



Relationships between Financial Management and Spending Behavior on Financial Literacy among Students in Sultan Idris Education University

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Abstract

This study aims to identify the relationships between financial management and spending behavior on financial literacy level among local and international students at Sultan Idris Education University (UPSI). This study is analyzed using quantitative methods through the distribution of questionnaires to 213 local and international students of UPSI from various study categories. Descriptive, item mean scores, correlation and multiple regression analyses are employed to analyze this study. This study demonstrates that the overall mean scores for both variables, financial management and spending behavior, are high and moderately high, respectively. The correlation analysis result indicates that only financial management is significantly positive and strong correlated with financial literacy level. Meanwhile, spending behavior has a weak correlation with financial literacy. Similarly, the correlation between financial management and spending behavior has a weak relationship between the two variables. Moreover, financial management is a significant factor that can influence students' financial literacy level while the spending behavior among the local and international students is an irrelevant factor in financial literacy level. Nonetheless, financial management, as well as spending behavior, are deemed important in strengthening financial literacy level for any individual, not just for students alone. Therefore, larger and more comprehensive samples are needed to ensure that a more detailed study on this topic can be made.

KeyWords: Financial Management, Spending Behavior, Financial Literacy, Quantitative Methods.

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Introduction

Shopping activities are becoming increasingly challenging in the era of the COVID-19 pandemic, where most of people's spending can be done online at any time. Thus, the right way of managing the finances and spending behavior among the society of a nation is extremely important for all individuals. Arisah, et. al. (2016) state that online shopping has become the practice of consumers aged 17 years and above. Due to that, basic knowledge and skills in financial literacy are crucial in our daily lives. In fact, financial literacy is seen as important in making purchasing decisions that should be prioritized by university students (Abdul-Rahman & Zulkifly, 2016). In addition, Azmi

and Othman (2017) also support the importance of having knowledge in financial management. This is because this knowledge helps a student in making spending decisions. Meanwhile, Wahid and Zahari (2020) emphasize the importance of financial literacy in influencing spending among students. Moreover, various studies in Malaysia have shown that lacking knowledge in financial management can result in high risk of indebtedness (Ong, 2014; Rafdi, et. al., 2015; Ismail, 2015; Zamzami, 2015; Anak & Ahmad, 2017).

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According to the Malaysian Insolvency Department (JIM), 25 per cent of youths have been declared bankrupt by December 2020 comprising youths under the age of 35 (JIM, 2021). This suggests that financial management and spending behavior are closely related to financial literacy.

Thus, this study aims to identify the dominant items based on the mean scores of financial management and spending behavior among local and international students at various categories at Sultan Idris Education University (UPSI). In addition, it also wants to identify the relationships between financial management and spending behavior on financial literacy level among these students at UPSI.

Methodology

In this study, quantitative method is used through a questionnaire instrument being distributed to 213 respondents. Four types of analyses are employed, specifically descriptive, item mean scores, correlation and multiple regression analyses. First, the descriptive analysis analyzes the demographic profile of the respondents involved in this study, namely UPSI undergraduate and postgraduate students from Malaysia and foreign countries. Second, mean score analysis is used to identify the dominant items in the level of financial management and spending behavior among these students. Third, correlation analysis is used to examine the strength of the relationships between all variables, financial management, spending behavior and financial literacy level. Fourth, multiple regression analysis is utilized to determine the relationships between financial management and spending behavior on financial literacy level among UPSI students from various categories and countries.

The questionnaire in this study is adapted from Moore (2003), Nik Lee and Salamon (2012) and Wahid and Zahari (2020). The questionnaire comprises of four sections, namely sections A, B, C and D. Section A is about the demographic profile of the respondents and is analyzed using frequency and percentage of descriptive analysis. It contains the demographic details of the students such as gender, citizenship, age, status, place of residence during their study, current level of study, faculty of study at UPSI and finally, the financial resources of the study. Meanwhile, the questionnaires are in the form of Likert scale for section B, a questionnaire on

the aspect of students' financial management; section C, a questionnaire related to students' spending behavior and lastly, section D, a questionnaire containing the level of students' financial literacy. Respondents are required to select appropriate answers in the form of a scale ranging from scale 1, i.e. strongly disagree to scale 5, strongly agree in each statement in the entire three sections. As stated earlier, the answers given by the respondents will be analyzed using descriptive, item mean scores, correlation and multiple regression analyses.

Mean score analysis is done to identify the dominant elements in financial management and spending behavior aspects among local and international students of various backgrounds of studies in UPSI. The interpretation of the mean score values, which are obtained from financial management and spending behavior aspects can either be low, moderate or high depending on the mean value for each item calculated through the respondents' answers. Mean scores values ranging from 1 until 2.33 is considered as a low score, 2.34 until 3.67 as a moderate score and 3.68 until 5 as a high score, respectively (Nik Lee dan Salamon, 2012).

