

# Factors Affecting Financial Literacy Among Secondary School Students in Selangor

Aida Hazlin Ismail<sup>1\*</sup>, Ridhuan Mat Dangi<sup>2</sup>, Shukriah Saad<sup>3</sup>

<sup>1,2,3</sup>Fakulti Perakaunan, Universiti Teknologi Mara Kampus Puncak Alam Selangor

Email: aidah348@uitm.edu.my, ridhuan@uitm.edu.my, shukriah736@uitm.edu.my

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## Abstract

The purpose of this study is to explore the factors that may influence the financial literacy of the secondary school's students in Selangor. This study is to increase understanding about the role of parents, peers and society on financial literacy and financial well-being among Malaysian school students. Expanded understanding of financial well-being among the school students will further help them in the processes of managing their own financial management independently. Currently, not many studies in Malaysia that examine the factors that affecting the financial literacy among the secondary school students. Most prior research investigate the factors affecting the college and university students. Based on social cognitive theory, this study investigates the factors that may affect the secondary school students in Selangor. The samples are three boys and three girls from one of the Secondary schools in Puncak Alam. Interviews were conducted on the selected samples and data were transcribe according to thematic format. Results show that factors that may influence the financial literacy of the school students are the social interaction, individual characteristics and environmental factors. Hence, students are able to manage their own money based on the influence of their family members especially their parents and sibling. In addition, environmental factors also place an important role in influencing the financial management and literacy of the students.

Keywords: Financial Literacy, School students, Social Cognitive Theory, Money, Financial Management.

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## 1. Introduction

The recent global financial crisis has a tremendous impact on the way how individuals manage their own personal financing. Managing own personal finance is an important factor in determining financial management behavior (Albeedy and Gharleghi, 2015). Personal finance literacy is conceptualized on certain critical areas in finance such as savings and borrowing, interest rate, budgeting and financial knowledge (Bamforth, Jebrajakirthy and Geursen, 2017). Past studies have revealed that Malaysians tend to have a higher rate of consumption compared to their savings rate (Ibrahim, Harun and Mohamed Isa, 2009). Matters

got worst when young graduates start working and could not manage their personal financial well. In 2012, Consumer report highlighted that many young executives are involved in bankruptcy due to mismanagement of their credit card. Their spending behavior are not being well manage and hence causing them to be involved in credit card debts. Hence, financial literacy is an important knowledge and skill that should be taught to the students since secondary schools (Ghazali, Azer, Mohamad, Arifin and Mat, 2017). This study is investigating the factors that may impact financial literacy among secondary students in the state of Selangor. The knowledge that the students have on

financial literacy, individual characteristics, social environments and attitudes are among the variables that will be examined in this study and the effect on financial literacy. Findings from this study may be useful to the government and policy makers to know the importance of educating the students in schools as well as colleges and universities on financial management.

### **1.1. Problem Statements and Research**

#### **Objectives**

The ability to manage personal finances has become increasingly important in today's world (Norvilitis, Merwin, Osberg, Roehling, Young and Kamas, 2006). People must plan for their long-term investments for their retirement and children's education. They must also decide on short-term savings and borrowing for vacation, down payment for a house, a car loan, and other big-ticket items. Additionally, they must manage their own medical and life insurance needs. Unfortunately, studies have shown that Malaysians have inadequate knowledge of personal finances (Masud Jariah, Husniyah, P. Laily, Sonya Britt, 2004; Ghazali, Azer, Mohamad, Ariffin and Mat, 2017). The public fail to make correct decisions as they have not received any formal personal finance education during their school or university years.

Past research identifies that college students are often considered a high-risk group when it comes to financial stability. Many college students have low levels of financial literacy (Wolfe-Hayes, 2010). Poor financial literacy among college students is associated with ineffective financial behaviors, including low savings, poor record keeping and more credit card debt (Norvilitis et al. 2006; Jariah, 2004 and Wolfe-Hayes, 2010). Ghazali et al. (2017) supports the notion that many students enter college with no budgeting experience and are liable to use credit unwisely.

Prior studies of high school students consistently find that they are not receiving good education in personal financial fundamentals and have poor knowledge (Chen and Volpe, 1998). Hence, it is important to start the education on financial literacy as early as in secondary schools (Albeerdly and Gharleghi, 2015). This is because once the students completed their Sijil Peperiksaan Malaysia (SPM), they will be entering colleges and universities. This is where the financial management knowledge is important for them to survive on their own in managing their own cash and expenses.

