

Financial Behavior and Problems among College Students in Malaysia: Research and Education Implication

The purpose of this study are to identify and compare financial behavior and financial problems experienced by students; to conduct multivariate analysis of factors influencing financial behavior, and financial problems, and to explore the influence of financial literacy on financial behavior, and problems.

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Introduction

For a majority of students, university attendance is the first time they have experienced financial independence without a parent's supervision. With the expansion of educational services in Malaysia, university or college students have become one of the important consumer market segments, for two reasons. First, this group has expanded purchasing power, with easily available educational loans. Second, this student segment of the population has better potential earnings than any other segment of the population. There has been limited study on financial behavior and problems among Malaysians, especially college students, since the concern over the role of young consumers is relatively new.

Hypothesis 1: The following variables will predict effective financial behavior and greater financial problems: gender, ethnicity, place of origin, parent's marital status and educational level, family income, childhood consumer experience, sibling rank, types of college, residence, education fund, financial socialization, GPA, spending patterns, savings, and financial literacy.

Hypothesis 2: Financial literacy will be related positively to effective behavior. Those who report greater financial problems will report low levels of financial literacy.

Methodology

The study sample is comprised of students in public and private universities, and 11 universities were randomly selected for the study (six public and five private universities). For each university 350 students were selected randomly using the list of names obtained from each student affairs office. The number of distributed questionnaires to 11 universities was 3,850. A total of 2,519 completed and usable questionnaires were returned by the students producing a 65% response rate.

Six financial behaviors, including savings, goals setting, gift to family, shopping, treating friends, and repaying debt were asked with "Yes" and "No" answer to respondents. The ten financial problem questions were asked on a 5-point Likert scale from never (1) to everyday (5) and focused on problems such as budgeting uncertainty and skipping meals. Financial literacy was measured by testing for correct answers on 25 questions concerning for example financial goals, financial records, savings, investments, retirement, banking system, time value of money, wills, insurance, education loan, and general knowledge on personal finance.

Analysis to test for differences in financial behaviors and problems included T-tests and ANOVA for demographic characteristics and other variables (see Table 1). Multiple regressions were obtained to determine which predictors had significant effects on financial behavior and problems (see Table 2). Financial literacy was also included as an additional predictor of financial behavior and problems to explore the influence of financial knowledge.

Results

Of the 2,519 students who responded to survey, 40.4% were male and 59.6% were female. The ethnic composition was Malay (67.2%), Chinese (21.6%), Indian (5.0%) and others (5.3%). The mean age of the respondents was 20.9 years. A majority of the students lived on campus. The average CGPA (cumulative grade point average) was 3.00 and majority of students were at second class level (72.4%). Most of the respondents had a low level of financial behavior. More than half of the respondents did not save any money when they received their scholarship or education loan. More than half of the students used their money for shopping. About 45% of them spent all their money before the end of the semester; 17% of students gifted some money to their family, and 13% used their money to repay debts.

The problem mean scores were as follows: uncertain about where money is spent (2.58); buy unnecessary things (2.36); lend money to friends (2.27); and skip meals to save money (2.17). The mean score for overall financial problems (10 items, each on 5-point scale), was 19.75. About 47.9% of students had a higher problem score. Possible total scores for financial literacy ranged from a low of zero to a high of 23. The average score was 12.34, with a standard deviation of 3.54. A large majority of students (73.6%) had a moderate level of knowledge on personal finance. Overall, students had less knowledge of credit, savings or investments, and insurance.

Table 1: Summary of t-test and ANOVA for Predictor Variables

Variables	Financial Behavior	Financial Problems
Ethnicity	Malay (M=2.25) F (3,2479) =36.08, p=.000	Malay (M=20.03) F (3,2350) =5.66, p=.001
Place of origin	Village (M=2.26) F (3,2461) =7.682, p=.000	N.S
Parent's marital status	Widow (M=2.41) F (3,2391) =2.97, p=.031	N.S
Father's education level	N.S	College graduate (M=21.40) F (4,2251) =6.46, p=.001
Mother's education level	N.S	College graduate (M=21.40) F (4,2306) =4.47, p=.001
Family income	<MYR2,500 (M=2.16) F (2,2202) =4.149, p=.016	>MYR7,501 (M=20.25) F (2,2103) =4.630, p=.010
Childhood consumer experience	Late exposure (M=2.25) t (2435) =-5.338, p=.000	Late exposure (M=20.27) t (2336) =-4.325, p=.000
Sibling rank	Middle (M=2.20) F (3,2460) =5.640, p=.001	Only child (M=22.3) F (3,2337) =6.329, p=.000
Types of college	Public university (M=2.23) t (2494) =7.685, p=.000	N.S
Residence	Stay on campus (M=2.20) t (1373) =7.56, p=.000	N.S
Education fund	Scholarship (M=2.20) t=(1759) =-2.50, p=.012	N.S
Financial socialization	More socialize (M=2.21) t (2368) =-2.933, p=.003	More socialize (M=20.87) t (2317) =-9.689, p=.000
GPA	GPA 2.5-3.74 (M=2.20) F (2,2476) =28.19, p=.000	N.S
Spending patterns	More than 6 items (M=2.64) F (2,2495) =186.95, p=.000	More than 6 items (M=20.51) F (2,2354) =7.521, p=.001
Savings	Save (M=2.15) t (2326) =-4.28, p=.000	No save (M=20.55) t (2216) =3.46, p=.001
Financial literacy	High (M=2.19) t (2415) =-2.725, p=.006	N.S

