



CHAPTER 1 INTRODUCTION

1.1 Background of Study

Financial management is an important aspect of personal finances and essential for individuals to achieve financial well-being. As the global economy becomes more complex, it becomes increasingly important for individuals to have a solid foundation in financial management to make informed financial decisions. However, research shows that many people, including students, lack the financial management skills and knowledge needed to effectively manage their finances.

The purpose of this study was to investigate the determinants of MSU students' financial management behaviour. With increased financial responsibility and potential long-term financial consequences, it is important to understand the factors that influence students' financial decisions. The research focuses on identifying key factors that shape, including financial literacy, Socialization, Lifestyle, Personal Background, and Parental Income.

This study employs a quantitative research approach, using a structured questionnaire to collect data from a sample of his MSU students. The study covers various aspects of financial management behaviour including budgeting, savings, and investment practices. Collected data is analysed using statistical techniques such as descriptive analysis, correlation analysis, and regression analysis to evaluate relationships between variables and determine their impact on financial behaviour.

The findings of this study have important implications for educational institutions, policy makers, and financial advisors. Understanding the factors that influence students' financial management behaviour will improve financial

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literacy, encourage responsible financial decisions, and equip students with the skills they need to successfully navigate their financial future. appropriate interventions can be designed.

This study contributes to the existing literature on student financial behaviour by identifying specific determinants the financial management behaviour at MSU. By identifying these factors, this study provides insights that can be used to design effective financial education programs tailored to the needs of MSU students and promote a culture of financial well-being and responsible financial management.

As the standard of living in Malaysia has improved significantly and stimulated changing lifestyles, college students today are granted greater freedom from their parents to make their own shopping and consumption decisions (Kamaruddin & Mokhlis, 2003).

Beutler and Dickson (2008) stated that failure to adequately socialize young people for adult financial roles is costly at both individual and societal levels. “When they turn 18, we give young adults the full rights to make contracts, obtain loans, secure housing, work full time and fight for their country. Underpinning all these very adult responsibilities are financial choices. Yet far too few of these young people are ever taught to manage money.

The impact of lifestyle on financial management behaviour has also been identified as an important factor influencing an individual's financial decisions. As spending habits, such as lifestyle choices, can affect an individual's ability to save and invest, and ultimately affect their overall economic status.

Moreover, financial management ability has been found to be an important determinant of an individual's financial management behaviour. Research shows



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that people with a deep understanding of financial management concepts and principles are more likely to make informed financial decisions and exhibit positive financial management behaviour.

Given the importance of financial management to an individual's financial well-being, there is a need to investigate the factors that influence student's financial management behaviour. This research provides insight into how understanding the factors that influence student's financial management behaviour can promote positive financial management behaviour in students, ultimately leading to improved financial well-being.

1.2 Statement of The Problem

Despite the importance of financial management to an individual's financial well-being, many students lack the financial management skills and knowledge necessary to effectively manage their finances. Furthermore, lifestyle choices and financial management abilities were identified as important factors influencing an individual's financial management behaviour. However, the specific impact of lifestyle and financial literacy on management behaviour on students.

Therefore, the question addressed in this study is to determinance of financial management behaviour among student MSU. This research can provide insight into the factors that influence student's financial management behaviour and inform the development of interventions and programs to promote positive financial management behaviour in students.

1.3 Research Objectives

1. To determine whether there is any effect from lifestyle towards financial literacy on management behaviour of students.
2. To determine whether there is any effect from socialization towards lifestyle and financial literacy on management behaviour of students.



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3. To determine whether there is any effect from personal background towards lifestyle and financial literacy on management behaviour of students.
4. To determine whether there is any effect from parental income towards lifestyle and financial literacy on management behaviour of students.
5. To determine whether there is any effect from money management behaviour towards lifestyle and financial literacy on management behaviour of students.

1.4 Research Question

1. Does financial literacy affect student's financial literacy on management behaviour?
2. Does socialization affect student's lifestyle and financial literacy on management behaviour?
3. Does personal background affect student's lifestyle and financial literacy on management behaviour?
4. Does parental income affect student's lifestyle and financial literacy on management behaviour?
5. Does money management behaviour affect student's lifestyle and financial literacy on management behaviour?

1.5 Scope of Study

The scope of study will be limited to students Malaysia and Indonesia at the MSU.

