

THE DEBT MANAGEMENT PATTERNS OF EDUCATIONAL LOAN RECIPIENTS AMONG POLYTECHNIC STUDENTS IN KOTA KINABALU, SABAH: AN EMPIRICAL STUDY

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Abstract: *There has been an increase in the number of students registering in higher learning institutions, but there is a big gap between the number of graduates and the number of scholarships provided. Following that, the cost of education at both public and private higher learning institutes is on the increase day by day. Other than having to spend money on learning purposes like academic materials, stationery and so on, students are also affected by the increased price of necessities, like food and others. This is because, they only depend on the scholarship, loan or financial assistance given by their parents. With this in mind, this study seeks to investigate students' habit when it comes to managing their educational loans. Based on the random sampling method, 352 students from the Polytechnic in Kota Kinabalu, Sabah (PKK) comprising of Sabah Bumiputera (66.5%), Sarawak Bumiputera (3.5%), Malay (14.1%), Chinese (4.1%), Indian (1.2%) and others (10.6%) were selected. The study finds that although the students have received their loans, they are still having the financial burden due to the parents' lack of financial stability. Thus, students must be equipped with financial management knowledge so that any financial problems they face can be addressed.*

Keywords: *Finance, Management, Debt, Loans, Students*

Introduction

Educational loans are seen to become increasingly important due to the government's lack of ability to provide students' financial assistance that is consistent with the increasing number of students who seek to further their studies. (Johnstone, 2009). Among the loans that are easy to obtain at the IPT level are the loan from the National Higher Education Fund Corporation (PTPTN), the Public Service Department Loan (JPA) and others. The main aim of the financial assistance is to benefit students who have problems financially so they do not lag behind in the era of development we are in today. Although the money is loaned, the loan seems to be the main financial resource for students to sustain on and off campus. To add, with the implementation of the Goods and Services Tax (GST) in Malaysia starting from 1 April 2015, the society has become more burdened financially because as a whole, the prices of goods and services are increasing (Sarah Athirah Saruchi, Aisyah Abdul-Rahman & Hairunnizam Wahid, 2015). The group receiving the most impact due to the change in the policy would be students who do not have a stable income (Davies & Lea, 1995).

The cost increase automatically leaves an impact to students' financial management. The increased spending will definitely cause the purchasing power to lessen (Sarah Athirah Saruchi, Aisyah Abdul-Rahman & Hairunnizam Wahid, 2015). This has to be accounted for because from 1998 to 2010, 18.47 percent of students still have not paid their National Higher Education Fund Corporation (PTPTN) (Utusan Malaysia, 29 November 2014). This issue has led to one approach which is to see students' habit in managing the financial loans that they receive. This is due to the fact that debt management and financial issues have a significant relationship as evidenced in a study done by Williams, Haldeman and Cramer (1996) which shows that individuals with a lot of financial issues have the tendency to face a serious debt management issue. Thus, this study is done to pay attention to students' habit in managing the loans they receive. Although we have a study by Muhammad Izzat Mohamed and Tamat Sarmidi (2014) about education debt, but studies on students' habit in managing their loans are scarce. Thus, this study intends to find out more about student's debt management habit among the polytechnic students in Kota Kinabalu, Sabah. It is hoped that the implementation of the study can become the pioneer and will be able to give a clearer picture about students' habit in managing their education loans.

Literature Review

Financial management among college students, as found by Bowen and Lago (1997) is not at its best level. They state that most college students are about to face financial crisis because they lack the knowledge required. Without having a consistent financial management practice, students may find it difficult to achieve their financial goals. The practice of making budget and following the budget that they have made only involve one third of the sample of college students (Henry, Weber, and Yarbrough, 2001). Although the number of samples is far larger than the study done by Henry et al. (2001), the percentage of those who are engaged in this positive financial practice in both studies is low. The level of financial management practice of teenagers as obtained by Henry et al. (2001) and Joo, Grable, and Bagwell (2003) is quite bad because they have made poor financial choices. In this vein, they are likely to experience financial pressure, and thus they do not have enough money to cater for their needs. The same finding is obtained by Goetz, Desai, Mimura, and Cude (2008) who concentrate on college students for their study.

