

## Financial Literacy among UiTM's Students

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### ABSTRACT

Being financially literate is very important for a person to manage their money well. These days the issues of students having financial problems are alarming. With the amount of loan or scholarship attained still many student failed in term of managing their money and end up having insufficient amount throughout their study. This research is a study about the determinants of financial literacy among UiTM's students. It is to investigate the link between factors such as family influence, personality characteristics; comprises of financial attitude and financial behavior and financial knowledge with the financial literacy of the students. The researcher distributed 351 questionnaires to random students in UiTM Jengka and managed to collect 340 of them. The results indicated family influence has the highest significant effect on financial literacy compared to the personality characteristics (financial attitude and financial behavior) and financial knowledge.

**KEYWORDS:** Financial literacy, Family Influence, Personality Characteristic, financial attitude, financial behavior, Financial Knowledge

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### INTRODUCTION

Every person should obtain knowledge on financial management so that they can survive well with their respective earnings. According to [1], financial literacy can be defined as the ability to understand the money's language. It means that people had to be financially literate to become wealthy or to stabilize their financial situation. According to the [2], being financial literate means that the individual would benefit from a palette of abilities and attitudes such as comprehension of the money management concept, the knowledge of financial institution and also attitudes which enable effective responsible management of their financial affair. The issue on the high cost of living especially among the university's student are being reported often in the news. This major issue has become a concern since the end of 2015. The reduction of the education loan by Perbadanan Tabung Pendidikan Tinggi Negara (PTPTN) has worsened this situation. According to [3], the loan for the IPTA students is being decreased by 5 percent while for the IPTS student decreased by 15 percent. The total decrease in the financial loan is huge and the student who took educational loan from PTPTN basically can only cover their universities' fees and requirements, however for their daily expenses they need money from other sources. The situation worsened when some of the universities increased their fees and this has forced the students to find more money. Making it severe, the issue of hungry students that do not have enough money to buy healthy foods is also being rapidly talked. Students choose unhealthy food that cost cheaper and their health deteriorated. As reported in [4] the Universities' Management and the Ministry of Higher Education should not avoid this issue any longer as it becoming worst with the economic slump and the enforcement of the Goods and Service Tax (GST). This situation surely has burdened the students and their parents in order to maintain the high cost involved. Hence to cope with this crucial problem being financially literate is vital. Do the students have education or information on the financial literacy? How well they manage their financial to ensure that their education loan or scholarship is enough for them to survive throughout their studies? Hence, this research is conducted to investigate the factors of the financial literacy among the universities students and the case study is done in UiTM Jengka.

### LITERATURE REVIEW

#### Financial Literacy

A study in Malaysia by [5] found out that students of Chinese ethnicity, students in private colleges, freshmen and students who never discussed finances with parents in their childhood have only a little financial knowledge. This shows that parent's involvement in giving financial advice could increase the knowledge of the students. Meanwhile the findings from [2] on their study at several colleges and universities in Malaysia have found that education, financial socialization agents and money attitude have a direct influence to financial literacy. There is a positive relationship between all of the variables with financial literacy and this proved that

