

## A Correlational Study on Savings, Spending, Investment and Insurance Among Students at Tertiary Levels

Ali Z.

Centre for Modern Languages & Human Sciences, Universiti Malaysia Pahang, 26600 Pekan, Pahang, Malaysia

### Abstract

The recent economic crisis has heightened the need for the society in Malaysia to manage their financial decision making. Such implies that the knowledge on financial literacy seems to be paramount to be equipped with the Malaysians so as to navigate the complexities of managing one's life. Taking the statement into account, the current study attempts to examine the correlations of an independent variable; savings behaviour with that of three dependent variables - behaviour in spending, knowledge of investment and knowledge of insurance among students at tertiary levels. A survey research method is employed to obtain its data among 229 volunteered students studying in various academic institutions. The results of the study reveal that there are medium positive correlations between savings and spending as well as investment, while there is a small positive correlation between savings and insurance. Such results that are obtained prove that there is a need to improve financial literacy among the participants especially in their knowledge of insurance.

**Keywords:** Financial literacy; Saving; Spending; Investment; Insurance.



CC BY: [Creative Commons Attribution License 4.0](https://creativecommons.org/licenses/by/4.0/)

### 1. Introduction

The importance of having positive attitude to saving is fundamental for all people in walks of life. For students studying at tertiary levels, the right attitude towards saving may assist them in managing their finance. In turn, having positive attitude towards savings may demonstrate positive attitude in spending. Moreover, the importance of having positive attitude in savings and spending, in a long run, may protect themselves from financial loss. In other words, they may opt to take insurance and spend their money on investment as the results of having positive attitude to savings and spending. Nevertheless, in reality, it is too ideal to possess positive attitude towards savings as well as demonstrate good behavior in spending. Also, students who have knowledge of insurance and investment while studying may be categorized as those who have forward thinking pertaining to the way they manage their financial matters. Having said that, the current study attempts to find answers to the following questions:

1. Is there any significant relationship between students' savings attitudes and their attitudes in spending?
2. Is there any significant relationship between students' savings attitudes and their knowledge of investment?
3. Is there any significant relationship between students' savings attitudes and their knowledge of insurance

### 2. Literature Review

#### 2.1. Spending Attitude

Behavior of spending differs from one individual to another. In fact, sibling in a family may have different ways of spending as the behavior relates to an individual lifestyle. Likewise, for university students - their spending behavior depends on the materials or gadgets they preferred to use. A study among students at tertiary level; 2098 first-year students, found that students who internalized their financial knowledge had better financial attitude in relation to the way they spend. The study also reported that students who have financial knowledge tend to use their credit cards wiser. Financial knowledge was reported as the factor that enables college students to be good at managing the way they spend on buying things (Sabri and MacDonald, 2010). In fact, their behavior of spending was very much influence with their exposure of using money when they were children. Interestingly, the study revealed that those who socialize tend to have poor habits and poor in spending. In addition, students seemed reluctant to consult their counsellors in their colleges to report of their financial problems, and thereby, spent their money when they claimed unexpected expenses took place in their life (Lim, 2014). Their study that was conducted among postsecondary schools' students, however, obtained such results due to they were still young and depended on their parents for financial support.

#### 2.2. Saving Attitude

Saving for emergency is a good behavior demonstrates by students at tertiary level. It seems that female students tend to demonstrate this behavior much better than the male students (Falahati and Paim, 2011). The study that employed 350 students from 11 universities in Malaysia showed that females are better at managing their money due to they practice their financial socialization better than the males. Factors namely family members, parents, relatives, close friends, community organizations contribute to the way they manage their savings. In addition, as college students will be the working force in the future, there is a need to ensure that they have good savings attitude

(Falatahi, 2012). Their study investigated savings behavior of the students in the Malaysian context in terms of their attitudes in having own savings, saving within six (6) months, saving for long and short terms and having enough money to be put into savings. The results of the study revealed that their savings behavior with regards to all the factors described earlier, were very much influenced by their childhood financial practices. Thus, parents who taught positive savings behavior demonstrated positive financial behavior in later in the participants' life.

