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MONEY MATTERS: FINANCIAL LITERACY AND MANAGEMENT BEHAVIOR AMONG KARACHI'S UNIVERSITY STUDENTS

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ABSTRACT

This study aimed to study the relationship of financial literacy, financial planning and market knowledge with financial management behavior among students of universities in Karachi Pakistan. For this, data was collected from a purposive sample of 429 university students (241 males and 188 females) with a mean age of 22.85 years (SD=3.18). The Financial Literacy Scale and The Financial Management Behavior Scale were utilized to measure these variables. The Pearson product moment correlation and regression analysis were used to test the purposed hypotheses. The results showed that all three factors were linked to financial management. Financial literacy had a positive correlation (r =.355 p <.05) and it was also found to be a significant (F= 61.448, P<.000) and positive predictor of financial management behavior. Financial planning also found to have significant link (r =.161 p <.05) and also a significant (F= 11.368, P<.001) and positive predictor of financial management behavior. Similarly investment market knowledge also showed a positive correlation (r =.355 p <.05) and was a significant (F= 61.368, P<.000) and positive predictor of financial management behavior. These findings suggest that when people understand finance better they tend to manage their money effectively. The evidence supports the idea that improving financial literacy can lead to smarter financial choices. The findings carry useful implications for financial educators, university policymakers and future researchers working on youth financial wellbeing.

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Introduction

Financial matters are a significant part of human lives and concerned with nearly every decision a person makes, from the smallest daily expenses to major life choices such as buying a home or planning for retirement. The capacity to understand, and act on financial information, commonly referred to as financial literacy, has therefore become one of the most talked-about life skills of the present era. Financial literacy is generally understood as the combination of financial knowledge, skills, and confidence that allows a person to make sound decisions about saving, spending, investing, and borrowing (Lusardi and Mitchell, 2014).

In the Pakistani context, the interest in financial planning and literacy has grown increasingly over the past decade. A number of Pakistani researches have highlighted on the importance of on assessing financial literacy among the students who belong to non-business faculties and who are assumed to have limited exposure to financial related course work for example the faculty of humanities and sciences. Ahmed, Kashif and Ali (2016), for instance examined financial literacy among non-business student in Karachi and found that it is challenging for many students to apply basic financial concepts to their daily lives, highlighting the knowledge gap outside business faculties. Other studies have approached the financial handling problems in students from the perspective of saving behavior and its boarder determinants. A study by Cheema, Saleem, and Atif (2018), explored the factors that influence the household and individual saving patterns in Pakistan and pointed to financial awareness as one of several contributing influence in financial management among Pakistani Households.

The current researches in the Context of Pakistan have extended the focus towards digital financial literacy and technological innovations. A recent study on digital financial literacy was conducted by Ali, Alamgir and Nawaz (2024) found that exposure to digital banking services can significantly influence the saving patterns of students and their investment decisions. An important research finding by Munawar (2023) also highlighted the importance of social factors like parents and peers, along with financial education also shape financial literacy and financial decision making. These studies point towards the growing role of digital tools and social influences in student's financial management in Pakistan.

There is a noticeable gap in the local literature. International studies consistently show a link between financial management behavior and financial literacy, financial planning and investment knowledge. However Pakistani research has mostly treated financial literacy as a standalone outcome or focused on related variables like self-efficacy and socialization.

Addressing this gap, the present study is designed to study the link between financial literacy and financial management behavior among university students, with particular attention to two components of financial literacy, namely financial planning and investment and market knowledge. By focusing directly on this relationship with Pakistani university sample, the study aims to add clarity to research area that so far been explored mostly through indirect or secondary variables. Based on the reasoning developed, above, the following hypotheses were formulated:

1. There will be a positive correlation between financial literacy and financial management behavior.
2. Financial literacy would significantly predict financial management behavior in university students.
3. There will be a positive correlation between financial planning and financial

management behavior.