Other than that, there are several factors of debt management for every individual. Some of the factors include the factors of gender, age, level of education, monthly household income, marital status and the number of family members (Husniyah et al., 2005; Baek & Hong, 2004, Yasmin Huzaimah Aladdin & Anuar Ahmad, 2017). Additionally, Walker, Tremblay and Parkhurst (1984) in their study also look into the relationship between the marital status, the duration of marriage, the number of family members, the level of education and income, and debt management. Apart from that, all socio-demographic factors are used by past researchers to see the association or difference towards an individual financial behaviour.

Other than being associated with financial practice and decision making, the level of financial knowledge is also found to be related to individual background such as education level, occupation, family income, savings and age. (Australia & New Zealand Banking Group/ANZ, 2003). The work done by Duguey (2004) established that the parents' level of education has a significant influence on students' financial management knowledge. Individual background or even family is found to be closely related to the financial issues they are facing. The same study by William et al. (1976) also shows that the demographic study and socio-economy namely the level of income, ethnic and socioeconomic class are closely related to the financial issues. Also, the studies of debts among students are also focused on by researchers abroad. Kerkman, Lee, Lown and Allgood (2000) find that financial issues are in a reverse relationship with the income of students who are married. Students with low income tend to face greater financial burden compared to those with higher income.

Kim (2001) and Nuraini Abdullah (2015) concludes that financial literacy is basic knowledge with regard to the financial aspect needed by individuals to behave in the modern society. Other than that (Duguey 2004) finds that students' knowledge in several financial aspects remains at the low level especially with regard to the credit, investment and insurance. Financial knowledge is also associated with the financial practice and individual's financial decision making as studied by Chen and Volpe (1998) towards 924 graduates from 14 colleges in the United States. They find that students with high financial knowledge always keep financial records.

Methodology

This study is done on the students of the Polytechnic in Kota Kinabalu, Sabah (PKK) by analysing the debt management pattern among them, those who have loans or any kind of financial aid. Questionnaire forms were distributed to 400 PKK students. However, only 352 were found to have funded their studies using the loans. The 5-point Likert scale served to measure the items in the study. Complete data were then analysed using the descriptive analysis and the mean score.

Findings

352 students who paid for the cost and expenses of their studies will be analysed to achieve the study objectives. The respondents' background is shown in Table 1 below.

Table 1: PKK Student-Respondents' Background

Item	Frequency	Percentage
Gender:		
Male	130	36.9
Female	222	63.1
Race:		
Sabah Bumiputera	235	66.8
Sarawak Bumiputera	16	4.5
Malay	48	13.6
Chinese	10	2.8
Indian	3	0.9
Others	40	11.4
Year of Study:		
1	169	48
2	103	29.3
3	80	22.7
Department:		
Engineering	117	0.33
Non -Engineering	235	0.67
Parents' Source of Income:		
Less than RM1000	144	40.9
RM1001 - RM2000	26	7.4
RM2001 - RM3000	103	29.3
RM3001 - RM4000	53	15.1
More than RM4000	26	7.4
Source of Loan:		
PTPTN	239	0.67
JPA	7	0.03
Others	106	0.3
Place of Residence:		
Hostel	269	76.4
Rented home	52	14.8
Family Home	31	8.8

Source: Data Collection by Author

Table 2: Students' Monthly Spending Pattern (%)

Expenses	Food	Non - food daily need	Health	Clothes	Transport	Protection (Takaful/ Insurance)	Entertainment	Recreation
Less than RM100	27.8	52.6	88.4	56.3	71.3	79.5	70.5	81.5
RM101– RM 200	35.5	29	8.8	31.5	19.6	11.6	22.4	13.6
RM 201– RM300	23	12.2	1.7	8	5.4	3.1	4.3	2.8
RM 301– RM 400	9.9	3.7		2.6	1.7	1.1	0.9	0.6
RM 401– RM 500	2	0.6	0.6	0.6	1.1	1.7	0.3	0.3
More than RM 500	1.7	2	0.6	1.1	0.9	2.8	1.7	1.1

Note: The figure shown is in percentage.

The pattern of expenses for the majority of the respondents which are the PKK students on several aspects as shown in Table 2 all in all is less than RM100 and between RM101 – RM200. Students also allocate some of their expenses on complimentary items or *hajiyyat* like transportation. For *tahsiniyyat* requirements such as entertainment and recreation, the study outcome finds that there are few respondents who are willing to spend more than RM500.