Therefore, the purpose of this study is to increase understanding about the role of parents, peers and society on financial literacy and financial well-being among Malaysian school students. Expanded understanding of financial well-being among the school students will further help them in the processes of managing their own financial management independently. Furthermore, not many studies in Malaysia that examine the factors that affect the financial literacy among the

secondary school students (Ibrahim et al. 2009). Most prior research investigates the factors affecting the college and university students.

Hence, the research question of this study is what are the factors that may influence student's financial literacy among the secondary school children in Selangor? And the research objective is to investigate the factors that may influence student's financial literacy.

### **2. Literature Review**

Financial literacy can be regarded as merely a subset of information literacy, and simply refers to the individual's ability to make informed judgments and effective decisions about the use and management of his or her money (Wolfe-Hayes, 2010). However, it is not an easy task about creating the knowledge, capability and decisions that must become an integral part of an individual's

life in order to have and exercise such abilities especially among the school students. In Malaysia, most published studies focus on financial literacy among college and university students and adults (Norvilitis et al. 2006; Jariah, 2004; Wolfe-Hayes, 2010 and Ghazali et al., 2017).

Knowledge on financial literacy is beneficial to individuals and families (Blalock et al, 2004; Danes and Hira, 1987). The financial literacy knowledge increases the student's chances for saving and investing, getting out of debts, spending less than they earn and living within their own personal budget. It also may decrease their chances for bankruptcy, personal loans and making poor consumer decisions (Grable and Joo, 1998; Hayhoe et al. 2000).

Financial literacy goes beyond knowledge about money; it also includes being a wise consumer of foods and other purchases such as cars (Knapp 1991). Thus, increasing financial literacy can affect students' physical health and safety as well as their psychological wellbeing. The financial literacy of students can also affect their current and future family relationships. Lusardi et al. (2010) find that families who spend less than they earn, pay bills on time and avoid unnecessary debt have fewer family tensions and an increased sense of self-worth compared to families who are poor managers of their finances.

Many prior studies have found strong correlation between financial literacy and a set of individual's behaviors. Bernheim (1998) found that most households lack of basic financial knowledge and cannot perform simple calculations. In addition, the saving behavior of many households is dominated by rules of thumb. Individuals with good financial literacy are more likely to participate in financial market and to invest in stock (Ahmad & Sahar, 2018; Almenberg and Widmark, 2011; Yoong, 2011).

Past study also correlates financial literacy with educational attainment such as low educational

attainment (Lusardi and Mitchell, 2007) and cognitive ability is also said to have correlation with financial literacy (Lusardi, Mitchell and Curto, 2010). Other findings include financial background as correlated to financial literacy. Family background is also another factor that has strong relationship with financial literacy. Results from past studies identify that financial literacy starts

in the family where the children observe parent's saving and investing habits or by receiving financial education directly from parents (Chiteji and Stafford, 1999; Li 2009).

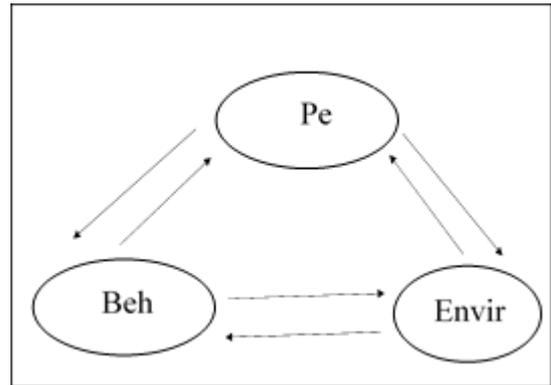
Prior research also has identified other factors that may have influenced on student's financial literacy (Sabri and McDonald, 2010; Ahmad & Ahmad, 2019). Researchers found that the college students have a low level of knowledge regarding overall money management, credit cards, and insurance (Ibrahim et al., 2009; Ghazali et al., 2017; Chen and Volpe, 1998). Within the context of Malaysia, research on financial management is lacking particularly with young consumers, including school and university students (Ahmad & Ahmad, 2018; Jariah et al., 2014). Hence, little information on the relationship between knowledge of the school students and their financial literacy.

