EXAMINING THE DIFFERENT PATTERNS OF PERSONAL FINANCE MANAGEMENT BETWEEN MARRIED AND BACHELOR GROUPS

SHARBAN RAMKUMAR

Bachelor of Business Management with Honours (Marketing) 2009
EXAMINING THE DIFFERENT PATTERNS OF PERSONAL FINANCE MANAGEMENT BETWEEN MARRIED AND BACHELOR GROUPS

SHARBAN RAMKUMAR

This project is submitted in partial fulfillment of the requirement for the degree of Bachelor of Business Management with Honours (Marketing)

Faculty Economics dan Business
UNIVERSITI MALAYSIA SARAWAK
2009
Statement of Originality

The work described in this Final Year Project, entitled “EXAMINING THE DIFFERENT PATTERNS OF PERSONAL FINANCE MANAGEMENT BETWEEN MARRIED AND BACHELOR GROUPS” is to the best of the author’s knowledge that of the author except where due reference is made.

____________________  ___________________
(Date submitted)       (Student’s signature)
Sharban Ramkumar
17225
ACKNOWLEDGMENTS

Although I am the sole author of this thesis, I am by no means the sole contributor. Many people have contributed to my thesis, to my education, and to my life, and it is now my great pleasure to take this opportunity to thank them. First and foremost, I would like to take this opportunity to express my praises to God as He grants grace, wisdom and patience to accomplish this research. By His guidance I manage to go through all the hard times in order to complete this project.

I would forward my appreciation and sincere thank to my thesis supervisor, who read my numerous revisions and helped make some sense of the confusion, for her support, encouragement, inspiration, and guidance throughout the project and for the confidence she has shown in my work. This thesis would not exist at all without her, who accepted me as a research student, despite my time constraints, and who believed in my project and in my declaration of dedication.

Also, it gives me great pleasure to thank Dr. Chu Ei Yet for his support and guidance all through my graduate education from the days of my application to the institute to the completion of my study. Also thanks to all of my lecturers during my time as a student at UNIMAS, and thanks to all my beloved seniors and friends for discussing this thesis and providing me with valuable feedback.
Last but not least, I would like to thank my mother Jayalalitha Sadayan Naidu, my father Ramkumar Yellumalai, my siblings, and other family members who endured this long process with me, always offering support and love; obviously without them this thesis would not have been possible. Thank you so much for your patience during the days that we all separated by time and space. I am deeply indebted to the people who assisted directly and indirectly to complete my thesis successful.
TABLE OF CONTENTS

LIST OF TABLES ........................................................................................................... xii
LIST OF FIGURES ......................................................................................................... xiii

CHAPTER ONE: INTRODUCTION

1.1 Introduction .............................................................................................................. 1
1.2 Research Background .............................................................................................. 1-4
1.3 Problem Statement .................................................................................................. 4-5
1.4 Research Objective .................................................................................................. 6
1.5 Theoretical Framework ............................................................................................ 6-8
1.6 Scope of the Study .................................................................................................... 9

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction .............................................................................................................. 10-11
2.2 The Importance of being Financially Literate among Malaysian ......................... 11-17
   Factors that Contributing towards an Effective Personal Finance
2.3 Money Management .................................................................................................. 17-23
2.4 Money Management .................................................................................................. 24
   2.4.1 Cash Flow Management .................................................................................. 25-26
   2.4.2 Trimming an Individual`s Budget ................................................................. 26
   2.4.3 Reduce Housing Costs ................................................................................. 26
   2.4.4 Buy Smart ...................................................................................................... 27
   2.4.5 Budget Guidelines ....................................................................................... 28-29
2.4.6 Adjust an Individual Plan……………………………………… 30

