



CHAPTER 1 INTRODUCTION

Background of the Study

Spending is something that almost everyone does on a daily basis. Previously known as "consuming" in economics, spending is derived from the word consume. Spending is the act of converting money into something that a person wants or needs; it can take the form of a good or a service (Carter, 2014). For example, food, shelter, clothing, health care, transportation, and so on. There are numerous variables that can affect spending behavior.

Spending is viewed from the psychology perspective as a means of obtaining happiness or reducing stress. Additionally, people's purchasing patterns can change in response to stress and pleasure (Durente & Laran, 2016). This may help to explain why various spending habits exist among people. Compared with another non-materialistic individual, someone who values materialism will spend more money.

An increase in consumption will result in an increase in GDP, which can boost a nation's economy (Anghelache, 2011). However, from the standpoint of the consumer, excessive spending could lead to a variety of problems, including bankruptcy.

People are still looking for answers to the worldwide problem of excessive spending and debt. People frequently blame the demands of their social lives when they become indebted (Cheng, 2014). Young people's careless spending on an opulent lifestyle and fashion trends makes their debt a heavier burden (Diana-Rose & Zariyawati, 2015). Even though they are surrounded by many bankruptcy cases,

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many people still do not comprehend the seriousness of excessive spending. Numerous people acknowledged that they have a tendency to use their credit cards to satisfy unnecessary whims (Kaur, 2018). Becker (2018) estimates that 40% of millennials spend more than they should just to keep up with their friends. According to Elkins (2018), many millennials are beginning to struggle with saving money because of their short-term spending habits, which can ruin their long-term planning.

1.2 Statement of the Problem

The spending behavior of Indonesian university students has become a growing concern in recent years. With the rising cost of education and the increasing prevalence of consumerism, many students are facing financial difficulties and struggling to manage their finances. Poor spending behavior can result in debt, financial stress, and impact students' financial well-being.

Despite the growing concern about spending behavior among Indonesian university students, there is a lack of research that specifically explores the determinants of spending behavior. Understanding the factors that influence spending behavior among Indonesian university students is crucial to develop effective financial education programs and promote responsible spending habits.

Therefore, the problem statement for this study is to identify the determinants of spending behavior among Indonesian university students. This study aims to explore factors such as demographic characteristics, financial literacy, social norms, and personal values that may influence spending behavior. By identifying the determinants of spending behavior, this study aims to develop



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effective strategies to promote financial literacy and encourage responsible spending habits among Indonesian university students.

Research Objective

The research objective in this study is:

1. To determine the effect of personality traits on spending behavior among Indonesian students in private universities in Selangor.
2. To determine the effect of socialization on spending behavior among Indonesian Students in private universities in Selangor.
3. To determine the effect of financial knowledge on spending behavior among Indonesian students in private universities in Selangor.
4. To determine the effect of financial situation on spending behavior among Indonesian students in private universities in Selangor.
5. To determine the effect of course taken on spending behavior among Indonesian students in private universities in Selangor.

1.4 Research Question

The research question in this study is:

1. What is the effect of personality traits on spending behavior among Indonesian students in private universities in Selangor?
2. What is the effect of socialization on spending behavior among Indonesian students in private universities in Selangor?
3. What is the effect of financial knowledge on spending behavior among Indonesian students in private universities in Selangor?



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4. What is the effect of financial situation on spending behavior among Indonesian students in private universities in Selangor?
5. What is the effect of course taken on spending behavior among Indonesian students in private universities in Selangor?

1.5 Scope of Study

This study concerns only on Indonesian students currently studying in private university in Selangor spending behavior.

1.6 Significance of Study

the significant of study in this study are:

1. This study provides an analysis on the factors that will affect the spending behavior of Indonesian students. For instance, parental income, personality traits, peer influence, and financial management will be investigated to prove on having effect on spending behavior among university students.
2. For students, researcher hopes that the result of this paper can be used as a reference material in evaluating their knowledge and abilities in the field of finance.
3. For further research, the researcher hopes that the result of this paper can be used as a reference material to be developed for further research in order to obtain better research results.

1.7 Organization of Study

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



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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

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 CONCLUSSION AND RECOMMENDATION

Introduction

The study is wrapped up in this last chapter. The research is summarized, and the study's results are discussed and interpreted. This chapter also provides answers to the research questions posed in the second chapter of this study. In addition, the researcher will suggest more research in the chapter after this. As a result, when applied to other circumstances, these conclusions might support false presumptions. However, these findings are pertinent to how homes evolve in projects for progressive development.

5.2

Overview of Study

This study's primary research goal is to determine the determinants of spending behavior among Indonesian students in private university in Selangor. Additionally, this paper will highlight five research questions, including whether the personality trait, peers, financial knowledge, financial situation, and course taken has significant relationship on spending 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. Respondents' 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 141 Indonesian students and former students in private university in Selangor. Additionally, the SPSS program was used to analyze and assess the data that was gathered.