4. Financial planning would significantly predict financial management behavior in university students.
5. There will be a positive correlation between investment and market knowledge and financial management behavior.
6. Investment and market knowledge would significantly predict financial management behavior in university students

Literature Review

Financial management behavior is defined as the actual practices that a person follows with reference to money handling, such as budgeting, saving regularly, paying bills on time, controlling impulsive spending and planning for the future expenses. Financial management behavior is essential as the money is limited and priority setting on financial matters is imperative (Fernandes, Lynch, & Netemeyer, 2014). The ability to deal with financial matters in an efficient way is an important element that contributes to life satisfaction (Wheeler & Brooks, 2023). Several important factors are studied in the previous researches that can influence financial management behaviors in students that includes financial literacy (Ibarrientos et.al, 2024), financial self-efficacy (Ibarrientos et.al, 2024) and hedonism lifestyle (Putra, Harahap & Rahmah, 2020). In students it is found that better financial handling can contribute to improved wellbeing and financial literacy can improve financial management behavior in students (Rosa & Listadi, 2020).

Financial Literacy is the ability to make decisions based on the knowledge and skills regarding the financial matters and the utilization of these skills to improve the economic condition in future (Rosa & Listadi, 2020). While financial literacy reflect what a person knows, financial management behavior reflects what a person actually does with that knowledge. The gap between knowing and applying is where much of research interest lies, since financial knowledge alone does not automatically translate into healthy financial habits.

Preliminary Research work in the area of financial literacy was carried out by Chen and Volpe (1998) among the American college students found that majority to the students have only a basic understanding of personal finance management and this lack of knowledge was linked with less favorable financial outcomes, attitudes and decisions. On the other hand research work has also focused on the saving behaviors among students, spending patterns of students (Ramadhan & Asandimitra, 2019) and latest work has also focused on how financial tools and technology has contributed in money management among young people digital financial literacy specifically strength financial management practice among students (Clarence & Pertiwi, 2023). For instance, a study done on financial planning behavior among millennials was done in Indonesia. The results highlighted that financial knowledge and self-control were significant protective factors that influence how well young adults manage their finances. (Ramadhan & Asandimitra, 2019). Similarly, other researches have focused on specifically digital financial literacy and considered it as a significant strength in financial management practice among students (Clarence & Pertiwi, 2023).

Methodology

Current study utilized a quantitative, correlational research design. The details are given in this section.

Sample

A purposive sample of 429 university students (241 males, 188 females, mean age of 22.85 years, SD=3.18) was recruited form University of Karachi. It was also made sure that the sample was having a part time job or a regular and own source of income.

Measures

Financial Literacy Scale

This scale was developed by Görken and Kaya (2025). It consists of 18 items and is divided into two subscales i.e. Financial Planning (FP) and Investment and Market Knowledge (IMK). The items were rated on a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The scale demonstrated good construct and high internal reliability, with a Cronbach's Alpha of 0.90 for overall scale, while 0.91 for Financial Planning, and 0.89 for Investment and Market Knowledge (Görken & Kaya, 2025).

Financial Management Behavior Scale

This scale was developed by Dew and Xiao (2011). It is a 5-point Likert scale ranging from 1 (Never) to 5 (Always). Overall reliability is good, with a Cronbach's alpha of 0.81. It also demonstrated evidence of construct and criterion-related validity (Dew & Xiao, 2011).

Procedure

Data was collected from universities students across Karachi, Pakistan. Questionnaire with demographic information details on top of the sheet were given, the financial literacy scale and the financial management behavior scale were administrated, and took approximately 10 minutes to complete. Upon completion, participants were thanked for their time and were the debriefed regarding the objectives of the study.

DataAnalysis

Responses were coded and analyzed using SPSS, with Pearson product-moment correlation and regression analysis were applied to test the proposed hypotheses regarding the predictive relationship between financial literacy, financial planning, investment and market knowledge, and financial management behavior.

Ethical Considerations

The objective of the entire study, procedures, and material were according to the ethical guidelines by APA. It was ensured that participants were informed about the purpose of the research. The participants were reassured that any information revealed would be kept strictly confidential and they have the right to request full anonymity in study. The participants were made aware of their right to skip any question or discontinue the survey if any question, make them feel uncomfortable. The study posed no physical, psychological, or financial harm. All collected data was stored securely and exist only by the researcher(s) involved in the study.

Result

Table No. 1: correlation between Financial Literacy and Financial Management Behavior (N=429)

	1.	M	SD
1.Financial Literacy	--	64.02	9.48
2. Financial Management Behavior	.355*	40.41	10.55

*. Correlation is significant at the 0.05 level (2-tailed).

Table 1 indicates that financial literacy is a predictor of financial management behavior.

