

**FACTORS INFLUENCING PERSONAL FINANCIAL
PRACTICES OF POSTGRADUATE STUDENTS
AT UNIVERSITIES IN KOTA KINABALU, SABAH**

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**PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH**

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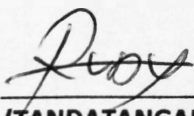
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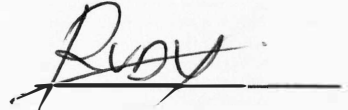
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ABSTRACT

FACTORS INFLUENCING PERSONAL FINANCIAL PRACTICES OF POSTGRADUATE STUDENTS AT UNIVERSITIES IN KOTA KINABALU, SABAH

The purpose of this study is to examine factors influencing personal financial practices of postgraduate students at universities in Kota Kinabalu, Sabah such as Universiti Malaysia Sabah (UMS), Universiti Tun Abdul Razak (UNITAR), Universiti Teknologi Mara (UiTM) and Open University Malaysia (OUM). The study covers both full-time and part-time postgraduate students, who are working, have own income and studying at the same time. From the result of data analyses done, this study has concluded demographic variables: occupation and income have significant influenced postgraduate students upon practicing their personal financial practices of investment. Furthermore, money attitude of retention-time have significant and positive relationship with personal financial of investment and planning. In addition, money attitude of retention-time have significant and negative relationship with personal financial practices of cash management. Moreover, money attitude of distrust has significant and positive relationship with personal financial practices of planning but not significant to personal financial practices of investment and cash management. While Money attitude of power-prestige has significant and have negative relationship with personal financial practices of planning.

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji faktor-faktor yang mempengaruhi amalan kewangan peribadi pelajar lepasan ijazah di universiti-universiti di Kota Kinabalu, Sabah seperti Universiti Malaysia Sabah (UMS), Universiti Tun Abdul Razak (UNITAR), Universiti Teknologi Mara (UiTM) dan Open Universiti Malaysia (OUM). Kajian ini meliputi pelajar pasca ijazah sepenuh masa dan separuh masa, yang bekerja, mempunyai pendapatan sendiri dan belajar pada masa yang sama. Dari hasil analisis data dilakukan, kajian ini telah membuat kesimpulan pembolehubah terpilih pekerjaan dan pendapatan mempunyai pelajar pasca siswazah yang signifikan mengamalkan amalan kewangan peribadi mereka secara pelaburan. Tambahan pula, sikap retensi masa mempunyai hubungan yang signifikan dan positif dengan kewangan peribadi pelaburan dan perancangan. Selain itu, sikap retensi masa mempunyai hubungan yang signifikan dan negatif dengan amalan kewangan peribadi pengurusan tunai. Selain itu, sikap ketidakpercayaan wang mempunyai hubungan yang signifikan dan positif dengan amalan kewangan peribadi perancangan, dan tidak bererti kepada amalan kewangan peribadi pelaburan dan pengurusan tunai. Sikap Wang kuasa-prestij mempunyai signifikan dan mempunyai hubungan negatif dengan amalan kewangan peribadi perancangan.

