

Financial Behaviour of College Students in an Asian University

Asia Pacific Journal of
Academic Research in
Business Administration

Vol. 4, No. 1, 29-35

April 2018

apjarba@lpubatangas.edu.ph

P-ISSN: 2467-6691

E-ISSN: 2467-5148

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Date Received: March 25, 2018; Date Revised: April 10, 2018

Abstract - *College students of the present era are at a distinct point in their lives where the management of their money and finances are solely left upon themselves. The study intends to identify respondent's profile in relation to gender, college/department and financial influences; determine student's financial behavior in terms of cash/money management and financial planning and budgeting; to test significant differences on responses between financial behavior and profile variables. Descriptive type of research was utilized in the study with 305 college students as respondents. Result showed that Students exhibit fair financial behavior in terms of both cash management and financial planning and budgeting. There was a significant difference observed in cash management when grouped according to gender and college/department and in terms of financial planning, when grouped according to college / department.*

Keywords: *Financial Behavior, Cash Management/Money Management, Financial Planning and Budgeting*

INTRODUCTION

Financial behavior is the ability to comprehend on the general effects of money related choices on one (person, family, group, country) and to settle on the correct choices relevant to money management, insurance and opportunities for budget planning [1]. Money management on the other hand is the manner of weighing one's personal wealth with financial necessities, wants and objectives while budget planning involves recognizing the origin of pay and considering all present and future costs, with a plan to meet a person's budgetary objectives.

Both money management and budget planning are required for an effective financial behavior. However, many disregard exercising these two practices that eventually lead to certain financial dilemmas. Although some may survive without complex cash management and budgeting strategies, none of them can entirely get away from financial pressures. This has been true for Filipino college students. According to an article on PhilStar Global written by Vila [2], most college students either live in a financial plan and budget or if not, they are the students who have enough to survive for the entire year without agonizing about running out of allowances or the ones who are basically getting themselves into a cycle of obligation.

The reason behind this is that, college students of the present era are at a distinct point in their lives where the management of their money and finances are solely left upon themselves. For most of them, attending college and universities is the time that they experience financial independence with less supervision of their parents and guardians. Majority of these individuals conquer monetary challenges such as maintaining a budget, paying necessary bills, and even owning credit cards named after them for the very first time.

It is also during this time that an individual's life is ahead of them as they are nearly getting close to face a new chapter of their life that would highly require the need for wise financial planning and behavior. According to a recent national survey led by MagnifyMoney.com, more than 1,000 millennials who graduated from college between 2011 and 2014 revealed their greatest financial regrets: 31% of which are not saving enough, 26% are not learning personal finance in school, 23% are not being careful about loans and debts, 19% not establishing credit card sooner, 12% getting hit with fees, 10% missing payments and 5% with other matters [3].

With this, the researchers conducted a study about the Financial Behavior of College Students in one Philippine Higher Education Institution. The

researchers chose this topic because it is interesting to learn one's behavior which is necessary for self – development and because as business students, they see the need for people to understand why individuals make rational and irrational decisions when it comes to money management or financial budgeting. The results determine the financial behavior of the students that will help them enhance their financial behavior, initiate, organize and implement activities that improve over – all financial well – being and hopefully contribute to the literature on financial planning.

OBJECTIVES OF THE STUDY

The study aimed to determine the Financial Behavior of the College Students of one institution of higher learning in the Philippines and come up with proposed action plan to enhance financial behavior.

Specifically, this research intended to: Identify the respondent's profile in relation to gender, college/department and financial influences; determine student's financial behavior in terms of cash/money management and financial planning and budgeting; test significant differences on responses between financial behavior and profile variables; and propose a plan of action to enhance financial behavior.

METHODS

Research Design

This research used the descriptive method in which quantitative data were gathered using a survey questionnaire to identify the factors affecting financial behavior among selected college students of LPU-Batangas.

Descriptive method is used to determine and define the characteristics of the variables of interest in the situation [4]. This means that descriptive research obtains information with the use of questionnaire, personal interviews and observation with the aid of the study guide.

Participants of the Study

LPU-B's current third year and fourth year college students were the respondents of this study. From a total of 4,090 of these students, the researchers conducted the study with the size of 305 students using the G* power version 3.1.9 with an effective size 0.30, 95 percent confidence level and 95 percent power. There is 100 percent participation of the sample size.

Data Gathering Instruments

The questionnaire has three parts. The first part consists of the respondent's profile; part two covers questions pertaining to individual cash / money

management while part three consists a list of questions which involves individual financial planning and budgeting. This questionnaire with the help of the adviser underwent approval and content validation of the statistician.

