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Analysis of Factors Influencing Personal Finance and Financial Management Behaviour: A Study in Hyderabad, Telangana

Shravan Boini

Assistant Professor

School of Management Studies, Guru Nanak Institutions Technical Campus, Hyderabad, India

shravanboini@gmail.com

ORCID : 0009-0008-9884-8806

Abstract: *This study investigates the factors influencing personal finance and financial management behaviour (FMB) among college students in Hyderabad, Telangana, a growing educational and technological hub. Acknowledging the critical need for effective financial management skills, particularly among young adults facing financial choices for the first time, the research addresses a gap in empirical studies focused on urban Indian students, specifically integrating psychological and educational variables. Using multiple linear regression on responses from 264 participants, the study examined the influence of income, higher education learning, financial knowledge, financial literacy, financial attitude, and locus of control on FMB. The findings indicate that income (B=0.158,p=0.005) , financial literacy (B=0.327,p<0.001) , and financial attitude (B=0.211,p<0.001) are significant positive predictors of financial management behaviour. Higher education learning, financial knowledge, and locus of control were not found to be significant predictors in this model. The model explained approximately 27.1% of the variance in financial management behaviour (R^2=0.271). These insights are vital for educators, policymakers, and financial institutions aiming to enhance financial capability among the youth in this socioeconomically diverse and technologically connected demographic.*

Keywords: Personal Finance, Financial Management Behaviour, Financial Literacy, Financial Attitude, Income, College Students, Hyderabad, Telangana

I. INTRODUCTION

In today's rapidly evolving and financially complex world, the ability to effectively manage personal finances is considered an essential life skill. Financial Management Behaviour (FMB) refers to how individuals make and act upon decisions regarding budgeting, saving, spending, and investing to achieve financial stability and well-being (Xiao, 2008). This behaviour becomes particularly crucial during young adulthood, a life stage often marked by the transition to financial independence. Students, especially those enrolled in higher education, frequently face financial choices for the first time, which can shape their long-term financial habits (Sabri&Falahati, 2012).

Despite growing access to financial education and digital financial tools, several studies highlight persistent gaps in financial literacy and practical money management skills among youth, both globally and in India (OECD, 2020; RBI, 2019). Hyderabad, the capital of Telangana, has emerged as a leading centre of education and technology, attracting a large and diverse student population. However, the effectiveness of formal education in influencing students' actual financial behaviour remains uncertain. Therefore, this study seeks to understand the factors that contribute to financial management behaviour among students in this region.

Income plays a fundamental role in financial decision-making. Individuals with higher income or allowances are generally better positioned to budget, save, and invest. However, research indicates that higher income alone does not guarantee disciplined financial behaviour. Without self-regulation and planning, even those with adequate resources may struggle financially (Ida &Dwinta, 2010; Hilgert, Hogarth, & Beverly, 2003). Among students, income often

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comes from allowances, part-time work, or scholarships, and how they manage these funds can vary based on other influencing factors.

Formal education, especially in commerce and management, is expected to enhance students' financial knowledge and behaviour. Yet, empirical evidence presents a mixed picture. Herawati (2015) and Mustapha et al. (2016) argue that while academic instruction increases awareness of financial concepts, it often lacks practical application, thereby failing to significantly impact financial behaviour. This points to a need for experiential learning approaches that go beyond theoretical instruction.

Financial knowledge involves understanding concepts like budgeting, interest rates, credit, and investment options. Although considered a critical foundation for sound financial behaviour (Chen & Volpe, 1998; Lusardi& Mitchell, 2007), knowledge alone does not necessarily lead to action. Many individuals possess basic financial knowledge but fail to implement it due to lack of motivation, habit, or attitude (Hilgert et al., 2003).

Financial literacy goes beyond knowledge and includes the ability to apply financial skills in real-life situations. It encompasses budgeting, saving, managing debt, and making informed investment decisions. Studies have consistently shown that individuals with high financial literacy demonstrate better financial behaviour and long-term planning (Lusardi& Mitchell, 2014). In India, Agarwal and Mazumder (2018) found a significant positive relationship between financial literacy and responsible saving and investment habits among youth.

An individual's financial attitude—comprising beliefs, values, and feelings about money—greatly influences behaviour. Positive attitudes, such as prioritizing saving and future planning, have been associated with responsible financial practices (Parrotta& Johnson, 1998). Sabri and Falahati (2012) observed that students who exhibit a serious and responsible attitude towards their finances are more likely to engage in budgeting and goal-oriented financial behaviour.

Locus of control is a psychological construct that reflects the extent to which people believe they can influence the events in their lives. An internal locus of control—where individuals believe outcomes are the result of their actions—has been linked to better financial planning and saving behaviour (Chinen& Endo, 2012). Conversely, individuals with an external locus of control often attribute financial results to luck or external circumstances, potentially limiting their proactive financial efforts (Rotter, 1966)..

