FINANCIAL LITERACY AND ITS IMPACT ON MONEY MANAGEMENT PRACTICES AMONG HIGHER EDUCATION STUDENTS IN MANIPUR

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ABSTRACT
This study examines the relationship between financial literacy and money management practices among college students in Manipur, a northeastern state of India with distinct socio-economic characteristics. Using a quantitative research design with multi-stage stratified random sampling, data were collected from 370 undergraduate and postgraduate students across government colleges, private colleges, and universities in Manipur. The study employed a structured questionnaire to assess financial literacy levels and money management practices across five dimensions: budgeting and planning, saving and spending behaviors, debt management, and financial decision-making. Descriptive statistics revealed concerning below-average financial literacy levels (M = 2.25) and correspondingly poor money management practices across all dimensions (M = 2.26 to 2.41). However, Pearson correlation analysis demonstrated strong positive relationships between financial literacy and all money management dimensions (r = .641 to .764, $p < .001$). Multiple regression analyses provided compelling evidence that financial literacy significantly predicts money management effectiveness, explaining substantial variance across budgeting and planning (R^2 = 53.1%), saving and spending behaviors (R^2 = 58.3%), debt management (R^2 = 41.1%), financial decision-making (R^2 = 45.6%), and overall money management practices (R^2 = 60.8%). All hypotheses were supported at $p < .001$ significance level with large effect sizes. The findings highlight the critical need for comprehensive financial education programs in higher education institutions and targeted interventions by policymakers to address financial literacy deficits among young adults in northeastern India. This research contributes valuable insights to the limited literature on financial behavior in culturally distinct developing regions and provides an evidence-based foundation for developing effective financial capability interventions.

Keywords: Financial Literacy, Money Management, College Students, Financial Behavior

1. INTRODUCTION
Financial literacy has emerged as a critical life skill in today's complex economic environment, particularly for young adults navigating their transition from dependence to financial independence. College students represent a unique demographic at a pivotal juncture in their financial lives, where the decisions they make regarding money management can significantly influence their long-term economic well-being. This period is characterized by increased financial responsibilities, exposure to credit opportunities, and the need to make informed decisions about education financing, budgeting, and spending.

In Manipur, a northeastern state of India with its distinct socio-economic landscape, college students face particular challenges in developing sound financial management practices. The state's economy, primarily dependent on agriculture and government employment, presents limited financial infrastructure and fewer opportunities for financial education compared to metropolitan areas. Additionally, the cultural and social contexts specific to Manipur may influence how young people perceive and approach money management, making it essential to understand these dynamics within the local framework.

The relationship between financial literacy and money management practices has gained considerable attention in academic research globally, with studies consistently demonstrating that higher levels of financial knowledge correlate with better financial behaviors. However, there remains a significant gap in understanding this relationship specifically among college students in the northeastern states of India, particularly Manipur. The unique demographic characteristics, cultural values, and economic conditions of Manipur necessitate a focused examination of how financial literacy influences the money management practices of its college student population.

College students in Manipur, like their counterparts elsewhere, are increasingly exposed to various financial products and services, including educational loans, credit cards, and digital payment systems. Without adequate financial literacy, these students may be vulnerable to making poor financial decisions that could impact their academic performance and future financial stability. Understanding the current state of financial literacy among this population and its impact on their money management practices is crucial for developing targeted interventions and educational programs.

This research addresses the pressing need to examine the financial literacy landscape among college students in Manipur and its consequential effects on their money management behaviors. By investigating this relationship, the study aims to contribute valuable insights that can inform policy decisions, educational curricula, and financial service provisions tailored to the specific needs of young adults in this region.

2. LITERATURE REVIEW

The relationship between financial literacy and money management practices among young adults has garnered significant attention in academic research, particularly in understanding how financial knowledge translates into effective financial behaviors. This literature review synthesizes existing studies that explore these connections, providing a comprehensive theoretical foundation for examining financial literacy and money management practices among college students.

