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Financial Literacy and Financial Management Practices Among College Students: A Basis for Designing Effective Financial

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Abstract

Financial literacy and management are vital life skills that enable individuals to manage resources wisely, make informed decisions, and secure long-term financial stability. These skills are especially important among the youth, with whom where financial demands are increasingly complex. In a world where every action carries financial consequences, understanding money is no longer a luxury but a necessity. Financial literacy extends beyond knowledge of concepts and involves the ability to apply such knowledge in real-life situations related to earning, spending, saving, and investing.

This study aimed to evaluate the financial literacy and financial management practices of college students, examine their interrelationship, identify gaps, and use the findings as a basis for a responsive financial education program. The study utilized a descriptive-correlational research design involving 250 students selected through proportionate stratified random sampling. Data were collected using a structured questionnaire covering financial literacy dimensions (knowledge, behavior, attitude, and awareness) and financial management practices (budgeting, saving, investing, debt management, and spending).

Descriptive statistics and correlational analyses were employed to determine levels and relationships among variables. Findings revealed that students have high financial literacy (Mean = 3.61) and financial management practices (Mean = 3.66), with strengths in spending and debt management. However, gaps were noted in interest computation, expense monitoring, saving consistency, and investment engagement. Demographic variables showed minimal influence overall, although sex, scholarship status, allowance, living arrangement, and financial education demonstrated significant relationships with selected dimensions. Notably, financial literacy exhibited a strong positive correlation with financial management practices ($r = 0.829$), indicating that higher literacy leads to more effective financial behaviors.

Based on these findings, targeted and experiential financial education programs are proposed to address identified gaps and enhance students' financial competence, behavior, and decision-making skills.

Keywords: Financial Literacy, Financial Management, College Students, Financial Knowledge, Financial Behavior, Financial Attitude, Financial Awareness, Budgeting Practices, Saving Practices, Investment Practices

Introduction

Financial literacy and management are vital life skills that enable individuals to manage resources wisely, make informed decisions, and secure long-term financial stability. Such skills must be developed among youths where demand of needs is of more escalated at this age generation.
In a world where every action carries a financial consequence, understanding money is no longer a luxury, rather, a necessity. Financial literacy goes beyond mere knowledge of financial concepts; it involves the ability to apply such knowledge in real-life situations related to earning, spending, saving, and investing.

On financial literacy**.** Financial literacy shapes financial decision-making by providing the knowledge, skills, and self-efficacy people need to plan, compare products, and weigh risks and returns; those with higher financial literacy are more likely to budget, save, diversify investments, and avoid high-cost debt. Empirical work also shows that financial literacy reduces the influence of common behavioral biases (e.g., framing, overconfidence, present bias) and improves attention to long-term outcomes, which together produce more deliberate financial management behaviors sufficient: attitudes (confidence, risk preferences, and money beliefs) and prior experience mediate or moderate whether knowledge translates into sound practice (Xu1, Yang, Ali, Li, & Cuii, 2022).

As modern economies grow increasingly complex, financial literacy becomes indispensable in navigating challenges such as debt management, budgeting, and long-term financial planning. It empowers individuals to take control of their financial future, fostering both personal and societal well-being. Furthermore, financial literacy plays a significant role in personal and professional development by promoting responsible money management, encouraging savings and investments, and enhancing financial independence. In the workplace, financially literate individuals can plan career growth effectively, manage income responsibly, and contribute to organizational productivity. On a global scale, financial literacy is recognized as a key factor in promoting economic stability and sustainable development. In the Philippines, government initiatives and educational programs have increasingly emphasized financial education to empower citizens, reduce poverty, and build a more financially inclusive society.