Procedure

After the questionnaire has been approved and modified, the researchers visited each college department and presented letters of approval for the participation of students under the care of their college department. After learning the number of respondents and received the approval of the dean of each college the researchers began the distribution of the questionnaires to 3rd year and 4th year college students through classrooms visits. Some questionnaires were personally given and others were accomplished through the help of the researcher's associates. The researchers were able to retrieve 305 out of 305 distributed questionnaires. The gathered data were tallied, analyzed, interpreted and communicated to complete the study.

Data Analysis

The data gathered were tallied, encoded and interpreted using different statistical tools such frequency distribution, weighted mean and Analysis of Variance (ANOVA). These tools are used based on the objectives of the study. In addition, all data were treated using statistical software, PASW version 18 to further analyze the result of the study.

The given scale was used to interpret the result of the data gathered: 3.50 – 4.49 = Very True (VT); 2.50 – 3.49 = Moderately True (MT); 1.50 – 2.49 = Slightly True (ST); 1.00 – 1.49 = Not all True (NT).

RESULTS AND DISCUSSIONS

Table 1. Percentage Distribution of the Respondents' Profile

Profile Variables	f	(%)
Gender		
Male	157	51.5
Female	148	48.5
Financial Influences		
Parents/ Guardian	254	83.3
Friends	94	30.8
School	96	31.5
Books	31	10.2
Media	53	17.4
Job	21	6.9
Life Experience	88	28.9
Internet	79	25.9
Informal public seminar or class	12	3.9
Financial Planner or counselor	11	3.6

Table 1 presents the distribution of respondent's profile in terms of gender and financial influences. The table displays that there are more male college students who participated in the study since most of the respondents came from the Maritime Program a college that offers programs where most males are enrolled.

According to Mukherjee [5] in her article that the "7 Main Reasons there are Fewer Women Seafarers in the Maritime Industry", one of the reasons why men are found to be more appropriate to work in the maritime industry is due to women's lack of awareness and information about the prosperous careers that this field offers. She also claims that the belief that seafaring is a male dominated industry alongside the fact that women get little or no support in pursuing this career is another factor for this. Furthermore, she adds that the chances that women will be employed by shipping companies are very minimal together with the social and practical hindrances of living in the sea for a long period of time increases their less interest of joining the industry. Moreover, the lack of activities that enhances women's participation such as workshops and seminars and the absence of job security limit their eagerness to involve in the maritime industry.

Maritime Programs have the highest number of respondents per college / department with 16.4 percent. Likewise, this University is known to be the number one provider of maritime education in the region. It is the only maritime school established in Batangas Province that is equipped with in house trainings, advanced facilities and various certifications.

Garnering 6.6 percent, the College of Business Administration ranked least as to the number of respondents in this study. This may be attributed to the idea of limited job opportunities for the said field of study. According to an article published by Selingo [6], he mentioned that based on research, students who major general business or marketing have higher chances of being unemployed or underemployed which means that most business graduates hold jobs that either do not require a college degree or unrelated to their specialization. Moreover, they also earn less than other math-focused majors.

Additionally, the table also shows that parents and guardians ranked number one as to financial influences of college students with 83.3 percent. This implies that parents and guardians are still the main source of dependency when it comes to student financial behavior. This is in-line with the study conducted by Bird et al. in 2013. According to him, studies show that parents were the first favored foundation of personal

finance information garnering 71.7% as most relied upon.

Financial planner or counsellor in this study ranked last as the financial influence of college students with only 3.6% which may be said that most college students are not aware about the benefits of financial planning. Varma [7] explains that there is a low level of awareness on financial planning amongst individuals; the absence of consciousness among these people, increases their resistance in seeking financial counselling [8].

Table 2. Financial Behaviour in terms of Cash Management/Money Management

	Cash Management	WM	VI	Rank
1.	I feel in control of my financial situation	3.27	MT	1
2.	I am uncertain about where my money is spent	2.96	MT	7
3.	Purchasing things is very important to my happiness	3.06	MT	6
4.	I set aside money for my future expenses/ purchases and others.	3.15	MT	4
5.	I feel credit cards are safe and risk free	2.83	MT	9
6.	I am afraid of credit and credit cards	2.80	MT	10
7.	I feel the cost of using a credit card is too high	2.86	MT	8
8.	I set financial goals	3.21	MT	3
9.	I have plan to reach my financial goal and I follow the plan	3.23	MT	2
10.	I generally achieve my money management goals	3.07	MT	5
Composite Mean		3.04	MT	

Table 2 shows financial behaviour in terms of cash management/money management. It has a composite mean of 3.04 with moderately true verbal interpretation. It is moderately true that the respondents feel in control of my financial situation (3.27). Students may have the thought of being in control of their financial situation because they have proper financial know-how. According to Lusardi [9], money education is considered to be a factor that improves financial proficiency, boost desirable financial behavior, and improve financial well-being among individuals.

