Gender Differences in Financial Well-being, Financial Socialization and Financial Knowledge among College Students

Leila Falahati[1], Laily Hj. Paim[2]

[1.] Department of Women Studies, Science and Research Branch, Faculty of Humanities and Social Sciences, Islamic Azad University, Tehran, Iran
[2.] Department of Resource Management and Consumer Studies, Faculty of Human Ecology, University of Putra Malaysia
Laily@Putra.upm.edu.my

Abstract: This study aims to determine the gender differences in the financial well-being, financial socialization and financial knowledge among college students. The sample comprised 2,430 students in six public and five private universities across Malaysia, which were randomly selected for the study. A self-administered questionnaire was used as the data collection method. The perceived financial well-being was measured by asking students to rate their level of satisfaction on a scale of one (not satisfied at all) to ten (very satisfied) on six items including the amount of savings, financial situation, ability to purchase, savings for emergency expenses, skills to manage money, and ability to spend. The results revealed significant gender differences in financial well-being, financial socialization and financial knowledge. Female students perceived a higher level of financial well-being and a lower level of financial knowledge and later age financial socialization. [Leila Falahati, Laily Hj. Paim. **Gender Differences in Financial Well-being, Financial Socialization and Financial Knowledge among College Students**. Life Science Journal. 2011; 8(3):173-178] (ISSN:1097-8135). http://www.lifesciencesite.com.

Keywords: Gender, Financial Well-being, Financial Socialization, Financial Knowledge, College Students, Financial Education,

1. Introduction

Financial well-being and its impact on the quality of life have received considerable attention over the last decade. Satisfaction with personal financial affairs is an important factor that contributes to life satisfaction (Campbell et al. 1976). Several studies have indicated that efficient resource management is needed for a perceived higher level of financial satisfaction (Xiao et al. 2009). In other words, personal financial management has been identified as a major factor contributing to satisfaction or dissatisfaction with one's financial situation (Joo 2008).

Financial well-being is conceptualized as satisfaction with one's present financial situation, (Zimmerman 1995), however, Hayhoe and Wilhelm (1998) indicated that perceived economic well-being refers to the perception of one's economic situation in light of what is required and desired. Goldsmith (2005) described financial well-being as the degree of economic adequacy or security individuals and families have. A large number of studies have attempted to identify the dimensions of financial well-being among various groups towards the development of personal financial well-being. Young people, particularly college students, are one of the main consideration groups for financial studies. The assessment of college student's financial behaviour indicates that they are managing far more money, properties, and credit than their parents did at a similar age. Students often begin their college careers without even having responsibility for their own personal finances (Cunningham 2001), however, most of them have cars, computers, credit cards, and cell phones. Therefore, to pursue more possessions they rely more heavily on credit (Davies and Lea 1995) resulting in a higher debt load as well as greater stress and decreased financial satisfaction (Norvilitis et al. 2006).

Diener (2004) pointed out that desirable outcomes, even economic ones, are often caused by well-being rather than others around, and that those people who are high in well-being later earn higher incomes and perform better at work than people who report low well-being. This statement is more true for college students for various reasons, including that they are potentially the future professional workers and high earners. However, their financial management during college life will have a significant effect on their future success or failure.

The studies concerning personal financial management among students reveal a noteworthy sex difference between males and females in financial matters (Barber and Odean, 2001; Goldsmith and Goldsmith 2006). Financial studies revealed that women and men perceived different levels of financial well-being as they perceived different levels of financial socialization (Hira and Mugenda 2000), financial knowledge and skills (Goldsmith and

Goldsmith 1997) and financial analysis (Webster and Ellis 1996).

