THE FINANCIAL LITERACY AND PRACTICES OF STUDENTS IN CENTRAL LUZON STATE UNIVERSITY, PHILIPPINES

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ABSTRACT

This study examined financial literacy and practices of the 400 students of Central Luzon State University to determine their strengths and weaknesses in the management of their financial resources and to use the results for the creation of an occupation-based curriculum. Data were gathered using a pre-tested Likert Questionnaire and then enumerated statistically. Based on the students' ages, it can be inferred that the students are in their early adult lives and hence, there is the tendency to be influenced by their peers in their decision making. The results showed that generally, the students exercise financial practices occasionally. However, further findings showed that college students are knowledgeable on financial management but has little knowledge on disbursement, loan, repayments, and extravagance which is understandable considering their age and that the money they spent were mostly from their parents. Most of the mentioned financial management practices by the students help them in budgeting their weekly allowances, in addition to having part-time jobs and selling activities.

Keywords: Financial Literacy, Financial Practices.

INTRODUCTION

Financial literacy is a growing concern among college students in recent years. Not all Filipinos are financially literate. The government is doubling its efforts to educate people especially now that the Philippines is one of the fastest- growing economies. According to NEDA (2018), financial literacy, financial knowledge, and financial education are used interchangeably in formal literature and popular media. Various sources provide various definitions to financial literacy, but there is one thing in common, it revolves around money, knowledge, and use.

The Jump$tart Coalition for Personal Financial Literacy (2015) defines financial literacy as "the ability to use knowledge and skills to manage one's financial resources effectively for a lifetime of financial security (p.1). Measuring Financial Literacy by Huston (2010) explains that financial literacy is made up of two elements: understanding and use. Understanding financial literacy implies that a person is knowledgeable about personal finance and applies such knowledge in dealing with one's finances.

Meanwhile, a column "Investing on the Go" in The Freeman written by Vernon Joseph Go (2017) stated good points about the difference in literacy and education. Both literacy and education help us in the long run. Unfortunately, we only run behind literacy and evade education. Literacy is needed to mitigate the challenges faced by our working citizens, but education is needed even more for our younger future generations.

Chen & Volpe (1998) in their Analysis of personal financial literacy among college students, surveyed 924 students from 13 American colleges, through a written questionnaire. They found evidence of an inadequate level of financial knowledge among college students'

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population, suggesting that this results from the young age of the respondents. That, at an early stage of the life cycle they are exposed to a limited number of financial issues related to general knowledge, savings and borrowing, and insurance and also from a systematic lack of a sound personal finance education in their college curricula. Investment was found to be the poorer area in terms of knowledge, and the most vulnerable individuals are the women, the individuals younger than 30 and with little professional experience. As such, this study aims to determine the financial literacy and describe the financial practices of the Central Luzon State University Students (CLSU) students to help them and further develop a plan to help them manage their financial resources.

STATEMENT OF THE PROBLEM

Generally, the research aims to determine the degree of financial literacy and describe the financial practices of CLSU students with regards to their sources, expenses, and savings.

The specific objectives are the following:

1. To know the socio-demographic characteristics of the respondents.
2. To distinguish the degree of financial literacy of the respondents in terms of functional and theoretical knowledge about finance.
3. To find out the financial practices of the respondents in terms of sources, expenses and savings.
4. To identify the reasons behind the financial practices of the student.
5. To appraise the relationship between the independent variables referring to financial literacy and the dependent variables referring to the financial practices.
6. Provide recommendations that will further enhance the offering of occupation-based curriculum.

Significance of the Study

The finding of the study will give information about the knowledge and capabilities of CLSU students in terms of financial literacy and the practice of personal finance. It may be able to pinpoint the strengths and weaknesses of the students with regards to the management of their everyday expenses. Further, this study can help the university in planning for the strengthening of the financial management of students regarding their allowances and may be able to come up with interventions to augment the experiences of the financial gap in times of need. The output of the research may also help the institution design a good extension program for the goods of its major stakeholders in the university.