Among various sectors, college students represent a crucial group for cultivating financial literacy, as they begin making independent financial decisions that help shape their future economic behavior. College marks a critical transition to adulthood when young people assume new financial responsibilities and make independent choices that can shape their long-term economic well-being. Financial literacy therefore becomes especially relevant for college students: it equips them with the knowledge and decision-making skills needed to budget limited incomes, manage tuition and costs of living, use credit responsibly, and plan for future obligations (Paula Andrea Rodríguez-Correa, 2025).

Common financial responsibilities that students face include paying tuition and school fees, covering accommodation and food, transporting themselves to classes and work, financing learning materials, and (for many) servicing student loans or informal borrowing; these demands

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make budgeting and cash-flow management immediate, practical skills rather than abstract concepts. At the same time, many students must balance part-time work, internships, or family expectations with academic demands, factors that complicate saving, timely bill payments, and planning for contingencies (Paula Andrea Rodríguez-Correa, 2025).

Materials and Methodology

This study utilized a descriptive-correlational research design. It sought to obtain current financial literacy and financial management practices of college students while also examining how these variables are related. As a descriptive study, this design allowed the researcher to systematically present the respondents' demographic characteristics and their levels across financial knowledge, behavior, attitude, and awareness, as well as their budgeting, saving, investing, debt management, and spending practices. These aspects required a design that focused on observing and documenting existing conditions as they naturally occur, without introducing any form of intervention or manipulation.

Meanwhile, the correlational component of the design purposively determined whether significant relationships exist among the respondents' demographic profiles, their level of financial literacy, and their financial management practices. Correlational analysis is appropriate for assessing these associations, as it enabled the identification of patterns and linkages among variables based on data. Through this approach, the study revealed how age, sex, year level, allowance, or financial education background relate to students' financial literacy and practices.

Overall, the descriptive-correlational design aligned with the study's objectives: (a) to describe the status of financial literacy and management practices among college students, (b) to quantify and compare their levels across different demographic groups, and (c) to examine the relationships among the variables without altering any conditions. This design provided a comprehensive and realistic understanding of the financial behaviors and competencies of students, which is necessary for identifying gaps and developing a targeted financial education program.

Results

Based on the findings of the study, the proposed Financial Literacy Learning Programs and Financial Management Practices for college students are designed to address specific gaps and reinforce strong areas. The programs are structured around the lowest-rated indicators, areas with significant correlations, and findings that show opportunities for improving students' financial literacy and management practices.

(On Financial Literacy) For financial knowledge, the programs focus on improving numeracy in finance, applied budgeting skills, general financial literacy, and equity across demographic groups. The Numeracy in Finance Program (NFP) targets interest computation, which had the lowest mean score, through computation drills and savings/loan simulations to enhance accuracy. The Applied Budgeting Program (ABP) emphasizes budgeting practice, the highest-rated indicator, to sustain consistent budgeting behavior through expense tracking exercises. Other programs, such as Financial Literacy Enrichment (FLEP) and Gender-Responsive Program (GRP), address general knowledge gaps and significant sex differences to improve overall literacy and reduce disparities. Programs targeting scholarship recipients (SFMP) and curriculum redesign (FEEP) respond to significant correlations with financial decision-making and negative effects of financial education, aiming to improve practical understanding and effective learning.

In financial behavior, initiatives focus on enhancing expense monitoring, responsible spending, informed purchasing, financial responsibility, and resource management.

For financial attitude, the programs aim to reinforce habitual saving, self-efficacy, delayed gratification, responsible borrowing, and the value of financial planning.

(On Financial Management Practices). In budgeting, programs such as the Adaptive Budgeting Program and Budget Discipline Program target significant correlations with weekly allowance, source of allowance, age, and year level, using scenario-based exercises and spending control strategies to enhance flexibility, adherence, and structured planning.

For saving, initiatives like the Experiential Financial Education Enhancement (EFEE-S) and Context-Based Saving Program address the significant negative effect of financial education and living arrangement tendencies, promoting applied, goal-oriented, and adaptive saving practices. Secure and consistent saving behaviors are reinforced through guided bank/digital wallet use and structured savings challenges.