While previous research has examined the relationship between a wide range of financial and economic variables with financial well-being, gender differences in financial well-being has received little attention except for some studies like Hira (1987), and Hayhoe and Wilhelm (1998). In reviewing financial studies (Joo and Grable 2004; Lyons 2004; Norvilitis et al. 2006) it revealed that most of them consider gender as a demographic factor and did not analyse from a gender perspective. The main aim of this study is to understand the gender differences in financial well-being among Malaysian college students. Identifying gender differences in financial well-being will give a clear view point about gender differences in financial behaviour and money management among college students.

2. Literature Review

The studies of financial well-being indicate that the single most powerful direct determinant of financial satisfaction is an individual's financial behaviour (Joo and Grable 2004). In other words, personal financial behaviour has been identified as a major factor contributing to the satisfaction or dissatisfaction with one's financial status (Joo 2008). Faber (1992), based on a review of several studies, concluded that financial behaviour is not necessarily influenced by economic factors only, but reflects social and psychological issues (Faber 1992), such as gender. Scholars have documented gender differences in financial matters, such as financial knowledge, attitudes and, particularly, financial behaviour, which has resulted in differences in financial well-being. In comparison to men, recent studies have also found that women are less knowledgeable financially (Goldsmith and Goldsmith 2006) late age financially socialized (Shim, et al. 2010) and have negative attitudes towards money (Dowling., 2009), which will likely result in significant differences in their behaviour and financial well-being.

Gender theories indicate that the behaviour of men and women are different, as they are socialized differently. According to the social learning theory, the socialization agents and other social structural variables are instrumental in shaping an individual's attitude and behaviour (Holmes 2009). Children learn financial management behaviour through observation and participation by socialization agents (Danes and Haberman 2007). Lime et al. (2003) pointed out through different socialization experiences that people come to understand money differently. The development stages from birth to adolescents contain socialization and then entry to adulthood, which mostly happens by entering college life. Most students enter college immediately after high school without a sufficient level of financial knowledge and practice.

Garman and Forgue (2006) pointed out that financial knowledge involves concepts, principles, and technological tools that are essential for being smart about money. However, the research findings among college students indicate that students are burdened by the lack of knowledge concerning financial issues (Chen and Volpe 2002; Ibrahim et al. 2009; Lusardi et al. 2010; Mandell 2009). The research findings of financial knowledge among college students revealed significant differences between male and female students. The research findings indicate that females reported lower levels of knowledge concerning financial topics, such as money management (Hira and Mugenda 2000; Shim et al. 2009), financial analysis (Webster and Ellis 1996), and investing (Goldsmith and Goldsmith 1997) compared to male students. However, the research findings indicate that while financial studies show that woman are more concerned with investing issues than men are (Barber and Odean 2001), their lack of knowledge and confidence is likely to contribute to their dissatisfaction with their financial situation (Goldsmith and Goldsmith 2006; Hira and Mugenda 2000).

3. Materials and Methods

3.1 Instrumentation

3.1.1. Financial well-being

In this study, financial well-being was measured by a six-item scale. The scale was adopted from Hira and Mugenda (1999), and Porter and Garman's (1993) financial well-being scale, and adapted to the Malaysian context. The scale comprised six components of financial well-being including satisfaction with: a) the amount of savings, b) amount of money owed, c) current financial situation, d) preparedness to meet emergency needs, e) financial management skills, and f) ability to spend money. The perceived financial well-being was measured by asking students to rate on a scale of one (not satisfied at all) to 10 (very satisfied) for six items. The alpha reliability for the financial well-being scale items was 0.898. A financial well-being score was computed by summing the average scores for all six statements.

3.1.2. Financial Knowledge

Financial knowledge was measured by an instrument developed by Sabri et al. (2006) based on the Malaysian context. The instrument consisted of 25 true and false questions concerning financial goals, financial records, savings, investment, retirement, banking system, time value of money, wills, insurance, education loan, and general knowledge on personal finance. However, finally, the components comprised six dimensions including: general knowledge, investment, savings, record, credit, insurance and risk management. The alpha reliability of the financial knowledge scale items was .747. A financial knowledge score was computed by summing the right answers to statements.