Table 3: Education Loan Management, Spending Habit, Financial Literacy and the Problems Faced by PKK Students

Item	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	MEAN
Education Loan Management						
Before making education loan, I will make sure that the interest is low.	2.3	4.3	30.1	23.6	39.8	3.94
Before making education loan, I will make sure that there is no interest imposed	4.0	6.3	31.8	21.0	36.9	3.81
I will only save up when I run out of money.	18.2	10.5	24.1	15.6	31.5	3.32
Making comparison of different types of education loan before applying for the loan.	1.7	7.7	31.8	23.9	34.9	3.83

Spending to fulfil basic needs only.	1.4	3.7	25.0	28.7	41.2	4.05
Spending following the budget	2.6	8.8	33.8	28.7	26.1	3.67
Discuss with family if having financial problems.	4.0	5.4	19.6	23.9	47.2	4.05
Spending Habit						
Buying something spontaneously	8.2	19.3	46.0	15.9	10.5	3.01
Writing down the list of necessities before buying	6.3	10.5	29.0	25.6	28.7	3.6
Spending based on the list of items	5.4	9.9	35.8	26.4	22.4	3.51
Bargaining to get lower prices	4.5	9.4	25.6	24.7	35.8	3.78
Friend's encouragement influences spending habit	12.5	14.8	35.8	19.3	17.6	3.15
Family's encouragement influences the spending habit	11.6	12.8	31.8	21.6	22.2	3.3
Spending by affordability.	.6	2.6	16.2	31.5	49.1	4.26
Financial Literacy						
The longer the outstanding loan, the greater the loan that has to be paid	4.3	1.7	15.1	22.4	56.5	4.25
The money saved is more than twice after ten years	4.0	6.0	30.1	25.6	34.4	3.8
The savings is the excess income after the spending is deducted	1.4	4.3	28.1	33.2	33.0	3.92
The increase in goods price will reduce the purchasing power	3.4	5.1	15.9	24.7	50.9	4.15
We have over-spent when we use our savings to buy daily necessities.	1.4	3.7	25.9	30.1	38.9	4.01
The Financial Issue Faced						
Insufficient financial resource to buy food at the end of the semester	4.5	6.3	25.6	26.7	36.9	3.85
Borrowing friend's money to buy food	23.3	16.8	25.3	17.3	17.3	2.89
Borrowing friend's money to buy things other than food	35.5	18.2	22.7	12.2	11.4	2.46
Stay hungry because no money to pay for food	16.2	12.8	26.7	16.2	28.1	3.27

Have problem paying for accommodation fees (hostel /rented home) when the time comes.	28.4	15.3	22.2	12.2	21.9	2.84
Have problem paying for study fees when the time comes.	25.0	15.3	23.3	15.9	20.5	2.92

Source: Data Collection by Author

The highest mean for education loan management is 4.05 which is students will ensure that the education loan interest is low and spending for the basic needs only. For the spending habit, this study finds that the highest mean is 4.26 which is respondents spend by affordability. With regard to financial literacy, as a whole respondent understood well the basics of financial knowledge. They understand that the longer the loan stays outstanding, the loan cost that needs to be paid is greater. They also understand that the increased price of goods will reduce consumers' purchasing power. It cannot be denied that although the students do have their loan, they still face problems buying food at the end of the semester. A possibility is that the money they have has been spent away and thus, become less or even finished altogether. The study also finds that there are few students who still have financial problems to pay for their study fees and hostel fees.

Conclusion and Recommendations

Conclusively, it is found that there are a lot of students who fully depend on the loan to find their studies in IPT due to their parents' poor financial position. Because of this, students need to be exposed with sound financial management so that they can handle their debts better. The failure in managing the finance and debt will create a lot of undesirable incidents which can distract the students such as the fact that they have to find part-time jobs to help maintain their everyday expenses. Thus, this study will offer a lot of advantages to a lot of parties where spending patterns, debt management, spending habit, financial literacy and financial issues faced by the students.

Other than that, the study outcome is also able to help the government and the Higher Education Ministry to help students by giving them free education, or increase the skills of financial management among Malaysians. Among the steps that can be implemented are by creating a formal financial education system in every school and higher learning institute. This is because schools or higher learning institutes serve as the best platform as students will go to school or higher learning institute to further studies. The financial education may be included in appropriate subjects like Mathematics or core subjects in higher learning institutes in Malaysia.

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