

Determinant of Ethical Financial Behavior Among Undergraduate Students: A Conceptual Framework

Hainnuraqma Rahim¹, Mohamed Saladin Abdul Rasool¹, Nornajihah Nadia Hasbullah², Nor Balkish Zakaria³, & Mohd Hafiz Bakar⁴

¹ Faculty of Business and Management, Center for Islamic Philanthropy and Social Finance (CIPSF), Universiti Teknologi MARA (UiTM), Cawangan Melaka, KM 26, Jalan Lendu, 78000 Alor Gajah Melaka, Malaysia

² Faculty of Business and Management, Universiti Teknologi Mara (UiTM), Cawangan Melaka, Kampus Bandaraya Melaka, Melaka 75350, Malaysia

³ Accounting Research Institute, Universiti Teknologi MARA, 40450 Shah Alam, Malaysia

⁴ Faculty of Business and Management, Universiti Teknologi MARA (UiTM), Cawangan Melaka, Malaysia

Correspondence: Mohamed Saladin Abdul Rasool. E-mail: saladin@uitm.edu.my

Received: February 7, 2023

Accepted: March 10, 2023

Online Published: March 27, 2023

doi:10.5539/ass.v19n2p88

URL: <https://doi.org/10.5539/ass.v19n2p88>

Abstract

The university years will experience a significant transitional moment in which parental monitoring and oversight are diminished, and the students attain a degree of financial independence. When entering college, many students face their first financial obligations, such as paying bills, budgeting, and establishing credit. University students are also more vulnerable to making unwise financial management. Poor financial management can trigger financial problems and stress for university students. This study examines the impact of financial knowledge, money attitude, financial self-efficacy, and locus of control on ethical financial behavior among university students. The aim of this paper is to propose Ethical Financial Behavior Among Undergraduate Student. Methodology used by the study is based from the literature search and secondary data to come out with the suggested framework. The expected findings of the study are four segments of Ethical Financial Behavior Among Undergraduate Students. This study provides complementary insight regarding financial-related understanding and assists in developing financial management-associated ideas, which are beneficial not only to students but also to society.

Keywords: financial knowledge, money attitude, financial self-efficacy, locus of control, ethical financial behavior, university student

1. Introduction

Based on the report issued by the Malaysian Insolvency Department in 2021, a total of 61,665 bankruptcy cases were recorded for five years starting from 2017 until December 2021 and 23.75% from that figures come from aged range between 34 and below (Malaysian Insolvency Department, 2021). Bankruptcy is more common among young people and recent graduates because of a lack of knowledge in financial planning and the unwise financial behaviour exhibited by these individuals (Murthy & Mariadas, 2017).

According to Ahlam and Sheerad (2021), their finding indicates a significant relationship between financial literacy and financial behaviour. Better financial literacy enables individual especially young people and undergraduates to use their existing financial knowledge and abilities to engage in acceptable financial activities and to immediately demonstrate planned and responsible financial behaviour. University students are facing a challenging time in their lives in making important financial decisions as they move from financial dependence to financial freedom. They will experience a significant transitional moment in which parental monitoring and oversight are diminished and the students attain a degree of financial independence (Riyazahmed et al., 2021). The situation is quite different as they usually face limited financial constraints as the majority of them do not have their own income. This situation causes students to manage their finances in different ways (Stollak et al., 2011), so that some of them are willing to go hungry and some are willing to work part-time to earn extra pocket money (Abdul Rahman & Zulkifly, 2016).

On the similar vein, the tendency of university student to trap in a digital life style is high which were exposed to

financial burdens (Asian Institute of Finance, 2017). Changing consumer patterns and easy access to personal debt facilities results in youths ending up in bankruptcy as they lose control over their finances (Yeganeh, 2021). University students are also more vulnerable to making unwise financial management. Poor financial management can trigger financial problems and stress to university students especially when they also neglecting the important of financial knowledge as mentioned by Norlaila et al. (2019).

Align with a reasoning, the objective of this study is to examine the impact of financial knowledge, money attitude, financial self-efficacy, and locus of control on the ethical financial behavior among university student in Malaysia. Further, this study will investigate the mediator roles of university commitment.

2. Literature Review

2.1 Ethical Financial Behavior among Undergraduate

The objective of financial behaviour modification is to aid individuals in their money management and attitude to achieve their personal and financial goals. Depending on an individual's requirements, priorities, and skills, financial management is a collection of behaviours and decisions with varying degrees of significance and ease of application. Knowledge in finance is viewed as the capacity of an individual to utilise the knowledge and abilities of properly managing financial resources to attain long-term financial security.