2.5 Entertainment…………………………………………………………… 31-33

2.5.1 Limitation on Deduction of Outlays or Expenses………………… 34

2.5.2 Keeping Personal Entertainment Bills…………………………… 34

2.6 Saving and Investment………………………………………………… 35

2.6.1 Saving……………………………………………………………………… 35

2.6.1.1 Individual General Savings……………………………………….. 35-36

2.6.1.2 Saving in Personal Finance……………………………………….. 36-38

2.6.1.3 Saving for Emergency Purpose………………………………… 39-41

2.6.1.4 Aggregate Saving………………………………………………….. 41

2.6.2 Investment………………………………………………………………… 41-42

2.6.2.1 Interest Rates………………………………………………………... 42-43

2.6.3 Saving and Investment………………………………………………… 43-44

2.7 Liability……………………………………………………………………… 44-46

2.7.1 Liabilities in Personal Finance……………………………………… 46

2.8 Retirement………………………………………………………………… 46-49

2.8.1 Support and Funds……………………………………………………… 49-51

CHAPTER THREE: METHODOLOGY

3.1 Introduction……………………………………………………………… 52

3.2 Research Design………………………………………………………….. 52

3.3 Population and Sample…………………………………………………… 53-55

3.3.1 Sampling Method……………………………………………………… 55-56

3.3.2 Data Collection………………………………………………………… 56-57
CHAPTER FOUR: RESEARCH FINDINGS

4.1 Introduction................................................................................. 64
4.2 Distribution of Questionnaire.................................................. 64
4.3 Reliability Test.......................................................................... 65
4.4 Frequency Analysis................................................................. 66-67
4.5 Frequency for the Level of Literacy in Personal Finance Among Respondent................................................. 68
4.6 Mean......................................................................................... 69-71
4.7 Comparison Mean................................................................. 72-73
4.8 MANOVA.................................................................................. 74
4.9 ANOVA................................................................................. 75-76
4.10 Independent Sample T-test..................................................... 77-78
4.11 Summary on Hypothesis Testing............................................. 79-81
CHAPTER FIVE: DISCUSSION ON FINDINGS

5.1 Introduction.................................................................................................................. 82
5.2 Conceptual Influences................................................................................................. 82-85
5.3 Discussion on Findings and Hypotheses................................................................. 85
   5.3.1 Discussion on the Respondent’s Personal Financial Literacy. 85-86
   5.3.2 Discussion on Factors that Contribute towards an Effective Personal Finance Management................................................................. 86-88
   5.3.3 Discussion of Hypotheses.................................................................................. 88
      5.3.3.1 Discussion of Hypothesis H1......................................................... 88-89
      5.3.3.2 Discussion of Hypothesis H2......................................................... 89-90
      5.3.3.3 Discussion of Hypothesis H3......................................................... 91-92
5.4 Theoretical Discussion.............................................................................................. 92-93
5.5 Managerial Implications......................................................................................... 93-94

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction.................................................................................................................. 95
6.2 Conclusion................................................................................................................... 95-96
6.3 Limitation of the Research....................................................................................... 97-98
6.4 Future Research......................................................................................................... 98-99

REFERENCES

APPENDIXES
## LIST OF TABLES

<table>
<thead>
<tr>
<th>TABLE</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1:</td>
<td>Reliability Statistic of Questionnaire</td>
<td>65</td>
</tr>
<tr>
<td>Table 2:</td>
<td>Respondent’s Profile of 290 Respondents</td>
<td>67</td>
</tr>
<tr>
<td>Table 3:</td>
<td>Level of Personal Finance Literacy among Respondent</td>
<td>68</td>
</tr>
<tr>
<td>Table 4:</td>
<td>Mean on Factors that Contribute towards an Effective Personal Finance Management</td>
<td>69-71</td>
</tr>
<tr>
<td>Table 5:</td>
<td>Comparison Means Result on Marital Status, Gender, and Monthly Personal Income towards Personal Finance</td>
<td>73</td>
</tr>
<tr>
<td>Table 6:</td>
<td>Multivariate Analysis of Variance (MANOVA) by Marital Status and Gender</td>
<td>74</td>
</tr>
<tr>
<td>Table 7:</td>
<td>One-Way ANOVA Result on Marital Status, Gender and Monthly Personal Income</td>
<td>76</td>
</tr>
<tr>
<td>Table 8:</td>
<td>Independent Sample Test for Marital Status and Gender</td>
<td>77</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