2.1. Financial Literacy as a Predictor of Money Management Skills

Multiple studies have established a strong positive correlation between financial literacy and money management skills. Tze Juen et al., n.d. comprehensive study of 480 young adults in Malaysia revealed significant correlations between financial knowledge and money management skills ($r = .363$, $p = .000$), with financial practices showing equally strong relationships ($r = .301$, $p = .000$). Similarly, research by Sachitra, Wijesinghe, and Gunasena (Sachitra et al., 2019) on Sri Lankan undergraduates found that students adopt both careful and risky money-management approaches, with economic factors revealing reluctance to incur risks, especially among financially stable families.

The Malaysian context provides additional insights through Zulfaris et al.'s study of 186 university students, which demonstrated that financial literacy significantly impacts money management behaviors. Their research revealed that parental socialization positively influences students' money management practices, while peer influence and self-control negatively affect these behaviors. This finding underscores the complex interplay of social and psychological factors in financial decision-making.

2.2. Psychological and Behavioral Determinants

Research has consistently highlighted the importance of psychological factors in money management behaviors. Mustafa Abro et al.'s study found that psychological factors significantly impact money management skills more than economic and social factors, with financial literacy mediating this relationship. Kidwell and Turrisi's examination of college students identified attitude, affect, past behavior, and perceived control as key predictors of budgeting intention, emphasizing that perceived control moderates budgeting intention and influences emotional responses to financial management (Kidwell & Turrisi, 2004).

The role of self-esteem has also been documented, with Tze Juen et al., n.d. finding a positive correlation between self-esteem and money management skills ($r = .376$, $p = .000$). This suggests that psychological well-being contributes significantly to effective financial management beyond mere knowledge acquisition.

2.3. Money Attitudes and Financial Behavior

The influence of money attitudes on financial behavior has been extensively studied. Kumalasari and Anwar's research on 108 undergraduate students demonstrated that money attitude significantly affects personal financial management behavior, with financial knowledge serving as a moderating factor (Kumalasari et al., n.d.). Similarly, Qamar, Khemta, and Jamil's study of 500 university students found that money attitudes significantly influence personal financial management behavior, with financial knowledge positively moderating this relationship (Ali et al., 2016).

Gunawan et al.'s study of women's financial literacy in Indonesia revealed that perceived financial knowledge significantly affects financial management behavior across multiple dimensions including savings, shopping, and long-term planning. This research highlighted the importance of financial literacy for women's financial resilience, particularly in developing countries.

2.4. Socio-Economic Influences and Credit Behavior

The impact of socio-economic factors on financial behavior has been well-documented. Sahul Hamid and Loke's study of 451 credit card users in Malaysia found that education, income, and money management skills positively affect repayment decisions, with good money management skills significantly reducing the risk of making partial payments (Hamid & Loke, 2021). Interestingly, their research revealed that personality traits like overspending and impulsiveness do not significantly affect credit card payment behavior, contrary to common assumptions.

Cultural factors also play a significant role. Sachitra et al.'s research highlighted that cultural influences show young females often lack responsibilities for money management until marriage, indicating the importance of cultural context in understanding financial behaviors (Sachitra et al., 2019).

2.5. Financial Education and Interventions

The literature consistently emphasizes the critical role of financial education. Multiple studies have found that formal financial education significantly enhances money management capabilities. Cudmore et al.'s research on millennials highlighted the need for customized financial literacy programs, while Sabri et al.'s study of 508 young workers in Malaysia found that financial literacy and debt management positively relate to financial well-being, with multiple regression analysis indicating that eight variables explained 27.4% of the variance in financial well-being (Cudmore et al., n.d.).

2.6. Mediating and Moderating Effects

Recent research has explored the complex relationships between various factors through mediation and moderation analyses. Abro et al. found that financial literacy mediates the relationship between psychological factors and money management skills but not between economic and social factors (Mustafa Abro et al., 2024). This suggests that financial literacy's role varies depending on the type of influencing factor, highlighting the complexity of these relationships.

