

Ethnic and Gender Differences in Financial Management among College Students

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Abstract: The paper aims to examine ethnic and gender differences in financial management among college students. Using the stratified sampling method, 2,340 college students from six public and five private colleges were studied. The findings indicate gender differences in financial management, in which female students performed greater financial management than male students. The results revealed significant ethnic differences in financial management, in which Malay students performed greater financial management than Chinese and Indian students. [Leila Falahati, Hamidreza Babaei, Laily Hj.Paim, Ethnic and Gender Differences in Financial Management among College Students. Journal of American Science, 2011;7(6):1189-1192]. (ISSN: 1545-1003).

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1. Introduction

Young adults, particularly college students, receive more attention from financial educators (Goldsmith and Goldsmith, 2006; Gutter et al., 2010; Hayhoe et al., 2000; Hira et al., 2000; Joo, 2008; Norvilitis et al., 2006), as they have easier access to financial sources such as credit, debt and educational loans than previous generations of students. However, a great body of research has documented significant gender differences in financial management (Masuo et al., 2004; Norvilitis, et al., 2006; Shim et al., 2009), the level of perceived financial problem among college students (Sabri et al., 2010) and the ethnic differences as well (McWhirter, 1997).

Financial research (Joo, 2008; Xiao et al., 2009) has long recognized that financial management is the main determinant of financial well-being, however, it is documented that one's financial management is influenced by individual and personal characteristics such as gender and ethnicity. Xiao (2008) indicated that common financial management includes practices relating to cash, credit and savings management (Xiao et al., 2006), for which effective behavior is to refer to positive or desirable behavior recommended by consumer economists as a way to reduce the level of financial problems.

The studies of financial management among college students (Borden et al., 2008; Eckel and Grossman, 2002; Knight and Knight, 2000; Lea et al., 1995; Livingstone and Lunt, 1993; Lyons, 2008) have shown that students have inadequate knowledge and skills to manage their finances. They fail to make correct financial decisions and experience a high

level of financial strain and problems such as debt load. The assessment of the research results revealed that the role of gender in financial management is unclear. For example, women are more likely to report having a budget than men (Henry et al., 2001), have more investment than men (Bajtelsmit and Bernasek, 1996) and are more likely to report using sound financial practices (Hayhoe, et al., 2000).

Conversely, others have found that women have more credit cards than men (Hayhoe, et al., 2000; Norvilitis, et al., 2006), men score higher on a test of financial knowledge (Goldsmith and Goldsmith, 1997), and women have higher levels of debt (Davies and Lea, 1995; Norvilitis, et al., 2006). However, the study of ethnic differences in financial management among college students is limited to McWhirter (1997). Generally, Malaysia is considered a multi race country with Malay, Indian and Chinese ideology, and a multicultural society with a mixture of Muslims, Hindus and Buddhists. Different ethnic backgrounds confirm the differences in ideology, life style and in turn differences in money practices.

However, the study of financial management among the ethnic groups in Malaysia is scarce. Ethnic and gender differences in financial management indicate that males and females and even different ethnic groups perform different financial management, which may have a different effect on their future life. Therefore, understanding differences in financial management provides proper knowledge concerning a student's financial needs and education to enhance their financial management.

2. Materials and Methods

2.1 Instrumentation

To measure financial management, two main dimensions including savings and spending behaviour were considered. To measure spending behaviour an instrument was developed by Sabri et al. (2006); it included 11 items requiring students to confirm whether they spent their money on those items using a Yes or No scale. Items included, mobile phone, Internet café, entertainment magazine, movies, games (Bowling, Snooker), beauty salon, cigarettes, drugs, alcohols, gambling and clubbing. Spending behaviour was computed by summing the items determined by students.

The higher the numbers of items the students spend money on, the lower the score and the lowest number of items receive the highest score. To measure saving behaviour an instrument including 5 items was adopted from Hilgert and Hogart (2002) which was concern about “saving times within six months”, “saving for long term”, “saving for short term” and “regarding financial condition in university, has enough money that can be put into savings”. Savings behaviour was computed by summing the savings scores.

The highest score indicated good savings behaviour and the lowest score indicated poor savings behaviour. Financial management was measured by summing spending and savings behaviour; a higher score indicated safe financial management and a low score indicated risky financial management.

2.2 Sample procedure and sample profile

Data were collected using a stratified sampling method. The study sample comprised students from public and private universities; a total of 11 universities were randomly selected for the study (six public and five private universities). For each university a total of 350 students were randomly selected using the list of names obtained from each student affairs office. The total number of questionnaires distributed to the 11 universities was 3,850.