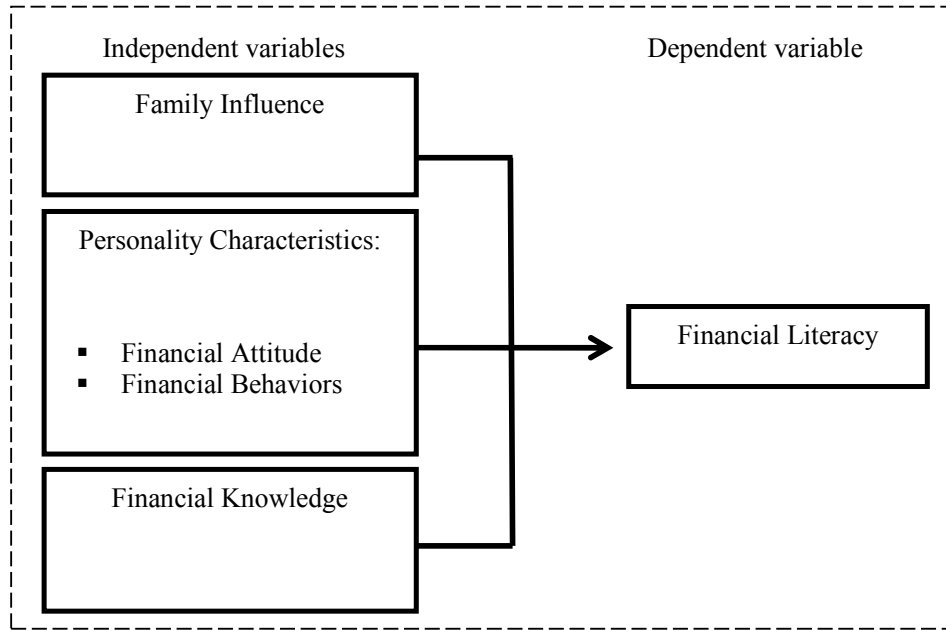
all of the independent variables are the determinants of financial literacy. Meanwhile according to [6] students are more knowledgeable in basic level of finance than other advanced level of financial knowledge. Their studies were on three demographic variables (gender, income and age) and their finding showed gender has not been accepted while income and age are accepted as the factors affecting financial literacy among students. [6] Also tested the financial knowledge or the financial education and found that it is influenced by the stream of education, level of education and type of college or university that the students went to. The last variable they studied is the personality characteristics involving the financial attitude and financial behavior where only the financial attitude is accepted by the test. [7] found out there were significant relationship in financial attitude, knowledge and also the influence from the family towards financial literacy. The result in their study showed financial attitude is the most significant variables, followed by family influence and knowledge. The results presented that the model is accepted and all of the variables play important role in determining the level of financial literacy.

### **Family Influence**

Family influence is deemed as among the determinant of financial literacy among the university students. The spending behavior or financial management from ones' family might influence the family members to follow. According to [8], financial attitudes and the spending behavior of the family will be transferred to the students when they manage their own financial. The vast time spent together as a family is the reason the students will follow their family members acts of spending. The study has also found out that there is a significant relationship between financial attitudes and spending behavior with financial literacy. In addition, [9] in their study stated that the poor financial habits in the children's lives is because of the parents that commonly present themselves with a poor financial management. The examples set by the parents were copied by their children. This habit will continue until the children obtained proper education on the financial management in their schools or universities. The study showed that there is a positive relationship between the family influence and financial literacy among their children. [10] stated that parents' guide on financial matters is a very important and essential to ensure the well-being of their children's life in the future. This is shown in the researcher's study that more interaction on financial matters from parent to their children will help most of the children's education and knowledge in managing their financial matters. There is a positive significant relationship between the family influence and financial literacy shown in the study. [11] studies on college students found out when there is discussions among the family especially by the parents, it will provide more information and knowledge to the students. This will make the students have a better experience in managing their money either in spending or savings. Hence they concluded that the parental discussion on financial management will influence the habits and doings of the students.

### **Personality Characteristics**

Personality characteristics can be divided into three sections; financial attitude, financial behavior and financial influence. According to [6], students' level of financial literacy is determined by their financial behavior, influence, attitude and also knowledge. The study showed all of the variables were significant and has positive relationship with financial literacy. According to [12], financial attitude has positive effect towards financial literacy. Their study used different kind of model to test the effects of financial behaviors towards the financial literacy. All models displayed positive relationship between financial behaviors towards financial literacy. They study concluded that financial behavior had directly influence financial literacy. [13] found out that financial behavior, attitude and financial influence are related to financial literacy. The study discovered positive influence between all of the variables with financial literacy as the variables increased in the value, the financial literacy also increased. Furthermore the study by [14] showed a significant relationship between financial behavior and financial literacy. Their study showed that certain behavior could directly influence the level of financial literacy as the behavior of the people in spending will affect the results of their financial literacy. The improvement in financial behavior will improve the financial literacy. In this study researcher only focus on two most used variable of personality characteristics which are the financial attitude and financial behavior.



**Figure 1: Conceptual framework of the relationship between independent and dependent variables**

This research will study on the determinants of financial literacy among students in UiTM Jengka as a benchmark to gain knowledge about a student financial literacy. This study is conducted among the students from diploma and degree programs in UiTM Jengka. A set of questionnaires were distributed to the respondents in order to investigate the determinants of financial literacy among them.

In order to identify the relationships between independent variables (family influence, personality characteristics (financial attitude and financial behavior) and financial knowledge) and dependent variable (financial literacy), the following hypotheses had been tested:

*Hypotheses Development*

H<sub>1</sub>: There is a significant positive relationship between family influence and financial literacy among students.

H<sub>2</sub>: There is a significant positive relationship between personality characteristics (financial attitude) and financial literacy among students.