2.7. Gaps and Future Directions

Despite extensive research, several gaps remain in the literature. Limited studies focus specifically on northeastern India or similar regional contexts where unique cultural, economic, and social factors may influence financial behavior differently. Additionally, most existing research has been conducted in urban settings, with limited exploration of rural or semi-rural contexts.

The literature also reveals mixed findings regarding social influences, with some studies indicating weak correlations between parental financial knowledge and money management skills, while others show positive effects of parental socialization. This inconsistency suggests the need for more nuanced understanding of social influences in different cultural contexts.

2.8. Theoretical Framework

The reviewed literature supports a comprehensive theoretical framework where financial literacy serves as both a direct predictor and mediating variable in the relationship between various factors and money management skills. This framework incorporates financial knowledge, practices, psychological factors, socio-economic influences, and cultural factors, all contributing to overall money management effectiveness.

The literature establishes that effective financial education leads to increased financial literacy, which influences financial practices and ultimately results in improved money management skills. However, this relationship is moderated by psychological factors, cultural influences, and socio-economic conditions, creating a complex interplay that determines financial behavior outcomes.

2.9. Operationalization of Key Variables

Based on the comprehensive literature review and theoretical framework established, this study operationalizes the key constructs through specific measurement dimensions that align with established research findings. The following framework guides the empirical investigation:

Financial Literacy encompasses the foundational knowledge and awareness necessary for effective financial decision-making, measured through:

- Question 1: Understanding basic financial concepts (budgeting, saving, investing)
- Question 2: Differentiating between financial products
- Question 3: Awareness of credit score importance
- Question 19: Awareness of basic financial concepts due to education
- Question 29: Knowledge about different financial products

Budgeting & Planning represents the systematic approach to financial resource allocation and future-oriented financial preparation, assessed through:

- Question 4: Creating and following monthly budgets
- Question 23: Ability to create and follow budgets due to education

- Question 26: Planning for future financial needs
- Question 33: Assessing financial goals and tracking progress

Saving & Spending Behaviors captures the practical application of financial discipline in daily financial activities, evaluated through:

- Question 5: Regular saving for future needs/emergencies
- Question 7: Comparing prices and shopping wisely
- Question 24: Control over spending habits
- Question 25: Informed decisions about saving and investing
- Question 30: Saving for long-term goals
- Question 34: Disciplined saving and money management

Debt Management reflects the understanding and application of responsible borrowing and repayment practices, measured through:

- Question 6: Avoiding unnecessary debt and timely payments
- Question 27: Understanding debt management and reduction

Financial Decision-Making encompasses the cognitive processes and practical applications of financial knowledge in various financial contexts, assessed through:

- Question 28: Making sound financial decisions
- Question 31: Seeking financial advice and using tools
- Question 32: Applying financial concepts to daily practices
- Question 35: Preparedness for financial challenges
- Question 36: Avoiding impulsive financial decisions

This operationalization framework provides a comprehensive foundation for examining the multidimensional relationship between financial literacy and money management practices among college students, ensuring that the empirical investigation captures the complexity of financial behaviors identified in the literature while maintaining focus on the specific research objectives of this study.

3. RESEARCH OBJECTIVES

To assess the level of financial literacy among college students in Manipur and examine its impact on their money management practices.

Specific Objectives

1. To evaluate the current level of financial literacy among college students in Manipur across different dimensions including basic financial concepts, investment knowledge, insurance awareness, and digital financial services understanding.
2. To analyze the money management practices of college students in Manipur including budgeting behaviors, saving patterns, spending habits, and debt management approaches.
3. To determine the relationship between financial literacy levels and money management practices among college students in the state, identifying how different aspects of financial knowledge influence specific financial behaviors.