SCOPE AND LIMITATIONS

This study was conducted in CLSU with its students as main respondents. The research is only limited to the determination of literacy within the basic rudiments of finance and the practices in terms of sourcing, expenditure, and savings of the students. The population of the study came from all the academic units of the university. The university will not encompass the recommendation of actions to be taken like the formulation of a program when adverse results are attained.

METHODOLOGY

Data collection: The researcher used guided questionnaires for interviews and Likert questionnaire for data collection. To further enrich data gathered, focus group discussion was also be undertaken.

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Sampling design: Multistage sampling was used in which the researcher considered all the eight colleges in the university and randomly selected 50 respondents per college using equal allocation by gender. Simple random sampling was used to determine the respondents from every college. The number of respondents will be based on the number of students per year academic unit.

Instrumentation: A pre-tested Likert questionnaire was used for the study. For the FGD, a guided questionnaire was formulated and used.

Data analysis: Descriptive statistics were used to describe the socio-demographic profile of the students. This includes counts, percentages, mean and standard deviation. The descriptive rating was used to determine the level of practices and financial literacy of the respondents. Finally, correlation analysis was used to determine the relationship between financial literacy and financial practices. All tests were performed using SPSS set at 5% level of significance.

Locale and respondents: This study was conducted in Central Luzon State University and the College of Business Administration and Accountancy as the overall unit in-charge. The respondents were those who were legitimately enrolled at CLSU since their first year in college and were not transferees from other colleges or universities.

Conceptual Framework

The given framework below shows the influencing variables to the practices. The independent variables hypothesized to be not significantly related to the dependent variables.

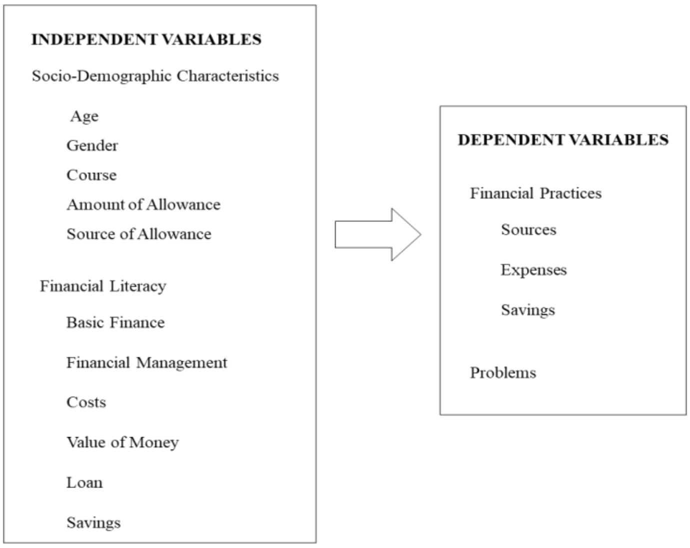

FIGURE 1
FRAMEWORK OF THE STUDY

Financial literacy is about individuals having sound financial knowledge and skills so that they can make informed financial decisions and take effective actions regarding their personal money management Figure 1. However, the underlying message is aimed to adjust people's core attitudes and beliefs, so that a change in financial behavior can help them reach a future of financial freedom and security.

According to the report on Financial Literacy around the World: Insights from the Standard and Poor's Ratings Services Global Financial Literacy Survey by Leora Klapper, et. al. (2015), people without an understanding of basic financial concepts are not well equipped

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to make decisions related to financial management. People who are financially literate can make informed financial choices regarding saving, investing, borrowing, and more.