3.1.3. Financial socialization

To measure financial socialization a 10-item scale was adopted from Hira's (1997) study. Items were adapted to the Malaysian context and included statements about the age that financial practices start (e.g. own bank account, receive income from working, discuss with family about financial matters). The respondents were required to choose the age for starting to practice each statement on a score answer from never until 18 years old. The financial socialization score was computed by summing the score of the statement from one to six for 10 items. The alpha reliability of the financial socialization scale items was .544. The financial socialization score was computed by summing the score of statements with a higher score indicating earlier financial socialization.

3.2 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.

3.3 Data Analysis

As the main aim of this study was to determine gender differences in financial well-being, t-tests were conducted to determine the gender differences among student's perceived financial well-being, financial knowledge and financial socialization.

4. Results and Discussions

The results of the mean comparisons are presented in Table 1, which indicates that there were statistically significant differences in the financial well-being score between male and female students. Female students (M= 32.2) have a higher level of financial well-being than male students (M= 31.17). The comparison of mean scores of financial well-being, (t= -2.24, P≤.00) was found to be statistically significant between male and female students. The assessment of financial well-being components revealed that female students have a higher level of satisfaction with current financial status (M= 5.32), ability to meet wants (M=5.32), savings for emergency needs (M=5.31) and affordability to spend (M=5.74).

The results of the t-test presented in Table 1 indicate that the mean comparisons of current financial status, (t= -2.93, P≤.00), ability to meet wants, (t= -3.07, P≤.00), savings for emergency needs, (t= -2.68, P≤.00) and affordability to spend, (t= -2.15, P≤.00) were found to be statistically different between male and female students. The results reveal that female students have a higher level of financial well-being than male students. These findings concur with past research, such as Hayo and Seifert (2003), Di Tella et al. (2001), and Blanchflower and Oswald, (2000), who indicated that, overall, females are happier with the financial situation than males.

With respect to the financial well-being components, female students are significantly more satisfied than male students. Female students are satisfied with their ability to meet wants, savings for emergency needs, affordability to spend and overall current financial situation. Although the gender differences in financial management skills are not statistically significant, male students are more satisfied with their management skills than female students. This is consistent with the findings of Hira and Mugenda (2000), in that the majority of both male and female students are satisfied with their financial management skills. Likewise, although it was found by Hira and Mugenda (2000) that the majority of students are satisfied with management skills, satisfaction with the amount of savings is the lowest among all other components.

Furthermore, the results revealed that male students (M= 12.61) have a higher level of financial knowledge than female students (M= 12.21). These findings indicate that male students are more knowledgeable financially than female students, which is consistent with previous findings (Chen & Volpe, 2002; Eitel & Martin, 2009; Shim, et al. 2010), and emphasizes that females have less financial knowledge than male students. In respect of financial socialization the results of the t-tests presented in Table 1 reveal that there were differences in the financial socialization mean score between male (M= 34.34) and female (M= 33.59) students. This comparison was found to be statistically significant, t= 3.28, P≤.00. This result indicates that male students have earlier financial socialization while female students have later financial socialization. These findings are consistent with the results of Shim et al. (2009) and Newcomb and Rabow (1999), which indicate that families use different strategies to socialize boys and girls in relation to financial issues.

5. Conclusions and Implications

One of the essential skills that people must acquire to function in our society is the ability to deal with money (Hira 1997). Most college students are at the age where they are developing the skills with which they will build their present and future economic well-being, and in which differences in financial issues may have a significant effect on their future success or failure. The overall findings of the present study indicated that female students are more satisfied with their financial situation; in other words, female students have a higher level of financial well-being than male students. The assessment of financial well-being components reveal that female students are more satisfied with their current financial status, ability to meet wants, savings for emergency needs, affordability to spend, while there are no differences between males and females in satisfaction with the amount of savings and financial management skills. Although previous research indicated that females report a lower level of financial well-being (Barber and Odean 2001; Hira and Mugenda 2000) the results of this study reveal a higher level of financial well-being among female students. According to socialization studies (Moschis and Churchill 1978; Newcomb and Rabow 1999) males and females perform different behaviour as they experience different socialization and social-cultural expectations during childhood.