Figure No. 1: Figure 1 indicates the scatterplot between financial literacy and financial management behavior

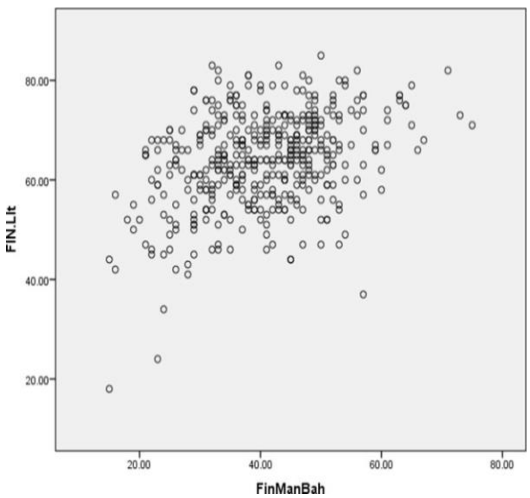

Table no.2: Summary of linear regression Analysis with financial literacy as a predictors of financial management behavior

R	R2	Adjusted R2	Df	Durban Watson	F	Sig.
0.354	0.125	.124	1,427	1.442	61.448	.000

*n=429, P<.000 **

Linear regression analysis showed that 12.5 % of variation financial management behavior is attributable to financial literacy. Financial literacy is a significant (F= 61.448, P<.000) and positive predictor of financial management behavior.

Table No. 3: correlation between Financial Planning and Financial Management Behavior (N=429)

	1.	M	SD
1.Financial Planning	--	38.92	6.15
2. Financial Management Behavior	.161*	40.41	10.55

*. Correlation is significant at the 0.05 level (2-tailed).

Table 2 indicates that financial planning is a predictor of financial management behavior.

Figure No. 2

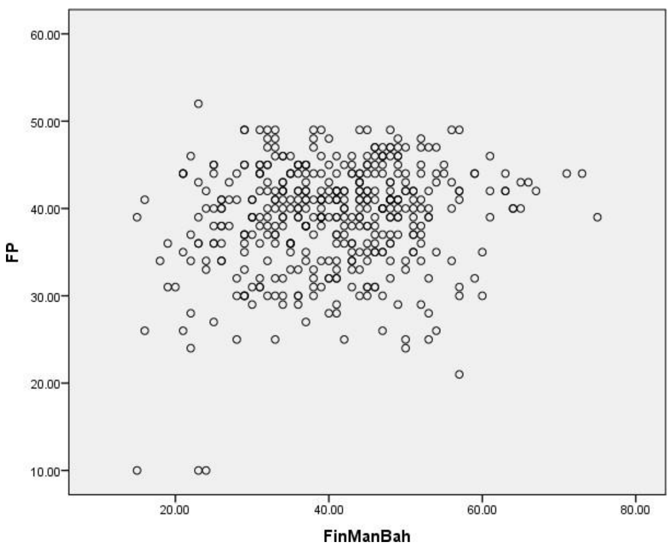

Figure 2 indicates the scatterplot between financial planning and financial management behavior

Table no.4: Summary of linear regression Analysis with financial planning as a predictor of financial management behavior

R	R2	Adjusted R2	Df	Durban Watson	F	Sig.
0.161	0.026	.024	1,427	1.449	11.368	.001*

*n=429, P<.0001**

Linear regression analysis showed that 2.6 % of variation financial management behavior is attributable to financial planning. Financial planning is a significant (F= 11.368, P<.001) and positive predictor of financial management behavior.

Table No. 5: correlation between Investment Market Knowledge and Financial Management Behavior (N=429)

	1.	M	SD
1.Investement Market Knowledge	--	25.07	6.12
2. Financial Management Behavior	.355*	40.41	10.55

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3 indicates that Investment market knowledge is a predictor of financial management behavior.

