International Journal of Entrepreneurship and Management Practices
EISSN : 2600-8750
IJEMP

Volume 7 Issue 26 (September 2024) PP. 36-44
DOI: 10.35631/IJEMP.726004

INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP AND MANAGEMENT PRACTICES (IJEMP)
www.ijemp.com

GLOBAL ACADEMIC EXCELLENCE

UNLOCKING FINANCIAL WISDOM: EXPLORING DETERMINANTS OF FINANCIAL LITERACY AMONG UNIVERSITY STUDENTS

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Article Info:

Article history:
Received date: 15.07.2024
Revised date: 31.07.2024
Accepted date: 15.08.2024
Published date: 10.09.2024

To cite this document:

Ahmad, S. S., Zakaria, Z., Zainal, N. N., & Seman, M. A. M. (2024). Unlocking Financial Wisdom: Exploring Determinants Of Financial Literacy Among University Students. *International Journal of Entrepreneurship and Management Practices, 7* (26), 36-44.

DOI: 10.35631/IJEMP.726004.

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Abstract:

Being able to fully grasp financial literacy is a criterion for an outstanding student. Making financial decisions would be difficult for a student with a low level of financial literacy. This will lead to troubles in making decisions for their future undertakings. To further evaluate the understanding of financial literacy level among university students, this research will focus on the factors affecting the level of financial literacy among the students in UiTM Kedah. It was conducted based on factors like self-exposure, family, and environment in helping the students' further understanding of financial literacy. One hundred and six (106) students of UiTM Kedah were chosen as the respondents to answer the questionnaire. The data collected was analysed by the Statistical Package for the Social Sciences (SPSS) to help provide a better understanding of the research. According to the results, there is clear evidence between the independent variables and the level of financial literacy.

Keywords:

Family, Financial Literacy, Financial Wisdom, Environment, Self-Exposure

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Introduction

A solid foundation in financial literacy can assist a variety of life objectives, including managing debt wisely, starting a business, and saving for retirement or school. An individual's capacity to understand and apply information regarding personal finances is measured by their financial literacy (Herawati & Dewi, 2020; Gupta, K. et. al., 2024). It consists of two parts: the ability to apply one's understanding or knowledge of personal finances and the ability to apply that knowledge (Herawati & Dewi, 2020). This has to do with how people manage their finances in terms of budgeting, insurance, investments, and savings (Nurul Shahnaz Mahdzan et al., 2021).

Making financial decisions would be difficult for a student with a low level of financial literacy. They consequently miss out on opportunities they ought to seize when managing their cash. Financial literacy, as defined by Richardson et al. (2022), is the capacity of an individual to obtain, comprehend, and use financial data in order to make effective and complete financial decisions regarding financial matters (such as planning, investing, and liabilities management). If a person wants to be financially successful, they must possess the necessary level of financial literacy (Richardson et al., 2022). Financial literacy is viewed as a talent that students should develop since it can enable them to make wise financial decisions that will benefit them in the long run (Changwesha, M., & Mutezo, A. T., 2023).

Without proper knowledge of financial management, the younger generations will have an uncertain future and it will lead to difficulties to have a stable life (Rusliza Yahaya et al., 2019; Amiranashvili, N., 2023). Therefore, the level of financial literacy among students serves as the primary indicator in this study as based to the article by Sarwal, R. et. Al (2024). The three independent factors for this study are environment, family background, and self-exposure. Students' own money management practises are part of their self-exposure. Family members who may be impacted by parental supervision and family income. Last but not least, environmental characteristics were picked because of how the students' geographic locations affect their knowledge and experience in managing their finance.

The primary aim of this study is to determine the level of financial literacy among the students of higher learning institutions. It is to identify which factors influence the issue the most and the least. By identifying this, it is hoped to shed some light in the literature of the importance of financial management and its impact on the next generations’ future.

Financial Literacy

For managing personal finances and accomplishing financial goals, financial literacy is a crucial ability. Poor financial judgement and higher susceptibility to financial fraud and scams can result from a lack of financial literacy. According to a recent survey, having financial literacy also means being able to make wise decisions about how to utilise and handle money (Rusliza Yahaya et al., 2019).

According to Herawati and Dewi (2020), developing the skills and information necessary to manage finances is the process of being financially literate. Saving, borrowing, credit, and insurance are examples of common circumstances that must be understood as part of financial literacy (Kumari D.A.T, 2020). In this circumstance, a person has access to critical financial data and is able to carefully analyse it before determining how to handle a particular financial need (Ana Shakirah Md.Sapir @ Md.Shafik & Wan Marhaini Wan Ahmad, 2020).