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

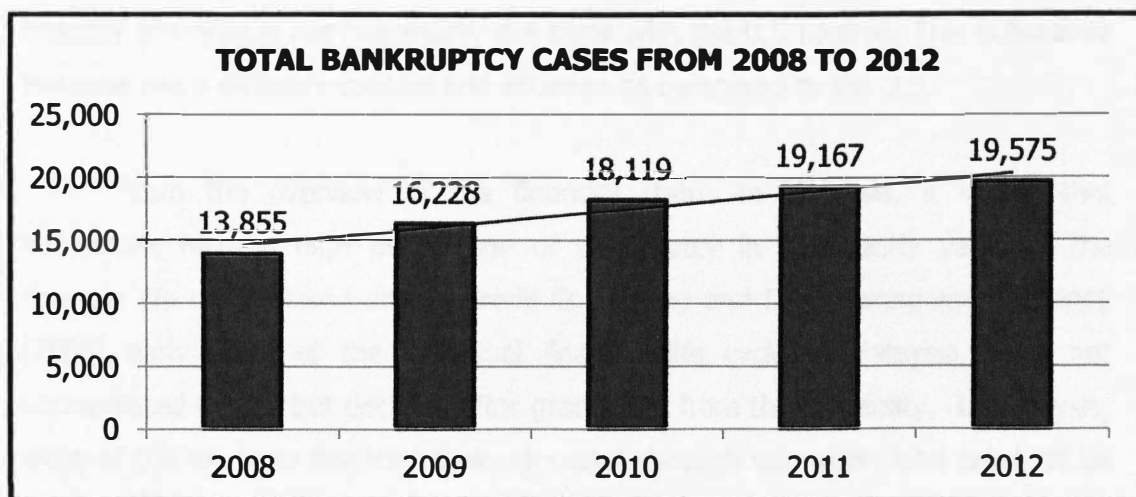
Personal financial management is an essential skill to an individual. An efficient financial management will allow a person to enjoy financial freedoms without having to worry about his/her financial condition. However, poor financial management will result in individual facing financial difficulties in terms of getting financing, meeting financial obligations or even risking bankruptcy. According to the Malaysia Department of Insolvency (MDI) (2013), the total bankruptcy cases have increased 41.28 percent from 13,855 cases in 2008 to 19,575 in 2012 (see figure 1.1). The increase number of people declared bankrupt implied that many individuals in Malaysia neither have the ability nor the skills to manage their financial matters properly especially the young generation. This is attributed to them not having enough knowledge on how to plan and manage their personal finance. Norasikin Salikin, Norailis Ab. Wahab, Nurazalia Zakaria, Rosnia Masruki and Siti Nurulhuda Nordin (2012), investigated that poor financial planning was the main cause of the high bankruptcy cases and he stressed that the situation is not good for developing country such as Malaysia.

The other reason contributed to the failure in managing personal finance is the poor spending habit. Poor financial planning encourages unwise spending, particularly those triggered by impulse buying or the "keeping up with the Joneses" attitude that promotes uncontrollable spending. This is aggravated by the use of credit card. Credit card offers safety by removing the need to carry cash and it is convenient for shopping since majority of retail outlets accepts credit card. People are interested to apply credit card because there is no need to bring cash and bank will pay for the purchase they make through credit card (Nazni Noordin, Nazni Noordin, Zaherawati Zakaria, Mohd Zool Hilmie, Mohamed Sawal, Kamarudin Ngah and Zaliha Hj Hussin, 2012). At the end of the month, credit card holders have the options, either to pay the amount due in full or make a minimum payment to the

bank. Though popular, especially amongst young people who usually would apply their first credit card upon getting a job, the reckless use of credit cards may risk a person becoming highly indebted when the person spent more than what his/her earnings can cover while interest charges on outstanding credit card amount is significantly higher as compared to other types of loans. Hence, excessive use of credit card would potentially cause financial problems and increase the bankruptcy risk, especially to young people when they spend more than their income. According to Bank Negara Malaysia (BNM) (2010), there are a total 1,780 young persons below 30 years old declared bankrupt between 2005 until 2009 (see table 1.1).

In Malaysia, most university students financed their education through education loan provided by National Higher Education Fund Corporation (PTPTN). The main purpose of PTPTN is to provide education loan to students to enable them to pursue their studies at undergraduate levels at local universities. Although the education loan is beneficial to students, it nevertheless makes the students to be burdened by debt that they are obliged to pay soon after their graduation. This may worsen their financial position should they fail to manage their personal finance properly. Therefore, young persons need to learn on how to manage and handle their personal finance.

Figure 1.1: Figure showing total bankruptcy cases from 2008 to 2012



Source: Malaysia Department of Insolvency (2013).

Table 1.1: The total number of young people in Malaysia below 30 years old declared bankruptcy because of using a credit card from 2005 to 2010 (until May)

YEAR	TOTAL BANKRUPCTY (CREDIT CARD HOLDER BELOW 30 YEARS OLD)	%
2005	362	49.39%
2006	132	46.32%
2007	564	55.79%
2008	513	48.17%
2009 (UNTIL MAY)	209	46.04%
TOTAL	1780	

Source: Bank Negara Malaysia in 2010.