Research Gap

While studies have explored financial behaviour in broader Indian contexts (e.g., Kumar & Kumar, 2021; Agarwal&Mazumder, 2018), few have focused specifically on Hyderabad's student population, which is socioeconomically diverse and technologically connected. Additionally, the integration of psychological and educational variables into one predictive model remains limited in Indian studies. Therefore, this study provides timely and relevant insights for educators, policymakers, and financial institutions aiming to enhance financial capability among the youth.

Objectives of the Study

- To examine the influence of income levels on personal finance and financial management behaviour among college students in Hyderabad, Telangana.
- To assess the impact of higher education learning (financial coursework) on students' financial behaviour.
- To evaluate the role of financial knowledge in shaping effective personal finance practices.
- To analyze the effect of financial literacy on responsible money management among youth.
- To explore the relationship between financial attitude and financial management behaviour.
- To investigate whether locus of control affects financial decision-making and behaviour.
- To identify the most significant predictors of sound financial management behaviour among young adults in Hyderabad.

II. RESEARCH METHODOLOGY

- **Research Design:** The study employed a quantitative research design, specifically using multiple linear regression analysis.
- **Population of the Study:** The target population for this study was college students in Hyderabad, Telangana.
- **Sampling Framework:** The study focused on college students within Hyderabad, a growing higher educational Institutions.
- **Sampling Technique:** The Non probability Convenience Sampling technique is used.
- **Sample Size:** The sample size for the study was 264 participants.
- **Data Collection Methods:** The data was collected using a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) for various constructs, questionnaire method.
- **Area of Study:** The study was conducted in Hyderabad, Telangana, India.
- **Period of Study:** The period of the study from December 2024 to May 2025.

Independent Variables:

- Income
- Higher Education Learning (financial coursework)
- Financial Knowledge
- Financial Literacy
- Financial Attitude
- Locus of Control

Dependent Variables: Financial Management Behaviour (FMB)

Statistical Tools Applied:

- Descriptive Statistics (Mean, Standard Deviation, Minimum, Maximum)
- Multiple Linear Regression Analysis

Hypotheses of the Study

- **H1:** There is a significant positive relationship between income and financial management behaviour.
- **H2:** Higher education learning (financial education) significantly influences financial management behaviour.
- **H3:** Financial knowledge has a significant effect on financial management behaviour.
- **H4:** Financial literacy significantly influences financial management behaviour.
- **H5:** Financial attitude has a significant positive effect on personal finance behaviour.
- **H6:** Locus of control significantly influences financial management behaviour.

Table 1: *Descriptive Statistics of Study Variables (N = 264)*

Construct	Code	M	SD	Min	Max
Income	IN1	3.82	0.91	1	5
	IN2	3.54	0.96	1	5
	IN3	3.67	0.93	1	5
	IN4	4.01	0.88	2	5
Higher Education Learning	HE1	3.91	0.87	2	5
	HE2	3.46	1.02	1	5
	HE3	3.58	0.95	2	5
	HE4	3.42	1.07	1	5
Financial Knowledge	FK1	3.65	0.89	2	5

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	FK2	3.53	0.91	1	5
	FK3	3.48	0.95	1	5
	FK4	3.78	0.86	2	5
Financial Literacy	FL1	3.93	0.9	2	5
	FL2	3.81	0.88	1	5
	FL3	3.46	1	1	5
	FL4	4.05	0.83	2	5
Financial Attitude	FA1	4.12	0.84	2	5
	FA2	4.18	0.79	2	5
	FA3	4.01	0.83	2	5
	FA4	3.94	0.91	1	5
Locus of Control	LC1	3.76	0.89	2	5
	LC2	3.98	0.84	2	5
	LC3	3.52	0.93	1	5
	LC4	3.79	0.88	2	5
Financial Management Behaviour	FMB1	4.01	0.82	2	5
	FMB2	3.89	0.86	2	5
	FMB3	3.73	0.91	1	5
	FMB4	3.62	0.96	1	5
	FMB5	3.96	0.84	2	5

The descriptive statistics summarize the responses of 264 participants across all constructs measured in the study, using a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

Respondents reported moderate to high agreement across the income-related items. IN4 ("A higher income would improve my financial planning ability") had the highest mean (M = 4.01, SD = 0.88), suggesting that students strongly believe income level plays a crucial role in enabling effective financial planning. IN2 (M = 3.54, SD = 0.96) showed the lowest mean within this construct, indicating that not all respondents find their income sufficient for essential needs.

Students generally acknowledged the role of academic exposure in financial behaviour. HE1 ("College education has improved my understanding of financial concepts") had a relatively high mean (M = 3.91), indicating a positive perception. However, HE4 ("I apply what I learn in financial classes...") scored lowest (M = 3.42, SD = 1.07), reflecting a possible gap between theory and application.

