



# INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v12-i12/15778> DOI:10.6007/IJARBSS/v12-i12/15778

**Received:** 09 October 2022, **Revised:** 11 November 2022, **Accepted:** 27 November 2022

**Published Online:** 03 December 2022

**In-Text Citation:** (Rafien et al., 2022)

**To Cite this Article:** Rafien, N. S. M., Awang, A. H., & Kamis, R. (2022). The Effects of Financial Knowledge, Financial Attitude and Locus of Control on Financial Well-Being among Students in Malaysian Public University: An Empirical Investigation. *International Journal of Academic Research in Business and Social Sciences*, 12(12), 134 – 142.

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Vol. 12, No. 12, 2022, Pg. 134 – 142

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[www.hrmars.com](http://www.hrmars.com)

ISSN: 2222-6990

## The Effects of Financial Knowledge, Financial Attitude and Locus of Control on Financial Well-Being among Students in Malaysian Public University: An Empirical Investigation

Nor Shahrina Mohd Rafien<sup>1</sup>, Amizatul Hawariah<sup>2</sup> Awang & Rohaiza Kamis<sup>3</sup>

<sup>1,2,3</sup>Faculty of Business and Management, Universiti Teknologi MARA Cawangan Melaka, 110 Off Jalan Hang Tuah, 75300 Melaka, Malaysia, <sup>1</sup>Centre of Islamic Philanthropy and Social Finance (CIPSF)

Corresponding Author's Email: [norshahrimrafien@gmail.com](mailto:norshahrimrafien@gmail.com)

### Abstract

Financial well-being is one of the elements of well-being and it was explained where an individual can control the financial matter on current life and future life as well without feeling worries on his or her financial situation and it is vital to get better quality of life. Therefore, this study aims to analyse the factors that influencing financial well-being among students in Malaysian public university. Three variables are tested for this study namely, financial knowledge, financial attitude, and locus of control. The sample for this study consisted of 54 students participated in the survey using purposive sampling. The data collected via online form. Multiple regression analysis is employed to analyse the data gathered. The findings revealed that there was a significant relationship between financial knowledge and financial attitude with financial well-being. However, there was an insignificant effect between with locus of control towards well-being. The results could be used as guide to related government agencies, financial institutions, and the individual as well in understanding the important of financial well-being to curb from facing financial problem and to sustain the quality of life from young age.

**Keyword:** Financial Well-Being, Financial Knowledge, Financial Attitude, Locus of Control, Students in Malaysian Public University

### Introduction

Financial well-being is one of the elements of well-being and it was explained where an individual can control the financial matter on current life and future life as well without feeling worries on his or her financial situation and it is vital to get better quality of life. Thus, the increasing number of research on financial well-being is conducted among the university students. During students' lifetime, the students are entered into new life of experience where most of them starting to handle their financial by themselves and develop their financial planning skills and build personal well-being in the present and the future. The

RinggitPlus Malaysian Financial Literacy Survey 2021 reported that Malaysian youth are exposed to overspending habit. This group are also often considered a high-risk group when it comes to financial stability. Most of them are involved with education loan and carry this commitment after graduating (Leach et al., 1999). Based on this result, it is indicating there is a room for improvement in determining a good financial well-being.

Number of studies on financial well-being is getting many attentions especially during this post pandemic COVID-19 crisis where most people has been affected with this hardship period and during this situation of economic uncertainty. The rising cost of living will affect the individual's financial well-being. Understanding financing well-being is vital to sustain the quality of life and will curb in facing financial problem. Evidence show that poor financial well-being can affect physical, mental and social well-being and then will lead to decreasing in study performance.

Numerous studies have been conducted in Malaysia and other countries by using numbers of predictors on financial well-being namely financial strain, financial stress, locus of control, financial behaviour and others. However, this study will explore financial well-being determinants and examine the relationship between financial knowledge, financial attitude, and locus of control towards financial well-being among Malaysian university students. The following section considers previous studies relevant to financial wellbeing, while section 3 considers the details of the methodology necessary to attain the study objectives. Most importantly, section 4 analyses the findings generated from the survey work. In the section 5, a further discussion of the results and study implications are highlighted in order to gain more understanding on determinants of financial wellbeing, followed by a conclusion.

