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Exploring Financial Management Practices and Problems among Students

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Abstract
Financially educated society tend to make better financial decisions. Nevertheless, individuals are seldom having a perfect financial knowledge. Behavioral economics admitted that individuals are not always rational and emotions can always affect decision making. Thus objectives of this paper are to investigate the financial problems among the students as well as their financial management practices. This is because the ability to manage personal finances has become increasingly important in both university and college in preparing their students with good financial management. Data for this study was collected through a self-administered questionnaire and distributed through purposive judgmental sampling method. A total of 369 questionnaires were completed and been analyzed using SPSS. The finding from the study shows that the financial problem occurs due to the inability of students to increase income. As a student, they need to spend more time for their study instead of finding a way to increase income. The students were found have good financial management practice because they are avoiding overspending of their money. The result contributes to the university and particularly the academia to know the students' financial management practice and financial problem to educate them in making a wise financial decision in future.
Keywords: Students, Financial, Education, Problems, Practice.

Introduction

Every year, thousands of university and college student will be graduated and start their new chapter by working and earning income. It is also clear that these graduates will earn higher than average income and have a productive life compared to high school graduates. For that reason, the ability to manage personal finances has become increasingly important in today's world because both university and college have to prepare their students with good financial management to be practice in their future life (Chen and Volpe, 1998). Being financially literate would benefit the individual with prolific abilities and attitudes such as a grasp of money management concept, knowledge of financial institutions and attitudes which enable effectively and responsible management of financial affairs (Albeerdy and Gharleghi, 2015).

Financially educated society tend to make better financial decisions. Nevertheless, individuals are seldom having perfect financial knowledge. Behavioral economics also admit that individuals are not always rational and emotions can affect decision making. In the financial planning context, lack of rational economic judgment may lead to an excessive debt, high risk investing inadequate savings for retirement (Nga, Yong, & Sellappan, 2010). Youths tend to rely on their informal social network and making unrealistic spending and consequently often end up in debt (Dale and Bevill, 2007). Malaysian university/college students became a worthwhile consumer market segment as the number of students enrolled in tertiary education tripled since 1999. As the standard of living improved significantly and thus stimulated changing lifestyles, these students are permitted greater freedom to make their own shopping and consumption decisions (Kamaruddin and Mokhlis, 2003).

These days, youngsters tend to value money as compared to previous generations. The older generations were not excessively concerned with material possessions and not money-oriented as younger generations nowadays. Poor financial planning will be faced by those who perceive money as a measure to obtain their immediate wants. While individuals that have the right attitude and mind-set towards money will be more preeminent in an early financial planning and savings. This will obstruct their bankrupt chances thereby be endowed with benefits of an early financial saving (Albeerdy and Gharleghi, 2015).

Literature Review

Falahati and Paim (2012) defined the financial problem as inability to manage expenses and facing the financial problem within half of the year. Financial problem is related to the problem of planning and managing the cash flow (Sabri, Hayhoe and Ai, 2006). The foundation of knowledge about personal finance is very important among young people particularly the university students. This is due to the financial situation of this group is reported shows a serious management problem. A survey conducted by Federation of Malaysian Consumers Associations (FOMCA) in 2013 found that 37 per cent of young Malaysians were found expense beyond their income means while 47 per cent used more than one-third of their monthly income to settle debts.

Furthermore, the increasing number of National Higher Education Fund Corporation (PTPTN) default borrowers is alarming. The major reason of financial problem cases in Malaysia is contributed by the inability to pay the debt of hire purchase transaction, mortgage, personal loans, being a guarantor, and credit card debt trap. It is found that 25 per cent of Malaysians who have high debts usually has poor financial planning skill (Ahmad, 2016). The individuals who have poor financial management may lead to wrong financial decisions (Vyvyan, Blue, and Brimble., 2014; Sabri, 2008; Peng, Bartholomae, Fox and Cravener 2007; Masud, 2004; Micomonaco, 2003;). Borden, Lee, Serido and Collins (2008) suggested that young people need to have financial management skill because it is useful for their future and personal well - being.

