

## **Evaluation of Financial Management Know-How in University Level Students in Peshawar City**

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### **Abstract**

*The objective of the study is to assess financial Management skills among the university level students enrolled in different universities and colleges in Peshawar city by employing both t-tests and Analyses of Variances (ANOVA). Six universities (three public sectors and three private sectors) and five private sector business and management sciences colleges were selected randomly for this research study. By and large the results of the study based on the total mean score male students have more financial management skills than female students. There was a significant difference in the financial management skills both students of public and private universities and colleges. Students of public sector universities and colleges have higher financial management skills score (Mean 39.05) than students of private sector universities and colleges score (Mean 38.01).*

**Keywords:** Financial Management, Financial Management Skills, Peshawar City

### **Introduction**

Financial management skills and behavior for the university students have a significant effect on their future life. The capability to handle financial resources is significant for every university students. Financially well educated students make superior decisions for their families. Finance is the major factor in the option of whether to follow education or to do part time occupation. Generally university students

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start their education with the hope that they will not exclusively accountable for their own finances. Educational workshops, seminars and print media have strong positive impact on the improvement of financial skills and knowledge. (Bayer et al., 2009; Borden et al., 2008; Fox et al., 2005; Lusardi and Mitchell, 2007; Peng et al., 2007). Majority of the studies concentrated on the financial management skills of the university level students. Due to the deficiency of financial management know-how university students have high debt, tension and little financial satisfaction. (Holub, 2002; Nellie, 2002; Norvilitis et al., 2006; Norvilitis et al., 2003). Financial knowledge and skills are helping the students to manage their financial needs according to their resources. Financial management skills contain understanding functions and uses of money. Financial management knowledge is the key of financial decision making and planning. According to Kempson et al (2006) financial skills signify understanding of everyday financial matters and the right decisions. Financial management skills, knowledge and financial management education enable education policy makers to formulate suitable strategies to improve student's financial management knowledge. Enhancement of Financial management skills, knowledge and financial management education will advantage to universities, parents, individual and the nation. The specific objective of this study is to assess financial Mgt skills among the university level students of both came from urban and rural area enrolled in different universities and colleges in Peshawar city.

### **Literature Review**

A study conducted by Goldsmith and Goldsmith, 2006; Kidwell and Turrisi, 2004; Masud et al., 2004; Norvilitis et al., 2006 found university level students have more access to educational loans but most of them have not having financial management skills which create financial troubles. According to Masud (2004) and Sabri (2008) university students are facing financial constrains as most of the students lacking of financial mgt skills. Research conducted by Norvilitis and Santa, 2002; Roberts and Jones, 2001 found that young students were unprepared to handle the cost of basic needs and to manage financial difficulties. They recommend that financial education is the only solution to diminish financial problems. In the words of Brennan and Ritters (2004) financial education empower the students in decision making related to health, economic, education and saving. According to Chen and Volpe (1998) generally university students have lack of financial knowledge. They found that those students who have financial mgt skills can make right decision associated to borrowing, savings and investing. A study by

Bayer et al., 2009; Borden et al., 2008; Fox et al., 2005; Lusardi and Mitchell., 2007; Peng et al., 2007 reported that seminars, printed media and workshops play a vital role in enhancing financial management skills and knowledge. A research conducted by Leskinen and Raijas (2006) revealed that financial resources of university level students come from various sources such as from parents, loans, credit cards as well as from part time jobs. Researchers such as Leskinen and Raijas (2006) reported that financial competences and abilities are based on financial management understanding and financial competences and abilities effect saving, attitudes and spending pattern of the students. Therefore, financial competences and abilities are required to supervise, arrange and organize properly. Leskinen and Raijas (2006) revealed that financial skills are based on various factors such as age, values, sex, education, attitude, family, society and economic and cultural environment which have direct and indirect affect on personal financial skills. Masud (2004) found that majority of the Malaysian students getting financial problems due to not having financial management skills. According to Sabri (2008) most of the Malaysian university students were uncertain that where to spent the money and they purchased unnecessary goods.