The respondents answered moderately true that they have planned to reach their financial goal and they follow the plan (3.23)" place second on the listed items. This may be due to financial orientation and practice they adopted from their parents. In the article "How to Instill Good Financial Habits in your Kids: Role of

Parents, Technology”, Dave cited that there are basic money skills that parents must teach their children. Making and reaching goals is one of them. According to him, this skill is critical to achieving financial milestones in later life. So if a child is keen to buy something, make him do it by setting it up as a goal. Let him figure out how much money he can save each month and then calculate the time it will take to amass the required sum [10].

They answered moderately true that they set financial goals (3.21). This implies that students believe setting financial goals can help them achieve future success. Defining financial objectives is essential to financial success. Once one has defined these goals one can write and use it as a guide to achieve them. It keeps an individual focused and increases confidence that he is on the right track [11].

They also answered moderately true that they set aside money for their future expenses (3.15), and they generally achieve their money management goals (3.07). It is also moderately true that purchasing things is very important to my happiness (3.06) and they are certain about where my money is spent (2.96).

They answered moderately true that they feel the cost of using a credit card is too high (2.86). College students’ feeling that the cost of using credit card is too high may be due to the increased interest rate that most credit card companies and banks are currently implementing together with the additional charges when debts are left unpaid. According to the article published by Pinoy Money Talk [12], various Filipinos have a serious issue with credit card usage prompting heaps of obligation when credits are unpaid. Additional financing costs and expenses keep on being charged on the balance causing credit card debt to increasingly blow up.

They answered moderately true that they feel credit cards are safe and risk free (2.83). This may be attributed to the idea that students are confident with credit cards due to its technological advancements and the positive services it offers. Credit cards offer speed in the purchase of something expensive when one has no cash at hand. They get more protection if he pays with a credit card than if he pays with a debit card, cash or cheque. Furthermore, individuals can borrow for free for some credit cards offer 0% periods meaning they can effectively benefit from an interest-free loan. Some cards even offer incentives to spend, such as cash back, loyalty points or air miles, which means they could actually make money from their credit card [13].

It is moderately true that they are afraid of credit and credit cards (2.80). This infers that students tend to

be afraid of credit and credit cards because they do not want to face certain credit challenges. According to Jason Steele in his article “4 Reasons People are afraid of credit cards”, people get scared of credit cards due to the fear of overspending. They also fear in missing out due payment which would obligate them to pay fees and penalty charges for late credit settlement. Also, people feel afraid of credit cards due to the fear of annual fees and “gotcha” fees [14].

Table 3. Financial Behavior in terms of Financial Planning and Budgeting

Financial Planning and Budgeting	WM	VI	Rank
1. I feel capable of using my future income to achieve my financial goals	3.37	MT	1
2. I feel capable of handling my financial future (e.g. buying insurance or investments)	3.16	MT	4.5
3. I feel putting away money each month for savings or investments is important	3.21	MT	3
4. I feel having life insurance is an important way to protect love ones	3.22	MT	2
5. I often prepare weekly budget	3.09	MT	7
6. I establish an adequate financial record system	3.14	MT	6
7. I develop sound yearly budget and income	3.00	MT	9
8. I prepare plans for future financial needs and goals	3.16	MT	4.5
9. I track some or all of my expenses	3.07	MT	8
10. I often spend more than I can afford	2.96	MT	10
Composite Mean	3.14	MT	

Table 3 shows the financial behavior in terms of financial planning and budgeting. It has a composite mean of 3.14 with moderately true verbal interpretation. They answered moderately true that they feel capable of using their future income to achieve their financial goals (3.37). This implies that student’s feeling of being capable of using future income to achieve financial goals are due to the knowledge and experience they acquired from their parents and guardian with regards to spending and saving their money. They also answered moderately true that they feel having life insurance is an important way to protect loves ones (3.22). This may be because people are now aware of the benefits and importance of life insurances. According to an article written by Kenneth Del Rosario

[15] published in the Philippine Daily Inquirer in January 2018, almost 50 Million Filipinos are covered by Life Insurance, the positive reinforcement and efforts to educate the market has paid off with the increased coverage.

They answered moderately true that they feel putting away money each month for savings or investments are important (3.21). The reason behind this is due to their belief that savings and investment can help them alleviate their future needs, receive certain benefits and become rich. According to Green [16], saving money for the future is one of the great habits of wealthy people. The rich men are getting richer because of the way they spend their money. Also, saving or investing for the future gives one the following advantages. First it gives protection. Saving also helps to live a debt-free life or even retire at an early age.