The Philippines is at the bottom 30 in the Financial Literacy Survey Standard and Poor's research in 2015 found out that there are only 25% of Filipinos are financially literate, making it challenging for the country to gain access to other sophisticated financial services (The Manila Times, 2015). A new World Bank survey, Enhancing Financial Capability and Inclusion in the Philippines - A Demand-side Assessment (2015), revealed that about six of 10 Filipinos (59 percent) say that they plan how they spend the money they earn or receive. Fifty seven percent of those who plan or budget their expenses say that they have money left after paying for basic expenditures, compared to forty two percent of those who do not plan their spending. To have shelter, money is needed and to have food, money is needed too, yet, dealing with money and handling of finances is not taught in schools. The people who are well educated on how money works are the ones who are on top of any businesses. Some, however, did not finish school and do not have any college degree yet, they are successful in managing their own finances.

The schools are built to train people on how to work for money. In 2015, the Asian Development Bank (ADB) study authored by Yoishino, et.al., revealed that the Philippines does not have a national strategy for financial education and literacy. Then in 2016, Bangko Sentral ng Pilipinas (BSP) released the national strategy for financial inclusion stating that while institutions strive to broaden financial services, financial literacy should also complement such initiatives.

Surveying financial literacy among college students showed that women generally have less knowledge on personal finance matters. Gender differences remain statistically significant after controlling for other factors such as participants' major, class, rank, work experience and age. There was a significant impact on the financial literacy of both men and women in terms of education and experiences (Chen & Volpe, 2002).

During a press conference held in November 2017, Undersecretary for Legislative Affairs, External Partnerships, and School Sports, Tonisito Umali said that everyone needs to be financially literate and able to determine priorities in allocating their resources. "Everyone needs to be aware of his or her earning capacity because sometimes we spend and pay more to something than to what we need," Umali said. (Balsa, 2019).

Financial literacy is mandated by the State according to Republic Act (RA) no. 10922 or "An Act Declaring the Second Week of November Every Year as Economic and Financial Literacy Week"; RA no. 10679 or "An Act Promoting Entrepreneurship and Financial Education among Filipino Youth." The said laws promote financial awareness among the learners whose aptitudes and skills in the field of finance and entrepreneurship shall be encouraged and honed through education and specialized training programs Mandell & Klein, (2009).

However, in the study conducted by Yiing-Jia Loke, (2017), it was found out that socio-demographic characteristics have significant effects on financial management behaviors except for marital status and household size. The results specifically highlighted that ethnicity, age, income, education, reliability of income and financial knowledge play significant roles in an individual's overall financial management behavior. An individual's overall financial management behavior in this study was measured based on four selected financial management practices with higher weights given on preparedness towards income shock followed by living within means, planning a budget and ownership of insurance policies Yoshino et al., (2015).

As reported in August 2017 by Business Mirror at the Future Business and Finance Leaders Forum, COL Financial Group Inc. Chairman Edward K. Lee stressed the importance of investing early. He said this will not only benefit the person but help in nation-building, as

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well. Lee said at least 10 percent to 20 percent of what a person earns should be set aside as savings, which may be invested in stocks, mutual funds or in other securities that are, in turn, reinvested for the future. This progression aids in the circulation of money and contributes to overall liquidity in the capital market. In addition, Caylum Trading Institute (date) President and CEO Edmund C. Lee said 41 percent of the current generation do not know how to save money. “Forty-one percent of millennials in the Philippines, don’t know how to save. In fact, 41 percent of millennials spend more for coffee than on savings,” Edmund said.

The Financial Well-Being A Conceptual Model and Preliminary Analysis (Kempson, et. al. 2017) identified seven components that measure behaviors related to financial capability: budgeting, not overspending, living within means, monitoring expenses, planning for unexpected expenses, making provisions for old age, and choosing products. More specifically, ‘budgeting’ measures the extent to which people plan how to use their money and whether they adhere to the plan; ‘not overspending’ assesses whether people have money left over after buying essentials and if they refrain from spending it on non-essentials; ‘living within means’ measures whether adults run short of money after buying essentials and why, their level of borrowing and whether people borrow to buy food or to repay other debt; ‘monitoring expenses’ measures the ability to track expenses; ‘planning for unexpected expenses’ indicates whether people could cover an unexpected expense equivalent to a month's income and whether they worry about it; ‘planning for old age expenses’ indicates whether people have strategies in place that allow them to cover for expenses in old age; and ‘choosing products’ indicates whether people search for alternatives, check terms and conditions, get information before selecting financial products, and search until they found the best products for their needs.