Apart from that, correlation analysis is employed to identify the relationships between all independent and dependent variables, financial management, spending behavior and financial literacy level whether their correlations are strong, moderate or weak. Similarly, the relationship between the two independent variables among UPSI students. The strength of the values of the correlation coefficients (r) are determined as follows; 0.01 until 0.2 is considered very weak correlation, 0.21 until 0.40 is considered weak correlation, 0.41 until 0.60 is considered moderately strong correlation, 0.61 until 0.80 is considered strong correlation and lastly, 0.81 until 0.99 is considered very strong correlation, respectively (Devellis, 2016).

Lastly, this study tries to examine the relationship between two independent variables, namely financial management and spending behavior, on financial literacy level by utilizing a multiple regression analysis. In this analysis,

The general model for multiple regression model is as follows:

$$Y = \beta_0 + \beta_i X_i + e \quad (1)$$

Where

Y = dependent variable



- β_0 = constant
- β_i = coefficients
- X_i = independent variables
- e = error term

From this equation, we can derive the specific equation model:

$$FL = \beta_0 + \beta_1FM + \beta_2SB + e \tag{2}$$

Where

- FL = Financial literacy level
- β_0 = constant
- β_i = coefficients 1, 2
- FM= Financial management
- SB = Spending behavior
- e = error term

Result Findings

The findings from the questionnaire are divided into four analyses, namely descriptive, mean scores, correlation and multiple regression analyses. A descriptive analysis of respondent demographics among local and international students from various study backgrounds in UPSI is depicted in table 1. The demographic items of the respondents are gender, age, status, place of residence during the study, current level of study, faculty involved as well as financial resources obtained during the study.

From table 1, 73.7 percent of the respondents are female students compared to merely 26.3 percent of the respondents are male students out of a total of 213 respondents. Additionally, there is an almost equal distribution between local and international students with 55.9 percent is consisted of local students of Malay majority (51.6 percent), Chinese (3.3 percent and Indian (1 percent), while the remaining 44.2 percent is comprised of international students from Indonesia (28.6 percent) and Bangladesh (15.5 percent), respectively.

In this study, most of the respondents are students between the age of 21 to 25 years (69.5 percent), followed by respondents aged between 26 to 30 years (10.8 percent), while the rest of the respondents are under the age of 20 (4.7 percent) and above 31 years old (15 percent), respectively. Since the majority of the respondents are students under 30 years old, they are still while the remaining 18.3 percent of these students are married. Many respondents either rent houses nearby campus (64.8 percent), stay at UPSI residential college (25.4 percent) or own houses (9.9 percent) during their studies.

Respondents also comprised of two levels of study, undergraduate graduates of 66.1 per cent and postgraduate students of 32 per cent, respectively. Apart from that, the largest respondents are students from FPTV with 24.9 percent, students from FPE, FSM and FMSP each faculty consists of 15 percent and the rest of the respondents are students from FSK, FSKIK, FSSK and FBK, which comprise of less than 10 percent from each faculty, respectively. Finally, in terms of financial study resources, respondents either obtain the resources from bank or agencies' loans (38 per cent), government, state or agencies' scholarships (27.7 per cent), parents (23 percent) or self-funding (11.3 percent), respectively.

Table 1. Demographic respondents' profile

Demographic Items	Description	Number of Respondents	Percentage
Sex	Male	56	26.3
	Female	157	73.7
Local students	Malay	110	51.6
	Chinese	7	3.3
	Indian	2	1
International students	Indonesia	61	28.6
	Bangladesh	33	15.5
Age	< 20 years old	10	4.7
	21- 25 years old	148	69.5
	26- 30years old	23	10.8
	31 - 35 years old	13	6.1
	36 - 40 years old	10	4.7
	>41years old	9	4.2
	Status	Single	174
Married		39	18.3
Place of residence during study	College	54	25.4
	Rental unit	138	64.8
	Own house	21	9.9
Level of Study	Bachelor Degree	145	68.0
	Postgraduate	68	32.0
Faculty	Faculty of Management and Economics (FPE)	32	15.0
	Faculty of Social Sciences and Humanities (FSK)	19	8.9
	Faculty of Science and Mathematics (FSM)	32	15.0
	Faculty of Arts, Computers and Creative Industries (FSKIK)	18	8.5
	Faculty of Technology and Vocational Education (FPTV)	53	24.9
	Faculty of Language and Communication (FBK)	8	3.8
	Faculty of Music and Performing Arts (FMSP)	32	15.0
	Faculty of Sports Science and Coaching (FSSK)	19	8.9
	Financial Resources	Study loan	81



Scholarship	59	27.7
Perants	49	23.0
Self-sponsored	24	11.3

Table 2. Mean score analysis of financial management aspect

Item Statement	Mean
Overall mean score	3.96
1. I can manage my finances well.	3.97
2. I am very concerned about my own financial management.	4.15
3. I am aware of the importance of having a clear knowledge of how to manage my finances.	4.58
4. I know the right method in managing my finances.	3.81
5. I plan my daily expenses.	4.26
6. I make a systematic plan to manage my finances each semester.	3.93
7. I only manage my finances after realizing the money in hand is declining.	2.18
8. I will make sure that the money I earn each semester is enough if I use it wisely.	4.15
9. I always train myself to manage my finances efficiently and systematically.	4.53
10. I always record and check all my expenses to improve my financial management.	3.46
11. I ensure that purchases for academic necessities are prioritized.	4.21
12. I allocate certain amount of money received for emergency savings in the long run.	4.08
13. I know that I will face financial problems if I do not manage my finances well.	4.63