## **Literature Review**

### **Financial Well-Being**

Financial well-being is one of the well-being elements besides career, physical, social and community. In addition, it is a primary factor that affect personal well-being (O'neill et al., 2005). Financial well-being is defined as a person's feeling about the current financial situations (Prawitz et al., 2006). It also can refer to the unseen notion that is used to describe the financial background or status of an individual or a family (Mokhtar et al., 2015).

Moreover, financial well-being is reflecting the feeling of satisfaction on the individual or family financial status where they have sufficient resources to live comfortably life.

### **Financial Knowledge**

Perry and Morris (2005) mentioned financial knowledge is of the critical aspect in determining the level of financial well-being. Financial knowledge is defined as the knowledge that refers to what individual know about personal matters as measured by their level of knowledge about various persona financial concepts (Kholilah and Iramani, 2013). Individual who has a sufficient financial knowledge will manage their financial well and will avoid them from having an excessive debt and it might be led to financial difficulties (French and McKillop, 2016). In addition, financial knowledge in Malaysia context is defined as individual's level of knowledge on the concept, fact and basic financial information (Falahati and Paim, 2011)

In line with that, those who are having a higher financial knowledge it will lead to higher financial well-being. The study conducted by Mohamed (2017) which is the higher score in the financial knowledge, the better they achieved in financial well-being and a better perception of financial well-being (Falahati and Sabri, 2015). It is supported by Sabri, and Leila

(2013) revealed that the more knowledgeable individual in personal finance is likely to achieve financial well-being as compared to those who received a lower of knowledge.

Therefore, the following hypothesis is developed:

H<sub>1</sub>: A positive relationship between financial knowledge and financial well-being among students in Malaysian public university.

### Financial Attitude

Marsh (2006) explained financial attitude is referred to on how a person feel about personal problem as measured by responses to a statement or opinion. In line with that, financial attitude is described as states of mind, opinion and judgment about finance (Pankow, 2020) whereas Halim and Astuti (2015) defined financial attitude as referring to the judgement, opinion and what a person thinks about financial matter.

Gutter and Copur (2011) found that financial attitude had a positive relationship on financial well-being, and it can be concluded that financial well-being is to be high when the student has a positive attitude and good financial behavior.

Therefore, the following hypothesis is developed:

H<sub>2</sub>: A positive relationship between financial attitude and financial well-being among students in Malaysian public university.

### Locus of Control

Locus of control can be described as a persons' perspective on an event whether he/she can control or cannot control the event that that occur him or her. It is divided into two construct, namely internal or external locus of control (Fitra, Rasyid and Susanti, 2018). In addition, Arifin (2017) mentioned that locus of control is a psychological variable with certain tendencies which every individual has two types of tendencies which is internal and external. Therefore, the following hypothesis is developed:

H<sub>3</sub>: A positive relationship between locus of control and financial well-being among students in Malaysian public university.

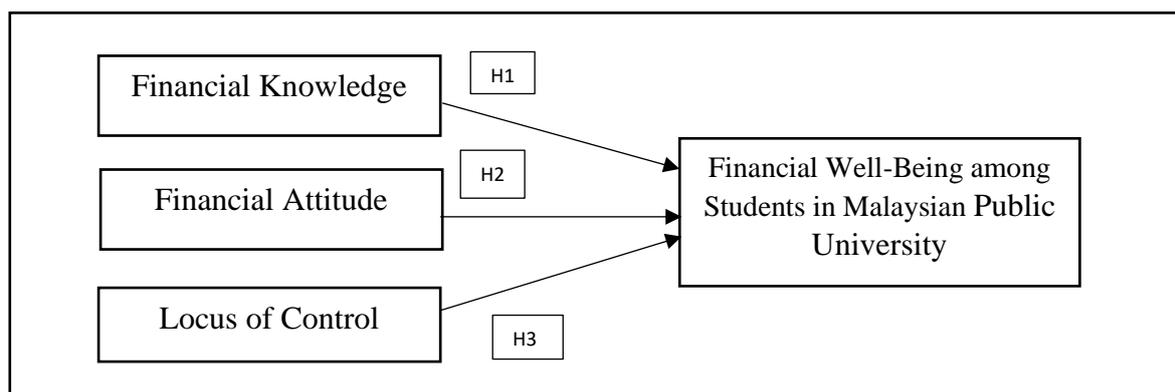


Figure 1.0: Display research framework for this study where it was developed based the review of literature.