In the Malaysian culture, women are socialized in a way with lower levels of desire and expectations from life. Women report being more satisfied as they have a lower level of desire and expectation of life. The findings of the present research indicate late age financial socialization for female students, which may relate to the male preference culture in the Asian context, in that the economic role is male dominated and females are deprived from financial practices. The studies of financial socialization indicate that financial skills are most often learned by children and even adolescents from parents in the home rather than sources outside the home (Clarke et al. 2005). Therefore, parents with male preferences gender ideology may provide a different level of financial practice opportunities for sons and daughters at home. However, late financial socialization results in a lower level of financial skills in young adults, which may have a significant effect on financial behaviour during college studies and even later life.

Table 1: The Results of t-Test for Financial Well-being, Financial knowledge and Financial socialization

Items	*Male*	*Female*	*t*	*df*	*Sig*
Financial well-being	31.17	32.2	-2.24	2256	.00
Amount of saving	4.89	5	-1.17	2256	.234
Current financial status	5.04	5.32	-2.93	2256	.00
Ability to meet wants	5.07	5.32	-3.07	2256	.00
Saving for emergency needs	5.05	5.31	-2.68	2256	.00
Financial management skills	5.54	5.46	.970	2256	.332
Affordability to spend	5.55	5.74	-2.15	2256	.00
Financial Knowledge	12.61	12.21	2.58	2338	.000
Financial Socialization	34.34	33.59	3.28	2338	.000

The results of this study indicate the low level of financial knowledge among students with female students reporting a lower level. This result confirms previous findings (Borden et al. 2008; Markovich and DeVaney 1997) that male college students reported more financial knowledge than female students. Overall, a low level of financial knowledge among college students indicates the educational needs during college. Garman and Forgue (2006) indicated that achieving success in financial matters required effective financial planning in all important areas, which is dependent on sufficient financial education during school and college life.

Students after graduation will enter the labour force and, therefore, need to be equipped with basic financial knowledge and skills. Taken together, the findings of the present study indicate that gender differences in financial issues may relate to social and cultural norms and expectations during socialization. However, as eastern culture is imbued with higher advantages for males and a lower level of expectations of life among females, therefore, females are marginalized from financial practices and perceived lower financial practices and skills. Growing up with different socialization leads to different attitudes, beliefs and behaviour about money. It should be noted, based on the present study findings, that as male students possessed a higher level of financial knowledge and earlier financial experience they will have a stronger attraction to make money in future life.

6. Recommendations

These results indicate significant gender differences in financial matters between college students; hence, enhancement of opportunities in financial practices at home for females should receive more attention. The first financial experience happens within the family and, therefore, financial practices at home may affect their financial behaviour even in later life. Therefore, families might be aware of their financial style and financial behaviour and, more importantly, provide equal opportunity for males and females to practice financial matters.

In addressing efficient financial education, collaborative partnerships between families and schools are important. No single partner, such as schools, can be expected to meet all the demands for financial education. In line with the above development efforts, family economy educators should encourage a culture of life-long learning in order to expand financial issue practices from childhood in families until the retirement stage. Since the results of this study confirmed gender differences in financial matters, it is necessary to develop gender sensitive policies in financial issues. Supporting the mainstreaming of gender issues into all educational and related policies together with the collaboration of gender and family economy practitioners, to ensure the equal opportunities of financial affairs for males and females within the realms of the family and formal education is strongly recommended.