Figure 3:

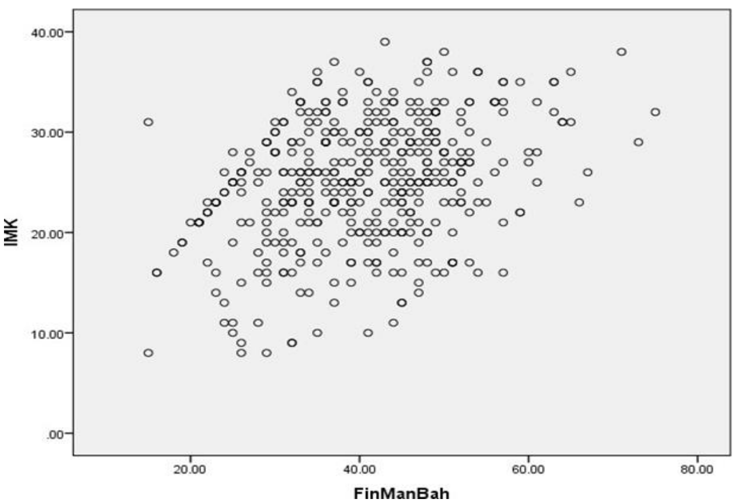

Figure 3 indicates the scatterplot between investment market knowledge and financial management behavior

Table no.6: Summary of linear regression Analysis with investment market knowledge as a predictor of financial management behavior

R	R2	Adjusted R2	Df	Durban Watson	F	Sig.
0.355	0.126	.124	1,427	1.411	61.368	.000*

n=429, P<.000 *

Linear regression analysis showed that 2.6 % of variation financial management behavior is attributable investment market knowledge. Investment market knowledge is a significant (F= 61.368, P<.000) and positive predictor of financial management behavior.

Discussion

The present study attempted to study the link between financial literacy and financial management behavior among student of universities in Karachi, Pakistan. It also examined the relationship of the 2 facets of financial literacy, 1 financial planning and 2. Investment and market knowledge, with financial management behavior. All the 6 hypotheses (see introduction section) were supported by the data, confirming that financial literacy, in its overall form as well its specific components, is meaningfully associated with how students use their money on a day-to-day basis.

The findings, i.e. the significant positive correlations and the results of regression analyses between financial literacy and financial management behavior aligns closely with what has been reported in earlier research for example, Chen and Volpe (1998) had similarly observed that college students with weaker financial knowledge guided to hold less favorable financial opinions and made less sound financial decisions, and the present findings resound that pattern within a Pakistani universities sample.

Similarly, Ahmed, Kashif, and Ali (2016) had already highlighted the financial knowledge gaps among non-business students as a concern, and the present results extend that concern by showing a clear, direct statistical link between literacy and behavior rather than treating the two as separate issues.

The predictive association between financial management behavior and financial planning through comparative modest in strength, is still meaningful. It suggest that student who are better able to plan ahead for their expenses and self-financial goals tend to also show more discipline money management. This finding is consistent with the board financial socialization literature in Pakistan, where researchers such as Munawar (2023) found that financial planning related awareness, shaped by parents, peers, and formal education, feeds into better financial decision making.

Investment and market knowledge also emerged as an important predictor of financial management behavior and interestingly its relationship with financial management behavior was as a strong as that overall financial literacy. This points to an important detail: understanding half market and investment work does not appear to be an isolated or pure theoretical scale for student; it seem to translate into more thoughtful everyday financial choice as well. This finding is broadly consistent with digital literacy focus Pakistani research, such as Ali, Alamgir and Nawaz (2024), which found greater exposure to financial tools and knowledge, include digital banking and investment related information shape students' saving, spending, and investment behavior in meaningful ways.

Taken together these findings help address the gap identified earlier in the literature. While much of existing Pakistani research has approached student financial behavior in directly through, variable such as financial literacy in the digital world and financial self-efficacy, or financial socialization, this is study offers are more direct picture of how financial literacy itself, along with financial planning, and investment and market knowledge relates to financial management behavior.

Limitations of the study and avenues for future research

A few limitation are worth nothing;

1. The sample was drawn using purposive sampling may have introduced response bias, limiting how well the finding generalize to wider Pakistani student population.
2. The cross sectional correlational design capture financial literacy and behavior at a single point in time, preventing any conclusion which one casually shapes the other.
3. Future studies, should use stratified random sampling across multiple universities of Pakistan's cities, to generalizability of findings.
4. Longitudinal or experimental design, such as tracking student's interventions, would help establish the direction of causality between literacy and behavior.

Conclusion

Current study examined the link between financial management behavior and financial literacy among a sample of 429 university students in Karachi, Pakistan. Findings indicated that financial literacy, financial planning, and investment and market knowledge significantly and positively predicted with financial management behavior. The result highlights that students with stronger financial knowledge, particularly, in planning and investment tend to demonstrate healthy financial management.

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