### 2.3. Knowledge of Insurance

Bakar (2018) surveyed students in the Department of Insurance and Risk Management at a university in Turkey concerning their knowledge level of life insurance. In the country, life insurance is important as it enables members of the deceased's family to obtain death benefit. The researchers claimed that more importantly, having life insurances taught them to save money. Yet, it was quite worrying when the education system in Turkey had limited experts in the field. Also, there are only a number of institutions offering such program. As a result, students who took the course, demonstrated low ratio of life insurance literacy. Their study, therefore, attempts to find answer as to how students can be helped to increase their knowledge. Such is important as they will be working in the insurance sector. In addition, Shaari (2013) examined the financial literacy among 384 students studying in local universities in Malaysia. Among the questions that were asked in the questionnaire was their knowledge of insurance. Their study found that students who had good knowledge of financial literacy realized that they would helped them in buying the right kind of insurance.

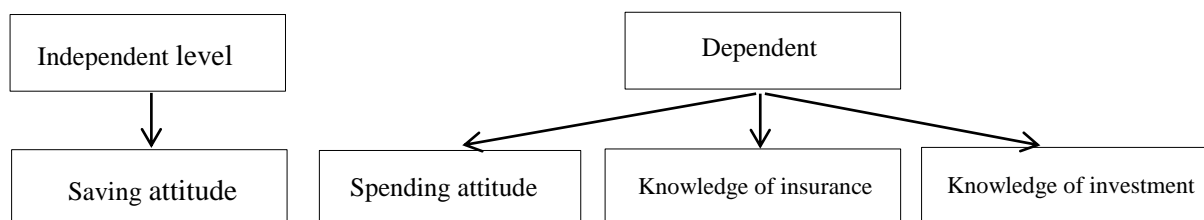
### 2.4. Knowledge of Investment

Volpe (n.d) investigated students' knowledge of personal investment and its relationship between several variables - level of investment literacy and gender, academic discipline, and experience. The students were found to demonstrate low knowledge of personal investment. The study proved that literacy problems, in particular knowledge of personal investment, existed among the students. It was also found in the study that students who used Internet and showed interest in investment topics, were adequate with the knowledge compared to those who were not. The study also examined that difference in IQ scores with that of levels of experience. The study found that investment illiteracy existed across all age groups regardless of the participants' IQ scores.

### 2.5. Conceptual Framework of the Study

The conceptual framework of the study describes the variables namely independent and dependent variables that are employed to investigate the relationship between students' savings with that of spending behavior, knowledge of insurance and knowledge of investment. In the current study, the independent variable is attitude in saving whereas the dependent variables are students' spending attitude, knowledge of insurance and knowledge of investment. Figure 1 shows the conceptual framework of the current study.

Figure-1. Conceptual Framework



## 3. Methodology/Materials

### 3.1. Sample of the Study

There are 229 samples (75 males, 154 females) who are studying at tertiary levels take part in the study. More than half of them are taking degree in various courses – engineering, arts and humanities, natural sciences and health and welfare. Others are studying at diploma and postgraduate levels in various government and private universities. In terms of age, majority of them are 18-20 years old while minority of them are in 40-44 years of age. They have their scholarships as their main monthly incomes, and therefore, it implies that majority of them do not have working experience. With regards to spending, majority of them spend RM400-RM500 in a month. For marital status, majority of them are still single.

### 3.2. Research Instrument

Online survey employing google form is utilized as the research instrument. The online questionnaire is divided into four (4) components: demographic information, attitudes in savings, attitudes in spending, knowledge of insurance and knowledge of investment. Likert scale having five (5) measurements are used to gauge participants' preferences in the items formulated.

### 3.3. Data Collection Procedures

The data was collected through emails and WhatsApp messages in October to November 2018. Participants were invited to complete an online survey form (google form) after reading the synopsis of the current research. The researcher informed that participation in the study was voluntarily and they may decline to complete the survey if they want to. Since the researcher has a number of WhatsApp groups with academic in nature, she encouraged the group members to relay the online survey to the participants' colleagues and acquaintances. The number of students who participated in the survey could be assessed synchronously, and therefore, after nearly a month, the data obtained was ready to be analyzed.

