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FINANCIAL LITERACY AND SPENDING HABITS OF UITM STUDENTS

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ABSTRACT

Interest in examining personal finance issues, particularly money management, has surged in recent years as society recognizes its significance. Proficiency in money management is a crucial aspect of preparing students for a quality life as working adults, given that their spending habits during their university years can significantly impact their financial behavior in the future. Reviewing existing literature from research conducted outside of Malaysia underscores the necessity for financial literacy among students to preempt potential challenges arising from a lack of knowledge in individual financial management. This study underscores the pivotal role of financial literacy among students by delving into their background, family income and spending habits. The research utilizes data gathered from questionnaires, analyzed using SPSS version 26.0. The correlation coefficient of 0.697 between financial literacy and spending habits for university students shows a strong positive relationship, meaning that when students know more about finances, they tend to spend money more wisely. This highlights the need for universities to teach students about managing money effectively to help them make better financial decisions.

Keywords: spending habits, financial literacy, university students, relationship, Pearson correlation coefficient

Introduction

The younger generations in Malaysia are increasingly exhibiting uncontrolled spending behaviours. When it comes to spending, people often regard money less highly than preceding generations did. According to Esmail Alekam et al. (2018), the rising cost of living in Malaysia has caused younger generations to spend their money extravagantly, changing the country's spending habits and way of life.

Carter (2014) defines spending as the act of allocating funds to purchase things or services that a person needs or desires. To name a few, they include clothing, food, shelter, healthcare, and transportation. Several factors influence people's different spending patterns. Numerous factors, including age, wealth, gender, ethnicity, family history, personality, and more, come into play. Thus, we must ascertain the level of awareness among our nation's youth regarding various financial services and activities. It's critical that students not only possess financial information but also apply it to their everyday lives.

People that are financially literate are better equipped to manage their personal resources. According to study by Lusardi and Mitchell (2007), financial literacy is the ability to understand money in order to minimise financial risk. It is possible to determine an individual's degree of financial literacy by looking at how familiar and knowledgeable they are with different financial topics. Another aspect of financial literacy is understanding financial resources and knowing how to use them in daily life (Hutson, 2010). Experts believe that financial literacy is the understanding of financial principles needed to identify and steer clear of financial risks and accumulate wealth.

Investigating student financial literacy levels and strategies for raising financial awareness are so crucial. The purchasing habits of university students have contributed to an increase in bankruptcies and social troubles among the younger generation, frequently related to their financial capacities, making university students' spending habits one of Malaysians' most pressing worries today, according to AsiaNews (2018).

According to Rakow (2019), university students' inadequate money management is the root of their lack of financial literacy. Financial catastrophes, debt, bankruptcy, and careless spending follow from this. For instance, the Malaysian Parliament stated that over 64,000 Malaysians between the ages of 18 and 44 had been declared bankrupt over the previous five years. Young people are therefore working seven days a week, twenty-four hours a day, merely to pay off their debt.

Compared to earlier generations, the younger generation now spends more money on online gaming, convenience, travel, socialising, and online shopping than on homes and cars. This poor habit has an impact on the way the younger generation spends money since they tend to follow trends and buy anything they want without giving it much thought. This unhealthy behaviour will lead to issues like not having enough money to pay for PTPTN loans, rent, auto loans, and other expenses. Thus, attention must be paid to this issue in order to prevent negative habits from developing in the younger generation, particularly among students.

The main objective of the study is to investigate the influence of the spending habits of Malaysian university students. The objective of the study is to find out if there is a relationship between the independent variables (financial literacy) and the dependent variable (spending habits).

Methodology

The study targeted students from Universiti Teknologi MARA, Pulau Pinang, with the survey being exclusively conducted online. To ensure a representative sample, the researchers employed stratified random sampling, categorizing the overall population into smaller groups based on gender, age, education level, type of institution, and parents' income. This approach was chosen to streamline data collection and mitigate the risk of a low response rate.

The study utilized measurement scales, primarily the Likert-Five scale, due to its compatibility with a large sample size. Employing an online survey facilitated a faster and more efficient data collection process. The questionnaire, shared through WhatsApp groups, was distributed to all eligible students on campus. Data collection involved sending questionnaires to the intended respondents, covering three main sections: i. Demographic Profile, ii. Dependent Variable (Spending Habits), and iii. Independent Variable (Financial Literacy).

Statistical Package for Social Sciences (SPSS) version 26.0 was employed to code and analyze the data. The analysis phase included appropriate descriptive statistics, reliability analysis and correlation analysis. The choice of statistical methods depended on factors such as the measurement scale, the number of variables, and the nature of the questions posed. The frequency distribution is obtained for all categorical variables (demographic data). The strength of the relationship between the dependent and independent variables more specifically, the relationship between the dependent variable (spending habits) and the independent variable (financial literacy) is evaluated using the correlation analysis (Sekaran, 2003). There is no association between the variables if the correlation value is zero (R=0), whereas a correlation value of one indicates that the dependent and independent variables have a perfect relationship.

