

## **The relation of early childhood consumer experience, financial socialization and financial knowledge with perceived financial well-being**

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The issue of financial well-being among college students has received increasing attention. The purpose of this study is to examine the relationships between personal and family backgrounds, academic ability, early childhood consumer experience, financial socialization, financial knowledge and perceived financial well-being of college students. Data were collected from eleven public and private universities across Malaysia and the sample consists of 2,219 college students. Structural equation modeling indicated that early childhood consumer experiences such as savings habits contribute to students' financial well-being (money saved, current financial situation, and financial management skills). Financial socialization agents, for example, through parents and religion sources may increase college students' financial well-being. Financial knowledge was related to financial well-being. Overall, implications

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and recommendations for future research, teaching, and public policy are also provided for parents, college administrators, counselors and educators.

**Key words:** financial well-being, early childhood consumer experience, financial socialization, financial knowledge

## INTRODUCTION

College students are often considered a high-risk group when it comes to financial stability. Students often borrow to fund their college education, meaning that recent college graduates often carry a considerable debt load at a time when they are earning entry level salaries (Leach, Hayhoe & Turner 1999). Besides student loans, college students sometimes accumulate considerable credit card balances along with car loans and other forms of debt. Previous studies have shown that many college students have low levels of financial knowledge (Chen & Volpe 1998, Henry, Weber & Yarbrough 2001, Murphy 2005, Lusardi, Mitchell & Curto 2010). A low knowledge of personal finance among college students tends to be associated with ineffective financial behaviors, including a lack of savings (Sabri & MacDonald 2010), not keeping financial records (Chen & Volpe 1998) and accumulating credit card debts (Norvilitis et al. 2006). According to Varcoe et al. (2005) poor financial habits acquired at a young age may carry on into adulthood and cause financial problems, in some cases serious ones, without some type of effective educational intervention. Norvilitis and Santa Maria (2002) confirmed that many students enter college with no experience with budgeting or personal finances and are liable to use credit unwisely. This combination of high debt, low income and low levels of financial knowledge may adversely affect college students' financial well-being (Leach et al. 1999).

Quality of college life is a sub-domain of quality of life, and refers to the overall feeling of satisfaction students experience in college (Sirgy, Grezeskowiak & Rahtz 2007). An individual's feelings about his or her financial security and capability have appeared in previous studies as a threat to life satisfaction or an important contributor to life satisfaction (Xiao, Tang & Shim 2009, Shim et al. 2009). Chow (2005) conducted a study on life satisfaction among university students in Canada and found that the five areas with which students were least satisfied were financial security, job situation, school performance, leisure and recreational activities, and spiritual life. Several other studies have shown that satisfaction with personal financial affairs is an important component in overall life satisfaction (Hira 1997, Joo & Grable 2005, Shim et al. 2009). Often financial satisfaction and financial well-being have been used interchangeably to mean a person's feeling about his or her current financial situation or condition; more recently the term "financial well-being" has become preferred among investigators (Joo 2008, Shim et al. 2009).

Studies show that poor financial management can affect more than students' finances and it can also impact academic performance, mental and physical well-being, and even the ability to find a job after graduation (Lyons 2003, 2004). Current