### 3.4. Data Analysis Procedures

Independent sample t-test is employed to identify the relationship between students' attitudes in savings with attitudes in spending. Likewise, independent sample t-test is used to gauge the relationship between students' attitude in savings with knowledge of insurance as well as knowledge of investment. In analyzing the data, descriptive statistics and inferential statistics are used to explain the results of the study.

## 4. Results and Findings

### 4.1. Is There any Significant Relationship Between Students' Saving Behavior and Their Behavior in Spending?

The relationship between students' savings behavior and spending behavior was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity were evident. Table 1 shows the mean and standard deviation of spending behavior (M=26.22, SD=4.28) as well as mean for saving behavior (M=21.45, SD=5.07).

**Table-1.** Mean spending behavior and mean saving behavior

	Mean	Std. Deviation	N
<b>Spending Behavior</b>	26.22	4.28	229
<b>Saving Behavior</b>	21.45	5.07	229

Meanwhile in Table 2, it shows that there is a medium, positive correlation between the two variables,  $r = .43$ ,  $n = 229$ ,  $p < .0005$ , with high levels of saving behavior and spending behavior. Such results imply that the participants in the study have moderate attitude in saving and spending. Otto (2013a) argues that an individual's upbringing determine his/her attitude to saving and indirectly in the way they spend his/her money. Skills in savings and spending are actually practice in a circumlocutory manner. Children who are taught to save have their parents as their role models, and therefore, they would demonstrate more independent economic behavior. In terms of spending and at the same time demonstrate positive in savings, they regard pocket money and allowances as flexible money and would be using it on their willingness (Otto, 2013b). Nevertheless, the results of the current study are in contrary with the research conducted by Jonubi (2013). Their study found that participants demonstrated high financial literacy and tend to have positive savings attitude. The participants who took Masters in Business Administration were reported to save regularly of their monthly income for savings purposes. Interestingly, it was reported that males had a higher probability of savings compared to females. The study which also aimed at identifying whether males or females spent more than their income, however, found no relationship between spending in relation to gender difference.

**Table-2.** Correlation between saving behavior and spending behavior

		Spending Behavior	Saving Behavior
<b>Spending Behavior</b>	Pearson Correlation	1	.428**
	Sig. (2-tailed)		.000
	N	229	229
<b>Saving Behavior</b>	Pearson Correlation	.428**	1
	Sig. (2-tailed)	.000	
	N	229	229

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### 4.2 Is there any significant relationship between students' saving behavior and their knowledge in investment?

Pearson product-moment correlation coefficient was employed to identify if there is any significant relationship between students' savings behavior and their knowledge of investment. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity was evident. Table 3 shows the mean and standard deviation of saving behavior (M=21.45, SD=5.07) together with the mean and standard deviation of knowledge of investment (M=25.71, SD=5.51).

**Table-3.** Mean spending behavior and knowledge of investment

	Mean	Std. Deviation	N
<b>Knowledge of investment</b>	25.71	5.51	229
<b>Saving Behavior</b>	21.45	5.07	229

Meanwhile, the inferential statistics in Table 4 shows that there was a medium, positive correlation between the two variables,  $r = .32$ ,  $n = 229$ ,  $p < .0005$ , with high levels of saving behavior and knowledge of investment. This implies that participants in the current study have moderate knowledge of investment. This outcome is contrary to a research involving 140 students at tertiary level in Lahore in that they had low level of investment knowledge when they were required to answer 10 investment related questions (Ahmad, 2012). Although they were students who took commerce and studied finance as their major, it seemed that their investment knowledge was still at a low level. Ahmad (2012) concluded that there was a need for a fundamental change in relation to how the teaching of finance was taught at the higher education levels. The researcher also found that there was a difference in students' knowledge about investment with that of gender, work experience and age groups. The findings of the current study do not support the previous research in that it was reported that college students had inadequate knowledge of personal investment (Volpe, n.d). Also the report showed that in terms of gender, female students demonstrated lesser knowledge in investing compared to their counterparts. A questionnaire that was used to gauge students' knowledge of personal investment produced results in that female students scored lower percentages of marks when questions concerning mutual fund performance, global investing and business math were asked to them. Volpe (n.d) suggested that there is a need to revisit the college students' knowledge of personal investment since at the current stage, they were illiterate in the issue. Likewise, it was found that Pakistani graduates; more specifically business graduates, were less interested in discussing the matter that involved with investment (Shah, n.d.). Nevertheless, the study showed that students' demographic details: qualification, gender, profession or employment status and income were very closely related to their knowledge in managing their finance. This implied that when students were literate at managing their money, they tend to be more knowledgeable in investment matters.

