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# Current Situation of Personal Financial Management among Newly Graduated Students in Vietnam

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**Abstract:** Personal financial management has become increasingly important due to rising living costs, growing financial pressure, and economic fluctuations. For recent graduates, planning for the future and seeking job opportunities are not the only challenges they face; they also encounter numerous other changes. While some students manage their spending effectively despite limited financial resources, many struggle with budgeting, leading to situations where they may need to borrow or pawn items to meet essential needs. This article will analyze the current state of personal financial management among recent graduates and present practical methods that students can apply to improve their financial situation.
**Keywords:** Current status; personal financial management; students; recent graduates.

## 1. Introduction:

Prihartono & Asandimitra (2018) emphasize that financial management behavior is crucial for improving the quality of life. By managing assets effectively, individuals can protect and optimize their wealth while maintaining financial stability and avoiding unforeseen risks. Hanna & Lindamood (2010) also underline that personal financial management not only helps avoid asset depletion but also ensures stability in personal consumption.

As Vietnam's market economy develops, society is rapidly transforming. Alongside the improved living standards, students today face more challenges than previous generations, particularly in managing personal finances. For many young people, the major turning point in their lives comes when they become students or after graduation, when financial pressures become more apparent. Transitioning from the academic environment to working life means students face many economic challenges at the start of their careers. Starting salaries are often low, insufficient to cover the high living costs in large cities. However, most students lack adequate knowledge of personal financial management, making it difficult to create long-term financial plans like saving or investing. As a result, many students fall into uncontrolled spending, lack emergency savings, and miss opportunities to grow their personal finances through investment.

This study will address the following questions:

(1) What is the current state of personal financial management among newly graduated students in Vietnam?
(2) What recommendations and solutions are there for personal financial management for new graduates?
(3) What basic financial knowledge should students grasp to manage personal finances effectively and sustainably?

## 2. Theories on Personal Financial Management for Recent Graduates

### 2.1 Definition

According to Nguyễn Tiến Thành (2015), "Personal finance refers to the management, spending, and use of money and assets by individuals or households with a consideration of risk and future plans. Personal finance also includes financial decisions and activities such as budgeting, saving, insurance, investment, retirement, and inheritance."

Personal financial management helps us manage family finances, including budgeting, saving, investing, debt management, and other aspects related to individual money that help achieve personal goals (Bimal Bhatt, 2011).

In other words, personal financial management involves detailed financial planning, managing income control, and organizing spending. It is influenced by each person's financial knowledge and experience. It helps individuals understand how they are spending and control unnecessary expenses, thus managing their cash flow more effectively.

It includes learning how to track income and adjust spending to match expenses. Personal financial management provides a systematic way to use income efficiently (Oppong et al., 2023). Effective financial management also encourages decisions that stimulate income-generating activities, enabling individuals to control their financial situations, manage their income, and act proactively in necessary or urgent situations.

**2.2 Features of Personal Finance**

Personal finance plays a decisive role in managing and optimizing the financial resources of individuals. With the diversity and complexity of modern life, managing personal finances goes beyond just managing income and spending. It also involves saving, investing, and planning for the future. The distinctive features of personal finance—individualization, flexibility, and proactivity—allow each person to build a financial plan tailored to their needs and goals.

Firstly, personal finance's individualization allows each person to adjust their financial plan based on their circumstances and goals. According to Sabri and Geldhof (2015), those with higher incomes tend to focus on long-term investment and savings, while those with lower incomes prioritize controlling daily expenses and building an emergency fund.

Secondly, people can flexibly adjust their financial plans over time, aligning with their life goals. Financial goals may change during different life stages, from starting a career, getting married, to retiring. The life-cycle hypothesis of Franco Modigliani and Richard Brumberg suggests that "Young people tend to focus more on career-building and wealth accumulation, while those approaching retirement prioritize protecting assets and retirement funds."

Thirdly, personal financial managers can proactively monitor and adjust budgets and financial plans to achieve their goals. Proactivity helps maintain financial stability and brings individuals closer to goals like home ownership, children's education, or retirement preparation. Proactivity offers comprehensive control, enabling individuals to adapt to changes, optimize benefits from income, and protect future assets.

Finally, individuals can fully control their finances, from spending, saving to investing. Each individual can manage their spending, avoid wasting money on unnecessary expenses, or independently decide on suitable financial investments, such as stocks or real estate, to increase asset value. By having direct control, individuals can actively build a comprehensive financial plan, ensuring future safety while maximizing financial opportunities.

**2.3 Categories of Personal Finance**

Personal finance can be classified into various areas, including income, savings, investment, and personal financial planning. Each category provides insights into how personal finance is managed.

Firstly, income is the fundamental financial source individuals earn from their work, including wages, business income, investment profits, or other income streams like interest from savings and dividends. Categorizing finance by income helps individuals understand their income sources and supports financial planning. By identifying stable and variable income sources, one can make reasonable decisions about spending, saving, and investing, laying a solid financial foundation.