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Self-Exposure

Self-exposure also relates to financial literacy and encompasses individual financial management activity. Ana Shakirah Md. Sapir @ Md.Shafik and Wan Marhaini Wan Ahmad (2020) assert that those with extensive financial education are more frugal spenders who live within their means. They also only made purchases when they had no other choice, such as when they were unable to rent, lease, borrow money, or create something themselves. According to the hypothesis, self-exposure has an impact on how people act. This demonstrates the importance of comprehending financial management, which will enhance saving habits and investment knowledge and skills.

Saving money has two advantages: it helps one control their consumption and educates them on how to spend money wisely (Mohamed Ali Shabeeb et al., 2022). Due to the widespread use of social media today, it is important to consider the preferences and choices of students when promoting financial literacy. Students spend their extra daily pocket money on lunches or expensive beverages just to keep up with the current trend rather than keeping track of their spending or setting up a monthly budget. They also have a culture of borrowing, especially among students who don't have enough pocket money are more inclined to do so (Nor Izzati Mohd Aziz & Salina Kassim, 2020).

Financial literacy and general education levels were found to be positively and significantly associated with saving behaviour and financial inclusion in studies conducted in Cambodia and Vietnam, even after accounting for any endogeneity of financial literacy (Richardson et al., 2020). Self-exposure towards the knowledge of financial literacy is heavily influenced by personal behaviour.

Family

The level of financial knowledge among students is related to family income. Wealthy and highly educated households were found to be important indicators of a person's level of financial literacy, according to research on the academic and familial backgrounds of the students. This is because a wealthy family was able to provide more financial support for their children, enabling them to grasp finances both formally and informally (Aydin & Akben Selcuk, 2019).

In addition, the involvement of parents and a student's financial literacy are associated. Parental supervision is practised by parents who function as role models and involves the act of discussing about financial matters and going shopping with children. The way parents raise their children will affect how they handle money in the future (Nor Izzati Mohd Aziz & Salina Kassim, 2020).

Financial experience and socialisation, such as those provided by family members, enhanced financial knowledge and skills, according to Mohamed Ali Shabeeb et al. (2022). More so than other elements like adolescent employment experience or financial education itself, parents may have a significant impact on their children's financial norms, attitudes, knowledge, and behaviour.

Environment

Geographical factors play a significant role in the environment factor. For instance, because metropolitan regions were the epicentre of the global financial services industry, residents there

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benefited from greater financial awareness, exposure, and opportunities to work in the field (Ana Shakirah Md.Sapir @ Md.Shafik & Wan Marhaini Wan Ahmad, 2020).

More than that, according to a study, recent literature demonstrates how personal characteristics, as well as ingrained social norms and cultural backgrounds, can affect financial knowledge and skills, highlighting the significance of analysing data that has been broken down by geographic context. In addition, a study by Nor Izzati Mohd Aziz and Salina Kassim (2020) found that financial literacy varies between persons living in urban and rural areas.

From the discussion above, the theoretical framework in Figure 1 below was established. The predictors that were chosen are self-exposure, family, and environment, while the response variable is financial literacy.

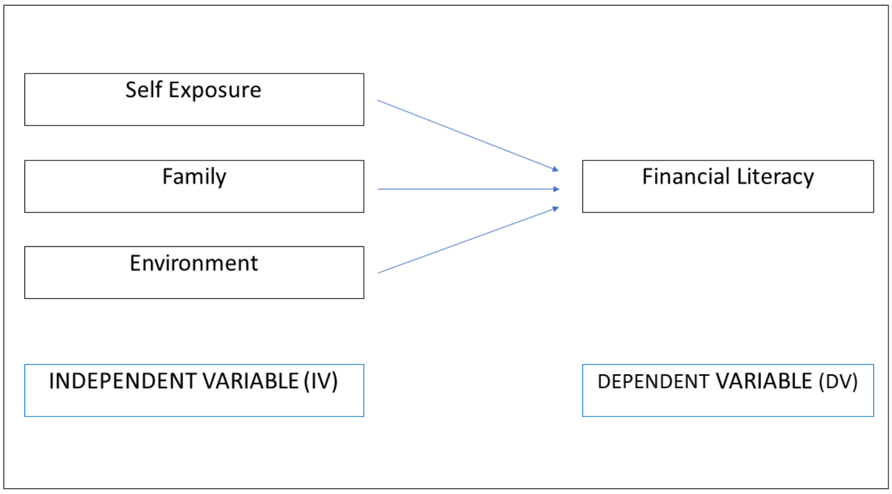

Figure 1: Theoretical Framework

Methodology

This study was conducted among students of UiTM Kedah. The reason students from UiTM Kedah were selected is due to limitation in time and budget. Nevertheless, the generalizability issue and biasness in data collection was avoided with the proper number of samples selected and the sampling method used. To avoid biases, this study used simple random sampling in probability sampling. From the population of the students which consist of 8000 students, a total of 200 students were selected using the G-Power tool.