## **Research Methodology**

### *Sample*

The sample of this research study includes students of public and private sector universities and colleges in Peshawar city. Six universities (three public sectors and three private sectors) and five private sector business and management sciences colleges were selected randomly for this research study. Questionnaires were include questions like use of loans, financial skills, financial management abilities to manage daily expenses, decision making, career planning, problem solving, and interaction skills etc. Total 330 questionnaires were directly distributed among the students and 280 questionnaires were positively returned which represents eighty five percent response rate.

### *Econometrics Model*

Both t-tests and Analyses of Variances (ANOVA) were used to determine the dissimilarity in financial management skills among the selected universities and colleges.

## **Results and Discussions**

Two hundred and eighty university level students studied, 67 percent were male students and the remaining 33 percent students were female.

71 percent students were belonging to different rural area of Pakistan and the remaining 29 percent students belong to urban area. The age of students was 20 years (41.18 percent), 21 to 30 years (57.21 percent) and above 30 years (1.61 percent). 60 percent students were studied in public universities while 40 percent students were studied in private sector universities and colleges. Majority of the students (72.81 percent) were funded by parents, while 13.6 percent respondents were got scholarship and only 13.59 percent students finance themselves and doing part time jobs in different places. Majority of the students have lack of financial management skills and faces financial problems. Eleven points such as saving, stress management, future needs, interaction skills, use of study loan, manage daily expenses, and problem solving were included in the questionnaire to determine the financial skills of the students. The students were marking the relevant answers according to their ability they have. 61 percent students (males and female) assess themselves as fairly skilled while 20 percent assess themselves as skilled and 19 percent students reported themselves no skill at all. Table 1 indicates that female students enrolled both in public and private universities/colleges have greater capacity in manage daily expenses, time management, saving, interaction skills, and decision making than male students while male students have larger skills in future needs, stress management, problem solving and career planning than male respondents. Managing credit and use of loan both male and female students have the same skills. Based on the total mean score by and large male students have more financial management skills than female students.

Table 1. Mean Score of Financial Skills Components

Component	Male	Female	t	Sig.
Saving	3.20	3.29	7.430	0.350
Stress Management	3.90	3.10	2.103	0.070
Future needs	3.78	3.02	5.230	0.120
Interaction Skills	3.02	3.78	3.921	0.350
Use of Study Loan	3.07	3.07	1.115	0.070
Manage Daily Expenses	3.03	3.08	0.911	0.150
Problem Solving	3.70	3.05	9.032	0.180
Decision Making	3.10	3.91	3.237	0.050
Time Management	3.06	3.96	-.0230	0.040
Career Planning	3.78	3.04	2.456	0.001
Credit/ Debt	3.09	3.09	0.561	0.006
Total Mean Score	38.9	38.45	1.49	0.135

According to the results indicated in table 2, there was a significant difference in the financial management skills both students of public and private universities and colleges. Students of public sector universities and colleges have higher financial management skills score (Mean 39.05) than students of private sector universities and colleges score (Mean 38.01). Results in the table 2 showed that students belong to urban area have more financial skills (Mean= 36.2) than urban (35.1).

Table 2. Comparison analysis of financial skills

Item	Mean	t. F values	Sig.
1)Gender			
a) Male	38.9	t=3.001	0.001
b) Female	38.45		
2)Area			
a) Urban	36.2	F=4.08	0.003
B  Rural	35.1		
3)Universities			
a)Private	38.01	t=3.07	0.004
B)Public	39.05		

### Conclusion

This research study concluded that female students enrolled both in public and private universities and colleges have greater capacity in managing daily expenses, time management, saving, interaction skills, and decision making than male students while male students have larger skills in future needs, stress management, problem solving and career planning than male respondents. Managing credit and use of loan both male and female students have the same skills. Students of public sector universities and colleges have higher financial management skills score (Mean 39.05) than students of private sector universities and colleges score (Mean 38.01). The study also found that students belong to urban area have more financial skills (Mean= 36.2) than urban (35.1).

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