1.2 Research Problem

Based on Keown (2013) the typical individual's financial life cycle has three stages, which are early years, approaching retirement years and retirement years. In the early years (through age 54), a person will accumulate their wealth with many things to do like buying assets like car and house and paying their liabilities like loan for car and house. In the approaching retirement (ages 55-64) and the retirement years (ages 65 and above), a person in these stages will continue to accumulate their wealth with the thing about estate planning. At that stage, people will no longer do saving, but more do the spending. However, in Malaysia, the financial life cycle is not necessarily the same with the U.S context. This is because Malaysia has a different context and situation as compared to the U.S.

From the overview of the financial status in Malaysia, it shows that Malaysians have a high percentage of bankruptcy in their early years of the financial life cycle. Based on the Credit Counseling and Debt Management Agency (2008) early years of the individual financial life cycle in Malaysia, were not accumulated wealth but declined after graduating from the university. In Malaysia, most of the students financed their education through education loan provided by PTPTN. Therefore, after graduating from the university, automatically the student is burned by debt that they are obliged to pay. As fresh graduates from university

that began to work, they will pay their education loan, buy some assets like car, face high living expenses and apply credit card. At that time, they did not think about their retirement funding, which are very important when reach approaching the retirement stage. Usually, an individual who successfully repaid their debt will reach their retirement age. Therefore, when the person finished repaying their debt near his/her retirement age it mean there is no retirement funding for them. The Star (2008) investigated that half of Malaysian workers are not prepared for their retirement funding.

Young generation in Malaysia either men or women who do not do the right personal financial practices will have a high percentage to become bankrupt According to Malaysia Department of Insolvency (2013), men in Malaysia have high number become bankruptcy compared to women in 2008 to 2013. It shows that men in Malaysia have high possibility to be declaring bankruptcy compared to women.

It appears that the personal financial problem such as the high bankruptcy cases and the financial difficulties faced by the general public, especially young people was due particularly to the failure in managing personal finance. According to the Malaysian Department of Insolvency (2013), the total bankruptcy cases involving those whose aged is between 25 to 44 years old were 11,134 cases in 2012. The situation suggests the poor knowledge and skills among the younger generation that hampered their ability to manage their personal finance properly. However, the causes for the poor personal financial management, especially among mature students are rather unclear, especially with regards to the personal characteristics and attitude towards personal financial management.

Hence, to understand the situation clearly, it is important to determine what factors that influence financial practices among young generation. Due to limited studies involving postgraduate students, the personal financial management issues, including the factors that determine the financial practices related to this group remains unclear and rather limited, unfortunately.

1.3 Research Questions

The research questions of this study are as follows:

- I. Does demographic have a relationship with personal financial practices?
- II. Does financial knowledge have a relationship with personal financial practices?
- III. Does money attitude have a relationship with personal financial practices?

1.4 Research Objectives

The objectives of this study are as follows:

- I. To examine the relationship between demographic and personal financial practices of postgraduate students in Kota Kinabalu, Sabah.
- II. To examine the relationship between financial knowledge and personal financial practices of postgraduate students in Kota Kinabalu, Sabah.
- III. To examine the relationship money attitude and personal financial practices of postgraduate students in Kota Kinabalu, Sabah.

1.5 Scope of Study

The scope of this study is to find out the relationship between certain demographic factors (namely gender, age, occupation and income), financial knowledge as well as money attitude (Power-Prestige, Retention-Time, Distrust, and Anxiety) and personal financial practices of the postgraduate students in Kota Kinabalu. The institutions covered were Universiti Malaysia Sabah (UMS), Universiti Tun Abdul Razak (UNITAR), Universiti Teknologi Mara (UiTM) and Open University Malaysia (OUM). Therefore, the respondents of this study comprise of the postgraduate students (Master and PhD level) who are pursuing their studies at universities in Kota Kinabalu, Sabah. The study covers both full-time and part-time students, who are working, have own income and studying at the same time.