Table 2 exhibits mean scores for each aspect of financial management among UPSI student respondents. It is noticeable that the overall mean score of students' financial management is high at 3.96. In exception to items 7 and 10, all mean scores for financial management aspects are high. The highest mean score is item 13 with a score of 4.63, which admits that students will experience financial problems if they do not manage it well. Item 7 has the lowest mean score (2.18) stating that many respondents start managing expenses only when their money is running low. Although item 10, regarding students recording expenses and reviewing to improve the level of financial management, is the second-lowest mean score, it is still at a moderately high score level.

Table 3. Mean score analysis of spending behavior

Item Statement	Mean
Overall mean score	3.21
1. I spend most of my money on daily necessities.	3.46
2. I have the tendency to buy whatever I like.	2.58
3. I always spend my money more than I have initially planned.	2.83
4. I am often attracted to special offers or discounts while shopping.	2.66
5. I prefer to buy branded and quality items only.	2.61
6. I love to watch movies at the cinemas and go out with friends during the weekends.	2.06
7. The money that I receive for each semester is not enough for my expenses.	2.72
8. I spend more on food.	3.74
9. I am more interested in eating out rather than having home-cooked meals.	2.88
10. I often save money for the future.	3.83
11. I record all the inflow and outflow of my money to control my daily expenses.	3.54
12. I give priority to the purchase of academic necessities over less important purchases.	4.03
13. I often make a price comparison before buying something.	4.35
14. I shop based on a list of needed items.	4.04
15. I discuss with parents or spouse to plan my expenses.	3.09
16. My peers always help me in planning my expenses wisely.	2.94

From table 3, the overall mean score for spending behavior is 3.21, which is a moderately high score. All mean score items, except for item 6, are moderately high or high mean scores. The highest mean score for spending behavior is item 13, pertaining to the price comparison response where the majority of respondents make a price comparison first before buying an item. Item 6, the statement about love to watch movies and hang out with friends, has a low mean score. In addition, the mean scores of items 1, 2, 3, 4, 5, 7, 9, 11, 15 and 16 are moderately high, while items 8, 10, 12, 13 and 14 have high mean scores.



Table 4.Correlation between financial management, spending behavior and financial literacy level

	FM	SB	FL
FM			
Pearson Correlation	1	.236**	.705**
Sig. (2-tailed)		.001	.000
N	213	213	213
SB			
Pearson Correlation	.236**	1	.222**
Sig. (2-tailed)	.001		.001
N	213	213	213
FL			
Pearson Correlation	.705**	.222**	1
Sig. (2-tailed)	.000	.001	
N	213	213	213

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

Table 4 presents the correlation analysis on the relationships between financial management, spending behavior and financial literacy level. From the result in table 4, financial management of local and international students in UPSI has a significantly positive and strong relationship with financial literacy with a value of $r = 0.705$. In general, financial literacy tends to increase as financial management improves. Should students' financial management in planning expenses is rising, then, students' awareness of financial literacy will be better, as well.

Nevertheless, the relationship between spending behavior and the level of financial literacy is weakly correlated with a value of $r = 0.22$. This indicates that spending behavior does not affect financial literacy. It simply means that even wise and prudent spending behavior does not guarantee high financial literacy level among local or foreign students in UPSI.

In terms of the correlation between two independent variables, financial management and spending behavior among UPSI students are also weak with a value of $r = 0.24$. Thus, a high level of financial management does not promise good spending behavior among UPSI students.

Table 5.Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.395	.277		1.426	.155
	FM	.871	.063	.691	13.749	.000**
	SB	.067	.058	.059	1.171	.243

a. Dependent Variable: FL

** significant at 0.01 level of significance

Table 5 illustrates the result of multiple regression analysis between the relationship of financial management and students' behavior in spending on financial literacy. From the result, it is proven that financial management has a significantly positive relationship with financial literacy at 0.01 level of significance. This indicates that strong financial management affects students' financial literacy. In contrast, consistent with the correlation result, spending behavior does not influence financial literacy. In this case, the spending behavior among the local and international students is an irrelevant factor in financial literacy level.

Conclusion

In conclusion, the relationship between financial management and spending behavior produce a mixed result. The mean scores of financial management items and overall spending behavior items are high and moderately high, respectively. In addition, financial management is positively and significantly correlated to financial literacy. On the contrary, the spending behavior among local and international students is weakly correlated to financial literacy. The same finding also applies to the relationship between financial management and spending behavior among these students at UPSI, at both undergraduate and postgraduate level students, which have a weak correlation between the two variables. Furthermore, the regression analysis confirms the positive and significant relationship between financial management and financial literacy. In contrast, spending behavior does not influence financial literacy despite the common



belief.

Nevertheless, financial management, as well as spending behavior, are deemed important in strengthening financial literacy level for any individual, not just for students alone. Therefore, larger and more comprehensive samples are needed to ensure that a more detailed study on this topic can be made.

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