2.2 Financial Knowledge

According to Yakob et al. (2021), financial literacy is a crucial aspect in the financial treatment of individuals, particularly students. This involves knowledge of financial principles, the capacity to distinguish between spending on needs and wants, and an appreciation of the significance of saves. Credit management knowledge is also part of financial awareness (Stollak et al., 2010). The effectiveness of an individual's financial management is dependent on his or her familiarity with accounting fundamentals. They are comparable to those employed in other research attempting to assess financial literacy (Mountain et al., 2021). One of the primary advantages of financial education is the capacity to maximise sources in managing one's personal finances through informed decision-making (de la Fuente-Mella et al., 2021). At this juncture, it is essential to establish that, financial literacy is characterised through an early phase which then strives to recognise and connect the key financial notions for personal finance, whereas financial education seeks to develop fundamental skills for making financial decisions. It has been discovered that financial knowledge has favourable benefits on people's emotional development, financial knowledge, and culture, is associated with high levels of self-confidence, and decreases anxiety while confronting economic challenges (Kim et al., 2019). Thus, we hypothesize that financial knowledge positively influences financial behavior (H1):

H1: There is positive relationship between financial knowledge with ethical financial behavior among undergraduate.

2.3 Money Attitude

A psychological disposition that manifests as a degree of favouritism or disfavour toward a specific entity is an attitude in psychology (Eagly & Chaiken, 1993). The actual objective of all financial literacy campaigns is financial wellness, which is increasingly recognised in the financial literature as being equally as important to reaching as behaviours and knowledge (Castro-González et al., 2020). Regarding socially significant things, people, events, or symbols, Vaughan and Hogg (2005) describe attitude as a persistent structure of belief, emotion, and behavioural tendencies. This definition states unequivocally that attitudes significantly influence behaviour. People develop their attitudes toward money through education, careers, and financial arrangement (Furnham & Argyle, 1999). Relying on their financial targets, people's attitudes and uses of money alter. Money is most frequently exploited, according to Goldberg and Lewis (2000), in the quest for obtaining power, security, love, and freedom.

Additionally, Krueger (1986), a social psychologist, underlined how wealth is the material item in contemporary life with the greatest emotional impact. Therefore, cash plays a crucial role in people's life and influences how they behave in various ways, regardless of how they choose to spend it. In addition, Lim et al. (2003) asserted that women in Asia were even more focused on attitude. In contrast, men in the region were much more interested in power and anxiousness aspects. Therefore, the following hypothesis (H2) is made:

H2: There is positive relationship between money attitude with ethical financial behavior among undergraduate.

2.4 Financial Self-efficacy

Bandura (1977) first established the notion of self-efficacy, which relates to an individual's confidence in their ability to successfully accomplish a task or achieve a goal. Individuals with high self-efficacy typically view

difficult activities as obstacles to overcome, have a strong interest in their work, set ambitious objectives and remain devoted to achieving them, and recover quickly from setbacks. Bandura's self-efficacy theory is related to the idea of financial self-efficacy, which involves the perceived capacity to execute financial tasks and achieve financial targets (Lapp, 2010). The greater an individual's financial self-efficacy, the greater their motivation to overcome financial obstacles. People require financial self-efficacy (deep faith in their ability to effectively accomplish a task effectively) to engage in good financial behaviors that lead to financial well-being, according to our argument (Dare et al., 2022). In turn, this can encourage positive financial habits, such as striving for financial plan, and boost financial well-being. Self-efficacy predicts positive well-being outcomes including mental wellbeing (Tahmassian & Moghadam, 2011), overall fitness (Rimal & Moon, 2009), and lifestyle quality (Banik et al., 2018). In the present work, we demonstrate that this relationship exists in the financial realm as well. Specifically, as discussed previously, we hypothesise that financial self-efficacy encourages positive financial actions, which lead to financial well-being. There are currently no empirical studies that examine this indirect relationship. Financial self-efficacy is positively connected with desirable financial habits, such as trading and (retirement) saving, according to prior research (Farrell et al., 2016). Several researches have also demonstrated that financial self-efficacy correlates positively with economic well-being (Sabri et al., 2020). The empirical question remains, however, whether or not financial self-efficacy can help to financial well-being via its association with positive financial behaviours. Considering this insight, the following hypothesis (H3) is proposed:

H3: There is positive relationship between financial self-efficacy with ethical financial behavior among undergraduate.