In investing, programs such as the Family and Scholarship Investment Support Program (Parents/Guardian, Scholarship: and Context-Based Investment Program (Dormitory target resource- and environment-related influences, while the Experiential Financial Education Enhancement (EFEE-I) addresses the significant negative effect of formal financial education, fostering practical investing skills and early investment mindset development.

Debt management programs, including the Debt Decision-Making Program (Sex and Gender-Responsive Debt Education Program, focus on responsible borrowing, timely repayment, and debt monitoring, addressing sex-based differences in debt behavior. Other interventions reinforce informed decision-making, multiple-debt avoidance, and tracking of obligations.

Spending practices are supported by programs such as the Essential Spending Prioritization Program (Sex and Smart Comparison Program (Weekly allowance), emphasizing prioritization of needs, informed decision-making, and deliberate spending. The Spending Reflection & Improvement Program also addresses the significant negative influence of financial education to improve future spending behaviors.

Discussions

The findings reveal that the respondents are predominantly young college students aged 18-21 years, mostly female, and largely in their first year of study, indicating that they are in the early stage of both academic and financial development.

In terms of financial capacity, most students receive a moderate weekly allowance (Below 1000-1000) and are primarily dependent on parents or guardians as their main source of financial support.

Overall, the demographic profile suggests that the respondents are financially dependent, in the formative stage of financial behavior development, and have minimal formal preparation in financial management, which may influence their financial knowledge, attitudes, and practices.

On the level of financial literacy of the college students in terms of (1) financial knowledge, (2) financial behavior, (3) financial attitude, (4) and financial awareness.

The results reveal that the overall level of financial literacy among the respondents is high, indicating that students generally possess adequate knowledge, positive attitudes, and responsible behaviors toward financial management.

In terms of financial knowledge, students demonstrate a solid understanding of basic financial concepts such as budgeting, inflation, and banking services. However, skills requiring computation, particularly interest calculation, remain an area of relative weakness.

Regarding financial behavior, respondents exhibit responsible practices such as prioritizing financial obligations, avoiding unnecessary borrowing, and making informed purchasing decisions.

For financial attitude, students show positive financial values, including the importance of saving, financial planning, and responsible borrowing. This indicates a strong mindset toward long-term financial stability.

In terms of financial awareness, students are generally aware of financial services, risks such as scams, and the importance of emergency funds.

Overall, colleges students exhibit a high level of financial literacy, specific areas, particularly technical financial skills and consistent financial monitoring, require further enhancement to strengthen their overall financial competence.

On the level of financial management practices of the college students in terms of (1) budgeting, (2) saving, (3) investing, (4) debt management, and (5) spending practices.

The findings indicate that the overall level of financial management practices among the respondents is high, suggesting that students generally demonstrate responsible and effective handling of their financial resources.

In terms of budgeting practices, students show strong engagement in planning and managing their finances, including preparing budgets, tracking expenses, and making necessary adjustments. This reflects a proactive approach to financial planning.

Regarding saving practices, respondents exhibit consistent saving behaviors, such as setting aside money regularly and allocating funds for both short-term and long-term needs.

For investing practices, students demonstrate awareness of basic investment principles, including risk assessment and the importance of early investing.

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In terms of debt management practices, respondents display strong financial discipline, particularly in borrowing only when necessary, avoiding multiple debts, and ensuring timely repayment. This reflects a high level of responsibility in managing financial obligations.

Lastly, spending practices obtained the highest mean, indicating that students are generally careful and rational in their expenditures. They prioritize essential needs, compare options before purchasing, and avoid impulsive spending.

Overall, the results suggest that college students possess sound financial management practices across key areas, particularly in spending and debt management. However, while practices are generally strong, areas such as saving consistency and investment engagement may still benefit from further enhancement to promote long-term financial stability.