A total of 2,500 completed and usable questionnaires were returned by the students,

producing a 65% response rate. Of the 2,500 students who responded to the survey, 40.4% were male students and 59.6% were female students. The ethnic composition was Malay (71.4%), Chinese (21.7%), Indian (5.0%) and others (.8%). The age composition of students was lowest 20 years (39.3), 21-30 years (60.5%) and highest 31years (.2%). The mean age of the respondents was 20.9 years. Students from the public university were (60%) while the others (40%) study in private universities.

2.3 Data Analysis

To determine gender differences in financial management the mean comparison t-test was conducted between male and female students. To determine ethnic differences the Analysis of Variance (ANOVA) was conducted to determine the differences between three ethnics.

3. Results and Discussions

The findings in Table 1, indicated that there are statistically significant differences in financial management among the three ethnic groups ($F= 8.29$, $P\leq.00$). The results indicated that Malay ($M= 11.19$) students have greater financial management than Chinese ($M= 10.88$) and Indian ($M= 10.75$) students, however, in order of rank, Indians performed weaker financial management than the other two ethnic groups. Regarding the financial management dimension, the results depicted in Table 2, indicated that there are statistically significant ethnic differences in savings behavior ($F= 3.56$, $P\leq.00$), in which Chinese students ($M= 4.38$) have greater savings behavior, followed by Indian ($M= 3.98$) and then Malay ($M= 3.94$) students. However, there were no statistically significant differences in spending behavior between the ethnic groups.

The results of the t-tests, given in Table 2, indicate that there was a statistically significant difference in financial management between male and female students.

Table 1: The Results of ANOVA for Financial Management by Ethnics

<i>Items</i>	<i>Malay</i>	<i>Chinese</i>	<i>Indian</i>	<i>F</i>	<i>Sig</i>
Financial Management	11.19	10.88	10.75	8.29	.000
Spending behavior	3.94	4.38	3.98	3.56	.0
Saving behavior	9.11	8.96	9.04	2.21	-

The mean comparison of male and female students financial management revealed that female students ($M=11.25$) performed better financial management than male students ($M= 10.08$). This comparison was found to be statistically significant, ($t= -5.84$, $P\leq.00$). To assess financial management, the components revealed that male students have significantly better financial management ($t= 2.11$, $P\leq.00$) in savings ($M= 4.21$) than female students ($M=3.91$). The results indicated that female students spending behavior ($M=9.19$) is safer than that of male students (8.86). This comparison was found to be statistically significant, ($t= -5.27$, $P\leq.00$).

Table 2: The Result of the t-Test for Financial Management

<i>Items</i>	<i>Male</i>	<i>Female</i>	<i>t</i>	<i>Sig</i>
Financial management	10.08	11.25	-5.84	.000
Saving behavior	4.21	3.91	2.11	.000
Spending behavior	8.86	9.19	-5.27	.000

4. Conclusions and Implications

The overall findings of the present research indicated that males and females show differences in financial management, in which, overall, female students demonstrate better financial management and better spending behavior while males have better savings behavior. In respect of gender matters the findings emphasize that female students have better financial management than male students, which is consistent with the findings of Hayhoe et al. (2000). Female students spending behavior is better than male students, while male students have better savings behavior. These differences might indicate that female students are more concerned with better cash flow management (Hayhoe, et al., 2000; Henry et al., 2001) while male students are concerned about financial planning such as investment and savings. Concerning the findings pertaining to ethnicity, the present study confirmed the differences in financial management between the three ethnic groups, in which, overall, Malays performed greater financial management. In addition, the results indicated that Chinese student's performed greater saving behavior, which may be rooted in Chinese culture, in that there is greater concern for planning for investments for future life. However, there were no differences in spending behavior among the three ethnic groups.

5. Recommendations

As Malaysia is rapidly moving towards economic development, the majority of students after graduation are future labour force workers; consequently, it is important to set up educational programmes to educate students about financial skills and the necessities of efficient money management. Concerning the present research findings it is recommended that in formulating a financial education strategy, gender and ethnic differences in financial management should be taken into consideration to meet the information needs and help educated individuals in respect of financial matters.

In addition, it is recommended that the programme provides relevant information about the financial behaviour and its costs and benefits in later lifecycles. Moreover, as there were significant differences in financial management between the ethnic groups, it is recommended that a national education programme that covers managerial skills for all students is established in school. This would be for the purpose of equipping all students, beyond that of the individual ethnic and gender groups, with financial skills and proper knowledge in financial matters before leaving school and entering college life.

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