2.5 Locus of Control

The ability to exercise self-control is one of the characteristics that affect a student's financial conduct (Azmi & Othman, 2017). This entails being able to recognise and manage one's emotions and want to spend money. Personal financial management has correlated with how a person feels in control of their actions. The locus of control is used to gauge a person's belief in the law of cause and effect in their existence (Cobb-clark et al., 2013). This psychosocial phenomenon has internal and exterior extremes, making it a continuum. Internal control pertains to the conviction that one's talents account for the repercussions of their actions (Taylor et al., 2017). Considering this, many think working hard will pay off in the long run. People who have an illusion of control believe that external forces completely out of control are in charge of their financial condition. They blame their acts on outside factors such as chance, fate, and the sway of influential people (government officials). They also think that the world is too complicated for anyone to accurately foresee or exert control over one's results (Rasheed et al., 2018). These ideas influence how they feel about implementing sound financial practices, which leads to monetary hardship and other difficulties that are associated (Garman et al., 1996). As such, the following is hypothesised:

H4: There is positive relationship between locus control with ethical financial behavior among undergraduate.

2.6 The Mediation Role of University Commitment

University dedication has indeed been characterised as the perception, feeling of belonging, contentment, quality perception and enthusiasm of a student to attend a specific university (Sandler, 2000). This concept of university dedication can be defined based on the capacity to modify one's approach to thinking and response.

H5: There is positive relationship university commitment with ethical financial behavior among undergraduate.

H6: University commitment mediates the relationship between financial knowledge and ethical financial behavior among undergraduate.

H7: University commitment mediates the relationship between money attitude and ethical financial behavior among undergraduate.

H8: University commitment mediates the relationship between financial self-efficacy and ethical financial behavior among undergraduate

H9: University commitment mediates the relationship between locus of control and ethical financial behavior among undergraduate

3. Methodology

This is a conceptual paper that relates to the ethical financial behavior among undergraduate students. Therefore, the study will use the relevant literature on the ethical financial behavior among undergraduate students. Nevertheless, the conceptual framework developed in which was carefully given consideration by the authors

will be tested in the future to ensure that it can become a theory.

4. The Proposed Ethical Financial Behavior Among Undergraduate Students

Figure 1 shows the conceptual framework of this study based on past studies. In managing one's personal finances, a great degree of financial understanding can be the cause of wise behaviour. Psychology could be the primary determinant of actual human behaviour. It is important to note that this research further enhances our knowledge of locus control in relation to academic commitment. In brief, financial knowledge, money attitude, financial self-efficacy, and locus control influence individual behaviour and actions from the perspective of ethical financial behaviour, which is mediated by university commitment.