Acknowledgements

Sincere appreciation is extended to the IRPA Foundation for their support of this research

Corresponding Author:
Prof. Dr. Laily Hj. Paimi
Department of Resource Management and Consumer Studies, University of Putra Malaysia
E-mail: Laily@Putra.upm.edu.my

References

1. Barber B., Odean T. Boys Will Be Boys, Gender, Overconfidence, and Common Stock Investment. Quarterly Journal of Economics, 2011; 116: 261-292.
2. Blanchflower D., Oswald A. Well-being over time in Britain and the USA. Journal of Public Economics, 2004; 88(7-8): 1359-1386.
3. Borden LM., Lee SA., Serido J., Collins D. Changing College Students' Financial Knowledge,Attitudes, and Behavior through Seminar Participation. Journal of Family Economy Issue, 2008; 29: 23-40.
4. Campbell A., Converse PE., Rodgers WL. The quality of American life: Perceptions, evaluations, and satisfactions: Russell Sage Foundation. 1976.
5. Chen H., Volpe RP. Gender Differences in Personal Financial Literacy among College Students. Financial Services Review, 2002; 11: 289-307.
6. Clarke MC., Heaton MB., Israelsen CL., Eggett DL. The acquisition of family financial roles and responsibilities. Family and Consumer Sciences Research Journal, 2005; 33(4): 321-340.
7. Cunningham M. The Influence of Parental Attitudes and Behaviors on Children's Attitudes Toward Gender and Household Labor in Early Adulthood. Journal of Marriage and Family, 2001; 63: 111-122.
8. Danes SM,, Haberman HR. Teen Financial Knowledge, Self-Efficacy, and Behavior: A Gendered View Financial Counseling and Planning, 2007; 18(2): 48-60.
9. Danes SM., Hira T. Knowledge, attitudes, and practices in the use of credit. Paper presented at the The 32nd Annual Conference of the American Council on Consumer Interests Columbia, Missouri: American Council on Consumer Interests, 1986.
10. Davies E., Lea SEG. Student attitudes to student debt. Journal of Economic Psychology, 1995; 16: 663–679.
11. Di Tella R., MacCulloch R., Oswald A. Preferences over inflation and unemployment: Evidence from surveys of happiness. American Economic Review, 2001; 335-341.
12. Diener E., Seligman MEP. Beyond Money: Toward an Economy of Well-Being. American Psychological Society, 2004; 5(1): 1-31.
13. Dowling NA., Corney T., Hoiles L., 2009. Financial Management Practices and Money Attitudes as Determinants of Financial Problems and Dissatisfaction in Young Male Australian Workers Journal of Financial Counseling and Planning, 2009; 20(2): 5-13.
14. Eitel SJ., Martin J. First-Generation Female College Students' Financial Literacy: Real and Perceived Barriers to Degree Completion. College Student Journal, 2009; 43(2): 616-630.
15. Faber R. Compulsive Buying. Journal of American Behavioral Scientist, 1992; 35: 802–819.