Another main influence are the individual's characteristics that have an impact on individual's financial literacy. Norvilitis et al. (2006) identify that males know more about insurance and personal loans, but females know more about issues covered in the section of overall financial management knowledge. Married college and university students generally are more knowledgeable about personal finance as compared to non-married students (Wolfe-Hayes, 2010).

### 3. Research Methodology

This research is mainly an exploratory and a qualitative research design on the financial literacy of secondary school students in Puncak Alam, Selangor. The main reason to choose students from Puncak Alam area is that this area is a suburban area of Selangor and nearby to the Capital city of Shah Alam. Hence, the cost of living of the population here are slightly lower as compared to populations in Shah Alam City. Exploratory study is particularly useful when the researchers are lack of clear idea of the research problems that they will encounter during the study. In addition, through the exploration researchers develop concepts more clearly, establish priorities, develop operational definitions and improve final research design Cooper and Schindler (2003). Exploration serves other purposes as well. The area of investigation may be so new or so vague that the researcher needs to do an exploration just to learn something about the worldview of the participants in the study (Cooper and Schindler, 2003).

As this study is to explore the financial literacy of secondary school students in the area of Puncak Alam, Selangor, therefore the research approach is based on the phenomenology approach. Phenomenology literally means the study of phenomena (Hancock, 2002). The phenomena might be events, situations, experiences or concepts. According to Patton (1990) this type of research is based on the assumption that *'there is an essence or essences to be shared experience.....'* The experiences of different people are bracketed, analyzed and compared to identify the essences of the phenomenon. Hence, there is a lack of understanding of these phenomena because the phenomenon has not been overtly described and explained or our understanding of the impact it makes may be unclear (Hancock, 2002).



**Figure 1.** Initial Conceptual Framework for Financial Literacy and Social Cognitive Theory.

The semi-structured interview was used for collecting the data of the study. Semi-structured interview refers to a context in which the interviewer has a series of questions that are in the general forms of an interview schedule but is not able to vary the sequence of questions (Bryman, 2008). The questions are frequently somewhat more general in their frame of reference from that typically found in a structured interview schedule. In addition, the interviewer usually has some latitude to ask further questions in response to what are seen as significant replies. In order to ensure all relevant information is captured during the interview, the tape recorder was used to record the conversation throughout the interview. According to Fraenkel and Wallen (2007) while interview is going on, therefore it is essential to record as faithfully as possible what the participant has to say. Therefore, some method for recording an interviewee's words exactly is required. Using the tape recorder, however, does not eliminate the need for taking notes (Fraenkel and Wallen, 2007). In addition, the researcher also used notes during the interview. This note-taking act as a backup if the tape recorder is not functioning well.

#### 3.1. Sample Selection

This study is using the nonprobability sampling technique of purposive judgement sampling. According to Cooper and Schindler (2003), the judgement sampling occurs when a researcher

selects sample members to conform to some criteria. In addition, it is appropriate to use the judgement sampling in the early stage of an exploratory study (Coopers and Schindler, 2003). Therefore, as the main objective of this study is to explore the financial literacy of secondary school students, hence samples were chosen based on roll balling technique. After each interview session, they will recommend their friends as the sample for the next interview session. Three were male and another three samples were female students' age 13 to 16 years old from Sekolah Menengah Puncak Alam, Selangor. This is to avoid gender bias and to ensure that the data collected are relevant to both gender of the students.

### 3.2.Data Analysis and Coding

The interview questions comprised of a combination of open-ended and semi-structured questions. Mainly the questions were divided into two parts which comprised of background or demographic questions and opinion questions of the respondents. Background and demographic questions are routine sorts of questions about the background of the characteristics of the respondents and the opinion questions aimed at finding out what people think about some topic or issue (Fraenkel and Wallen, 2007) . All interview tapes were transcribed into Microsoft Word documents. The interview is transcribed using denaturalized transcription method. Denaturalized approach to transcription also attempts a verbatim depiction of speech (Oliver, Serovich and Mason 2005). In addition, the denaturalized approach has less to do with depicting accents or involuntary vocalization. However, accuracy concerns the substance of interview that is the meaning and perceptions created and shared during a conversation is important in the transcription. Both interview transcriptions are coded with interview 1, interview 2 and so on until interview 6.

