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Financial Well-being Among Undergraduates: A Conceptual Framework

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Abstract
Purpose: The objective of the present study is to develop a conceptual framework FWB among undergraduates in Malaysia. Specifically, factors determining FWB were identified. **Design/methodology/approach:** A conceptual framework developed based on a literature review of existing studies about your financial wellbeing topic.
Findings: The results suggest that financial attitude, financial management, financial literacy and household income as a potential variable.
Practical implications: Through better financial attitudes and management, financial well-being can be achieved regardless of any income level. Thus, universities authorities are encouraged to educate students with various training and courses to enhance the financial wellbeing of students.
Originality/value: The results of this study will support evidence-based policymaking to enhance the financial satisfaction and overall quality of life of vulnerable groups. Policymakers may use the FWB along with the objective index to close the gap between the possible inconsistencies of the objective and the subjective well-being index. Based on the findings, the policymakers will be able to identify the vulnerable groups in the population that have low FWB, according to their socio-demographic profile, and can therefore introduce policies that can effectively improve the FWB of the financially vulnerable households.

Keywords: Financial well-being, financial attitudes, financial literacy, and financial management, undergraduates

Introduction
Financial well-being (FWB) is a concept representing the overall satisfaction individuals derive from their financial circumstances. It encompasses a sense of financial security, freedom of choice, and the ability to meet both material and non-material needs. However, the perception of FWB varies significantly, particularly for students in tertiary education. This divergence is

primarily attributed to the transition students undergo from being financially dependent on their parents to achieving varying degrees of financial independence. As students enter college, they are often confronted with their initial financial obligations while still being partially reliant on their parents, financial aid, loans, or scholarships. Despite the absence of personal income, they are tasked with managing their finances using limited resources, and this can be a significant challenge.

The financial well-being of university students is of particular concern because they are more susceptible to making poor financial decisions due to a lack of financial knowledge and experience. Inadequate financial management can lead to financial difficulties and heightened stress levels among university students. Consequently, there is a pressing need to investigate the factors that influence the FWB of undergraduates, as this could provide valuable insights into improving their overall financial situation.

To address this gap, the present study focuses on examining the state of FWB among undergraduates in Malaysia. Through rigorous research, this study aims to identify the key determinants of FWB for this specific demographic. By understanding the factors that contribute to or hinder financial well-being, educational institutions, policymakers, and families can develop targeted strategies and support systems to enhance the financial wellness of university students in Malaysia.

In a recent study conducted by Jamaluddin et al. (2023), the authors conducted a comprehensive analysis of the financial well-being of undergraduates in Malaysia. Through surveys and interviews, they explored the various factors affecting students' FWB, including income levels, financial literacy, parental support, and living arrangements. The study shed light on the specific challenges faced by Malaysian university students and the opportunities for improving their financial well-being. This research serves as a valuable resource for stakeholders seeking to enhance the financial well-being of undergraduates in Malaysia.

In conclusion, financial well-being among university students is a critical issue that demands attention. The transition from financial dependence to independence poses unique challenges, and poor financial management can lead to stress and financial difficulties. The present study on FWB in Malaysia aims to identify the key determinants influencing the financial well-being of undergraduates, providing a foundation for targeted interventions to improve their financial situations. As demonstrated by recent research, understanding these factors is essential for addressing the specific challenges faced by university students in Malaysia and enhancing their financial well-being.

The remaining sections of this work are organised as follows: This study's literature review is discussed in Section 2. The third section of the report explains the methods including the data sample, variables, techniques, and models. Section 4 discusses the results and findings, while section 5 provides a conclusion.

