

PERSONAL FINANCIAL LITERACY OF ACADEMIC SUPPORT - EMPLOYEE IN CHIANG MAI UNIVERSITY

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Abstract:

A person's ability to manage the money is essential to being successful in life. Today's financial world is highly complex when compared with that of a generation ago. New products and technologies are fundamentally changing the ways we relate to money. As a consequence of the changing, financial literacy has become an essential survival tool. A lack of financial literacy can contribute to the making of poor financial decisions that can be harmful to both individuals and communities. This study examines the level of personal financial literacy of academic support-employee and to find out about their spending and saving behaviors. The samples were 400 academic support-employee from Chiang Mai University. The tool to collect the data was a questionnaire. Results show that participants answer about 35.49% of questions correctly. For the participant' spending and saving behaviors, most participants experience a situation where their revenue cannot cover their expenses. For saving, most participants have some saving and the purpose was for emergency, and for wealth, respectively. Also, the participants have a financial planning. As for debts, most participants have some debts; the most debts are from credit cards. It is concluded that the participants are not knowledgeable about personal finance. The low level of knowledge will limit their ability to make informed decisions.

Keywords: Financial Literacy, Spending and Saving Behaviors.

1. INTRODUCTION

Today's financial world is highly complex when compared with that of a generation ago. New financial products and technologies are fundamentally changing the ways we relate to money. The rise in consumer debt levels, the decline in already-low personal saving rates, and the increase in non-business bankruptcy filings can also result to severe financial crisis. Such financial literacy deficiencies can affect an individual's or family's day-to-day money management and ability to save for long-term goals such as buying a home, seeking higher education for children, or financing retirement.

Our society's well-being depends in part on knowledgeable people. The financial difficulties are reducing productivity in the work place and also affecting the health of the individual and their family. Hibbert and Beutler (2001) confirmed previous studies that found financial issues to be a common source of conflict in personal, marital, and family relationships.

A person's ability to manage the money is essential to being successful in life. Increasing financial literacy is a way to improve quality of life. They will understand their choices and be able to make a financial planning for short and long term plan.

Unfortunately, the Princeton Survey Research Associates (1997) surveys 1,770 households nationwide on their financial knowledge and find an average correct score of 42%. This result shows that household financial decision makers do not have a good grasp of basic finance concepts.

This study has two objectives. First, it examines the level of personal financial literacy of academic support-employee in Chiang Mai University. Second objective is to examines their spending and saving behaviors.

2. LITERATURE REVIEW

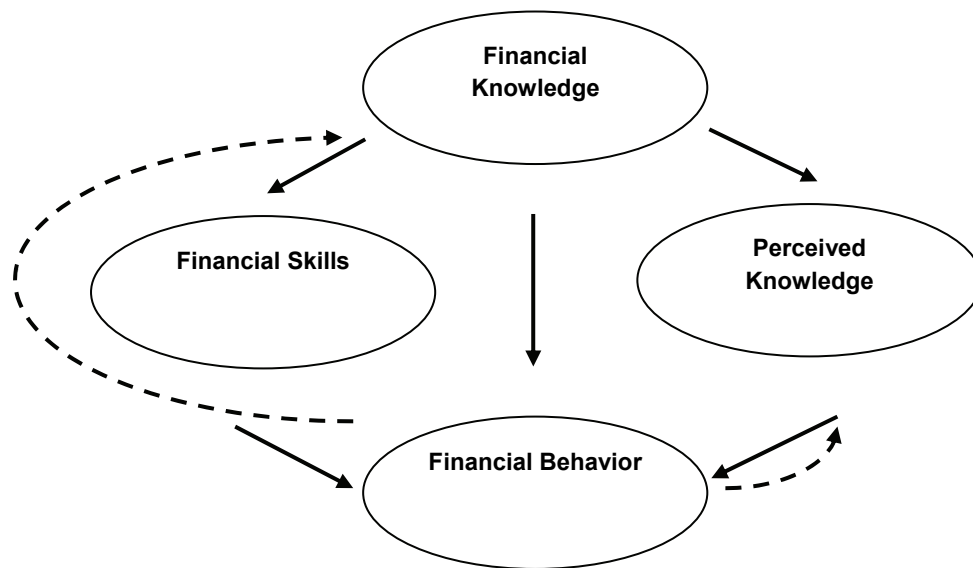
Financial literacy defines as the ability to use knowledge and skills to manage financial resources effectively for a life time of financial well-being. (The President Advisory Council of Financial Literacy, 2008)

Financial literacy defines as a "meaning-making process" in which individuals use a combination of skills, resources, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of that decision. (Mason and Wilson ,2000)

Despite the various differences in definitions, the consistencies are notable. Hogarth (2002, pp. 15-16) described the consistencies in behavioral terms, stating that individuals who are financially literate are: 1) knowledgeable, educated, and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes; 2) understand the basic concepts underlying the management of money and assets; and 3) use that knowledge and understanding to plan and implement financial decisions.