They answered moderately true that they feel capable of handling my financial future and they prepare plans for future financial needs and goals (3.21) while establishing an adequate financial record system 3.14 and often preparing weekly budget (3.09) are also moderately true.

It is also moderately true that respondents track some or all of my expenses (3.07) which may infer that tracking expenses is a must for students because it may be a way to establish a good financial budget. According to the article written by Erin in 2016, “7 Reasons Why You Should Track Your Spending”, tracking your spending is (arguably) an activity every single person can benefit from, especially young adults. It is beneficial as it provides some advantages such as knowing where one’s money is going, helping to meet goals, teaching one to prioritize spending on needs over wants and by figuring out where your money is going, one can be aware of spending it. When one pinpoint what their spending weaknesses are, they can make changes to overcome them [17].

Developing sound yearly budget and income” (3.00) is also moderately true. This indicates that students believe that establishing budget guarantees numerous benefits and help to them. According to Vohwinkle [18] budgeting activities provide substantial benefits to personal financial health because budget acts a roadmap that helps an individual learn where his money is spent. It reveals waste as to the mismanagement of money when budget falls short. It also helps one align his priorities, build new habits, reduce stress, control spending, coordinate efforts and transform money into a tool to name a few.

Often spending more than they can afford (2.96) is also considered moderately true. The tendency of students to spend more than they can afford may be due to internal and external social and psychological factors that triggers their overspending. According to the article “*Why Do Some People Consistently Spend More Than They Earn?*” by Financial Samurai, some thoughts on why people spend more than they make, include lack of self-esteem. According to them, people with low self-esteem turn to things that make them feel better about themselves. Desire is another factor to be considered, it is never ending and if not controlled may lead to further overspending. Moreover, keeping up with others, lack of knowledge, easy credit and no budget adds up to this kind of behavior [19].

Table 4. Difference of Responses on the Financial Behavior when Grouped According to Profiles

	Cash Management			Financial Planning		
	F-value	p-value	I	F-value	p-value	I
Gender	1.986	.048	S	.971	.332	NS
College/ Department	5.058	.000	HS	2.486	.009	S

Legend : Significant at p-value < 0.05; HS – Highly Significant , S- Significant; NS-Not Significant

Table 4 presents the difference of responses on the financial behaviour when grouped according to profile. As seen from the result, there was a significant difference observed on cash management when grouped according to gender and this was observed from the male with F-value of 1.986 and p-value of .048. This means that men possess better attitude when it comes to handling their finances, particularly when it comes to their money and cash.

According Dalzotto [20], some of the reasons why men are better at finances than women, is that men make more cost-effective and practical purchases e.g. Bunnings vs. Boutique, and they hunt for the best deal. He further adds that men are not so much into shopping and they make advanced financial planning unlike most women.

In addition, there was also a significant difference observed on the financial behaviour as to both cash management and financial planning with an F-value of 5.058 and 2.46 and p – value of .000 and .009 respectively when grouped according to college. This implies that the chosen field of study of an individual also dictates how one financially behaves.

From the post hoc test, College of Nursing has higher financial behaviour compared to the other colleges. This suggests that nurses of today tend to

explore the financial arena as their industry calls for such. According to the article published by the University of Texas titled “Financial Management in Nursing” published in 2017, nurses need to be knowledgeable in a variety of areas. Nurse’s managers, leaders and administrators, however, need expertise beyond clinical care. As it will require them to learn the finance basics, managing budgets, preparing for fluctuations, staffing and quality, value payments and how to foster financial management [21].

CONCLUSIONS

The researchers concluded that majority of the respondents of this study were male students coming from the Lyceum International Maritime Academy and the most favored source of financial influence of the College Students is their parents/guardian. Students exhibit fair financial behavior in terms of both cash management and financial planning and budgeting. There was a significant difference observed in cash management when grouped according to gender and college/department and in terms of financial planning, when grouped according to college / department.

RECOMMENDATIONS

In this study the researcher recommends that the school may integrate financial subjects in all colleges to further enhance the student’s financial behavior. The Office of Student Affairs together with the Lyceum Supreme Student Council may host events and activities such as Finance Related Seminars to expand the financial literacy and improve over-all financial well-being and behavior of students. The Counseling Center may consider establishing tests that can assess student’s financial behavior and offer financial counseling to students. The recommendation of offering financial subjects and counseling of the Counseling and Testing Center may be tabled for discussion by the board of directors and university officials before implementation. Future researchers may use this paper as reference for future studies in line with this topic.

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