Secondly, spending refers to the use of money for daily needs and wants. Personal finance spending includes fixed and variable expenses. Fixed expenses are essential, routine costs necessary for daily life, such as rent, utility bills (electricity, water, internet), etc. These expenses can be planned ahead, helping financial managers predict necessary monthly amounts. In contrast, variable expenses fluctuate based on needs or circumstances, such as clothing purchases, entertainment, or travel. Classifying personal finance by spending helps individuals easily control cash flow, plan reasonable spending, and ensure enough finances for long-term goals.

Thirdly, saving is the process of setting aside a portion of income for future use, ensuring financial security. Saving involves regularly allocating part of monthly income or income over time to accumulate for the future. The habit of saving not only helps prepare for emergencies or unexpected financial fluctuations but also provides the resources to pursue long-term goals such as home ownership, education, or retirement. Consistent saving brings peace of mind, as it ensures a financial buffer to handle unexpected situations and achieve long-term financial stability.

Finally, investment is an important aspect of personal finance, helping to grow asset value over time. Investment refers to the act of using money wisely to generate future returns, rather than simply keeping it in traditional savings accounts. There are various investment channels, with the most common being stocks, real estate, and business ventures. Investing in stocks allows investors to buy shares in companies, while real estate offers benefits through property ownership and leasing. Additionally, investing in business projects can yield significant profits if successful. However, investment also involves risks, so understanding and researching the market is essential for making sound investment decisions that secure long-term finances.

This section lays the foundation for understanding the different facets of personal financial management and how they apply to newly graduated students facing financial challenges in the modern world.

### 2.4 The Role of Personal Financial Management for Students

In today's world, personal financial management has become incredibly important for students. It ensures financial stability, helps students control their income and expenses, and prevents unwanted situations such as running out of money, falling into debt, or other financial risks. Personal financial management is not just about calculating income and expenses; it also enables students to live a more meaningful life, develop good spending habits, and focus on important aspects, allowing them to concentrate on personal development. As a result, productivity is also enhanced. Individuals with higher financial literacy are better able to manage their finances, make sound decisions, and achieve their financial goals (Lusardi et al., 2014). Below are some of the key roles that personal financial management plays for students:

First, in terms of planning and setting financial goals. Goals require transforming limited resources into achieving the highest possible objectives. Each person has unique financial resources and goals, leading to different approaches and methods of financial management. Personal financial management is not only about financial issues but also connects with life plans, helping recent graduates prioritize spending, investments, and short- and long-term financial goals, such as buying a house, owning a car, traveling, or achieving financial independence in the future.

Second, regarding saving and investing, personal financial management helps students form the habit of saving, preparing for any situation, creating opportunities, and making sound investment decisions. Without a savings plan or saving only after spending, many people feel their income is just enough to cover their living expenses, leaving nothing for saving. They tend to spend all they earn. Today, we might have a good life with enough income to cover necessities, but in the future, unexpected situations might arise that require significant expenses, leaving us unable to cope. In such cases, savings and investments become essential. We can be ready to seize investment opportunities when we have available capital. During market downturns, those who manage their personal finances well will have the financial resources to take advantage of opportunities to invest and increase their assets. Personal financial management also allows us to grow our assets effectively, protect them, prevent asset depletion in difficult circumstances, and stabilize personal consumption (Hanna & Lindamood, 2010).

Third, avoiding debt is another significant benefit of effective personal financial management for students. Proper financial management helps students control their cash flow, ensuring that income is used for the right purposes, and essential needs are met, thereby reducing debt and financial imbalance risks.

Finally, students will better understand their own financial capabilities. Understanding oneself and one's financial situation forms the foundation for building an effective and suitable financial management plan. When students are aware of their financial situation, they can better plan how to allocate expenses wisely. By examining and evaluating personal factors, students can find the best approach to manage their personal finances correctly and move closer to the goal of achieving high financial freedom. Good financial management helps identify effective investment channels, leading to better living conditions and career and life advancement.

## 3. The Current State of Personal Financial Management among Recent Graduates in Vietnam

Currently, many recent graduates in Vietnam face financial challenges such as paying rent and commuting expenses. Their ability to handle these difficulties depends significantly on the financial behaviors they developed before becoming financially independent (Lyons, 2006). Drentea & Lavrakas (2000) stated that poor financial management can directly affect various aspects such as quality of life, physical and mental health, work productivity, and, for students, academic performance and even the ability to find a job after graduation. In the long term, maintaining good financial management behaviors during university years will help students improve their quality of life later (Xiao et al., 2009).

Personal financial management is closely related to common financial issues such as income, expenses, and savings. Currently, many recent graduates in Vietnam frequently experience financial difficulties when paying for living expenses. Some even have to borrow money to cover living costs, leading to severe consequences not only for themselves but also affecting their families and schools. The primary cause of this issue is the limited financial management skills of recent graduates.