Hung et. al (2009) had suggested the conceptual model of financial literacy by focusing on financial knowledge, skills, and behavior, as well as their mutual relationships. All should be considered in an overarching conceptualization of financial literacy. In particular, financial knowledge represents a particularly basic form of financial literacy. Financial knowledge, in turn, is reflected in perceived financial knowledge and influences financial skills that depend on knowledge. Actual financial behavior, in turn, depends on all three (actual knowledge, perceived knowledge, and skills). Finally, the experience gained through financial behavior feeds back to both actual and perceived financial knowledge. Still, the relationships are likely to be imperfect, as each also depends on other factors internal and external to the individual (e.g., attitudes, resources). Figure 1 presents these logical relationships among financial literacy components.

Figure 1. Conceptual Model of Financial Literacy



Princeton Survey Research Associates (1997) surveys 1,770 households nationwide on their financial knowledge and find an average correct score of 42%. This result shows that household financial decision makers do not have a good basic in finance concepts. In another study of 522 adult women, 56% are found not very knowledgeable about investing (Oppenheimer Funds/Girls Inc., 1997).

3. METHODOLOGY

The tool to collect the data is a questionnaire designed to cover major aspects of financial literacy, attitudes and behavior. For the study of the employees' financial literacy, the level of knowledge is divided into 4 aspects: basic knowledge about revenue and expense management, knowledge about debt management, knowledge about risk management, and knowledge about investment management.

The population is 9,220 employees at Chiang Mai University, Thailand. The survey participants consist of 400 academic support-employees with quota sampling.

The questionnaires are divided into 3 parts

Part 1: For financial literacy, the survey participants are asked to answer 24 multiple-choice questions of their knowledge on 4 aspects.

Part 2: For attitudes, the survey participants are asked to answer 34 questions of their opinions.

Part 3: For behavior, the survey participants are asked to answer 42 questions of their behaviors and decisions.

The responses from each participant are used to calculate the mean percentage of correct scores for each question, section, and the entire survey. Consistent with the existing literature (Danes & Hira, 1987; Volpe, Chen, & Pavlicko, 1996), the mean percentage of correct scores is grouped into (1) more than 80%, (2) 60% to 79%, and (3) below 60%. The first category represents a relatively high level of knowledge. The second category represents a medium level of knowledge. The third category represents a relatively low level of knowledge.

To determine the impact of financial literacy possessed by the participants on their opinions and behaviors, employees are asked to rank personal finance issues using five categories: very important, somewhat important, not sure, somewhat unimportant, and very unimportant. Descriptive statistics are used to present the data.

4. RESULTS

The profile of the 400 respondents are as followed. For the questionnaire respondents' general information, it is found that most are female (70.8%), aged between 25-35 the most (31.3%). Most are single (55.0%) and live in Chiang Mai (43.5%). Most have more than 20 years of work experience (29.8%) with main salary of 10,001-

15,000 baht/month (24.6%), and have extra income of 1,001-2,000 baht (24.6%). The extra income is from the position remuneration the most (40.4%). Family member (spouse) shares their expenses (30.1%). Their highest expense is on food at 1-20% (this group accounted for 41.3%). Most had other expenses, such as clothes, accessories, travel expense (including gas), communication, residential rent, installment payment, children's tuition, and infrastructure costs at 1-10%. The percentage of their expenses in relation to their total pay is 90% (13.7%).

For the study of financial knowledge of academic support-employees, the questions are divided into 4 aspects: basic knowledge about revenue and expense management, knowledge about debt management, knowledge about risk management, and knowledge about investment management. The results of the study shows that the overall mean percentage of correct scores is 35.49%, indicating on average the participants answer only about less than half of the survey questions correctly. For the percentage of the right answers checked for each aspect, the results are in the following order: 43.97% for debt management, 42.81% for pay and expense management, 31.41% for risk management, and 23.71% for investment management. The findings suggest that academic support-employees' knowledge on personal finance is inadequate.

From the study of the personnel's attitudes towards money and their personal financial management, the results show that their personnel's attitude towards money and their own personal financial management are at the medium level of important.

For the respondents' spending and saving behaviors, it is found that most respondents experience a situation where the income cannot cover their expenses and when this happens they have to cut down on some expenses. Most respondents have credit card debts.

For saving, less than half of respondents have some saving and the purpose is for emergency, and for wealth, respectively. Also, a few of the respondents have a financial planning.

5. SUMMARY AND CONCLUSION

Results suggest that academic support-employees need to improve their knowledge of personal finance. Although the questions included in the survey are fairly basic, the overall mean of correct answers for the survey is about 36%. None of the mean scores for each area of general knowledge, debt, risk, and investments are above 44%. It is also found that participants with less knowledge tend to hold wrong opinions and make incorrect decisions in the areas of general knowledge.

In conclusion, the data reveals that the participants do not have sufficient knowledge and skills about managing their financial affairs. Financial education should be introduced to them at the earlier age to prepare them to manage their finances effectively. Various approaches and learning channels can be utilized to achieve this objective. The availability of online materials can complement and supplement the educational or training activities. Effective financial management will contribute to improving the quality of life.

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