Literature Review

Financial well-being

The study on financial well-being (FWB) tells us about financial situations which provide one with security and freedom of choice. However, from a perspective of students, Leach et al. (1999) explains FWB by describing the students' feeling about their level of income, debt and savings, ability to handle financial emergencies, and amount of money available for necessities and future needs. However, rooting back to earlier literature of FWB, Strumpel (1977) defined FWB as a state of happiness or general satisfaction with one's financial situation, encompasses with income and savings, a sense of material security, perceptions of opportunities available and a sense of fairness of the reward distribution system. Later, Joo (1998); Shim, Xiao, Barber, and Lyons (2009); and Van Praag et al. (2003) explain FWB as financial wellness and satisfaction which also being described as a state of being financially healthy, happy, and free from worry of one's financial situation (Joo et al., 2008; Sabri and Falahati, 2012). Further, the definition of FWB has been developed to a complex perception that includes the combined perception of both material and non-material aspects of an individual's financial situation (Delafrooz and Paim, 2011).

Financial management

The ability to manage personal finances has become increasingly important for every individual today. Xiao, Sorhaindo & Garman (2006) indicated that the usual financial behaviour includes practices relating to cash, credit, and savings management. As recommended by consumer economists, effective behaviour is a positive or desirable behaviour to improve financial well-being. Hence, researchers are in consensus that the ability to manage resources effectively is the key factor of one's financial well-being (Kim, 2001; Joo, 2008; Shim et al. 2009).

Individual's financial well-being can be either objective as measured in terms of income, assets, etc. or subjective as measured in terms of financial satisfaction (Joo, 2008). Thus, it makes sense that positive financial behaviour should improve financial well-being in either measure. While failure to have proper financial management such as personal finance may lead to serious long-term, negative social and societal consequences (Perry & Morris, 2005).

Financial literacy

Rai et. al, (2019) defines financial literacy as an ability of individuals to take considerable decisions in respect of the effective and efficient utilization of money. Being the focus of the current study, tertiary level students (university, college and, matriculation) are seen to become a segment of financial studies, as they have easy access to financial education that is taught to them either directly or indirectly. However, Knight & Knight (2000); Eckel & Grossman (2002); and Borden, Lee, Serido & Collins (2008) showed that students have inadequate knowledge and skills to manage their finances. Despite being exposed to financial management knowledge, students are perceived to have failed to make proper financial decisions. The studies explain that those students had experienced a high level of financial constraints and debt load. Earlier literature suggests that most tertiary level students lack sufficient knowledge to effectively manage their personal finances (Chen & Volpe, 1998; Avard, Manton, English & Walker, 2005; Norvilitis et al., 2006). In studies which link a relationship between financial literacy and financial well-being, Shim et al. (2009) did not find any significant relationship between these two variables on tertiary level students.

Financial Attitude

Financial attitudes along with financial behaviour can also affect financial well-being. Rai, Dua & Yadav (2019) suggest that the financial attitude can be defined as personal tendency towards financial matters. While Bhushan and Medury (2014) opined that the spotlight should be focused on developing complementary financial attitudes in order to enhance financial literacy among generations.

Theoretically, Ajzen (1991) mapped that financial attitudes are the outcome of a certain behaviour of a decision-maker and the attitude can be entrenched through their economic and non-economic beliefs. Meanwhile, Grable & Lytton (1998) which further supported by recent study by Kasman, Heuberger, & Hammond (2018) concluded that there is a link between financial attitudes and financial literacy among students in which attitude towards money may frame their financial literacy. Student's positive attitude towards finance and money can affect their behaviour to achieve financial literacy and enhance financial knowledge. On the other hand, a negative attitude will weaken their financial decision-making power (Shim, Xiao, Barber, & Lyons, 2009; Sohn, Joo, Grable, Lee, & Kim, 2012).

Household income

The term household income generally refers to the combined gross income of all members of a household above a specified age. Household income includes every member of a family who lives under the same roof, including spouses and their dependents. (Investopedia) Based on the 11th Malaysia's Malaysian Plan, household income can be categorised into three groups based on the income level, they are bottom 40% (B40), middle 40% (M40) and top20% (T20) groups in which, B40 households are defined as those with household monthly income below RM3,860, middle-income households are those earning between RM3,860 and RM8,320 and T20 households are those earning more than RM8,320 monthly (EPU, 2015).