16. Garman TE., Forgue RE. Personal Finance (8th ed.). Boston: Houghton Mifflin Company, 2006.
17. Goldsmith EB. Resource Management for Individuals and Families. USA: Thomson, 2005.
18. Goldsmith RE., Goldsmith EB. Gender differences in perceived and real knowledge of financial investments. Journal of Psychological Reports,1997; 80: 236-238.
19. Goldsmith RE., Goldsmith EB. The Effects of Investment Education on Gender Differences in Financial Knowledge Journal of Personal Finance, 2006; 5(2): 55-69.
20. Hayhoe CR., Leach LJ., Turner PR., Bruin MJ., Lawrence FC. Differences in spending habits and credit card use of college students. The Journal of Consumer Affairs, 2000; 34(1): 113-133.
21. Hayhoe CR., Wilhelm MS. Modeling perceived economic well-being in a family setting: A gender perspective. Journal of Financial Counseling and Planning, 1998; 9(1): 21-34.
22. Hayo B., Seifert W. Subjective economic well-being in Eastern Europe. Journal of Economic Psychology, 2003; 24(3): 329-348.
23. Hira TK., Mueller M. The application of managerial systems to money management practices. Iowa State Journal of Research, 1987; 62: 219- 233.
24. Hira TK., Mugenda OM. Gender Differences in Financial Perceptions, Behaviors and Satisfaction. Journal of Financial Counseling and Planning, 1992; 13(2): 86-92.
25. Holmes M. Gender and EveryDay Life. NewYork: Routledge, 2009.
26. Ibrahim D, Harun R, Isa ZM. A Study on Financial Literacy of Malaysian Degree Students. Cross-cultural Communication 2009, 5(4): 51-59.
27. Joo SH. Personal Financial Wellness. In J. J. Xiao (Ed.), Handbook of Consumer Finance Research (pp. 21-33): Springer, 2008.
28. Joo SH., Grable JE. An Exploratory Framework of the Determinants of Financial Satisfaction. Journal of Family and Economic Issues, 2004; 25(1): 25-50.
29. Lusardi A., Mitchell OS., Curto V. Financial Literacy among the Young. Journal of Consumer Affairs, 2010; 44(2): 358-380.
30. Lyons AC. A Profile of Financially At-Risk College Students. The Journal of Consumer Affairs, 2004; 38(1): 56-80.
31. Mandell L. The impact of financial education in high school and college on financial literacy and subsequent financial decision making. Paper presented at the American Economic Association meetings, 2004.
32. Markovich CA., DeVaney SA. College seniors' personal finance knowledge and practices. Journal of Family and Consumer Sciences Education, 1997; 89: 61-65.
33. Masuo DM., Malroutu YL., Hanashiro R., Kim JH. Do Men and Women Perceive Money Differently? A Study of Asian and Asian American College Students. Papers of the Western Family Economics Association, 2004; 19: 12-23.
34. Moschis GP., Churchill JG. Consumer Socialization: A Theoretical and Empirical Analysis. Journal of Marketing Research, 1978; 15: 599-609.
35. Newcomb MD., Rabow J. Gender, Socilaization, and Money. Journal of Applied Social Psychology, 1999; 29(4): 852-869.
36. Norvilitis JM., Merwin MM., Osberg TM., Roehling PV., Young P., Kamas MM. Personality Factors, Money Attitudes, Financial Knowledge,and Credit-Card Debt in College Students. Journal of Applied Social Psychology, 2006; 36(6): 1395–1413.
37. Porter NM., Garman ET. Testing a Conceptual Model of Financial Well- Being. Financial Counselling and Planning, 1993; 4: 135-164.
38. Sabri MF., Masud J., Paim L. Financial Literacy, Attitude and Practice among Malaysian IPTs Students'. Serdang: UPM, 2006.
39. Shim S., Barber BL., Card NA., Xiao JJ., Serido J. Financial Socialization of First-year College Students: The Roles of Parents, Work, and Education. Journal of Youth Adolescence, 2010; 39(12): 1457-1470.
40. Shim S., Xiao JJ., Barber BL., Lyons A. Pathwaystolife success: A conceptual model of financial well-being for young adults. Journal of Applied Developmental Psychology, 2009; 30(6): 708-723.
41. Watchravesringkan K. Financial Behavior of Hispanic Americans. In J. J. Xiao (Ed.), Handbook of Consumer Finance Research, : Springer, 2008.
42. Webster RL., Ellis TS. Men's and Women's Self-Confidence in Performing Financial Analysis. Journal of Psychological Reports, 1996; 79: 1251-1254.
43. Xiao JJ., Tang C., Shim S., 2009. Acting for Happiness: Financial Behavior and Life Satisfaction of College Students. Social Indicator Research, 2009; 92(53): 53-68.
44. Zimmerman SL. Understanding family policy: Theories and applications: Thousand Oaks, CA: Sage, 1995.

19/05/2011