While previous studies, articles, and financial literacy materials, promotes education and awareness to students. Hence, the study aims to measure the strength and weakness of the students with regards to their management of everyday expenses and saving and whether financial literacy is relevant to the achievement of the university’s mission to alleviate poverty and future implementations of programs on financial literacy.

RESULTS AND DISCUSSIONS

To achieve the underlying objectives of the study, the current chapter reports the empirical findings from the analysis. Thus, the researcher sought to answer six questions on the financial literacy of students in Central Luzon State University.

Socio-Demographic characteristics of the respondents

Different inherent characteristics may be a factor in assessing someone’s financial literacy, practices and financial problems. Certain SDCs were selected such as age, sex, academic status, civil status, number of siblings, birth order, weekly allowance, type of residence, source of income, source of savings, and educational attainment of parents.

Figure 2 shows that the age of the respondents’ ranges from 16 years old to 25 years old and above which are common in college students. Out of the 400 respondents, 59% were 19-21 years old, while 36% were aged 16-18 years old. Only 4% were 22- 24 years old of 4% and 1% was 25 old and above. Based on the students’ ages, it can be inferred that the students are in their early adult lives and hence, there is the tendency to be influenced by their peers in their decision making.

As discussed in the sample size, the respondents’ gender is equally distributed across the colleges, thus, 50% were male and 50% were female. In terms of civil status of the

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respondents, there were only 1% married among the 400 respondents, considering that all the respondents were students.

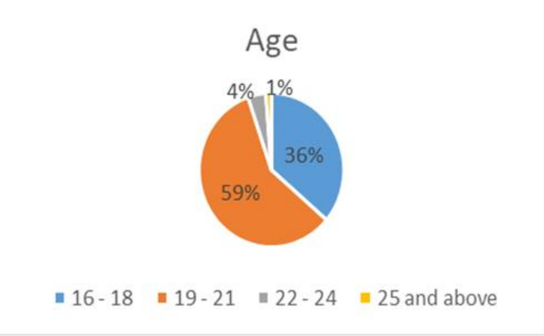

FIGURE 2
AGE DISTRIBUTION OF RESPONDENTS

The academic status of the respondents, as indicated in Table 1 shoes that majority were regular students.

Table 1
RESPONDENTS' ACADEMIC STATUS

Academic Status	Frequency	Percent
Regular	372	93
Irregular	26	6.5
Old returnee	2	0.5
Total	400	100

To get to know more of the financial literacy and practices among CLSU students, weekly allowance information was gathered. Based on the results in Figure 3, majority (57%) of the respondents were having 700 to 1000 pesos weekly allowance, 24% were having less than 700 pesos and 19% were having above 1000 pesos.

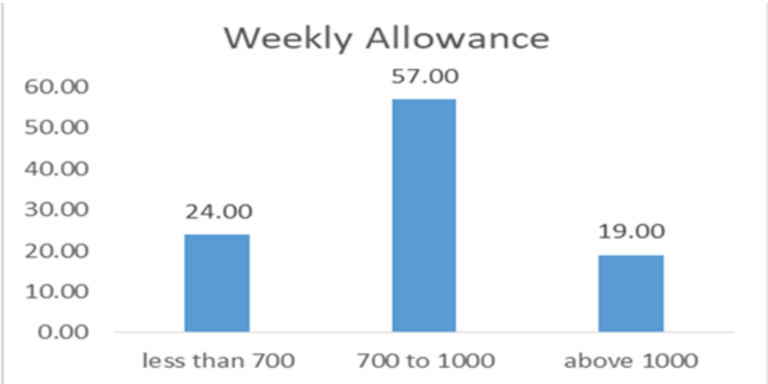

FIGURE 3
RESPONDENTS' WEEKLY ALLOWANCE

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Nowadays, it is common to have lesser children in the family. As shown in the results in Figure 4. 40.25% of them have less than three siblings, 30.75% with more than three siblings, and 29% with three siblings.