Participants reported moderate levels of financial knowledge, with all means ranging from 3.48 to 3.78. FK4 ("I know the importance of budgeting...") had the highest mean (M = 3.78), while FK3 ("I can differentiate financial instruments...") was the lowest (M = 3.48), suggesting some lack of depth in applied knowledge areas like investments.

Financial literacy received generally positive responses, with the highest mean for FL4 ("I make informed decisions...") at M = 4.05. The lowest was FL3 (M = 3.46), which may reflect lower awareness or usage of insurance/investment tools. The overall trend indicates that students are reasonably confident in their daily financial decision-making.

The financial attitude construct showed strong agreement, with all item means above 3.90. FA2 ("I feel responsible for my financial well-being") had the highest score (M = 4.18), suggesting a strong internal motivation among students toward sound financial behaviour. These results support a positive attitudinal base for financial responsibility.

Responses were moderately positive, with LC2 ("I believe my efforts determine financial success") scoring highest (M = 3.98). The lowest mean was for LC3 (M = 3.52), indicating that while most students believe in personal control, a portion still attributes financial outcomes to external factors.

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This key dependent variable showed overall high agreement, especially FMB1 ("I pay my bills on time") with M = 4.01, and FMB5 ("I make efforts to improve my financial knowledge") at M = 3.96. The lowest mean was FMB4 (M = 3.62), indicating fewer students revise their budget regularly. Overall, the results suggest students display relatively good financial management behaviour, particularly in essential habits like saving and timely payments.

Table 2: *Multiple Regression Analysis: Predicting Financial Management Behaviour (N = 264)*

Predictor Variable	B	SE	β (Beta)	t	p	Result
Constant	0.872	0.317	—	2.75	0.006	—
Income	0.158	0.056	0.211	2.821	0.005	Significant
Higher Education Learning	0.034	0.047	0.045	0.723	0.471	Not Significant
Financial Knowledge	0.041	0.049	0.061	0.837	0.403	Not Significant
Financial Literacy	0.327	0.053	0.388	6.17	<.001	Significant
Financial Attitude	0.211	0.058	0.276	3.638	<.001	Significant
Locus of Control	0.018	0.045	0.026	0.398	0.691	Not Significant

The study employed multiple linear regression to examine the influence of six independent variables—Income, Higher Education Learning, Financial Knowledge, Financial Literacy, Financial Attitude, and Locus of Control—on the dependent variable, Financial Management Behaviour among students in Hyderabad, Telangana (N = 264).

The regression model was statistically significant, $F(6, 257) = 15.85$, $p < .001$, indicating that the set of predictors collectively explained a significant proportion of variance in financial management behaviour.

The multiple correlation coefficient (R) was .521, showing a moderate positive relationship between the predictors and the outcome variable.

The coefficient of determination (R^2) was .271, suggesting that approximately 27.1% of the variance in financial management behaviour is explained by the six predictors.

The adjusted R^2 value was .254, which adjusts for the number of predictors in the model and indicates a still meaningful model fit.

III. FINDINGS

Had a significant positive effect on financial management behaviour ($\beta = .211$, $p = .005$). Students with higher income or financial support are more likely to save, budget, and plan effectively.

Not statistically significant ($\beta = .045$, $p = .471$). Suggests that formal classroom learning on financial topics alone does not translate into improved financial behaviour.

Also not a significant predictor ($\beta = .061$, $p = .403$). Although students may possess basic financial understanding, it may not influence their actual money management practices.

The strongest predictor of financial management behaviour ($\beta = .388$, $p < .001$). Students who are more financially literate are more likely to engage in proactive budgeting, saving, and responsible spending.

Had a significant positive impact on behaviour ($\beta = .276$, $p < .001$). Students with a positive attitude toward saving, planning, and self-control are more financially responsible.

Not significant ($\beta = .026$, $p = .691$). This implies that belief in personal control over financial outcomes does not necessarily translate into disciplined financial actions among students.

The model explains 27.1% of the variance in financial management behaviour ($R^2 = .271$), with a statistically significant model fit ($F(6, 257) = 15.85$, $p < .001$).

IV. CONCLUSION

This study explored the influence of income, higher education learning, financial knowledge, financial literacy, financial attitude, and locus of control on financial management behaviour among college students in Hyderabad, Telangana. The findings indicate that financial literacy, income, and financial attitude significantly contribute to

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responsible financial management practices, while academic exposure, financial knowledge, and locus of control do not show a statistically significant impact. Among these, financial literacy emerged as the strongest predictor, highlighting the importance of not just understanding financial concepts but also applying them in daily life. Although students may have theoretical knowledge through higher education, this does not necessarily translate into practical financial behaviour, suggesting a gap between learning and execution. Additionally, while many students believe they are in control of their financial outcomes, this internal belief alone does not guarantee better financial decisions. These insights underscore the need for experiential financial education, the development of positive financial attitudes, and targeted literacy programs that encourage students to apply what they learn in real-life contexts. Strengthening financial capability among youth will not only enhance their personal financial well-being but also foster long-term economic stability within the community.

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