H<sub>3</sub>: There is a significant positive relationship between personality characteristics (financial behavior) and financial literacy among students.

H<sub>4</sub>: There is a significant positive relationship between financial knowledge and financial literacy among students.

## RESEARCH METHODOLOGY

### Sample

This study focused on UiTM Jengka's students. According to the Registrar Officer, there were 4,013 students studying at the campus. Therefore, the sample size for this study was 351 students. Sampling technique that is used for this study was convenience sampling because this technique was fast, inexpensive and easy besides the respondents were readily available. In addition, the researcher used the self-administered questionnaires to collect the data from the students by approaching them and distributes the questionnaires face to face and helped the respondents to have a clear understanding about the study. Thus, the researcher prepared 351 sets of questionnaires to be distributed among the students in UiTM Jengka Campus. The questionnaires consisted of four sections; Section A: Demographic Background, Section B: Financial literacy, Section C: Family influence, Section D: Personality Characteristics and Section E: Financial Knowledge. The respondents were asked to rate family influence, personality characteristics, financial knowledge and financial literacy using a five-point scale, ranging from "1 – strongly dissatisfactory" to "5 – strongly satisfactory". In order to analyze and process the data obtained, the IBM Statistical Package for Social Science (SPSS) 20.0 program is used.

## FINDINGS AND DISCUSSION

This study discussed on the variables that influence financial literacy. Respondents were selected among students in UiTM Jengka, Pahang based on convenience sampling. An amount of 351 questionnaires were distributed to the respondents and 11 questionnaires were not return back. So the data had been analyzed by using 340 fully answered questionnaires. The samples of this study were taken from students that study in UiTM Jengka. Mainly, there were three variables being tested in the study; family influence, personality characteristics (financial attitude and financial behavior) and also financial knowledge. This study used Cronbach Alpha to determine the reliability of the questionnaires that has been used in the study. The demographic section has been analyzed by SPSS 20.0 program. The results showed that respondents came from several of faculty and students from all semesters take part in the questionnaires. The variables then tested with Pearson correlation coefficient to test the significance and relationship on the independent variables with financial literacy. Multiple regression analysis is being used to test the overall model.

**Cronbach's Alpha**  
**Table 1: Cronbach's Alpha**

SECTION	ITEM	CRONBACH'S ALPHA
Financial Literacy	10	0.767
Family Influence	7	0.921
Personality characteristics (Financial Attitude)	7	0.864
Personality characteristics (Financial Behavior)	7	0.844
Financial Knowledge	7	0.829

The result of Cronbach's Alpha for financial literacy is 0.767 indicated a good strength which all 10 questions for the dependents variable were acceptable. In addition, for the independent variable as family influence, the Cronbach's Alpha result is 0.921. Where the result showed the Family influence variable is in excellent strength which all 7 questions were acceptable. Next, the Cronbach's Alpha for financial attitude is 0.864. As the result for the Personality characteristics (Financial Attitude) was also very good strength (0.864), which all 7 questions of this independent variable were acceptable. The fourth Personality characteristics (Financial Behavior), the Cronbach's Alpha result for financial behavior is 0.844. Here the result revealed this independent variable has very good strength, which all of 7 questions are acceptable. Lastly, the financial knowledge, the results for this variable is 0.829 which it means that the Cronbach's Alpha for financial knowledge was also very good strength, thus all of 7 questions of this variable were acceptable.

### *Demographic Background*

In this study was participated with more female respondents compared to the male respondents amounted at 220 person (64.7%). Besides that, most of the respondents were aged in between 18 – 19 years old with 201 (59.1%) respondents while the lowest number or respondent came from the age range of 26 – 27 which were 9 of them (2.6%). In term of race, majority of the respondents were Malay (98.2%), followed by Sarawak Ethnic (0.9%) and Pribumi (0.6%) while Sabah Ethnic (0.3%). Next, the highest family income range among the respondents was RM1001 – RM2000 (24.1%) while the lowest were RM3001– RM4000 (7.6%). Next in term of the educational aids of the respondents indicated that the most of the respondents obtained PTPTN loan (70.9%), followed by no loan (20.9%), JPA (3.5%), Yayasan Negeri (2.9%), others (0.9%), private loan (0.3%) and MARA (0.3%). Furthermore in term of the courses taken, respondents from applied science are the highest respondents 83 person (24.4%). However, the number of respondents that take sport science and recreation courses were the lowest number of respondents (11.8%). Last but not least, 334 (98.2%) respondents were diplomas' students while another 6 respondents were degrees' students. This data is supported by population data provided by 'Hal Ehwal Akademik' (HEA) UiTM Jengka.