Source: developed by researcher for current study

## Research Methodology

### Sample

Sampling is a vital element in conducting a research study especially for huge number of populations. Non-probability sampling was employed for purposive sampling based on the

characteristics in the population and the objectives of this study. The inclusion criteria of respondents must be a student in Public University in Malaysia. Therefore, the respondents of this study focusing the students in Universiti Teknologi MARA, Melaka campuses. 54 students are participated in this study and self-administered questionnaire were distributed to target respondent via online form.

### **Measures**

The instruments consist of five (5) sections. The first sections touch on frequency of respondents' profile. The second section assess the financial well-being among students consist of 7 items. The items adopted from (Mokhtar and Husniyah, 2017). In addition, the items were measured by the Malaysian Personal Financial Well-Being Scale (henceforth MPFWBS) (Jariah, 2007). This scale was modified according to local context, and it was adapted by the In Charge Financial Distress/Financial Well-being Scale (henceforth IFDFW) developed by (Prawitz et al., 2006).

While in section three, 5 items are asked about financial knowledge and the items is adopted by Perry and Morris (2005). For the four sections, the respondents are asked about financial attitude. There are 5 items used in this study was adopted from Sabri and Zakaria (2015) and the last section focus on locus of control consist of 5 items. The question was adopted by (Iramani and Lutfi, 2021; Kholilah and Iramani, 2013). A 5-point Likert scale measurement ranging 1= strongly disagree and 5= strongly agree was implemented in this study for section two until section five.

### **Data Analysis**

The Statistical package for the Social Science (SPSS) software version 28 was utilised to analyse the data including frequency and descriptive analysis, reliability analysis as well as multiple regression analysis.

## **Result and Discussion on Findings**

### **Profile of respondents**

A sample frequency distribution was carried out in this study to understand the respondent background. The element of gender, age, program, semester, type of financial assistance, and hometown geographical area are included in this study.

Female most participate in this study which are 46 persons out of 54 while age of majority of the respondent who are in range of 21 to 23 years old represent 96.3%. who are answered the questionnaire. Most of the respondents which are 81.5% those who are taking Finance program, while the rest are those who are taking Marketing program and Human Resource program. 79.6% of the responders are semester 4 student. Half from the respondent received their financial assistance from educational loan provided by Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) and most of them are staying in urban area which is 68.5%.

Table 1.0  
*Descriptive Statistic*

Variables	Items	Means	Standard Deviation
FWB1	I have an ability to know my today's financial situation	4.48	0.64
FWB2	I have an ability to know my current financial situation		
FWB3	I have an ability to know my current financial adequacy	4.41	0.63
FWB4	I have an ability to know my overall current financial situations	4.33	0.64
		4.28	0.66
FWB5	I have an ability how to control my personal finances	3.94	1.09
FWB6	I have an ability how to manage my personal finances	4.15	0.98
FWB7	I am really concern on my overall personal finances	<b>4.52</b>	0.69
FK1	I know about the interest rates charged by commercial banks	3.31	1.04
FK2	I know about the credit rating system (Central Credit Reference Information System-CCRIS) implemented by Bank Negara	3.50	1.08
FK3	I know how to manage my personal finances.	4.04	0.87
FK4	I know how to invest money in the stock market	3.06	1.20
FK5	I clearly know the balance on my bank statement	<b>4.39</b>	0.74
FA1	I know the importance of controlling my monthly expenses	4.61	0.60
FA2	I know the importance of establishing my financial targets for the future	4.67	0.51
FA3	I know the importance of saving money on a monthly basis	4.61	0.60
FA4	I know the importance of having and following a plan on my monthly expenses plan	4.43	0.77
FA5	The way I manage my money today will affect my future	<b>4.69</b>	0.70
LOC1	I always do shopping for short-term enjoyment	3.52	1.12
LOC2	I always spending beyond the plan	3.20	1.17
LOC3	I realize the important of saving	<b>4.63</b>	0.56
LOC4	I realize the importance of investment	4.17	0.97
LOC5	I realize the importance of financial control	4.61	0.60

Table 1 illustrates descriptive analysis for this study. FWB7 showed the highest mean (4.52) which means the respondents agree that they are concern on overall personal finance while item FWB5 show the lowest mean (3.94) which is they does not have an ability in controlling their persona finance. For financial knowledge, the highest means is FK5 (4.39) while the lowest is FK4 (3.06) show that the respondent does not have sufficient knowledge on investment activities. Furthermore, the item FA5 show the highest mean (4.69) while the lowest is FA4 (4.43). It can be concluded that the respondent does not know the importance and following a plan on their monthly expenses plan. LOC3 become the highest means (4.63)

for locus of control which is the respondent realize the important of saving. While, on the other hand, LOC2 (3.20) is the lowest mean indicate that the respondent always spending beyond their plan.

