among students based on a significant value of 0.189. Thus, H<sup>02</sup> was accepted and H<sup>a2</sup> was rejected because there was no significant influence between parental experience and financial behavior among students.

### Correlation Analysis

Table 4: Correlations

		Financial Behaviour	Education
Financial Behaviour	Pearson Correlation	1	.361**
	Sig. (2-tailed)		.003
	N	66	66
Education	Pearson Correlation	.361**	1
	Sig. (2-tailed)	.003	
	N	66	66

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Table 4 above is the result of the correlation analysis between the variables of financial behaviour and education. The correlation value of the two variables is 0.003 which is smaller than the significant level of 0.05. This means that educational variables have positive and significant relationships with the variables of financial behaviour among students.

Table 5: Correlations

		Financial Behaviour	Education
Financial Behaviour	Pearson Correlation	1	.193
	Sig. (2-tailed)		.121
	N	66	66
Parental Experience	Pearson Correlation	.193	1
	Sig. (2-tailed)	.121	
	N	66	66

Table 5 shows the results of the correlation analysis between financial behaviour variables and parental experiences. The correlation value of the two variables is 0.121 which is greater than the significant level value of 0.05. This means the parent experience variables have no relationship and are not significant with the variables of financial behavior among students.

## **RECOMMENDATION & CONCLUSION**

Financial management awareness programs should be enhanced to create awareness of the importance of financial management in the learning phase. This is to prepare the individual with good financial management skills. Parents need to always demonstrate a good financial management attitude and instill in a child's attitude since childhood so they do not feel confounded. Parents should also provide information on financial management to children in order to work together to practice wise financial management. In summary, based on correlation and regression analysis, it is proven that education factors are influencing factors and have significant relationships with financial behaviour among students than parents' experience. Hence, the adoption of financial management at the earliest age is essential for generating financial literacy generation as well as avoiding bankruptcy problems.

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