### *Correlation Analysis*

**Table 2.0: Correlation Analysis Result**

	Financial Literacy	Family Influence	Financial Attitude	Financial Behavior
Family Influence	.646**			
Financial Attitude	.579**	.671**		
Financial Behavior	.342**	.304**	.527**	
Financial Knowledge	.482**	.500**	.532**	.498**

N = 340, \*p < 0.10; \*\* p < 0.05; \*\*\* P < 0.01

Source: Based on the sample survey

Table 2.0 illustrated the relationships among family influence, personality characteristics (financial attitude), personality characteristics (financial behavior), financial knowledge and financial literacy. Using Pearson Correlation coefficient, the result showed strong relationship between family influence and financial literacy ( $r=0.646$ ,  $n=340$ ,  $p<0.05$ ). Financial behavior presented the weakest relationship towards financial literacy ( $r=0.342$ ,  $n=340$ ,  $p<0.05$ ) in this study. Whereas, financial knowledge ( $r=0.482$ ,  $n=340$ ,  $p<0.05$ ) and financial attitude ( $r=0.579$ ,  $n=340$ ,  $p<0.05$ ) demonstrated moderate relationships towards financial literacy. It is suggested that family influence is the strongest independent variable towards the financial literacy.

Summary			Anova		
R	R Square	F	Sig.		
.688 <sup>a</sup>	.474	75.396	.000 <sup>b</sup>		
Dimensions	Unstandardized Coefficients		Collinearity Statistics		
	B	T	Sig.	Tolerance	VIF
Family Influence	.310	7.802	.000	.509	1.966
Financial Attitude	.152	3.159	.002	.426	2.345
Financial Behavior	0.36	.757	.450	.640	1.562
Financial Knowledge	.120	2.839	.005	.606	1.651

Dependent Variable: Financial Literacy

As shown in Table 3.0, this study had low of R (0.688) and high R square (0.474). The values of R square represented the proportion of variation of dependent variable (financial literacy) that accounted by independent variables (family influence, financial attitude, financial behavior, and financial knowledge) in regression model. It implied that 47.4% of the alteration or changes in the dependent variable (financial literacy) were recognized to four independent variables (family influence, financial attitude, financial behavior, and financial knowledge). The results indicated family influence significantly affect financial literacy at UiTM Jengka, Pahang ( $\beta=0.310$ ,  $p<0.05$ ). Therefore, hypothesis H<sub>1</sub> stated that there is a significant positive relationship between family influence and financial literacy among students is supported. In addition, personality characteristics (financial attitude) ( $\beta=0.152$ ,  $p<0.05$ ) and financial knowledge ( $\beta=0.120$ ,  $p<0.05$ ) significantly influence the financial literacy and these results revealed hypotheses H<sub>2</sub> and H<sub>4</sub> were also supported. However, hypothesis H<sub>3</sub> was rejected that denied a significant positive relationship between personality characteristic (financial behavior) and financial literacy among students ( $\beta=0.36$ ,  $p>0.05$ ).

## CONCLUSION

As a conclusion, this study was conducted by testing three main variables, family influence, personality characteristics (financial attitude and financial behavior) and financial knowledge towards financial literacy among students at UiTM Jengka, Pahang. Therefore, four hypotheses were tested and only one hypothesis was rejected (H<sub>3</sub>). Three hypotheses were supported (H<sub>1</sub>, H<sub>2</sub>, H<sub>4</sub>) and these results indicated that family influence, personality characteristics (financial attitude) and financial knowledge have significant positive relationships towards the dependent variable (financial literacy). These results were supported by the correlation analysis whereby the family influence showed the most influential factor towards financial literacy. Besides, financial attitude and financial knowledge revealed moderate relationships toward the financial literacy. However, the low R<sup>2</sup> showed that the researcher should use other variables to be tested in similar study in the future. It is recommended to the future researchers to add more variable in the study such as financial socialization agents and money attitude. In addition, future research should also increase the sample size to get more accuracy in the data collection and can also involve a larger population such as making several universities as the sample size. Besides that, questionnaires should also be distributed to all types of students regarding their races and geographical region around the country. Lastly, as the university students are the catalyst of the nation, it is crucial to investigate the determinants of financial literacy among these students

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