Financial management practice is referred to the individuals' behavior and perception on how well they manage their finances. The factors that influence young people in their financial management practice are age, personality traits and knowledge (Norvilitis, Merwin, Osberg, Roehling, Young and Kamas, 2006). Students are important group that needs to be highlighted because they have less finance management practices (Komal, Garima, Manju and Sudesh, 2017). Mien and Thao (2015) suggested that the most common financial management practice is to set aside some amount of money for saving. The proper finance management practice enables individuals to improve their overall well-being and to plan for their future security.

Methodology

The study was conducted in a local university located in East Malaysia. The data are gathered using primary sources which is by distributing self-administered questionnaires to the targeted groups. A total of 400 sets of questionnaires were distributed with 369 completed sets were received. A purposive judgmental sampling design was employed to investigate financial problems and financial management practices among the student by using a five-point Likert scale. The respondents' details are keyed into SPSS one by one and later been analyzed.

Result and Discussion

From the descriptive analysis, it is found that the ratio of male to female respondents is at 35.2 percent and 64.8 percent respectively. The programs are ranging from BM111 (Business Studies) 21.1 percent, BM119 (Banking Studies) 18.7 percent, AM110 (Public Administration) 14.9 percent, CS110 (Computer Science) 17.9 percent and CS111 (Statistics) 27.4 percent. Most of these respondents are utilizing student's loan in financing their study with a total of 228. The other sources of fund are from their parents (48 students), mother (21 students), father (54 students), siblings (9 students), and own money (7 students). Only one student has monthly income as a source of fund during the study.

The data from Table 1 shows that the highest mean score of the financial problem is due to the inability of students to increase income. This problem occurs because the students need to spend more time for their study so they have no time to work or focus on business. The lowest mean score for financial problem among student is spend money for cigarette. The result was obtained because of the influence of a twofold number of female towards male students.

Table 1. Financial Problem Among Students

Item	Mean	Standard Deviation
Too much debt	1.6640	.94168
In ability to pay the debt	1.6495	.95367
Spend money on cigarette	1.2418	.73354
Expenses greater than income	2.4255	1.27710
No savings	2.3875	1.21537
My financial position effect my study	2.5068	1.27073
Do not know how to cut my spending	2.7805	1.13638
No spending plan	2.7745	1.21108
Insufficient money until the end of semester	2.6938	1.36771
Unable to increase income	2.9133	1.23053
Skip meals to save money	2.8076	1.35267
Overall mean score	2.3502	.70383

The finding from Table 2 reveals that the overall mean score value is 2.8438. It means that the financial management practice of the students is at the moderate level. The highest mean score value for financial management practice among students is avoiding over spending. The students realized that the money received from students' loan should be properly spent and ensure that it is sufficient to be used for the whole of the semester. The lowest mean score value is related to a part time job during semester break. The students have no time to look for the part time job because during the semester break they are busy with interns or industrial training.

Table 2. Financial Management Practices Mean Score

Item	Mean	Standard Deviation
Hide my spending habits from family	2.9593	1.22073
My spending habits create problem for me	3.0542	1.24337
I avoid overspending	3.3767	1.06404
I enjoy shopping	3.3686	1.23125
My main hobby is shopping	2.5420	1.21315
I buy as often as I can	2.6070	1.13015
Attracted to buy things on sale	3.1409	1.18261
Tempted to buy even lack of time	2.4918	1.07482
Spend and buy for any celebration	2.7940	1.09637
Buy things but never use it	2.3306	1.15587
Buy thing that I don't need	2.4824	1.18429
Follow a budget to limit spending	3.1436	1.07515
I have little or no difficulty in managing money	3.1436	1.00729
I regularly set aside my money for savings	2.9377	1.16746
I have part time job during semester break to support my study	2.2981	1.43634
Overall mean score	2.8438	.50763

Conclusion

The result from this study contributes to the university and particularly the academia to know the students' financial management practice and financial problem to educate them in making a correct financial decision in future. Financial education is pivotal and becomes the key to decrease financial problems, especially among students. Educational institutes must be aiming for a decent financial education to be nurture among these students. That being so, by possessing this knowledge, the students can adapt and survive in the real world and becoming a wise spender. Other than that, most of these students have to finance their education by borrowed funds leaving them with debt before they are even ready to work. The academia should teach and lead them to adopt a better credit posture as this will follow them long after their study is completed.

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