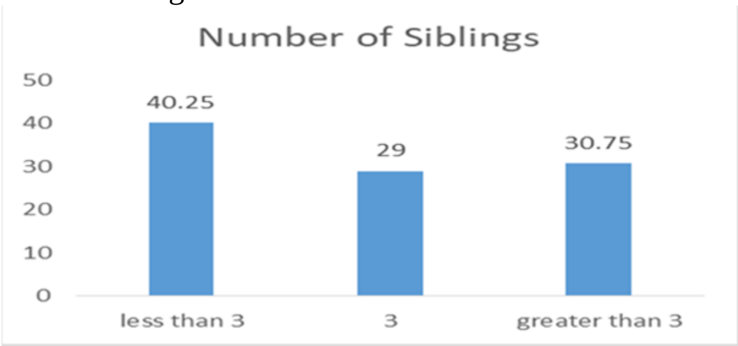

FIGURE 4
RESPONDENTS' NUMBER OF SIBLINGS

To support this study, it examines the birth order of the respondents in relation to the number of siblings they have. This will help to facilitate in understanding the behavior of financial practices. Most of the respondents are 1st -3rd order with 83% Figure 5.

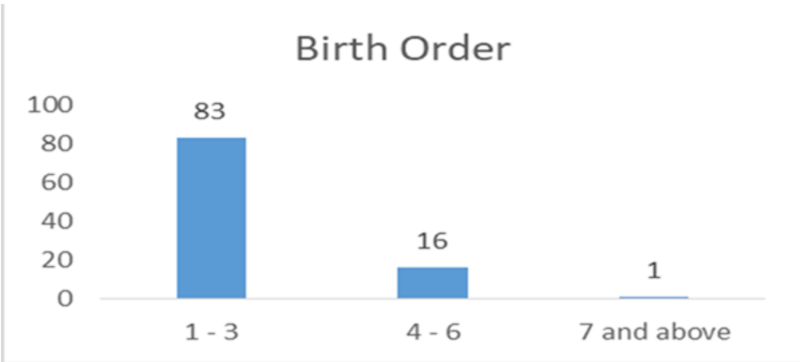

FIGURE 5
RESPONDENTS' BIRTH ORDER

The type or residence was included because expense in abode also gets a big chunk of student's allowance. There are 41% who resides in the student dormitories within the campus, 37% living in private households, and 22% residing in the student dormitories off campus Figure 6.

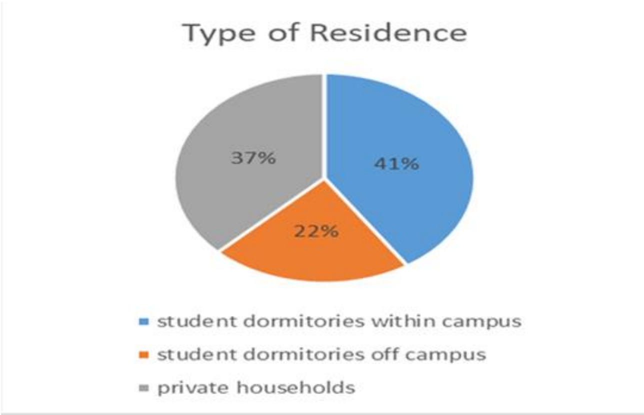

FIGURE 6
RESPONDENTS' TYPE OF RESIDENCE

Since the respondents are college students, most of their source of income (allowance) were provided by their parents/relatives (86%), from scholarship (11%), income from part-time jobs (2%), and savings (1%) Figure 7.