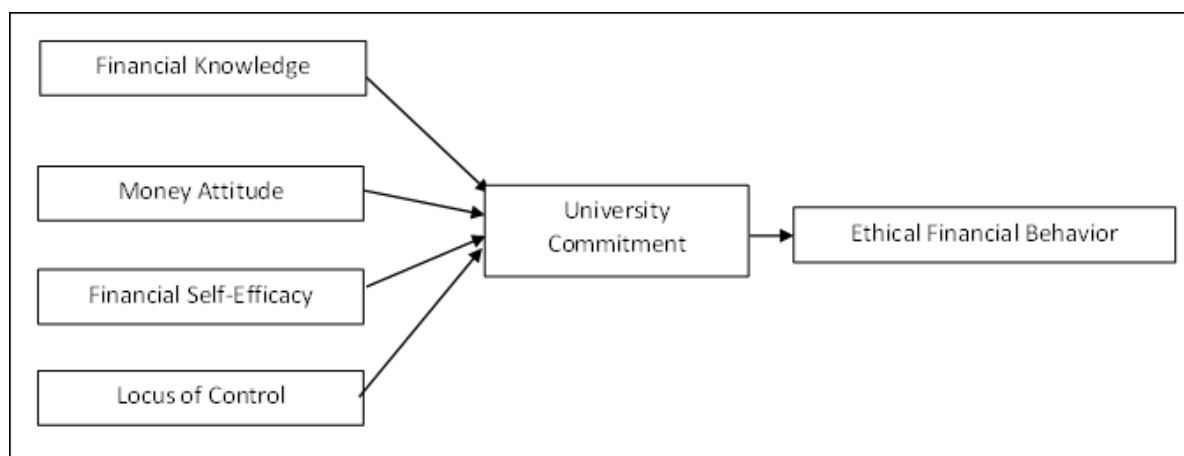


Figure 1. Conceptual Framework

5. Conclusion and Recommendation

The authorities, whether the government or financial institutions like Permodalan Nasional Berhad (PNB), Bank Negara Malaysia (BNM), Credit Counseling & Management Agency (AKPK), and others, ought to magnify their functions and efforts towards producing a literate and skilled society in financial affairs. This is in addition to improving university commitment, especially among university students. People are urged to work together to nurture and enhance attitudes in order to generate better financial attitudes, and education will indirectly promote favorable and positive financial attitudes. This study shows that parents as a significant social factor, rather than the involvement of minimal social factors, improves the financial knowledge of public university undergraduate students. Parents, in specific, could perhaps perform as many role and responsibilities as possible in nurturing children's financial knowledge and skills at a young age. Furthermore, ethical financial behaviour can be used to predict student financial behaviour. Additionally, it is suggested that more respondents from a more diverse demographic participate in the surveys so that the results can more accurately represent Malaysian financial behaviour and literacy.

Acknowledgement

This research was funded by the TEJA INTERNAL GRANT 2022 [Grant number: GDT2022/1-5], UiTM Cawangan Melaka.

References

- Abdul-Rahman, A., & Zulkifly, W. (2016). Faktor penentu pengurusan kewangan: kes mahasiswa Universiti Kebangsaan Malaysia. *Jurnal Personalia Pelajar*, 19(2).
- Ahlan, M. K., & Sheerad, S. (2021). Financial Literacy and Financial Behaviour of University Students in Malaysia. *Turkish Onluinr Journal Qualitative Inquiry*, 12(9).
- Asian Institute of Finance. (2017). *Crowdfunding Malaysia's Sharing Economy: Alternative Financing for Micro, Small and Medium Enterprises*.
- Azmi, N., & Othman, N. (2017). *Tingkah laku mahasiswa dalam menguruskan wang pembiayaan pendidikan*. Proceeding of the 4Th International Conference on Management and Muamalah 2017 (Icomm 2017), 978-967-2122-15-9.