Table 2.0  
*Reliability Analysis*

Variables	Number of items	Cronbach's Alpha
Financial Well-Being	7	0.902
Financial Knowledge	5	0.713
Financial Attitude	5	0.787
Locus of Control	5	0.485

Table 2 indicated reliability analysis for all variables used in this study. Financial well-being as dependent variable was 0.902 followed by independent variables namely financial knowledge (0.713) and financial attitude (0.801) respectively. The results showed that these three variables have a range of reliability between 0.7 to 0.9, which is considered exceptionally good and can be used for further analysis. However, the reliability analysis for locus of control was 0.485 which is <0.60 that considered poor for this study.

Table 3.0  
*Regression results*

	Hypothesis	beta	t-test	p-value	supported
H <sub>1</sub>	A positive relationship between financial knowledge and financial well-being among students in Malaysian public university.	0.462	3.758	0.000	Supported
H <sub>2</sub>	A positive relationship between financial attitude and financial well-being among students in Malaysian public university.	0.684	6.765	0.000	Supported
H <sub>3</sub>	A positive relationship between locus of control and financial well-being among students in Malaysian public university.	0.059	0.427	0.671	Rejected

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R=0.462; R<sup>2</sup>= 0.214, Adjusted R<sup>2</sup>=0.198; F=14.125; Sig. F=0.000

Table 3 presented the regression analysis result for this study. This shows that the predictions construct is statistically significant at 0.05. The table indicates a significant effect between financial knowledge and financial well-being among students in Malaysian public university (p= 0.00). The result of financial knowledge is consistence with the finding of study by Falahati and Sabri (2015), stating that a good financial knowledge will increase financial well-being perception. In addition, financial attitude and financial well-being among students in Malaysian public university (p=0.00) are also statistically significant relationship. The finding of this factor is supported by Renaldo et al (2020) revealed positive relationship between financial attitude with financial well-being stating that by having good financial management lead to well understand on the process of financial management. In the other

hand, locus of control and financial well-being among students in Malaysian public university ( $p= 0.671 > 0.05$ ) are statistically insignificant relationship. Thus, hypothesis H3 was not supported, thus rejected. The result was similar by Renaldo et al (2020) where people are preferring instant ways to achieve financial prosperity.

### Conclusion

The aim of this study is to investigate the factors that influencing financial well-being among students in Malaysian public university. A total of participated in the survey using purposive sampling technique. The data collected via online form. Multiple regression analysis is employed to analyse the data gathered. The findings revealed significant effect between financial knowledge with financial well-being among students in Malaysian public university. The result of financial knowledge is supported with Falahati and Sabri (2015), stating that a good financial knowledge will increase financial well-being perception. The result of financial attitude with financial well-being among students in Malaysian public university. The result is consistent with Renaldo et al (2020) stating that by having good financial management lead to well understand on the process of financial management. For the result on locus of control is consistent with study conducted by (Renaldo et al., 2020). The study revealed that locus of control is not influence financial well-being where the respondents are preferring instant ways to achieve financial prosperity.

The finding of this study could be used as guide to related government agencies in reducing and eradicating poverty among Malaysian in enhancing the level of income and increasing the purchasing power, it also can used by Ministry of Education in develop financial education program in early age with the knowledge and skills to better manage their financial matters and will assist an individual in understanding the important of financial well-being to curb from facing financial problem and to sustain the quality of life. In terms of limitation, the study could not include all factors of financial well-being. Future research could be included to explore others factors that underline patterns of financial well-being among students in Malaysian public university. Variables suggested for future research include spending behaviour, money management, and socio demographic factors.

The result of this study also can be used further to strengthen the existing literature on financial well-being particularly in Malaysia context for the targeted respondent which is for students in Malaysian public university. The questions in this study can be extended to other group of respondents such as Malaysian workers for instance.

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