The Social Sciences 11 (Special Issue 7): 7467-7472, 2016
ISSN: 1818-5800

Money Management in Higher Education Institutions

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Abstract: Money management is a process that everyone should concern. Taking control of our money either money we earn or money that we spend is the important steps towards leading an independent life. Since, the number of young bankruptcy increase in Malaysia then this study is construct to serve the potential reason of why the scenario happens. This study attempted to examine the relationship of all independent variables (economic situation, interest of purchase, financial literacy and peer influence) towards dependent variables (money management) among higher education students. The personal or self-administered questionnaires have been distributed to 300 students from 5 selected institutions. The finding reveals that economic situation, interest of purchase, financial literacy and peer influence have positive significant relationship towards money management. This study supports strong recommendations that students should take into consideration their financial awareness in improving their money management to have better daily life.

Key words: Money management, financial literacy, economic situation, peer influence, interest of purchase

INTRODUCTION

Money management is referring to the ability of the students to tackle their own money to ensure that it become well-managed and not pursues any financial issue. It is very much associate as a crucial element of life in which people deal with every day. It seems to be a major problem among university students as it involved their daily money handling. In consequences, this phenomenon did affect the student's life afterwards as there are young people to face financial difficulties.

Students normally get financial sources from the loans, scholarship, parents support and even their own income. Financial aid and parental income were also factors related to college student money management and credit card debt. Parental income can be used as an indicator of a student's lifestyle, social class and the resources and opportunities that are available to them (Robb and Sharpe, 2009). It is believed that students getting pressed by lots of internal and external factors that lead to their money management issue. Most of the Malaysia students are not using their loans wisely (Sabri *et al*., 2008). They intend aggressively spending their money for non-academic purposes. This phenomenon continuously happens because of the lack of financial literacy among the students. It shows that students should have knowledge and people who have skills and ability to manage financial resources are essential for day to day financial matters and make the right decisions. One of the most important factors associates with students and their financial habits was their socialization agents significant people, groups and institutions that shape their sense of self and social identity (Pinto *et al*., 2005).

Many students detected to have money management problems due to many factors. It seems to be resulted with young bankruptcy rate to rise in Malaysia. Data showed that >25,000 of young people or Gen-Y those who age below than 35 had faced bankruptcy over the previous 5 years. Until april 2015, there are 948 cases of bankruptcy happen to people age under 35. Gen Y inability to settle loans for cars, houses and personal loans or for being guarantors for other loan defaulters are the main reasons for the worrying trend. We believed that Gen Y found to be lacking of money management during study and that make their debt is over than income when they are start working. To achieve a quality life, money management skill plays an important role because students spending habit in campus will influence the way they manage money throughout their lives (Ibrahim *et al*., 2010).

To overcome this issue, we construct this study to determine the relationship between economic situation, interest of purchase, financial literacy and peer influence towards money management in higher education institutions. It will serve as an evidence of the potential reason of why the scenario of young bankruptcy

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happens. Our main contribution is to assist the students to have clear picture of the factors that contribute to money management in their daily activities. Government and also authority bodies have to look in deep to establish prudent money management among teenagers.

Literature review: The studies on factors that contribute to money management have been demonstrated in a number of studies. Money management skill is a key indicator for realizing them to get good quality of life as how they spend during their campus life and further reflecting the way they control their money (Ibrahim *et al*., 2010). It has also been suggested that people with money management skills are able to spend their money wisely. This study was supported by a findings which shows strong evidence that poor money management skills will put young adults in poor financial situation and bankruptcy. An argument Huston (2010) highlighted that an individual who had knowledge and ability to apply the knowledge may not improve his or her financial well-being due to other influences such as cognitive and behavior that is self-control problems, peers, economic and institutional conditions that may affect the financial habits and also financial well-being. The money management knowledge is importance to youths because it as a basis for investing, future planning and preparation for retirement.