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As a result, Chapter 4's findings revealed that each Hypothesis in the regression test was acceptable in terms of spending behavior (Sig 0.05). In other words, spending behavior are significantly and favorably correlated with personality traits, peers, financial knowledge, financial situation, and courses taken. (Refer table 5.1)

Table 5.1: Summary of Hypothesis Testing

Hypothesis	Accepted (p<0.05)	Rejected (p<0.05)
H ₁ : Personality Trait has an effect on Spending Behavior	✓	
H ₂ : Peers has an effect on Spending Behavior	✓	
H ₃ : Financial Knowledge has an effect on Spending Behavior	✓	
H ₄ : Financial Situation has an effect on Spending Behavior	✓	
H ₅ : Course Taken has an effect on Spending Behavior	✓	

5.3 Discussion of Result

5.3.1 Hypothesis 1

The initial research question in this study is “What is the effect of personality traits on spending behavior among Indonesian students in private universities in Selangor?” Hypothesis 1, H1 was then developed based on this research question to examine the impact between personality trait and spending behavior among Indonesian student in private university in Selangor. After analysis, the result showed that personality trait and spending behavior have a positive relationship and is significant. Therefore, this indicates the significance of the first research question, H1 result is accepted.





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The findings are consistent with a prior study by Tsao & Chang (2010). Furthermore, the findings are in line with personality trait research on spending behavior conducted by Orji, Sabo, Abubakar, and Usman (2017), which shows a positive relationship between extroversion and spending behavior.

5.3.2 Hypothesis 2

The second research question highlighted is “What is the effect of socialization on spending behavior among Indonesian students in private universities in Selangor?” Hypothesis 2, H2 was then developed to study the impact between peers and spending behavior. H2 results showed that peers and spending behavior have a positive relationship and is significant. Therefore, this indicates the significance if the second question, H2 result is accepted.

The outcomes are consistent with the research by Armağan & Çetin (2013). Additionally, current findings concur with research on the impact of peer influence on spending behavior conducted 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, friend’s ways of spending will simply affect individual’s decision.

5.3.3 Hypothesis 3

The third research question highlighted is “What is the effect of financial knowledge on spending behavior among Indonesian students in private universities in Selangor?” As a result, there is a strong correlation between financial literacy and spending habits. Therefore, H3 result is accepted.



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It suggests that when students have more financial management knowledge, they tend to spend more. This was determined to be in agreement with studies conducted by Ying et al. (2019) and Herawati, Candiasa, Yadnyana, & Suharsono (2018), which believe that financial management knowledge and college students' spending habits are positively related. Knowing how to manage one's finances has a big impact on one's spending habits, according to researchers like Falahati, Sabri, and Paim (2012). Students who have a higher level of financial literacy are therefore more likely to spend because they are better able to manage their credit.

5.3.4 Hypothesis 4

The fourth question highlighted is “What is the effect of financial situation on spending behavior among Indonesian students in private universities in Selangor?” The results gathered from the research has shown that financial situation is indeed significantly related to spending behavior. Therefore, H4 is Accepted.

5.3.5 Hypothesis 5

The fifth question highlighted is “What is the effect of course taken on spending behavior among Indonesian students in private universities in Selangor?” H5 is created to identify whether course taken is significant. Therefore, H5 is accepted.

5.4 **Contribution of the Study**

5.4.1 Body of Knowledge

This research project is not materially different from previous research papers on this subject, based on the evaluation of various scholars who have



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made several studies on spending behavior. This research paper takes into account the importance of the connections between personality trait, peers, financial knowledge, financial situation, and course taken on spending behavior in this context. Additionally, this study enables future researchers to use it as a literature review and source of information when they have relevant research topics.

5.4.2 Theory

The Keynesian Psychological Law of Consumptions theory is used to study spending behaviour and is based on Mayer (2012). According to this theory, people tend to save more and spend less as their income rises because of the diminishing marginal approach. The Law of Consumptions can be used in this study to better understand the idea of income and spending. Additionally, this theory offers researchers an understanding of how a person's income can influence their spending habits. This contradiction result therefore provides direction for future studies using comparable variables on the Law of Consumptions theory.

Conspicuous consumption is the theory that people buy unnecessary goods and services to show off their higher social status. According to a recent study, peer influence has a favourable impact on university students' spending habits. This is a result of some college students' desire to stand out from their peers due to a fear of being left out. They frequently purchase items that give them the chance to feel original and to become well-known. Therefore, it is advised that future studies that are interested in investigating conspicuous consumption and spending behaviour use this theory.



5.4.3 Practical

This study adds insight and understanding about the influence of spending behavior determinants among students. In addition, it can increase awareness to make smart financial decisions. Skills such as how to manage money effectively, make a good budget, control savings and loans, and investments.

5.5 Recommendation

One of the crucial components of any study is the recommendation. In order 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 limitation.

First and foremost, since spending behavior is influenced by a variety of factors, researchers is encouraged to carry out their own research using more independent variables to examine how university students spend their money. For instance, way of life could be used as a 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. Individual interviews provide more detailed information than any other data collection techniques, such as surveys, claim Boyce & Neale (2006). When sharing their thoughts and experiences

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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.

Conclusion

Following a review of all independent variables, only personality trait (PT) and course taken (CT) is found to have no significant impact on spending behavior, while the remaining factors all have a significant impact on spending behavior among university students. Additionally, based on the results of the study, only financial knowledge (FK) is found to be not related, meanwhile the remaining variables are all positively related. Last but not least, the study's goals have been met, it is to investigate the relation between personality trait, peers, financial knowledge, financial situation, course taken, and spending behaviour.

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