* Note: 1USD=MYR3.15, ** Note: N.S = Not significant, *** Highest means are shown (for comparison)

Bivariate Analysis

Malay students from a rural area, parent marital status is widow, low family income, middle child, public university, stay on campus, GPA between 2.5-3.74, and tend to spend on more items were likely to report engaging in more effective financial behaviors. Late childhood consumer experience, scholarship student, more financially socialized, have savings, and high financial literacy tend not to engage in more effective financial behavior. Malay students who have college graduate parents, higher family income, only child, tend to spend on more items, and have no saving were more likely to have financial problems. There is a negative significant difference between students who have late childhood consumer experience and financial problems. Also those who have had more financial socialization have fewer financial problems.

Table 2: Regression Results (β s) Describing Financial Behavior and Problems

Variables	Financial Behavior (N=1574)	Financial Problems (N=1560)
Constant	1.568 (4.115)	18.062 (11.618)
Rural	.037 (1.431)	.064 (2.426)*
Chinese ethnicity	-.166 (-3.472)***	-.073 (-1.478)
Married parent	-.008 (-.163)	-.005 (-.099)
Dad high school	-.074 (-1.345)	.120 (2.112)*
Dad college graduate	-.050 (-1.372)	.137 (3.646)***
Mom primary	-.012 (-.252)	-.098 (-2.061)*
Mom college graduate	-.041 (-1.414)	-.060 (-2.000)*
Childhood consumer experience	.062 (2.557)*	.077 (3.508)**
Only child	.045 (1.840)	.075 (2.963)**
Younger child	.021 (.741)	.066 (2.277)*
Public university	.002 (.073)	-.097 (-3.320)***
Financial socialization	.039 (1.648)	.206 (8.399)***
GPA >3.75	.069 (2.616)**	-.011 (-.397)
GPA 2.5-3.74	.059 (2.259)*	.017 (.650)
Spending patterns (3-5 item)	-.162 (-6.323)***	-.076 (-2.880)**
Spending patterns (< 2 item)	-.258 (-9.929)***	-.018 (-.669)
Savings	.062 (2.542)*	-.084 (-3.355)***
Financial literacy	.062 (2.594)*	-.067 (-2.724)**
R^2	.163	.119
<i>Adjusted R²</i>	.146	.100
<i>F value</i>	9.126***	6.263***

Note: * $P < .05$, ** $P < .01$, *** $P < .001$

** Other (nonsignificant) predictors included gender, family income, residence, and education fund

Results showed that significant predictors of financial behavior were Chinese ethnicity, childhood consumer experience, GPA, spending patterns, savings, and financial literacy. Spending patterns was the most influential predictor for financial behavior. We found that rural area, parents' education, childhood consumer experience, sibling rank, public university, financial socialization, spending patterns, savings, and financial literacy were significant predictors for financial problems. However, the most important predictor of financial problems was financial socialization. As expected financial literacy was associated with better financial behavior, and financial literacy was also negatively related to financial problems.

Discussion and Implications

The bivariate analysis of financial behavior and problems of Malaysian university students revealed that the students were using the education fund for purposes other than for their academic expenses. Most of them were uncertain about where money is spent they bought unnecessary things, and lent money to friends. However, they skipped meals to save money. Our multivariate analysis found that childhood consumer experience, spending patterns, savings, and financial literacy were the significant predictors of college student financial behavior and problems. Childhood consumer experience had a positive effect while spending patterns had a negative effect.

Savings and financial literacy had a positive effect and the estimated magnitude of savings effect on financial behavior was the same as for financial literacy. However savings and financial literacy had a negative effect on financial problems. The estimated magnitude of savings effect is greater than financial literacy on financial problems. The estimated magnitude of student knowledge about personal finance (financial literacy) effect on financial behavior was the same as for other predictors such as whether the student had savings, GPA 2.5-3.74, and childhood consumer experience. Childhood consumer experience had a greater effect size on financial problems than for behavior.

Future research could make comparisons between the educational details of individuals such as major areas of study and current year of study. Further research could focus on the components of financial literacy and determine which are the most and least critical to financial success and sustainability, and focus on the more direct measurement of financial behavior. These findings identify a need for financial education to prepare students to properly manage their financial resources. Findings from this research have important implications with respect to the need for more educational resources for socialization agents such as parents, peers, school, religion, and media. All professionals who are concerned with financial well being of consumers and families must make concerted efforts to develop plans of action to influence educational policies and programs to include financial education at all levels.

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