Questionnaires using online distribution via Google form was adapted as a tool for data collection in this study. This method was chosen because it is simpler to manage and efficiently collect a large amount of data for this study. Furthermore, by using Google Form, data can be collected quickly and easily as it is free, user friendly and can be accessed by respondents through link, social media, or email among the respondents.

The questionnaire consists of 5 sections in total in which the first section contains the respondent's demographics condition, and the second section is about the respondent's knowledge on financial literacy. The third section involves respondent’s self-exposure, and the fourth section is about respondent’s family influence. The last section is related to the respondent's environment. The indicator used for the data collection is by using 5-point Likert

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Scale in which numbers are used by respondents to indicate the level of agreement to a statement or question in the questionnaire. This study used Statistical Package for Social Sciences (SSPS) as a tool for data analysis including frequency analysis, reliability analysis, descriptive analysis, correlation analysis, and multiple regression analysis.

Findings And Discussions
The data collected from the 200 respondents were sorted and it was identified only 106 responses had no missing data and did not have any slanting bias in the data gathered and those questionnaires were ready for the analysis stage which contributed to 53% response rate. The findings of the respondent's demographic information such as their gender, age, faculty, level of studies, current semester, hometown location category, and family income classification were tested first. Following that, the reliability measures analysis was conducted. Finally, the researcher did a multiple regression analysis, which demonstrated how each independent variable's impact on financial literacy.

Based on the demographic section's responses of the questionnaire, 64.8% of the respondents are female whereas the other 35.2% of them are male. For the age factor, the most respondents are at the age of 22 years old which is at 39%, followed by 21 years old (23.8%), 20 years old (18.1%), others at 16.2% and the least number or respondents are of 19 years old at 2.9%. Next, a vast number of respondents are from the Faculty of Business and Management at 54.3%, followed by the Faculty of Accountancy at 26.7% and the other remaining 19% are from the other four faculties in UiTM Kedah. As for the level of studies of the respondents, 65.7% are pursuing a bachelor's degree while the other 34.3% percent are doing their diploma, and most of them are in their third or fifth semester, at 22.9% and 46.7% respectively. Another factor is the category of respondents' hometown, either rural or urban, at 47.6% and 52.4% respectively. Lastly, there are 3 categories of income classification, 55.2% of them incur RM 0 - RM 4,850 monthly, 27.6% incur RM 4,851 - RM 10,970, and coming at 17.1% are those with RM 10,971 and above income.

Table 1: Results of Reliability Analysis

Variable	Total items	Items Deleted	Cronbach's Alpha
Self-Exposure	5	None	0.731
Family	5	None	0.914
Environment	5	None	0.840
Financial Literacy	5	None	0.776

The reliability analysis is used to assess the consistency and stability of the questionnaire. This analysis was performed by using Cronbach's alpha. Table 1 indicate reliability analysis results and all the Cronbach Alpha values was greater than 0.7, indicating that the overall measure was acceptable. Therefore, each item for this variable is preserved. For the dependent variable, which is financial literacy, the value of Cronbach's alpha is 0.776 which consists of 5 items. For the independent variables, the highest Cronbach's alpha value is 0.914 for family which consists of 5 items, followed by environment with a value of 0.840 for 5 items and self-exposure with a value of 0.731 for 5 items. Cronbach's alpha coefficients for the dependent and independent variables are greater than 0.7, indicating that the items in the survey correlated to each other and have a good internal reliability.

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Table 2: Results of Descriptive Analysis

	Mean	Std Deviation
Self-Exposure	3.81	0.61750
Family	3.71	0.85752
Environment	3.97	0.66484
Financial Literacy	4.00	0.64291

Descriptive analysis is used to measure and describe the basic elements of a set of data. It is performed on all independent and dependent variables. Table 2 shows the mean and standard deviation values for all variables in the research. The result demonstrates that the mean for every single variable is closer to the right scale of the five points. The independent variable that has the highest mean at 3.97 is environment, 3.81 for self-exposure factor, whereas the lowest mean is for family which is at 3.71. Financial literacy factor indicated a mean value of 4.0. This shows that all the answers of the respondents slanted towards scale 3 until 5 for all the factors.