<table>
<thead>
<tr>
<th>FIGURE</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1: Model of Cognitive Personal Financial Management Style.</td>
<td>8</td>
</tr>
<tr>
<td>Figure 2: Budget Guidelines</td>
<td>28</td>
</tr>
<tr>
<td>Figure 3: Level of Personal Finance Literacy among Respondent</td>
<td>68</td>
</tr>
</tbody>
</table>
ABSTRACT

EXAMINING THE DIFFERENT PATTERNS OF PERSONAL FINANCE MANAGEMENT BETWEEN MARRIED AND BACHELOR GROUPS

By

Sharban Ramkumar

Personal finance is the application of the principles of finance to the monetary decisions of an individual or family unit. Managing personal finance is important to achieving the monetary goals. Hence, this research is important to find out the underlying determine how subjects perceive personal finance by different based of demographic (marital status) and different stages of personal income. This study is to examine the personal spending of the different types of people which is categories as married and bachelors. The study is basically looking at the issues of personal finance management among Malaysian peoples in Kuching City, Sarawak. Questionnaires were distributed and analyzed through frequency distribution, the Mean, MANOVA, One Way ANOVA, and as well as T-test analysis; had been used to identify the interrelations and significant differences between tendency of personal finance and married and bachelor groups. The result shows that there is a significant difference between dependent variables and marital status. There are five dependent variable factors were found to be a reason for managing personal finance. They are money management factor, Entertainment, Saving and Investment, Liabilities and Retirement.
ABSTRAK

MENGKAJI CORAK PNGURUSAN KEWANGAN PERIBADI YANG
BERLAINAN DI ANTARA GOLONGAN BERKAHWIN DENGAN
GOLONGAN BUJANG

Oleh
Sharban Ramkumar

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter covers an overview of the study of the research background, problem statement, research objectives, rational research, theoretical framework and research scope of study.

1.2 Research Background

The field of finance covers the economics of the contingent claims. Financial economist studies the valuation of these claims, the markets in which they are traded, and their use by individuals, corporations, and the society at large (Barnea A. H., 1980). As a simple word “to finance” is to provide funds for business or for an individual’s large purchases or else can be describe as a science of managing money (Personal finance, 2006). Moreover, when we discuss about the financial industry it is consist of the techniques and various types of sectors. It is an entity whose income exceeds its expenditure can lend or invest the excess income.

On the other hand, an entity whose income is less than its expenditure can raise capital by borrowing or selling equity claims, decreasing its expenses, or increasing its income. The lender can find a borrower, a financial intermediary, such
as bank or buy notes or bonds in the bond market (Kwok H, 1994). The lender receives interest; the borrower pays a higher interest than the lender receives, and the financial intermediary pockets the difference. Finance is used by individuals (personal finance), by businesses (corporate finance), as well as by a wide variety of organizations (Kwok H, 1994). In general, the goals of each of the above activities are achieved through the use of appropriate financial instruments, with consideration to their institutional setting.

Personal finance is the application of the principles of finance to the monetary decisions of an individual or family unit (Personal finance, 2006). It addresses the ways in which individuals or families obtain, budget, save and spend monetary resources over time, taking into account various financial risks and future life events (Kwok H, 1994). Components of personal finance might include checking and saving accounts, credit cards and consumer loans, investments in the stock market, retirement plans, social security benefits, insurance policies, and income tax management (Volpe R. P., 1996).

According to the Department of Statistics Malaysia, the marital status categorization refers to the status on the census date, which has been conducted in year 2000. The “now married” group includes those who were “married, spouse present” and those who were “married, spouse absent.” These latter two subcategories were determined in the processing and editing steps by the presence or absence of a spouse in the household as ascertained from the relationship-to
householder question on the long form and the assignment of people to related subfamilies (Lewin T., 1995).

“Married, spouse present” applies to husbands and wives if both were living in the same household. “Married, spouse absent” applies to husbands and wives who answered that they were “Now Married” on the census form but no spouse could be found who could be linked to them in the editing stages (Yearbook of Statistics Sarawak, 2006). Since people in group quarters housing (for example, institutions or shelters) were not asked the relationship item, all people in group quarters housing who reported that they were “Now married” were subsequently assigned to the “Married, spouse absent” category in the recoding steps (Yearbook of Statistics Sarawak, 2006).