**Table-4.** Correlation between spending behavior and knowledge of investment

		Saving Behavior	Knowledge of investment
<b>Saving Behavior</b>	Pearson Correlation	1	.320**
	Sig. (2-tailed)		.000
	N	229	229
<b>Knowledge of investment</b>	Pearson Correlation	.320**	1
	Sig. (2-tailed)	.000	
	N	229	229

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.3 Is there any significant relationship between students' saving behavior and their knowledge in insurance?

Preliminary analyses were conducted to ensure that there was no violation in normality, linearity and homoscedasticity was shown at this stage. Pearson product-moment correlation coefficient as can be seen in Table 5 shows the mean and standard deviation of students' saving behavior is  $M=21.45$ ,  $SD=5.06$ , while the mean and standard deviation of knowledge of insurance is  $M=25.48$ ,  $SD=5.11$ .

**Table-5.** Mean saving behavior and knowledge of insurance

	Mean	Std. Deviation	N
<b>Knowledge of insurance</b>	25.48	5.11	229
<b>Saving Behavior</b>	21.45	5.068	229

Meanwhile, Table 4 shows the correlation between saving behavior and knowledge of insurance among the participants. It can be seen that there is a small, positive correlation between the two variables,  $r = .23$ ,  $n = 229$ ,  $p < .0005$ , with high levels of saving behavior and knowledge of insurance. These results are consistent with data obtained in a study conducted by Bakar (2018) who found that student majoring in Education had very low knowledge about insurance; in particular basic life insurance. In the study, 161 students were required to answer ten (10) Yes-No questions pertaining to life insurance. Results revealed that nearly half of them had difficulty describing the differences of life insurance products. Another nearly half of the participants argued that their knowledge about life insurance was above average. Bakar (2018) concluded that there is a need to include technology in educating college students to increase their knowledge pertaining to insurance. For practitioners, the use of the tool would provide new teaching techniques to them. Lessons should be delivered akin to a training session so as to ensure contents are more focused and able to deepened students' thinking about topics related to insurance. The results of the current study are also in agreement with a study conducted by Cude *et al.* (2006). Although their research did not directly discuss students' knowledge of insurance, the term financial literacy, however involves students' understanding of insurance related matters. Overall, they found that quite a number of the participants in their study were not able to manage their finance well since they failed to adopt to a set of recommended practices as in they spent more money than they had, did not put side aside money for savings and went over the limit on their credit

cards. With all these factors, there seemed no surprise that they would have low knowledge of insurance as they demonstrated poor financial knowledge.

**Table-6.** Correlation between saving behavior and knowledge of insurance

		Saving Behavior	Knowledge of insurance
Saving Behavior	Pearson Correlation	1	.232**
	Sig. (2-tailed)		.000
	N	229	229
Knowledge of insurance	Pearson Correlation	.232**	1
	Sig. (2-tailed)	.000	
	N	229	229

\*\* Correlation is significant at the 0.01 level (2-tailed).