Results and Discussion

This section presents the results and discussions of the descriptive analysis, reliability analysis, and correlation analysis between financial literacy and spending habits among students in UiTM Pulau Pinang. The researchers determined the relationship between the two variables through analysis and interpretation of the gathered data using Pearson's correlation, R.

Figure 1 showed pie chart for respondents' gender. Among the respondents, 45.6% were male, accounting for a total of 26 individuals. Conversely, 54.4% of the respondents were female, totalling 31 individuals. Table 1 and figure 2 showed the frequency and percentage for respondents' age group. The majority of students, comprising 56.1% of the total, fall within the age range of 21 to 23 years old. The next largest group is individuals aged 24 to 26 years old, representing 22.8% of the total respondents. Those aged 18 to 20 years old make up 17.5% of the respondents, while the smallest group consists of individuals aged 27 to 30 years old, accounting for 3.5% of the total.

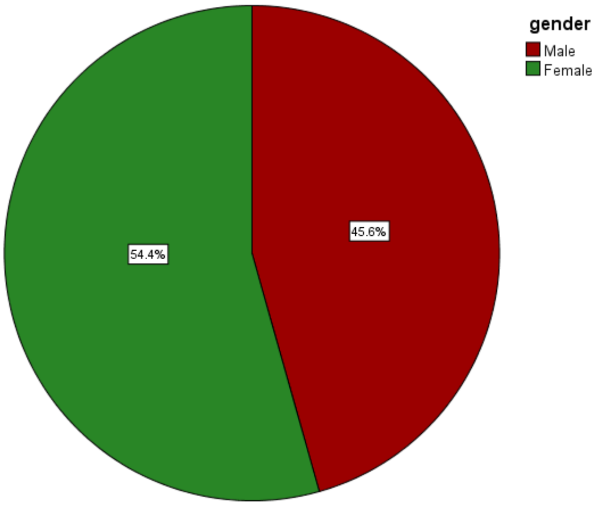

Figure 1: Pie chart for gender

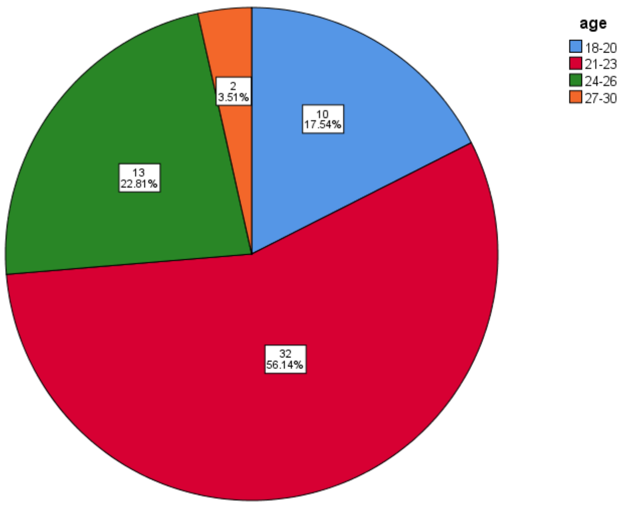

Figure 2: Pie chart for respondents' age group

Table 1: Frequency and percentage for respondents' age group

Age group	Frequency	Percent
18 – 20 years old	10	17.5
21 – 23 years old	32	56.1
24 – 26 years old	13	22.8
27 – 30 years old	2	3.5
Total	57	100.0

Bar chart below provides insight into the distribution of family income among students. The majority of students, comprising 40.4% of the total, come from families with a monthly income below RM1500. The next largest group, accounting for 26.3% of the students, are from families with incomes above RM5500. Students from families earning between RM1500 and RM3500 represent 17.5% of the total, while those from families earning between RM3500 and RM5500 make up 15.8%.

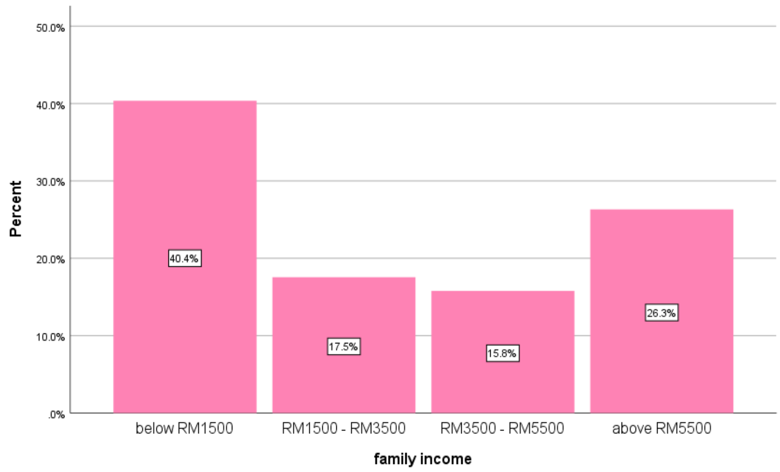

Figure 3: Bar chart for respondents' family income

The study's measurement items for all variables were evaluated for internal consistency using Cronbach's Alpha, with values exceeding 0.80 as shown in Table 2. According to Hinton, P. R. et al. (2004), a Cronbach's Alpha value above 0.50 suggests moderate reliability, while a value of 0.70 and higher indicates high reliability for both dependent and independent variables. Hence, the obtained Cronbach's Alpha values signify that the survey constructs demonstrate consistent and reliable measurement. This indicates that the variables used in the study are dependable and suitable for further analysis and interpretation.