1.6 Significance of The Study

The results from this study will show the factors that significantly influence the personal financial practices among postgraduate (Master and PhD level) students at universities in Kota Kinabalu. Since postgraduate students represent a significant group of young generation in Sabah, the study will highlight their existing skills and capability in managing their personal finance. The findings will reveal the current status of their financial health, which can be used by relevant authorities such as government agencies as well as universities, thus enabling the authorities to take proper action to address financial problems amongst postgraduate university students. The study will also add into the body of academic literature related to student financial planning and can be used as reference for future related studies.

1.7 Definitions of Terms

1.7.1 Personal Financial Practices

Garman and Forgue (1997) defined the personal financial practices are the process where people use it to handle their financial needs like planning their finances, retirement, loans and cash management. According to Benjamin Chan (2005), personal financial practices have four areas, namely cash management, credit management, planning and investment.

1.7.2 Cash Management

Based on Keown (2013), cash management is to determine how much cash is needed to be saved as savings and choose where to save them. He also added that cash management is not all about making selections from all alternative which choose to manage the cash, but it's also refers to maintaining and manage the alternative which choose to manage the cash.

1.7.3 Credit Management

Citibank (2013) defined credit management is about how you manage to pay back the money that you borrowed from a bank. Small Development Corporation (2012) explained credit management is managing the liabilities and help the person to escape from high in debt.

1.7.4 Financial Planning

Arfawaty (2011) defined personal financial planning is the method that a person uses for planning their spending, manage their finances and invest their money to gain profit.

1.7.5 Investment

Keown (2013) defined investment is putting money in other form that will make the value or a return to a person. According to Longman Dictionary (2005) investment is use some money to get a profit.

1.7.6 Financial knowledge

Azwadi Ali, Mohd S. A. Rahman and Alif Bakar (2013) defined that financial knowledge is about a person that understands about finance and used the knowledge to do the personal financial practices. They also added that financial knowledge would give a person more confident in their financial decisions and financial planning because that knowledge will give more information, skills and instruments in their financial decisions.

1.7.7 Money Attitude

Based on Garman *et. al.* (1997), they defined that money attitude is referring to the attitude of a person to their money. According to Robert and Sepulveda (1999) Money attitude is not just about a person's expenditure habits, but referring to all our life aspects like financial decisions and financial practices. Refers to Yamauchi and Templer (1982) money attitude have four dimensions, which were Power-Prestige, Retention-Time, Distrust and Anxiety.

1.7.8 Power-Prestige

Roberts and Sepulveda (1999) defined Power-Prestige is all about a person used their money to influence others, as a symbol of success, to impress others and to get respect from others. They also added that Power-Prestige is like an instrument of power and a measure of success.

1.7.9 Retention-Time

Roberts and Sepulveda (1999) defined Retention-Time is all about a person that very careful in manage and use their money for future like do personal financial planning and do a personal financial budget.

1.7.10 Distrust

According to Yamauchi and Templer (1982), Distrust will explain the person's attitude concerning situations involving money as uncertain (hesitant), suspicious and unsure (doubtful).

1.7.11 Anxiety

Roberts and Sepulveda (1999) defined the anxiety is about an attitude person that worrisome to money. Blaszczynski and Lia Nower (2008) added the Anxiety is about attitude person that money becomes a protection from anxiety.

1.7.12 Postgraduate (Master and PhD level)

According to Collin Dictionary (2014), postgraduate is a student who completed his/her degree from university and wants to pursue to high-level advanced qualification.