1.6 Significance of Study

1. Information about financial education: This research may provide insights to help educators and policy makers design effective financial education



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programs for students. By understanding the factors that influence money management behaviour, financial education can be tailored to meet the unique needs of students and promote positive financial habits.

2. To promote financial well-being: Studying helps promote the financial well-being of students. By identifying lifestyle factors and financial literacy that can influence management behaviour, interventions can be designed to improve financial literacy and promote sound financial habits.
3. To further develop your academic knowledge: This research can contribute to the advancement of academic knowledge by complementing an existing body of research on student financial management behaviour. Researchers can use this finding to develop further studies and models to improve student financial management behaviour.

1.7 Organization of Study

This study consists of 5 chapters with the Organization of Study as described below:

Chapter 1 – Introduction

In Chapter 1 the description includes: background of the study, statement of the problem, research objective, research question, scope of study, significance of study and organization of study.

Chapter 2 – Literature Review

Literature review contains a description of the theory of a research result, findings, as well as materials in research activities. All of this can then be used as a theoretical basis when conducting research.

Chapter 3 – Methodology



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In Chapter 3 the description includes: introduction, overview of research design, research design and instrument, population and study sample, collection of data, data analysis strategies.

Chapter 4 – Data Analysis

In Chapter 4 the description includes: data analysis and finding that discusses about the finding by researchers.

Chapter 5 – Conclusion

In Chapter 5 the description includes: research findings, conclusion, recommendation, limitation of study, and future research.





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CHAPTER 5 CONCLUSION AND RECOMMENDATION

5.1 Introduction

The next chapter concludes this study. An overview of the research is presented, and the research findings are discussed and interpreted. In addition, this chapter answers the hypotheses that the researchers made in Chapter 2 of this study. Additionally, the researchers provide recommendations for further research in the next chapter. Therefore, applying these conclusions to other situations may lead to incorrect assumptions. Nonetheless, these conclusions are relevant to the process of housing development in advanced development projects.

5.2 Overview of Study

The main research objective of this study is to determine the determinance of lifestyle and financial literacy on financial management behavior of student Management and Science University. In addition, there are five research questions to be highlighted in this paper, whether the financial literacy, Lifestyle, Socialization, Personal background, and Parental income have significant relationship on financial management behavior. Therefore, there are five hypotheses in this study that will be associated with the variables that have been developed in this study for any further testing of financial literacy in this study.

With regards to data collection method this study is the questionnaire method. Respondent's answers were measured with Likert scale. The questionnaire distribution technique was carried out by sending it via the internet with a Google form. Respondents who filled the questionnaire are as many as 110 students and former students in management and science university in Selangor. Also, the data collected was analyzed and evaluated using the SPSS program.



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As a result, the findings from chapter 4 found that Hypotheses 1,2, 3, 4, and 5 are acceptable in the regression test in term of spending behavior respectively (Sig <0.05). In other words, there are significant and positive relationships between financial literacy, lifestyle, socialization, personal background, and parental income.

Table 5.1 Summary of the Hypotheses Testing

Hypothesis	Accepted (p<0.05)	Rejected (p<0.05)
H ₁ : Financial Literacy has effect on Financial Management Behavior	✓	
H ₂ : Lifestyle has not effect on Financial Management Behavior		✓
H ₃ : Socialization has not effect on Financial Management Behavior		✓
H ₄ : Personal Background has not effect on Financial Management Behavior		✓
H ₅ : Parent Income has not effect on Financial Management Behavior		✓

5.3 Discussion of Result

5.3.1 Hypothesis 1

The fourth question highlighted is “Does financial literacy affect student’s financial management behaviour?” The results gathered from the research have shown that financial literacy is indeed significantly related to financial management behavior. Therefore, H1 is Accepted.



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5.3.2 Hypothesis 2

The fourth question highlighted is “Does lifestyle affect student’s financial management behaviour?” The results gathered from the research have shown that lifestyle is indeed not significantly related to financial management behavior. Therefore, H2 is not Accepted.

5.3.3 Hypothesis 3

The fourth question highlighted is “Does personal background affect student’s financial management behaviour?” The results gathered from the research have shown that personal background is indeed not significantly related to financial management behavior. Therefore, H3 is not Accepted.