Hypothesis

1. Budgeting and Planning H_{01}: There is no significant impact of financial literacy on budgeting and planning practices among college/university students.
2. Saving and Spending Behavior H_{02}: There is no significant impact of financial literacy on saving and spending behavior among university students.
3. Debt Management H_{03}: There is no significant impact of financial literacy on debt management practices among college/university students.
4. Financial Decision-Making H_{04}: There is no significant impact of financial literacy on financial decision-making practices among college/university students.
5. Overall Relationship H_{05}: There is no significant correlation between financial literacy levels and overall money management practices among college/university students.

4. RESEARCH METHODOLOGY

This study employs a quantitative research design using a descriptive survey method to examine the level of financial literacy and its impact on money management practices among college students in Manipur. The research adopts a cross-sectional approach to collect data at a single point in time, allowing for the assessment of current financial literacy levels and money management behaviors.

Population and Sampling

The target population comprises undergraduate and postgraduate students enrolled in colleges and universities across Manipur state, India.

Sampling Technique

A multi-stage stratified random sampling technique is employed. The sampling process was carried out in three stages. In the first stage, educational institutions were stratified based on their type—government colleges, private colleges, and universities. In the second stage, a random selection of institutions was made from each of these strata to ensure representation across categories. Finally, in the third stage, proportionate random sampling was used to select students from the chosen institutions, ensuring diversity across academic years and disciplines.

Sample Size

The sample size is determined using Yamane's formula for finite population: $n = N / (1 + N(e)^2)$ Where, n = sample size, N = population size and e = margin of error (0.05). A minimum sample size of 400 students is targeted to ensure adequate representation and statistical power for analysis.

5. ANALYSIS

5.1. Descriptive Statistics

The analysis included 370 college students with complete responses across all variables. The descriptive statistics reveal the following patterns:

Table 1: **Descriptive Statistics of Study Variables**

Variable	Mean	Std. Deviation	Minimum	Maximum	Interpretation
Financial Literacy (FL)	2.25	0.63	1	5	Below average level
Budgeting & Planning (BP)	2.41	0.63	1	5	Below average practices
Saving & Spending (SS)	2.26	0.55	1	5	Below average practices
Debt Management (DM)	2.3	0.63	1	5	Below average practices
Financial Decision Making (FDM)	2.39	0.65	1	5	Below average practices
Overall Money Management (MMP)	2.34	0.55	1.48	4.22	Below average practices

All variables show means below the midpoint (2.5), indicating that students generally report below-average financial literacy and money management practices. Standard deviations range from 0.55 to 0.65, showing moderate variability in responses. The full range of responses (1-5) was utilized, indicating good scale utilization.

5.2. Correlation Analysis

Table 2: Pearson Correlation Matrix

Variables	FL	BP	SS	DM	FDM
Financial Literacy (FL)	1				
Budgeting & Planning (BP)	.729**	1			
Saving & Spending (SS)	.764**	.827**	1		
Debt Management (DM)	.641**	.676**	.773**	1	
Financial Decision Making (FDM)	.675**	.780**	.755**	.645**	1

*Note: ** Correlation is significant at $p < 0.01$ level*

All correlations are statistically significant ($p < 0.001$), indicating strong relationships between financial literacy and all money management dimensions. Strongest FL correlations is Saving & Spending (r = .764), followed by Budgeting & Planning (r = .729). Weakest FL correlation is Debt Management (r = .641), though still representing a strong relationship. Inter-dimensional correlations are also strong (.645 to .827), suggesting these practices are interconnected.