The interview coding were differentiated using code of M1 for male student number 1 and F1 for

female student number 1. The coding is used for all the samples selected during the transcribing process. Each transcription is transcribed verbatim inclusive of all the response tokens and nonverbal vocalizations. According to Oliver et al. (2005), transcribing these features of speech can add to the context of the conversation/interview. Response spoken means using certain mono or bi-syllabic sounds can relay both meaning and understanding to the interlocutors (Oliver 2005). Among the most common of these are *Hm, Ok, Ah, Yeah, Um, Uh and Uh huh/ Nuh uh*. These vocalizations are intentional and has meaning attached to them that can influence a conversation.

## 4. Results

Each transcript from the interview was analysed by segregating them manually into patterns and themes with similarities, dissimilarities and other matters. Before, the process of segregation into themes, each transcript was read at least three times to ensure, high level of familiarity with the data (King, 1994). Then, a few themes were highlighted and discussed in the findings of the study.

### 4.2.Knowledge on Financial Literacy

With respect to knowledge on financial literacy, all the sample respondents are aware of this subject matter. However, their knowledge are minimal. Most of the respondents define financial literacy as saving money and money matters. Two of the respondents actually knew about financial literacy through their reading and another two respondents knew the information from school curriculum activities of club and society.

*“Financial literacy is savings money of yourself and other people.”* (F2)

*“I heard about financial management in school as one of the club is on financial literacy. However, not everyone are able to join this club are for form 4 and for 5 students”* (M4)

Although the sample respondents are aware of financial literacy issues, however they are not sure what is the meaning of financial literacy.

### **4.3. Financial Savings mechanism**

All the respondents are aware on the importance of having a saving. Four of the respondents have a bank account kept by their parents for savings of money. They will request their parents to withdraw the money if they want to use them. The other two of the respondents save their daily pocket money using a piggy box and share the money with their siblings. Usually when the piggy box is full, they will request their parents to keep the money into the bank account. There are also time where the respondents use the money to purchase things that they want during the weekend such as pencil, books or some food as a treat for themselves.

*“I usually keep my extra daily pocket money in my piggy box. Sometimes I will use the money to buy stationeries or treat myself with drinks or food when my parents are not around.”* (P3 & M4)

*“Usually when the money is a lot around RM50, I will give them to my mom to keep in my account. I need to use the money, I will request her to withdraw the money for me”.* (M1)

The respondents are aware on the importance of having a saving account to keep their extra daily pocket money. Two of the respondents said it is important to have money as savings because there are times that we may need to use money urgently. Therefore, it is important to have some savings to be used during the emergency time.

### **4.4. Financial Management as one of the subject in schools**

All of the respondents agree that financial management should be one of the subject to be taught in schools. Three of the respondents highlighted the importance of an individual to know how to manage their money at the young age. Most of the respondents agree that it is crucial for

an individual to cultivate the habit of good financial management at a very young age to ensure that they will know how to manage their income when they have started working later. Some of the

respondents suggest that children should be exposed to the financial management skills at the age of 6 to 12 years old. This is to ensure that the children will be able to have a good spending habits and manage their own money with the guidance of their parents.

Teachers will be the best ‘guru’ for the students to cultivate a good financial management habit. A special subject can be introduced to the primary school children at the age of 7 till 12 years old to expose them to financial management skill. The skills could be related to preparing personal budget, managing their own money and savings purposes (M3).

*“I think it is a very useful knowledge for the students to know about how to manage their money. I think it is good to expose the students about the management at very early age maybe when they were in primary schools.”* (M2)

*“Usually children will be influence by what the teachers in school say. Hence, it is good if the students were expose at the very early age of their life on the skill of managing their own money. Hopefully this will help them to have a good habit of spending and savings their money.”* (M5)

### **4.5. The importance of financial management knowledge to the students**

All of the respondents agree that the knowledge of managing their money is important. Every respondent emphasis that schools should either create a subject on financial management of must have a club on financial management for the students’ curriculum activities. Students will be able to grasp more knowledge and skills on how to

manage their own money with the exposure that get from schools.

Until today, no such subject being introduce to the students in Malaysia either is primary or secondary schools. Maybe it is a high time for the Ministry of Education to think about implement financial management subject in primary and secondary school children. The knowledge will be very useful to them especially when they are not from a family that are concerns with the way their children management their own money. Some parents are not able to manage their own money well (P2). Hence, how can this type of parents be a good example for their children to manage their money. Therefore, financial management is a very important subjects to be taught is schools in Malaysia.