1.7.13 Universities in Kota Kinabalu, Sabah

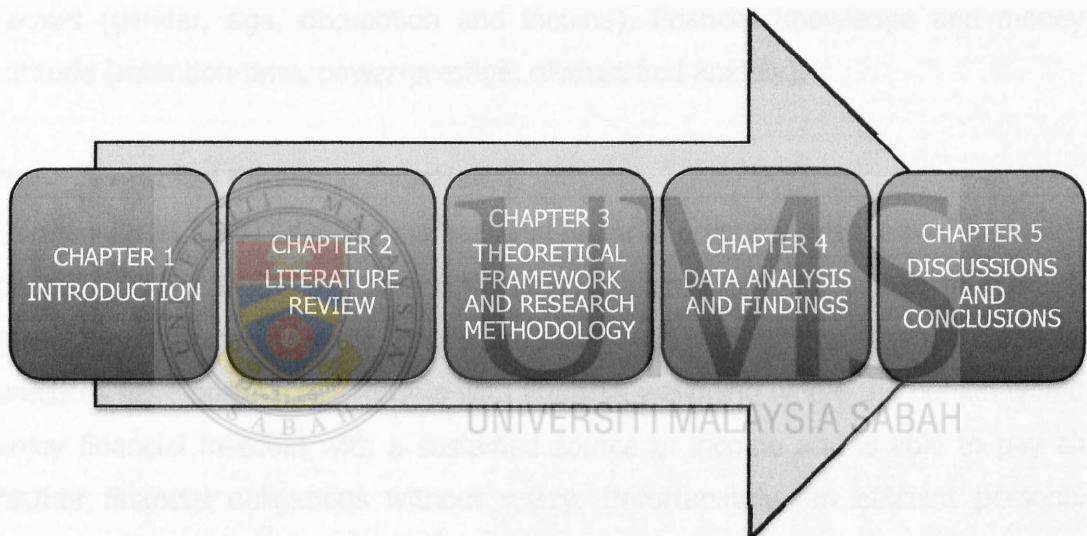
Universities in Kota Kinabalu, Sabah refers to the universities that offer postgraduate education level, such as Universiti Malaysia Sabah (UMS), Universiti Tun Abdul Razak (UNITAR), Universiti Teknologi Mara (UiTM) and Open University Malaysia (OUM).

1.8 Organization of The Study

This study is built in five chapters. (see figures1.2). Chapter 1 is the introduction of the research. This chapter consists of the background of study, research problems, research objectives, research scope, research significant and definitions of terms. Chapter 2 is review the past literatures about factors that influenced the personal financial practices (dependent variables) of postgraduate students, particularly the demographic factors, financial knowledge, money attitude (independent variables)

and gender as the moderating variable. Chapter 3 is theoretical framework and research methodology. This chapter consists of research framework, research hypotheses, research design, sampling design, research instruments, development of test measures, data collection method and data analysis method. Chapter 4 presents data analysis and findings. The findings of the study will be analyzed through Statistical Package for Social Sciences (SPSS) 21.00 software. Chapter 5 presents discussion and conclusion. This chapter consists of the discussion, implications of the study, limitations of the study, suggestions for future research and conclusions.

Figure 1.2 organization of study



CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This research is concentrated on discovering and searching the factors influencing personal financial practices of the postgraduate students at universities in Kota Kinabalu such as Universiti Malaysia Sabah (UMS), Universiti Tun Abdul Razak (UNITAR), Universiti Teknologi Mara (UiTM) and Open University Malaysia (OUM). This chapter examines the past literatures about factors that influenced the personal financial practices of postgraduate students, particularly the demographic factors (gender, age, occupation and income), financial knowledge and money attitude (retention-time, power-prestige, distrust and anxiety).

2.2 Personal Financial Practices

Garman *et. al.* (1997) defined the personal financial practices are the process which people use it to handle their financial needs like planning their finances, retirement, loans and cash management. Benjamin Chan (2005) stated that personal financial practices have positive relationship with financial wellbeing where the person would enjoy financial freedom with a sustained source of income and is able to pay all his/her financial obligations without worry. Unfortunately, an efficient personal financial management is not an easy task even though an individual possesses financial knowledge. This was stressed by Benjamin Chan, Jariah Masud, Tengku Aizan Hamid and Laily Palm (2010) that a person who has an in depth financial knowledge is not guaranteed to be a good financial planner. Other factors like education, gender and money attitude are also factors that influence - financial practice (Benjamin Chan *et. al.*, 2010). Males are found to have better financial practices as compared to their female counterparts (Benjamin Chan *et. al.*, 2010). They also added that a person who has a positive money attitude will do better in financial practice and the attitude is deemed as the key to efficient financial practice.