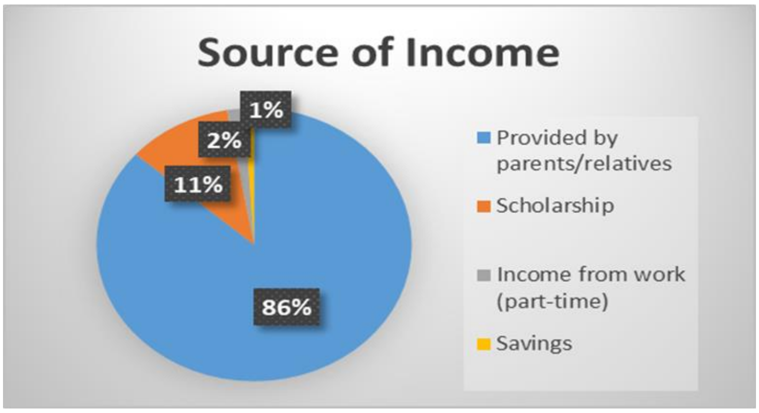

FIGURE 7
RESPONDENTS SOURCE OF INCOME

In order to identify the savings habit of the students, the source of savings was gathered. The result shows that 91.75% of their saving was from their allowance, 5.25% for doing an extra job, 1.75% through personal initiative, 1% from their selling activities, and 0.25% by being thrifty Figure 8.

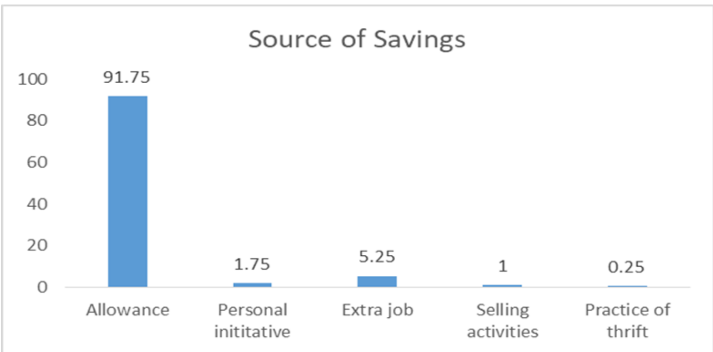

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FIGURE 8
RESPONDENTS' SOURCE OF SAVINGS

Educational attainment of the parents was considered in the conduct of the study as it may have an impact on the overall financial management of the respondents. Parents occupation varies based on their educational attainment that leads to the provision of allowance to the students. Most of the parents finished high school. For the fathers it is at 37.5% and for the mothers, it is at 37.75%. College graduate father is at 32.75% and 36.75% for the mother. 14.75% of the fathers and 9.5% of the mothers finished vocational courses. the educational attainments of the fathers and mothers of respondents Figure 9 & 10.