*“It will be good if the school have financial management subject being taught in class. With the extra knowledge may help the students to management their money when they start working later.” (M1)*

#### **4.6. Influential factor for the financial management**

Two the respondents highlighted that the most influential person for their financial management behavior is their mothers.

*“My mother will always ask me on what and how I spent my daily allowance money that she gave to me every morning. She will make sure that I keep those extra money and only use it when I perform well in my exams or I did something that pleased her.” (P3 & M1)*

However, they are two other respondents that agree that their siblings are the most influential person in helping them to manage their own money. Their siblings will compare who will be the one that save the most for the month and then they will use the money to buy things that is useful to them such as birthday gifts for their other siblings or parents.

They even compete on who will have the most saving fort the week. The money will then pass to their mother to be bank in into their respective accounts.

*“Usually every Friday we will check the balance of our weekly allowance. My big brother will then keep the money in our family peggy box for late usage such as to buy birthday cake for mummy or daddy as a surprise from all of us.” (M5)*

#### **5. Conclusion And Discussion**

This paper provides an emerging framework that promotes a new understanding of financial literacy and financial management among secondary school children in Selangor. The study reveals that financial management is an important knowledge to be taught to the school children at the early stage of their school life. It is good to expose the students to the financial management skills at the age of 6 to 12 years old as this will be a valuable exposure to them on how to develop a healthy and good financial management skills.

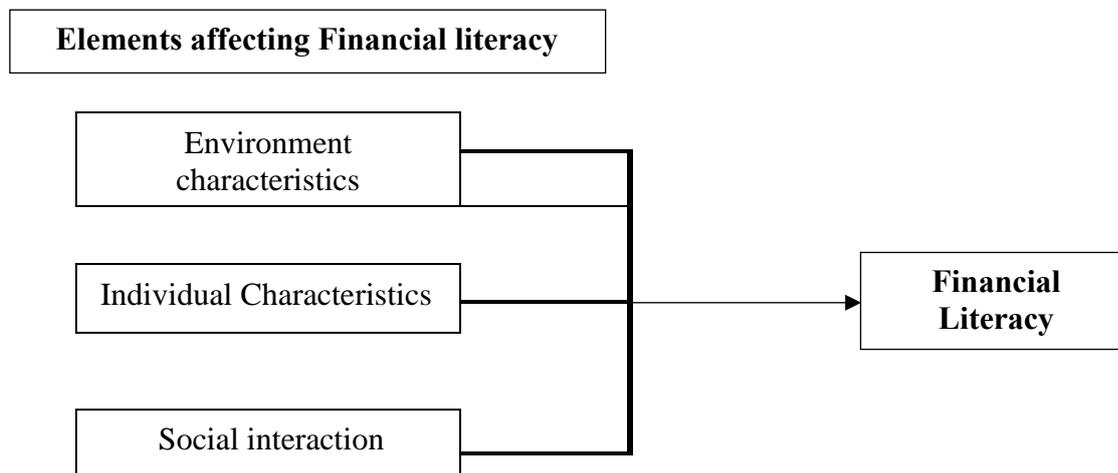
Parents influence are among one of the factors that can affect student’s financial literacy and behavior. Parents instruction such as talking about how to handle money was expected to relate to the financial behavior and management of the children. How parents manage and handle family finance has a strong impact on the financial behavior of the children.

The government has an important role in ensuring the financial management education is being taught to the school children at a very early age. The government could develop special syllabus or curriculum activities for the students to get them involve and experience on how to manage their personal money. This will be a good step for the students to develop financial management skills when they start earning their own money later.

Findings from this study indicates that there are many factors that influence the way students manage their personal financial matters. Some of the factors are peers, parents especially their mothers and siblings. In other words that shows that the most influential person to develop a good financial management skill will be back to the environment of their own family training and example. Therefore, it is good if the students from each family will have a formal education and knowledge on financial management skills. Hopefully when they become parents one day, they will show a good example and guide their children on how to manage their own money.

The small sample used in the study limits the generalization of the findings to the population of secondary school children in Selangor. Therefore, further research needs to be conducted using

either a survey method or an experimental design to statistically validate the findings obtained from this study. Samples can also be chosen from secondary school children from Urban areas such as Shah Alam, Selangor. Comparison could be made to look at the different factors that may influence students from Urban and sub-urban schools in Selangor.



**FIGURE 2:** Emerging framework of elements affecting Financial Literacy

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