Economic situation: Several previous studies have revealed that the economic situation may affect the money management among students. Economic environment believed to have effect on the consumer spending like Goods and Services Tax (GST) that had been implemented in >160 countries around the world. Consumer purchase will be affected and become more difficult after implementation of GST. The implementation of GST also seems to increase the inflation rate and lower the consumer purchasing power. The increase in the price of goods tends to raise the cost of living and limit the consumption of expenses (Jacobs *et al*., 2014). All this findings may contribute to the decision of money usage. Students will tend to increase their saving and planning their spending accordingly.

Interest of purchase: Purchase intention means the interests and possibility of buying a product by consumers and strongly related to attitude of consumers and its preferences towards brands and products (Park *et al*., 2007). Purchase behavior is an important key point for consumers during considering and evaluating of certain product (Keller, 2001). Purchase intention may precede future purchase behavior (Afendi *et al*., 2014). This type of involvement can have a significant influence on the decision making process, the time that a consumer looks for information, consumers preferences and attitudes concerning the product, consumer's perception regarding alternatives in the same product category and brand loyalty. It was gauged by the possibility or likelihood that consumers would engender a specific purchasing behavior either to purchase or not to purchase. When young Malaysians have money in their hand, they will spend it without thinking much (Ibrahim *et al*., 2010). The excessive spending behavior is shown by not only female students but male students as well.

Financial literacy: Financial literacy is a person's ability to understand and use financial matters whereby a person is known as financial literate if he/she is able to manage his/her personal finance in life and changing society which he/she must achieve necessary perception, develop his/her skills in this area and be able to understand the impact of individual's financial decisions on his/her own, others and the environment (Remund, 2010). A lack of experience in financial management may be particularly harmful to student's financial futures (Nellie, 2002). Students who participate in a financial education program are more successful financially and made good spending decision (Peng *et al*., 2007).

Peer influence: Indian Institute of Technology Roorkee (2014) has defined peer group as a social group consisting of people who are within the same age, education or social class. Peer pressure or peer influence involves changing one's behavior to meet the perceived expectation of others (Burns and Darling, 2002). Students feel the need to spend to impress others and elevate their social status, besides being influenced by those around them and the media, sometimes, students just make bad financial decisions based on priorities, or in some cases lack of prioritization (Pelaelo and Swami, 2014). In addition, other empirical study (Vyvyan *et al*., 2014) strongly support that family, friends and partners can help the development of financial capability and influence financial decision and action.

MATERIALS AND METHODS

The below framework is formulated to explain the relationship of the independent variables and dependent variable (Fig. 1).

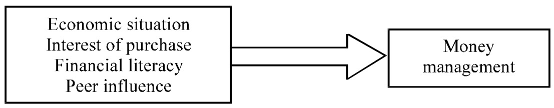

Fig. 1: Theoretical framework (indenpentt variables/ dependent variable

Hypothesis: Some general hypotheses are appropriate as follows:

- H_1: There is a significant relationship between economic situation and money management
- H_2: There is a significant relationship between interest of purchase and money management
- H_3: There is a significant relationship between financial literacy on money management
- H_4: There is a significant relationship between peer influences towards money management
- H_5: Economic situation, interest of purchase, financial literacy and peer influences are good predictors of money management among higher education institution students

Data collection and instrument: Personally administered questionnaires were distributed to 300 students from 5 selected higher education institutions which are students from University Teknologi MARA (Terengganu), Politeknik Sultan Mizan Zainal Abidin (PSMZA), Terengganu Advanced Technology Institute University College (TATIUC), Universiti Sultan Zainal Abidin (UniSZA) and Universiti Malaysia Terengganu (UMT). The questionnaire was sub-divided into 6 sections (A-F). All the sections in the questionnaires were measured on a five-point likert scale ranged from "strongly disagree" to "strongly agree" except for section A, the items were measured using nominal scale and focuses on the respondent's demographic profile. Section B has 9 questions capturing the measurement of dependent variables which is money management whereby section C-F measure the independent variables which are 10 questions on economic situation, 10 questions on interest of purchase, 9 questions aimed at financial literacy and 9 questions on peer influence, respectively.