**Table 1 Foreign Studies on Personal Financial Management Skills**

| Author | Influencing Factor | Result |
|---|---|---|
| Lusardi | Age | Middle-aged individuals have better financial literacy than younger or older individuals. Age positively impacts financial understanding. |

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|---|---|---|
| Kharchenko Olga | Gender | Males manage finances better than females; male students have better financial literacy than female students |
| Xiao | Field of | There is a difference in personal financial management between economics students and other students. Economics students manage finances better. |
| Cole | Place of Residence | Students from rural areas are thought to have more financial knowledge than those from urban areas. |
| Sabri | Dormitory Residence | Students living in dormitories have higher financial literacy than those not living in dormitories. |
| Masud | Years of Education | Graduated students have better financial understanding than undergraduates. Third- and fourth-year students have better financial awareness than freshmen and sophomores. |
| Xiao | Years of Education | Final-year students tend to be more careless with credit management and have poorer saving habits than freshmen. |
| Cordero và Pedraja | Specialized Finance Courses | Specialized finance courses play a significant and positive role, regardless of the strategy applied to teach financial concepts to students. |
| Shim | Financial Education from Family | Students who receive financial guidance from their families are better than those who don’t. |
| Peng | Participation in Financial Seminars | After attending, students' financial awareness improves. |

Sources: The authors

Through research, it is evident that recent graduates have the necessary skills to manage their personal finances. However, due to factors such as job opportunities and the income levels of recent graduates, many are financially independent but lack the stability and discipline to manage their finances rigorously.

Weak personal financial management leads to many negative consequences, such as a negative impact on personal traits, family relationships, and work, causing students to rely on credit at the end of the month. Over time, this can create a habit of dependence on credit to meet personal spending needs, which increases the risk of falling into high-interest or "black" credit schemes. Equipping oneself with not only financial knowledge but also management skills is essential to use money efficiently and effectively. Yet, few students truly understand or know how to manage their personal finances.

## 4. Recommendations

Amid the rising pressure of inflation and increasing commodity prices, effective financial management becomes an essential skill for students, especially recent graduates who often face a lower income. The following are some recommendations to help students manage their finances effectively, reduce financial burdens, and build a solid foundation for their future finances:

First, students should participate in financial knowledge courses or engage in real-world activities to practice financial management. According to a study by Nguyễn Thị Hải Yến (2017), fields of study and learning experiences significantly impact the financial literacy of university students in Vietnam. Attending seminars, and joining finance clubs will help students better understand personal financial management and improve their financial knowledge by learning valuable experiences.

Second, students need to develop an awareness of financial management. This is a crucial skill for effective financial management. Xiao et al. (2009) point out that practicing and applying financial management skills early will help students form healthy financial habits, overcome current challenges, and improve their quality of life. Therefore, students should start by tracking their income and expenses to allocate their budget reasonably. This way, they can better control daily income and expenditures, avoid wasting money on unnecessary things, and improve their financial awareness for the future.

Third, students should learn to invest early. The most optimal way to counter inflation is for students to invest for returns with an acceptable level of risk. This is an important step in building a solid financial foundation for the future. Students should explore small investment channels such as savings funds, stocks, or even investing in themselves by taking specialized skill courses. Investing not only helps to sustainably grow assets but also provides personal financial management experience. Particularly, investing in education and skill development can create long-term value, enhancing competitiveness in work and life.

Moreover, recent graduates often face numerous challenges when transitioning to the phase of seeking stable jobs and adapting to independent living. The shift from an academic environment to a professional work setting is not easy, as the labor market is increasingly competitive, requiring many skills and experiences that not everyone has from the start. Additionally, living expenses, such as rent, food, transportation, and other costs, also present a significant burden, especially when they no longer receive financial support from their families. Therefore, creating an emergency fund is vital and necessary. An emergency fund will help students quickly address unexpected difficulties.

## 5. Conclusion

Personal financial management is a critical skill for recent graduates in Vietnam, especially given the rising cost of living and typically limited initial income. In reality, many students face significant challenges in managing their finances, leading to budget shortfalls, debt, or a lack of clear savings plans. Studies have shown that factors such as gender, field of study, place of residence, and financial education from the family significantly affect each student's ability to manage their finances.

Equipping students with basic financial knowledge is essential. Financial education programs in schools need to be more widely implemented to help students understand concepts like budgeting, saving, investing, and managing debt. Additionally, developing saving habits early will help students cultivate positive financial thinking. They should learn to budget wisely and set long-term financial goals to ensure future stability.

Furthermore, families also play a vital role in educating their children about finances. Parents should create opportunities for their children to access financial knowledge early and encourage saving activities. Additionally, using online financial management tools and mobile apps will help students track their expenses and budget effectively.

Ultimately, mastering and effectively applying personal financial management principles will not only help recent graduates ensure short-term financial stability but also build a solid foundation for their future financial well-being. In an increasingly developing and changing society, the ability to manage personal finances will become a key factor in success and happiness. Therefore, prioritizing financial education for younger generations is a pressing task, not only for schools but also for families and society as a whole.

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