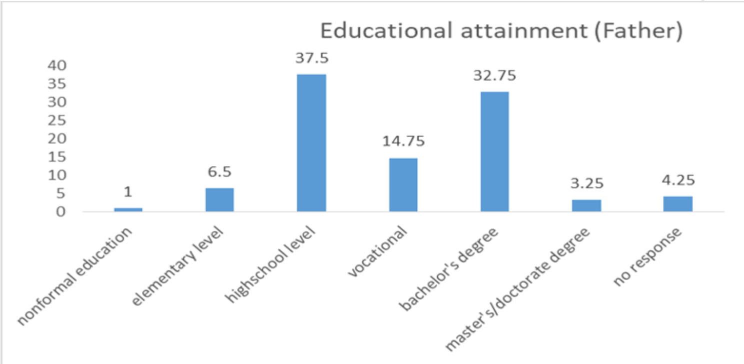

FIGURE 9
EDUCATIONAL ATTAINMENT OF THE RESPONDENTS' FATHER

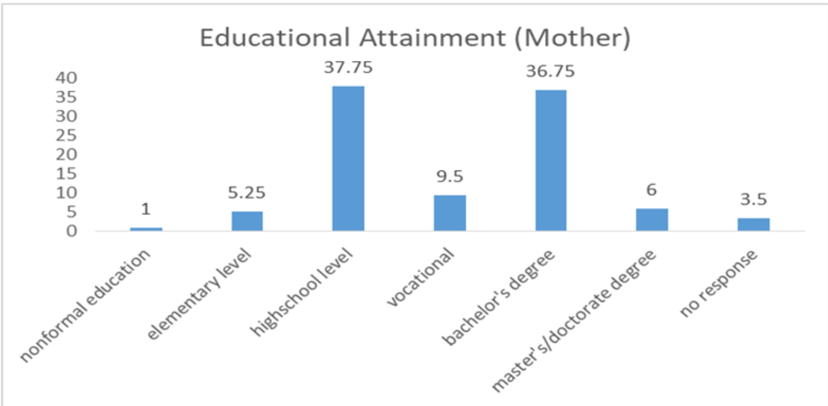

FIGURE 10
EDUCATIONAL ATTAINMENT OF THE RESPONDENTS' MOTHER

Degree of financial literacy: The findings from Table 2 show that with the average mean of 2.67, college students are knowledgeable on financial management but has little knowledge on disbursement, loan, repayments, and extravagance which is understandable considering their age and that the money they spent were mostly from their parents. They scored highest in knowledgeability on savings (3.08) and expense (3.08) indicating that these are the financial activities that they do most. They have the least knowledge on disbursement which is a more complicated activity and mostly undertaken by businesspeople.

Table 2
The degree of financial literacy of the respondents in terms of functional and

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theoretical knowledge about finance			
Literacy	**Mean**	**SD**	**Descriptive Rating**
Earning or income	2.96	0.68	Knowledgeable
Savings	3.08	0.64	Knowledgeable
Expense	3.08	0.66	Knowledgeable
Credit or Loan	2.49	0.86	Little knowledge
Debt or Liability	2.51	0.87	Knowledgeable
Repayments	2.35	0.85	Little knowledge
Cash Advance	2.53	0.82	Knowledgeable
Disbursement	2.27	0.87	Little knowledge
Income – Expenses = Savings	2.93	0.78	Knowledgeable
Income – Savings = Expenses	2.92	0.80	Knowledgeable
Savings – Investment =			
Expense	2.72	0.81	Knowledgeable
Thrift	2.65	0.90	Knowledgeable
Extravagance	2.33	0.92	Little knowledge

SUMMARY AND CONCLUSIONS

Financial literacy must be inculcated to avoid mishandling of financial resource that may lead to financial problems. In CLSU, students tend to have minor problems with financial management due to lack of knowledge regarding finance.

The findings showed that there is a positive relationship between financial literacy and practices among college students. Financial literacy was higher for male than in female considering their nature as impulse buyers. The findings revealed that the higher the year level is, the higher the level of knowledge on financial literacy. Also, the higher the age, the students are more financially literate. The higher the educational attainment of parents, the more financially literate are the students. It also showed that the higher the educational attainment of the parents, the higher the provision of allowances which makes a difference in the spending habit of the students.

Respondents ranked their spending habit by prioritizing and spending more on academic-related materials such as papers, notes, pens, books, and others, foods, course requirements, and other necessities such as clothing and shelter (rent). The higher the number of siblings and the higher is the birth order of the student, the more financially literate they are. The students who lived in student dormitories within and off-campus are more financially literate than those who lived in their own respective houses. All the above financial management practices by the students help them in budgeting their weekly allowances by doing part-time jobs or selling activities to augment the inadequacy of finances.

RECOMMENDATIONS

It is expected that results will help and favor the university, particularly the colleges, in terms of having data to be used as a basis for the development of better student services.

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Such that, those who are in need of financial assistances can be provided with opportunities to better their financial status while being a student at the university.

The output will be used in the accreditation as part of documentary requirements regarding action research that can be used in developmental planning for student services and extension. The administration should include a financial literacy seminar or financial life skills course that has workshops, seminars, peer education and financial counseling as a general requirement for graduation.

The output can be used for further investigation such as the psychological effects of the number of children or siblings for the financial performance of the family.

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