In a study which assesses the FWB of Malaysian households by using the financial well-being index, Mahdzan et al. (2020) shows that the B40 households have the lowest score followed by the M40 and T20 households. Their results suggest that the B40 group indicates a financially distressed. Meanwhile, the M40 and T20 households portray a moderate level of financial distress.

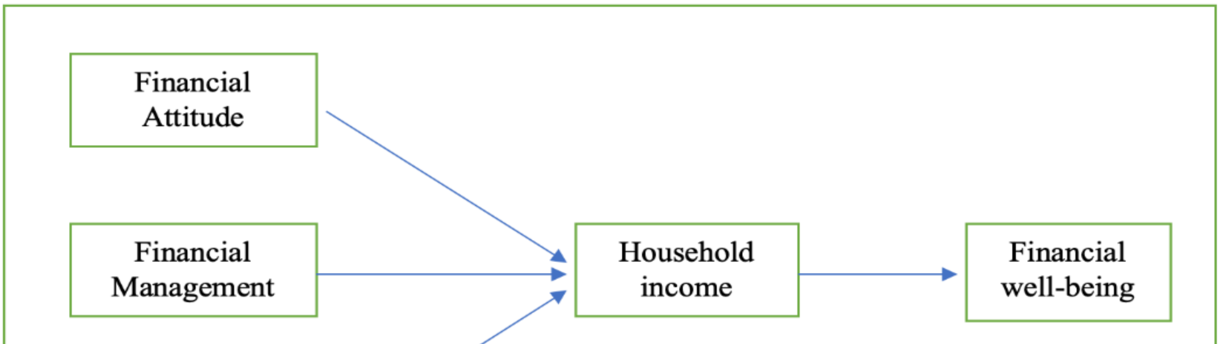

Figure 1: Financial well-being model.

Figure 1 above depicts the framework for our FWB model which we adopt from Rai, Dual and Yadav (2019) in their studies on financial literacy.

Method

Qualitative research concern in data in the form of words, like interview notes, transcripts of focus group, answers of open questions, transcriptions of video recording, data gathering from internet sources, articles, book. Data qualitative can be informed from primary data or secondary data. Based on the secondary data, researchers can gather the information from books, journal articles, conference proceedings and the like or the rich source from the internet. In this research, author gathering data from selected journal articles that mostly give comprehensive view to map variable and indicator that influence financial literacy. In order to create a thorough framework, the author is taking part in the comparison of material from those sources. In this study, content analysis is used. Content analysis is the systematic observation of symbolic content in publications such as books, newspapers, websites, and advertisements. Through content analysis, researchers can examine a great deal of information regarding the study's main topic and pinpoint specific characteristics like concepts, words, characters, themes, and phrases. Conceptual analysis is a method that content analysis can employ. Analysis of concepts in terms of their frequency and existence in a text. Develop conceptual analysis through an examination of the text's relation idea is known as relational analysis. The author of this study use both relational and conceptual analysis. Author collected information from financial literacy concept theory.

Conclusion

The exploration of financial well-being among undergraduates reveals the intricate nature of this concept, with various factors contributing to its definition and measurement. Understanding the financial well-being of university students is essential, as it not only reflects their ability to navigate the challenges of transitioning from financial dependence to independence but also influences their overall academic and personal experiences. Through a comprehensive analysis of income, savings, financial literacy, and the support systems available to students, we can gain valuable insights into how to improve their financial well-being. One possible explanation for this discrepancy could be the perception of undergraduate students as immature, potentially not giving due consideration to financial matters. Moreover, that individuals' attitudes toward finance can significantly impact their actual financial behaviour.

In short, the evolving definition of financial well-being underscores the need for flexible and adaptable strategies to address the various challenges faced by undergraduates. The research in this area not only serves as a guide for students but also provides policymakers, educational institutions, and families with the knowledge needed to develop tailored interventions and support systems. By enhancing the financial well-being of undergraduates, we can empower them to make informed financial decisions, reduce stress, and ultimately, enable them to focus on their educational and personal growth. Ultimately, promoting financial well-being among undergraduates is a crucial step toward ensuring their overall success and well-being.

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