RESULTS AND DISCUSSION

Reliability test: Reliability was used to measure the internal consistency and stability of a scale items. The reliability test of this study is shown Table 1. With regard to Table 1, it showed that the value of Cronbach's alpha for all the variables is above 7. This result, strongly suggested that the data is reliable and can be used for further analysis.

Table 1: The reliability analysis

Section	Cronbach's alpha	No. of items
Money management	0.759	9
Economic situation	0.747	10
Interest of purchase	0.719	10
Financial literacy	0.754	9
Peer influence	0.794	9

Table 2: Descriptive qualities

Quality	N	Mean	Min.	Max.
Money Management (MM)	300	3.86	2	5
Economic Situation (ES)	300	4.17	2	5
Interest of Purchase (IP)	300	3.49	2	5
Financial Literacy (FA)	300	3.75	2	5
Peers Influence (PI)	300	3.38	1	5

Table 3: Frequencies of respondents profile

Items	Frequency	Percentage
Gender		
Male	101	33.7
Female	199	66.3
Age		
18-20	155	51.7
21-25	143	47.7
26-30	10.3	
30 and above	10.3	
Education level		
Diploma	112	37.3
Degree	188	62.7
Sources of money		
Scholarship		
Yes	48	16.0
No	252	84.0
Loan		
Yes	159	53.0
No	141	47.0
Parents		
Yes	157	52.3
No	143	47.7
Own income		
Yes	39	13.0
No	260	86.7
Family income		
Below than RM3000	205	68.3
RM 3001-6000	64	21.3
RM 600-9000	217	
RM 9001 and above	10	3.3
Hometown		
Urban	165	55.0
Rural	135	45.0

Descriptive analysis: In Table 2, the mean for economic situation towards money management correlation is 4.17 with values ranging from 2-5. This show the strongest relationship compare to other variables. Overall the data shows the average of all variables towards money management is relatively moderate (>3) with the minimum 2 and maximum 5.

Frequencies analysis: Table 3 shows the distribution of all the participated samples in terms of frequencies. Out of 300 respondents surveyed, 33.7% were male and 66.3%

Table 4: Regression coefficients[a]

Models	Std. coeff. (β)	t-test	Sig.
Economic situation	0.198	3.957	0.000
Interest of purchase	0.096	1.832	0.068
Financial literacy	0.405	7.803	0.000
Peer influence	0.099	1.966	0.050

[a]Dependent variable; money management; A djusted R^2 = 0.28; Sig. = 0.000

female. There were 155 respondents that age from 18-20 years old (51.7%), 143 respondents between 21-25 years old (547.7%) and 1 respondent (0.3%) at the age of 26-30 years old. Bachelor students have a higher percentage with 62.7% or 188 students rather than diploma with only 37.3% or 112 students that participate in answering the questionnaire. Most of the respondents were from urban area with 55% while the rest 45% from rural area. Most of the respondent's family income is below than RM 3000 which represented 68.3% followed by 21.3% within RM3001-6000. The 7.0% represent income for those between RM6001-9000 and only 3.3% were having an income of RM9001 above. The analysis of student's sources of money revealed that 53% of the students received education loan. About 52.3% of them earned allowance from their parents, 16% on scholarship and only 13% of the respondents earned from their own income.

Regression analysis: Table 4 shows the coefficient determination of adjusted R^2 = 0.28. It indicates that economic situation, interest of purchase, financial literacy and peers influence have contributed up to 28% towards money management among higher education students. On the other hand, 72% could be identifying as the other factors that may influence money management among them.

Equation 1 as stated below has identified the beta value of standardized coefficients that may use to shows how each of the independent variables has an impact on the dependent variable:

$$\begin{aligned}&\text{Money management} = 1+0.198\\&\text{Economic situation}+0.096\\&\text{Interest of purchase}+0.405\\&\text{Financial literacy}+0.099\\&\text{Peer influence}\end{aligned} \tag{1}$$

From the coefficients Table 4, economic situation has a significant positive influence towards money management among students (p = 0.000, t = 3.957, β = 0.198). If economic situation increases by one unit, it will eventually increase the money management among students by 0.198. The hypothesis related to this variable can be concluded as there is relationship between the economic situation and money management. Economic situation is change over time in line with business cycle. We can consider positive when expansion and negative when contraction. This was in line with previous findings which found consumer purchase will affect and become more difficult after implementation of GST.