Nevertheless, a bachelor is a man above the age of majority who has never been married (Lewin, 1995). Usually, in the generic term the bachelorhood recognizing as ‘single’ (Goldsmith, 1997). A man who was formerly married is not a bachelor but rather is a divorcé or a widower except in cases where the marriage was legally annulled, in which case there was legally no marriage especially if it was never consummated (Goldsmith, 1997). The term is sometimes restricted to men who do not have and are not actively seeking a spouse or other personal partner.

Base on the statement that comes up by Mr. Hui Liu, an assistant professor and sociologist at Michigan State University in East Lansing, people who are married are healthier than those who are not (either single, divorced), but the
difference between them has narrowed over the past few decades (Xinhua, 2008). According Mr.Hui on of the theory as to why married people report better health is married gives those people more access to social support and economic resources (Xinhua, 2008).

In the context of the Malaysia, most of us believe it is wise to set such financial goals like sending children to college, planning for retirement, going on vacation, buying a new car, etc (Grigson, 2009). So instead of drafting a financial plan that makes us rich and makes every big ticket item so affordable, we draft a plan that makes every big expense a goal. We live a life of the middle class struggling to pay for our insurance, our children's college expenses, a slightly bigger car, home loan, credit card debts, etc.

In conjunction of this aspect, we have to agree that there is always a difference in managing the personal finance between bachelors and married persons. Usually the bachelors hold significantly lowest wealth rather than the married groups of people, even after controlling for the existence of two earners in a married household (Shields, 2006). Hence, wealth is positively correlated with earnings and income includes the personal finance (Shields, 2006).

1.3 Problem Statement

Since every each person is very busy with their own job, most of the times they are fail plan especially in term of spending their personal income. Sometimes,
they are giving more priority to unnecessary things or not equivalent in their spending (Volpe R. P., 1996). In most of the time, the numbers of victims for this problem are basically among the bachelors and the married couples (Constance, 2004). "Most people don't plan to fail; they just fail to plan." So, it reminds that if we fail to plan, we will fail to reach our financial goals. In order to overcome this problem, everyone should track where their money goes and are they plan enough to spend their personal income.

On the other hand, in nowadays economic trends, there is the persistent gap in wealth between men and women (Angela, Urvi, & Eric, 2008). Wealth is an important source of financial well being. Nevertheless, there is a big difference in wealth of financial between the bachelors and married peoples.

In these circumstances, the problem is to determine how subjects perceive personal finance by different based of demographic (marital status and gender) and different stages of personal income. This study is to examine the personal spending of the different types of people which is categories as married and bachelors. By the way, the question consists, the questions of:

i. “To what extent does the personal finance spend their income to the different types of financial plan?”

ii. “In what ways do they spend more”?

iii. “How do they react towards personal finance management”? 
1.4 Research Objective

The eminent aim can be achieve pass through by examining the pattern of personal finance management which is highlighting the married couples of people and the bachelors. Beside the main aim this study too has a few objectives to be achieved. The objectives are:

i. To identify the level of personal finance literacy among bachelor and married group of peoples.

ii. To identify to what extent does the personal financers spend their income to the various types of financial plans.

iii. To examine the significant difference between personal finance and income expenditure by the individuals.

1.5 Theoretical Framework

Model of Cognitive Personal Financial Management Style is first introduced in 1988 (Schulz, 1991). This model of theory was chosen because it is based on the cognitive style of adults, and has been linked with financial management and decision making in generally. Substantively, a computer search in March 1987 of the ERIC and PSYCHINFO data bases failed to identify any existing studies relating a model of personal financial management style to learning style or to information processing style (Botha M. , 1989).
On the other side of coin, resources from the previous studies also mentioned that there have no any theoretical models for the personal finance management studies until early of nineties (Botha M., 1989). In related stance, authors such as “Elizabeth”, “Burmaster”, “Deborah” and “Micheal” in year 2006 reveals that, although researcher like “Rettig” proposed in 1987 a family decision making framework based on Kuhn's model of a controlled system, but research on this model has not been found (Elizabeth, 2006). Meaning to say that, insufficient theoretical model give an impact for personal finance studies.