The results obtained are in-lined with the study by Armağan & Çetin (2013). Furthermore, current results also in-lined with the studies of peer influence on spending behavior by Khan, Kamal & Saleem (2016), Chang & Nguyen (2018), Gillani (2012), and Ying et al (2019), which proved that peers can strongly influence one’s spending behavior. This is because an individual tends to refer to their peers. Moreover, friends’ ways of spending will simply affect individual’s decision.

It indicates that students tend to spend more when they have higher knowledge of financial management. This was found to be in consistent with the research of Herawati, Candiasa, Yadnyana, & Suharsono (2018) and Ying et al (2019), which perceive that knowledge of financial management has a positive relationship with the university students’ spending behavior.

5.3.4 Hypothesis 4

The fourth question highlighted is “Does personal background affect student’s financial management behaviour?” The results gathered from the



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research have shown that personal background is indeed not significantly related to financial management behavior. Therefore, H4 is not Accepted.

5.3.5 Hypothesis 5

The fifth question highlighted is “Does parental income behaviour affect student’s financial management behaviour?” H5 was created to identify whether parental income is not significant.

The role of parents is important in the financial socialization of their children and should discuss financial matters from a younger age to ensure they have good financial behavior (Akben-Selcuk, 2015; LeBaron et al., 2020) and attain financial freedom at an early age (Sundarasen et al., 2016).

Parents have the chance to direct their emerging adult children toward financial stability and independence by emphasizing appropriate methods for earlier family financial discussions that may better prepare them for financial survival (LeBaron et al., 2020)

5.4 Contribution of This Study

5.4.1 Body of Knowledge

This research project does not differ significantly from previous studies on the subject and is based on the assessment of various academics who have conducted several studies on financial management behavior. In this context, this research report examines the importance of lifestyle, financial literacy, sociability, personal background, and the relationship between parental income and financial management behavior. At the same time, the study will make relevant research topics available to prospective researchers for literature review and reference.



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5.4.2 Theory

Based on Mayer (2002), the theory of Psychological Law of Consumptions by Keynesian is applied in the study of spending behaviour. This theory is used to explain when one's income increases, they tend to save more and spend less due to the diminishing marginal approach. However, the result of this study is opposite to the theory. By applying Law of Consumptions in this study, the concept of income and spending can be understood better. Also, this theory gives researchers a view on how income factor can affect individual's spending behaviour. Thus, this contradiction result serves as a guidance for further research on Law of Consumptions theory with similar variables.

The theory of Conspicuous Consumptions can be explained as spending on products and services that are unnecessary to display a superior social class. Based on current study, has a positive effect on financial management behaviour of Malaysian and Indonesian students' behaviour. This is because some students are afraid of being left out and wanted to stand out among their friends. They tend to buy something which allows them to feel unique, to gain reputation and fame. Therefore, this theory is recommended for future research that are interested to study on conspicuous consumptions and spending behaviour.

5.4.3 Practical

This study provides insight and insight into determinants of student's financial management behaviour. Additionally, you can increase your awareness to make smart financial decisions. Skills such as managing money effectively, budgeting properly, managing savings, loans, and investments.



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Recommendations

One of the crucial components of any study is recommendation. To improve the limitations of both current research and future research, it offers recommendations to researchers. Several recommendations have been made to address this study's limitations.

First and foremost, since financial management behavior is influenced by a variety of factors, researchers are strongly encouraged to conduct their study using more independent variables to examine how university students spend their money. For instance, lifestyle could be used as an independent variable to examine how university students spend their money. Gajjar (2013) used lifestyle as one of the independent variables in his research. According to him, a person's lifestyle is expressed by the objects in their immediate surroundings and describes how they live in each society. Living a high-quality lifestyle result in higher spending. Thus, to enhance the model of upcoming studies, researchers in the future can include this variable.

Finally, future researchers may conduct one-on-one interviews to examine the factors that influence students' spending patterns in greater detail. According to Boyce & Neale (2006), individual interviewing provides more detailed information than any other data collection methods like surveys. When sharing their thoughts and experiences face-to-face, respondents may feel more at ease. Therefore, it could better understand the spending habits of university students through individual interviews with respondents.

5.6 Conclusion

After examining all independent variables, it was found that all variables were poorly related to financial management behavior. All the remaining variables have a significant impact on the spending behavior of her MSU students in

Malaysia and Indonesia. Furthermore, based on the survey results, financial literacy, lifestyle, sociability, personal background, and parental income were analyzed. All other variables are positively correlated.



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