However, interest of purchase does not have a significant influence towards the financial literacy among university students even if the correlation is positive. The displayed data of p = 0.068, t = 1.832, β = 0.096 revealed that there is no relationship between interest of purchase and money management. Once an individual is unable to control buying, they will frequently purchase unnecessary items or more than what they can afford and shop for longer periods than was intended. No matter how their buying habits, it does not affect the money management among them.

Furthermore, financial literacy has a significant positive influence towards the money among university students. The data demonstrated the value of p = 0.000, t = 7.803, β = 0.405. If financial literacy increases by one unit, it will increase the money management among university students by 0.405. It clearly shows that there is relationship between financial literacy and money management. Based on current findings, it can be said that financial literacy has a significant impact on money management of university youngsters. Having a good attitude and awareness towards their spending will enhance the willingness of individuals to properly manage their money. Hence, if an individual's perception about financial literacy is negative, there will not be an effort in learning how to properly manage their money. This could be due to the relatively at the younger age while there is a long future ahead and they will not face the burden of financial obligations yet (Roberts and Sepulveda, 1999).

Last but not least peer influence also has significant positive influence towards the money management among university students. Data gathered shows that p = 0.005, t = 1.966 while β = 0.099. It can be interpreted as one unit increase in peer influence; money management will increase by 0.099. Peers played a great role in shaping the money management of these youngsters as can be seen through observation of the data collected. Empirical evidence Pinto *et al*. (2005) supported by their result and strictly mentions that one of the most important factors regarding college students and their financial habits were their socialization agents. This suggests that the exposure to peers as agent will impact the money management rate of those students, the more they are interacting with the agent, the more knowledgeable the students will be and vice-versa.

Out of 4 factors, financial literacy revealed that it is the dominant and strongest value of factor that influence the student's money management (β = 0.405) followed by economic situation (β = 0.198) and peers influence (β = 0.099). The other scale, namely interest of purchase has been further redefined; suggesting some exploratory forms of validation because of insignificant found yet closed to significant value of 0.068. From the value analyzed, it supports the hypotheses H_1, H_3, H_4 and H_5 except H_2.

CONCLUSION

The finding of this study clearly indicated that all the independent variables which are economic situation, interest of purchase, financial literacy and peer influence are significantly related towards money management. This study shows that financial literacy is the most dominant factor that influences student's money management followed by economic situation and peer influence. Meanwhile, for the variables interest of purchase based on regression analysis, it scored 0.05 which means it is insignificant towards the money management. Thus, it revealed that the interest of purchase is not a dominant factor that contributes to students spending.

Obviously, the universities need to pay more attention and effort in enhancing the student's financial awareness through their discretion alternative. Apart from that the universities also should include money management as compulsory coursework for new intake students so that they can implement in student's daily life. It is also one of the initiatives in order to avoid financial problem among them. Students preferred to receive financial information in person from a financial professional and also through campus workshop rather than course online (Lyons and Hunt, 2003).

Government also need to work in hand with the higher education institution's authority through collaboration regarding money management matter among universities students so that any legal enforcement implemented by the government will not burdening the students. Through money management, we can be able to prevent unnecessary debts. Debts can cause a lot of anxiety and stress if not taken care of and it can lead young people go bankrupt due to little knowledge or no exposure to money management. With the understanding and awareness regarding student's money management, it would be much easier from all parties to detect any issues derived from money management and take any suitable drastic action to tackle it.

This research which is considered small scale serves as initial step in exploring the higher education student's money management. However, a good definition of population and more appropriate sampling technique such as stratification within the larger target group should be applied. This study only covered the state of Terengganu and it should add some numbers of others state to ensure these issues can be measured precisely. It also should be longitudinal by doing the research annually. Besides, it is also recommended that to add some other variables such as the student's attitude, socialization agents and social environment to see how dominant and influence they are towards student's money management.

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