## 5. Conclusion

The current study has identified that there is a medium positive correlation between savings and spending attitudes as well as between savings attitudes and knowledge investment. Yet, there is a medium correlation between savings attitudes and knowledge of investment and insurance. These findings suggest that in general, participants at tertiary levels in the local and private universities in Malaysia that were surveyed demonstrated moderate attitudes in saving and spending. They also possess moderate knowledge of investments. Nevertheless, the knowledge of insurance among these students were poor. This new understanding should help to improve that there is a need to instill knowledge among them in that buying insurance at younger age is considerably cheap than waiting to have one until later in life. Since majority of them are teenagers in their early twenties, the coverage costs are much lower as well. Perhaps being limited to the technical terms of writing the items in the questionnaire, for example in the sentence; 'I would stop paying premiums if I think I would not be able to pay my insurance anymore', was the reason that the current study obtained a small correlation between savings attitude and knowledge of insurance. The participants who were from various programs might not understand the term 'premiums', and therefore, choose the scale that did not resemble their preferences.

## Acknowledgement

This research work is supported by the Project (RDU180347) supported by Universiti Malaysia Pahang.

## References

- Ahmad, Z., Sarfraz, M., Khan, M., Usman Javaid, A, Ijaz, T. (2012 ). Assessment of investment knowledge and investment preferences of commerce students in Lahore. 12(1): 211-20.
- Bakar, Ö., Soykan, Y., & Acar, B. (2018). Measuring Students' Knowledge Level of Life Insurance: A Case on the Students of the Department of Insurance and Risk Management at the Dumlupinar University, Turkey. *Journal of Educational and Social Research*, 8(1): 75-82.
- Cude, B., Lawrence, F., Lyons, A., Metzger, K., LeJeune, E., Marks, L. and Machtmes, K. (2006). College students and financial literacy: What they know and what we need to learn. . Paper presented at the Eastern Family Economics and Resource Management Association.:
- Falahati, L. and Paim, L. (2011). Gender differences in financial well-being among college students. *Australian Journal of Basic and Applied Sciences*:
- Falatahi, L., Fazli Sabri, M. & Paim, L.H.J. (2012). Assessment a model of financial satisfaction predictors: examining the mediate effect of financial behavior and financial strain. *World Applied Sciences Journal*, 20(2): 190-97.
- Jonubi, A., & Abad, S. (2013). The impact of financial literacy on individual saving: an exploratory study in the Malaysian context. *Transformations in Business & Economics*, 12(1): 41-55.
- Lim, H., Heckman, S., Montalto, C., & Letkiewicz, J. (2014). Financial stress, self-efficacy, and financial help-seeking behavior of college students. *Journal of Financial Counseling and Planning* 25(2): 148-60.
- Otto, A. (2013a). Saving in childhood and adolescence: Insights from developmental psychology. *Economics of Education Review*, 33: 8-18.
- Otto, A. (2013b). Saving in childhood and adolescence: Insights from developmental psychology. *Economics of Education Review*, 33: 8-18.
- Sabri, M. F. and MacDonald, M. (2010). Savings behavior and financial problems among college students: The role of financial literacy in Malaysia. *Cross-Cultural Communication*, 6(3): 103-10.
- Shaari, N. A., Hasan, N. A., Mohamed, R. K. M. H., & Sabri, M. A. J. M. (2013). Financial literacy: A study among the university students. . *Interdisciplinary journal of contemporary research in business*, 5(5): 279-99.
- Shah, N. H., Aman, Q., Ayaz, B., Irfan, M., & Iqbal, A. (n.d.). Demographic Profile of Investment Preferences among Business Graduates in Pakistan. *Journal of Managerial Sciences* Volume 11 (3): 150-62. Available: [http://www.qurtuba.edu.pk/jms/JMS%20Special%20Edition/1%20EIEF/10%20\(AIC-EIEF%202017\)%20149-162%20Naveed%20Hussian.pdf](http://www.qurtuba.edu.pk/jms/JMS%20Special%20Edition/1%20EIEF/10%20(AIC-EIEF%202017)%20149-162%20Naveed%20Hussian.pdf)
- Volpe, R. P., Chen, H. & Pavlicko, J. J (2018), 'Personal Investment Literacy Among College Students: A Survey', <<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.476.6325&rep=rep1&type=pdf>>, accessed 9 Nov.