While exploratory, the present model helps to establish that people cognitively manage their financial resources in different ways (Elizabeth, 2006). Not everyone approaches management in a systematic, sequential manner as traditional financial management education would have one believe. Some people do use a more intuitive or holistic approach. The latter cognitive style is much more difficult to define, but can no longer be ignored as possibly representing one cognitive Personal Financial Management Style (PFMS) (Elizabeth, 2006).

Besides that, cognitive styles have been described as "the preferred way each individual organizes all that he sees, remembers, and thinks about" (Barnea, Haugen, & Senbet, 1980). “Barnea”, “Haugen”, & “Senbet” further stated that "these styles represent consistencies in the manner or form of cognition as distinct from the content of cognition or level of skill displayed in the cognitive performance". Drago (1985) noted that cognitive styles are not simply habits but habitual modes of information processing.
In related stance, four specific classifications of personal management style then result. People who perceive in detail and who evaluate intuitively are defined as feeling managers. Those who perceive in detail but who use sequential evaluation are analyzing managers. Individuals who perceive information categorically and evaluate sequentially are defined as systematic managers while those who are categorical information-perceivers and intuitive information-evaluators are holistic managers. The proposed cognitive personal financial management style (PFMS) model (Figure 1) provided the theoretical basis for development of an instrument to identify the PFMS of a specific person. Refer to Figure 1 for better understanding the Model of Cognitive Personal Financial Management Style (PFMS).

Figure 1: Model of Cognitive Personal Financial Management Style
1.6 Scope of Study

The study is basically looking at the issues of personal finance management among Malaysian peoples in Kuching City. The selected respondents must be Kuching citizens that stay in Kuching either working or retired, between ages of 21 to 55 years old. The respondents will be divided into two category of marital status (bachelor and married) to gain an insight of possible variations in personal finance management. This can determine significant differences between respondents with different demographic background in reacting towards managing their personal finance (Lethen, 2000).
CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews some concepts related to the topic of this study based on past research studies. It includes perception of researchers and the public’s in terms of managing their personal income, what are the factors that contribute towards an effective personal finance management, and detail discuss about the most and preferable spending variables by the public’s which is the money management, entertainment, saving and investment, liability and retirement (Personal finance, 2008). Yet, the public’s is includes the bachelors and the married couples.

There are lots of researches done on personal finance management in the world but there has been continuous and unsolved argue regarding definition of personal finance management (Drago, 2003). Obviously, personal financial management is a critical function in organizations (Drago, 2003). Successful leadership and management of others require successful leadership and management of oneself. Personal financial management is a critical function in self-management (E. Thomas, 1999).

Money management is the basis of being financially responsible. Learning how to plan, develop, use, and maintain a personal budget is the first step in being
able to make quality financial choices and decisions (Grable, 2006). The ability to apply positive money management skills, set financial goals, and understand effective cash flow strategies are the next steps that allow students to be responsible consumers in terms of a best financial planner (James, 2008).

Personal finance is the application of the principles of finance to the monetary decisions of an individual or family unit (McGregor, 2007). It addresses the ways in which individuals or families obtain, budget, save and spend monetary resources over time, taking into account various financial risks and future life events (Barwell, May, & Pezzini, 2006). Components of personal finance might include checking and savings accounts, credit cards and consumer loans, investments in the stock market, retirement plans, social security benefits, insurance policies, and income tax management.

2.2 The Importance of Being Financially Literate Among Malaysian

It is already well known that we Malaysian are committed savers. Malaysia is among the countries with the uppermost savings rate in the world, a mean accession not easily followed by others (Grigson, 2009). All this savings, which were ultimately channeled to some form of investment, have helped propel Malaysia’s economic development. The motivation to save not only comes from future needs for old age and bringing up children, but also for prevention savings to face many miseries in life including unemployment, sickness or any other unforeseen incidents (Hanna, 2003).