Table 2: Cronbach's Alpha value

Variable	Cronbach's Alpha	No of Items	Result
Spending Habits	0.896	5	high reliability
Financial Literacy	0.845	5	high reliability

Correlation Analysis

A correlation analysis becomes useful to explore the associative relationship between independent and dependent variables. Scatter plot is used to determine whether or not two variables have a relationship. Based on scatter plot in figure 4, the results revealed that there is a positive relationship between financial literacy and spending habits. Higher financial literacy is positively correlated with more responsible spending habits among university students. This association suggests that students are more likely to budget well, refrain from making impulsive purchases, manage their debt sensibly, and participate in long-term financial planning if they comprehend financial concepts like saving, debt management, and budgeting. Through the advancement of financial literacy, educators and policymakers can equip students to make well-informed financial decisions that will enhance their overall financial security in the now and the future.

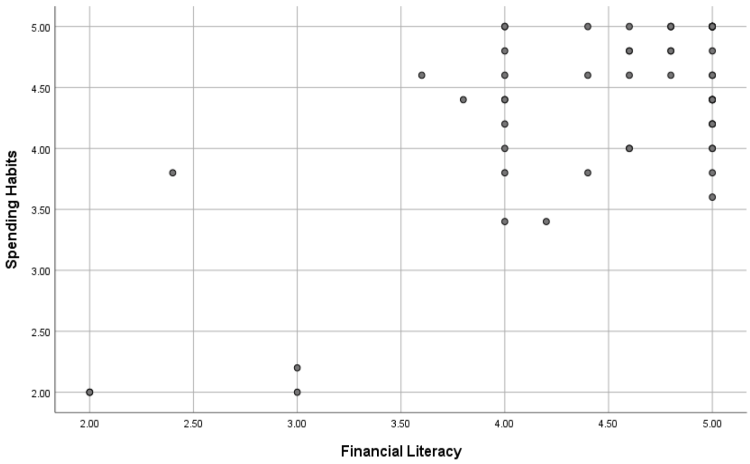

Figure 4: Scatter plot Financial Literacy versus Spending Habits

The Pearson correlation coefficient, denoted by R, measures the strength and direction of the linear relationship between two variables. Based on table 3, the correlation coefficient between financial literacy and spending habits is 0.697. indicating a strong positive correlation. The p-value associated with this correlation is 0.000, less than 0.05, which suggests that the correlation is statistically significant at significance levels (α=0.05).

According to this result, students are more likely to demonstrate responsible spending habits the more financially literate they are. Having sufficient financial knowledge is especially important for university students who frequently manage limited funds to efficiently manage their financial commitments. Enhancing their financial literacy will help students make more educated judgements about their spending since they will be able to comprehend ideas like debt management, budgeting, and saving. This correlation emphasises how crucial it is to include financial education programmes in university curriculum to give students the knowledge and abilities needed for responsible financial management and to put them on the path to financial well-being both during and after their academic careers.

Table 3: Summary of Correlation Analysis.

	Pearson Correlation Coefficient, R	p-value
Financial Literacy vs Spending Habits	0.697^{**}	0.000

Table 4: Model summary

Model	R	R Square	Std. Error of the estimates
1	0.697	0.486	0.56268

Predictors: (Constant), Financial Literacy

Table 4 showed the model summary for financial literacy and spending habits among students. The R^2 value is 0.486 suggests that financial literacy can account for about 48.6% of the variation in university students' spending habits. This suggests that financial literacy is important for understanding and forecasting spending habits, as it accounts for a considerable percentage of the variation observed in these behaviours. Other variables not included by the analysis, such as personal preferences, socioeconomic status, or outside influences, may be responsible for the remaining heterogeneity.

Conclusion

According to the finding, there is a positive correlation between UiTM students' spending habits and financial literacy, meaning that when students learn more about money, they are more likely to make wise financial decisions. This result emphasizes how crucial it is to include financial education into UiTM's curriculum in order to give students the tools they need to manage their money wisely. Through the improvement of financial literacy, UiTM can enable students to make well-informed financial decisions that will further their overall financial well-being both during and after their academic careers.

Thus, it is recommended that future scholars delve deeper into the ideas and concepts included in this work. Because a range of factors might influence a student's spending habits, researchers looking to study students' spending habits should include additional independent variables in their research.

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