Multiple Regression Analysis

Multiple Regression Analysis is a statistical method used to examine the relationship between multiple independent variables and a single dependent variable. It helps to determine whether there is a significant relationship of each of the independent variables towards financial literacy.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the Estimate
1	.726	.527	.513	.44884

Based on the Table 3 above, it shows the ability of independent variables to explain the dependent variable. The value of R square is 0.527 means 52.7% of the variance in the dependent variable is explained by the variety of the independent variables. It shows that the independent variable of self-exposure, family, and environment can explained financial literacy as much as 52.7% only.

Table 4: Coefficients

Model	Standardized Coefficients Beta	T	Sig.
Self-Exposure	0.346	3.750	0.000
Family	0.202	2.660	0.009
Environment	0.328	3.379	0.001

Subsequently, Table 4 shows the significance relationship of each independent variable in relation to the dependent variable. Based on the result, all the independent variables which are self-exposure, family, and environment are significant because the value of significance is below 0.05. It indicates that the independent variables have an impact on the dependent variable. Based on the standardised coefficients beta results, the highest value is 0.346 (self-

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exposure) which is closer to 1 compared to the other variable. This means that self-exposure is the most dominant effect on financial literacy.

For the second independent variable which is family, the value of its standardised coefficients beta is the lowest which is 0.202. This means that family is the least dominant effect on financial literacy. And the last independent variable, which is environment, the value of its standardised coefficients beta is the second highest which is 0.328. This means that environment is the second dominant effect on financial literacy. Therefore, this research highlighted that all the independent variables have a significant relationship with the financial literacy and these hypotheses were accepted as shown is Table 5.

Table 5: Summary of Hypotheses

Hypothesis	**Results**
H_1: There is a significant effect of self-exposure factor on the level of financial literacy among students in UiTM Kedah.	Accepted
H_2: There is a significant effect of family background factor on the level of financial literacy among students in UiTM Kedah.	Accepted
H_3: There is a significant effect of environments factor on the level of financial literacy among students in UiTM Kedah.	Accepted

Discussion And Conclusion

This research investigates the level of financial literacy among students in UiTM Kedah based on the self-exposure, family, and environment. According to the results from this survey, it shows that the three independent variables can determine the level of financial literacy among students in UiTM Kedah. Hypothesis 1 which is there is a significant effect of self-exposure factor on the level of financial literacy among students in UiTM Kedah was accepted and showed as the most dominant variable impacting the dependent variable. This is aligned with previous research done by Ana Shakirah Md. Sapir @ Md.Shafik and Wan Marhaini Wan Ahmad (2020); Mohamed Ali Shabeeb et al. (2022) and Nor Izzati Mohd Aziz and Salina Kassim (2020) which indicated that exposure of the students themselves impact on their financial literacy and subsequently impact on how well they manage their money.

Additionally, the second hypothesis which is there is a significant effect of family background factor on the level of financial literacy among students in UiTM Kedah was also accepted. Although this factor has the least effect on financial literacy, it showed significance in its impact on the research issue. This is in line with past research that pointed out that involvement by families in a child’s money management when they were younger will impact on their ability and literacy of managing their financial when they are older (Aydin & Akben Selcuk (2019); Nor Izzati Mohd Aziz & Salina Kassim (2020); Mohamed Ali Shabeeb et al. (2022)). The research also stated that parents act as role model to the children in most aspect including financial management.

Finally, the third hypothesis was also accepted which it stated that there is a significant effect of environments factor on the level of financial literacy among students in UiTM Kedah. Environment factor which is about the geographic location as well as the cultural norms of the geographic area has massive impact on individual’s financial literacy. Aligned with the past researches by Ana Shakirah Md.Sapir @ Md.Shafik & Wan Marhaini Wan Ahmad (2020) and Nor Izzati Mohd Aziz and Salina Kassim (2020) which stated that individuals living in the

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urban areas have higher financial literacy because metropolitan areas are the hub of the world's financial services industry, their citizens benefited from higher levels of financial literacy. This is significant because UiTM Kedah is in the second largest city in Kedah, therefore residents here including the students received higher exposure to financial management.

Based on the findings, the level of financial literacy is affected by self-exposure, family, and environment it can be concluded that it is an important research area as it'll help student evaluate their knowledge about financial literacy and in which area, they can improve themselves. The research objective which was to determine the factors contributing to financial literacy has been achieved. Having financial literacy skills can help students make smarter choices about financial management and avoid scams. In general, financial literacy is an important life skill that can help students achieve financial stability. Students should be able to heighten their financial literacy skills to ensure a promising future with zero financial issues.

Acknowledgement
The authors would like to thank the team Aunie Najiha, Nurin Husna, Khairina Syafiya, Muhamad Ikhwan and Muhammad Aimin for conducting the data collection stage, literature review search and analyses. The effort and time dedicated in completing this paper is greatly appreciated.

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