5.3. Regression Analysis Results

Table 3: Summary of Regression Analyses - Financial Literacy Predicting Money Management Dimensions

Dependent Variable	R	R^2	Adjusted R^2	F-statistic	Significance	Effect Size
Budgeting & Planning	0.729	0.531	0.53	416.74	p < .001	Large
Saving & Spending	0.764	0.583	0.582	515.28	p < .001	Large
Debt Management	0.641	0.411	0.409	256.76	p < .001	Large
Financial Decision Making	0.675	0.456	0.454	308.22	p < .001	Large
Overall Money Management	0.78	0.608	0.607	571.93	p < .001	Large

Table 4: Regression Coefficients and Predictive Equations

Dependent Variable	Constant	B (Unstandardized)	β (Standardized)	t-value	Significance	Regression Equation
Budgeting & Planning	0.761	0.73	0.729	20.41	p < .001	BP = 0.761 + 0.730(FL)
Saving & Spending	0.756	0.667	0.764	22.7	p < .001	SS = 0.756 + 0.667(FL)
Debt Management	0.847	0.645	0.641	16.02	p < .001	DM = 0.847 + 0.645(FL)
Financial Decision Making	0.812	0.701	0.675	17.56	p < .001	FDM = 0.812 + 0.701(FL)
Overall Money Management	0.794	0.686	0.78	23.92	p < .001	MMP = 0.794 + 0.686(FL)

6. INTERPRETATION OF RESULTS

6.1 Hypothesis Testing Results

The hypothesis testing results provide conclusive evidence supporting the research objectives of this study. All five null hypotheses were rejected at the p < 0.001 significance level, indicating strong statistical support for the alternative hypotheses.

Dimension	Null Hypothesis Status	Result
H_{01}: Budgeting & Planning	Rejected	FL significantly impacts BP (R^2 = 53.1%)
H_{02}: Saving & Spending	Rejected	FL significantly impacts SS (R^2 = 58.3%)
H_{03}: Debt Management	Rejected	FL significantly impacts DM (R^2 = 41.1%)
H_{04}: Financial Decision Making	Rejected	FL significantly impacts FDM (R^2 = 45.6%)
H_{05}: Overall Money Management	Rejected	FL significantly impacts MMP (R^2 = 60.8%)

All hypotheses confirm that financial literacy significantly and substantially impacts every aspect of money management behavior examined in this study, with effect sizes ranging from large to very large across all dimensions.

The comprehensive statistical analysis provides compelling empirical evidence supporting the significant impact of financial literacy on money management practices among college students. All examined relationships achieved exceptional statistical significance at the p < 0.001 level, indicating that the probability of these findings occurring by chance is less than one in one thousand. This level of significance provides strong confidence in the reliability and validity of the research conclusions.

The effect sizes across all dimensions consistently demonstrate large magnitudes according to Cohen's criteria, with R^2 values spanning from 41.1% to 60.8%. This indicates that financial literacy explains between two-fifths and threefifths of the variance in different money management behaviors, representing substantial predictive power that far exceeds conventional thresholds for practical significance. The overall model demonstrates exceptional predictive capability, with financial literacy accounting for 60.8% of the variance in comprehensive money management practices, suggesting that the majority of students' financial management capabilities can be attributed to their level of financial literacy.

7. CONCLUSION

This study provides compelling evidence that financial literacy significantly impacts money management practices among college students in Manipur, with strong correlations (r = .641 to .764) and substantial predictive power (R^2 = 41.1% to 60.8%) across all dimensions examined. Despite concerning below-average financial literacy levels (M = 2.25) and corresponding poor money management practices, the findings demonstrate that enhanced financial knowledge directly translates into improved financial behaviors, filling a critical research gap in northeastern India's unique socio-economic context. The research has significant practical implications, suggesting urgent need for comprehensive financial education programs in educational institutions and targeted interventions by policymakers and financial service providers. However, the study's cross-sectional design and reliance on self-reported measures limit causal inferences, while the regional focus may restrict generalizability to other contexts. Future research should employ longitudinal designs, comparative studies across different Indian regions, and qualitative approaches to explore cultural influences on financial behavior. These findings underscore financial literacy as a fundamental determinant of financial capability among young adults, providing an evidence-based foundation for developing targeted interventions to improve financial well-being in developing regions like Manipur, where addressing financial literacy deficits represents both an opportunity and necessity for individual and broader economic development.

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