On the significant relationship among the respondents' demographic profile and their level of financial literacy

The analysis of the relationship between the demographic profile of college students and their financial literacy reveals that most demographic characteristics have minimal influence on students' financial competence. Variables such as age, year level, weekly allowance, living arrangement, and most sources of allowance show weak and non-significant correlations with financial knowledge, behavior, attitude, and awareness. Similarly, year level and weekly allowance demonstrate negligible associations, suggesting that students' academic standing or the amount of money they receive weekly does not significantly impact their financial skills or practices.

Notably, certain variables show significant relationships with financial literacy. Sex is positively correlated with financial knowledge and overall financial literacy, suggesting slight differences in financial competence between male and female students. Moreover, students who receive scholarships or grants display higher levels of financial knowledge and awareness, with significant correlations for knowledge, for awareness, and for overall financial literacy. This indicates that structured financial support contributes positively to students' understanding and management of financial matters.

Financial education emerges as the most influential factor. Although some individual correlations are negative due to coding, the overall relationship is significant, with significant correlations observed in financial knowledge, behavior, attitude, and awareness. This demonstrates that students exposed to financial education, whether formal or structured, tend to exhibit higher levels of financial literacy, highlighting the critical role of financial education in shaping financial knowledge, behavior, and decision-making.

Overall, the findings indicate that while general demographic characteristics do not strongly affect financial literacy, sex, scholarship or grant support, and financial education are significant factors, emphasizing the importance of educational interventions and targeted financial programs to enhance students' financial competence.

On the significant relationship among the respondents' demographic profile and their level financial management practices.

The analysis of the relationship between the demographic profile of colleges students and their financial management practices reveals several noteworthy patterns. Overall, most demographic variables exhibit weak correlations with financial management practices. Age shows very weak positive correlations with budgeting, saving, investing, debt management, and spending practices, while year level also shows weak positive correlations across all practices, with an overall mean. These results indicate that neither age nor academic year significantly influences students' financial management behaviors.

Significant findings are observed for sex, which has a positive relationship with debt management and spending practices, suggesting that gender differences affect how students handle debt repayment and spending decisions.

The source of allowance also demonstrates significant relationships. Receiving support from parents or guardians correlates positively with investing practices.

Living arrangements influence financial management as well. Students living with relatives show negative correlations with budgeting and overall financial management, indicating weaker practices.

Finally, financial education demonstrates significant negative correlations with saving, investing, spending practices, and the overall mean of financial management.

While age and year level do not significantly affect financial management, sex, weekly allowance, source of allowance, living arrangement, and financial education show significant relationships, highlighting the importance of gender, financial support, independent living, and structured financial education in shaping effective financial management practices among college students.

The analysis of the relationship between financial literacy and financial management practices among the 250 college students revealed consistently strong and statistically significant correlations across all components. Budgeting practices were strongly associated with financial knowledge, financial behavior, financial attitude, and financial awareness, with the total financial literacy correlation. This indicates that students with higher financial literacy are more likely to engage in structured and effective budgeting.

Saving practices similarly demonstrated significant positive correlations with all dimensions of financial literacy, including financial knowledge, financial behavior, financial attitude, and financial awareness.

Investing practices were strongly linked to financial literacy, showing significant positive relationships with financial knowledge, financial behavior, financial attitude, and financial awareness.

Debt management practices also exhibited significant positive associations, including correlations with financial knowledge, financial behavior, financial attitude, and financial awareness.

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Spending practices demonstrated similar trends, with significant positive correlations with financial knowledge, financial behavior, financial attitude, and financial awareness , and an overall correlation with total financial literacy.

The total financial management practices of the respondents were strongly associated with all components of financial literacy, including financial knowledge, financial behavior, financial attitude, and financial awareness.

These findings clearly highlight those higher levels of financial literacy, encompassing knowledge, behavior, attitude, and awareness, are strongly linked to more effective financial management practices, including budgeting, saving, investing, debt management, and spending among the students.

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