- Bandura, A. (1977). Self-efficacy: toward a unifying theory of behavioral change. *Psychological review*, 84(2). <https://doi.org/10.1037/0033-295X.84.2.191>
- Castro-González, S., Fernández-López, S., Rey-Ares, L., & Rodeiro-Pazos, D. (2020). The influence of attitude to money on individuals' financial well-being. *Social Indicators Research*, 148(3), 747-764. <https://doi.org/10.1007/s11205-019-02219-4>
- Cobb-Clark, D. A., & Schurer, S. (2013). Two economists' musings on the stability of locus of control. *The Economic Journal*, 123(570), F358-F400. <https://doi.org/10.1111/eoj.12069>
- Dare, S. E., van Dijk, W. W., van Dijk, E., van Dillen, L. F., Gallucci, M., & Simonse, O. (2022). How Executive Functioning and Financial Self-efficacy Predict Subjective Financial Well-Being via Positive Financial Behaviors. *Journal of Family and Economic Issues*, 1-17. <https://doi.org/10.1007/s10834-022-09845-0>
- Eagly, A. H., & Chaiken, S. (1993). *The psychology of attitudes*. Harcourt brace Jovanovich college publishers.
- Farrell, L., Fry, T. R., & Risse, L. (2016). The significance of financial self-efficacy in explaining women's personal finance behaviour. *Journal of Economic Psychology*, 54, 85-99. <https://doi.org/10.1016/j.joep.2015.07.001>
- Furnham, A., & Cheng, H. (1999). Personality as predictor of mental health and happiness in the East and West. *Personality and individual differences*, 27(3), 395-403. [https://doi.org/10.1016/S0191-8869\(98\)00250-5](https://doi.org/10.1016/S0191-8869(98)00250-5)
- Garman, E. T., Leech, I. E., & Grable, J. E. (1996). The negative impact of employee poor personal financial behaviours on employers. *Journal of Financial Counselling and Planning*, 7, 157-168.
- Goldberg, H., & Lewis, R. T. (2000). *Money madness: The psychology of saving, spending, loving, and hating money*. Wellness Institute, Inc.
- Hair Jr, J. F., Sarstedt, M., Ringle, C. M., & Gudergan, S. P. (2017). *Advanced issues in partial least squares structural equation modeling*. Sage Publications. https://doi.org/10.1007/978-3-319-05542-8_15-1
- Kim, K. T., Anderson, S. G., & Seay, M. C. (2019). Financial knowledge and short-term and long-term financial behaviors of millennials in the United States. *Journal of Family and Economic Issues*, 40(2), 194-208. <https://doi.org/10.1007/s10834-018-9595-2>
- Krueger, A. B., & Summers, L. H. (1986). *Reflections on the inter-industry wage structure*. <https://doi.org/10.3386/w1968>
- Lapp, W. M. (2010). *The missing link: Financial self-efficacy's critical role in financial capability* (pp. 54-63). San Francisco, CA: EARN Research Institute
- Lim, S. C., Mann, S. C., & Mihov, V. T. (2003). *Market Evaluation of Off-Balance sheet financing: You can run but you can't hide*. <https://doi.org/10.2139/ssrn.474784>
- Malaysian Insolvency Department Report. (2021).
- Mountain, T. P., Kim, N., Serido, J., & Shim, S. (2021). Does type of financial learning matter for young adults' objective financial knowledge and financial behaviors? A longitudinal and mediation analysis. *Journal of Family and Economic Issues*, 42(1), 113-132. <https://doi.org/10.1007/s10834-020-09689-6>
- Norlaila, N. (2019). *Pengembangan Model Instrumen Penilaian Sikap Berbasis Kerja Sama Melalui Buku Penghubung Pada Pembelajaran Pendidikan Agama Islam Dan Budi Pekerti Di Smp Kota Banjarmasin*.
- Rasheed, M. H., Rafique, A., Zahid, T., & Akhtar, M. W. (2018). Factors influencing investor's decision making in Pakistan: Moderating the role of locus of control. *Review of Behavioral Finance*. <https://doi.org/10.1108/RBF-05-2016-0028>
- Rimal, A., Moon, W., Balasubramanian, S. K., & Miljkovic, D. (2011). Self Efficacy as a Mediator of the Relationship between Dietary Knowledge and Behavior. *Journal of Food Distribution Research*, 42(3), 1-14
- Riyazahmed, D. K. (2021). Does Financial Behavior Influence Financial Well-being? *Journal of Asian Finance, Economics, and Business*.
- Ruxyn, T. (2017). *A Young Graduate In Sabah Made RM300, 000 In Just A Year By Turning His Hobby Into A Career*. SAYS.com.
- Sabri, M., Wijekoon, R., & Rahim, H. (2020). The influence of money attitude, financial practices, self-efficacy and emotion coping on employees' financial well-being. *Management Science Letters*, 10(4), 889-900.

<https://doi.org/10.5267/j.msl.2019.10.007>

- Sandler, M. E. (2000). Career decision-making self-efficacy, perceived stress, and an integrated model of student persistence: A structural model of finances, attitudes, behavior and career development. *Research in Higher Education*, 41(5), 537-580. <https://doi.org/10.1023/A:1007032525530>
- Saunders, H., & Vehviläinen-Julkunen, K. (2016). The state of readiness for evidence-based practice among nurses: An integrative review. *International Journal of Nursing Studies*, 56, 128-140. <https://doi.org/10.1016/j.ijnurstu.2015.10.018>
- Stollak, M., Vandenberg, A., Steiner, K., & Richards, J. (2011). Student budgeting and spending behaviors: A comparative study. *Journal of Behavioral Studies in Business*, 3, 1.
- Tahmassian, K., & Moghadam, N. J. (2011). Relationship between self-efficacy and symptoms of anxiety, depression, worry and social avoidance in a normal sample of students. *Iran J Psychiatry Behav Sci.*, 5, 91-97
- Taylor, C. D., Klontz, B., & Lawson, D. (2017). Money disorders and locus of control: implications for assessment and treatment. *Journal of Financial Therapy*, 8(1). <https://doi.org/10.4148/1944-9771.1121>
- Vaughan, G., & Hogg, M. A. (2005). *Introduction to social psychology*.
- Yakob, N. A., & Abu Hasan, N. (2021). Exploring the interaction effects of board meetings on information disclosure and financial performance in public listed companies. *Economies*, 9(4), 139. <https://doi.org/10.3390/economies9040139>
- Yeganeh, H. (2021). Emerging social and business trends associated with the Covid-19 pandemic. *Critical perspectives on international business*. <https://doi.org/10.1108/cpoib-05-2020-0066>

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).