Journal of Fundamental and Applied Sciences

ISSN 1112-9867

Available online at http://www.jfas.info

Research Article

Special Issue

FACTORS AFFECTING THE SPENDING BEHAVIOR OF COLLEGE STUDENTS

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Published online: 24 February 2018

ABSTRACT

The purpose of this study was to look at the factors affecting the spending behavior among college students of Surigao del Sur State University in Cantilan, the northernmost municipality in the province of Surigao del Sur, Philippines in terms of attitude, family background, lifestyle and financial knowledge. Subsequently, this study was done to better understand how these factors influenced the spending conduct of college students and their financial behavior. This study used the descriptive survey method. A researcher-made questionnaire was used as the main instrument for data collection. Interviews were also conducted to answer clarifications, verify the answers of the respondents, and to solicit additional information. After having studied the data, the researcher concluded that college students' spending behavior are greatly influenced by their family background. Parents play a key role in shaping not only the attitudes about financial management but also life attitudes in general of their children. It is therefore critical that young individuals begin to learn about finance during adolescence for them to have the best possible chance to be successful in adulthood. Having a good financial knowledge is not enough. Success requires a set of healthy and positive attitude and supportive parents who expect responsible financial attitude.

Keywords: Spending Behavior, College Students, Factors.

INTRODUCTION

Spending behavior of the young individuals and the way they manage their finances would determine their financial status in the near future.

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doi: http://dx.doi.org/10.4314/jfas.v10i3s.12

Developing good financial habits at an early stage will help them best to finish their education and eventually on how to be financially stable. Managing one's expenses prevents overspending, impulsive buying, and paying too much for an item.

Spending behavior is an acquired outline of behavior that is done regularly. Good spending habit is an important tool to one's financial success. Spending in a smart way takes your money to go further and lets you achieve your money goals. Creating a plan is one way to plan ahead your expenses and will help you prioritize your spending based on your needs.

The financial independence that college students experience may affect their lives in many ways, not only in their financial and economic well-being, but also in terms of their relationship with their family, friends, and even the people they meet. It is important to teach them good financial management skills for them to practice while they are in college and that they can use them when thay graduate. Monitoring expenses helps them keep track with their budget.

An individual's spending behavior is greatly influenced by his/her family. Family members play a key role on what products to buy and consume. Moreover, the lifestyle of an individual also affects his/her buying behavior. We often observe and follow the spending habits of our parents and other members of the family. Lifestyle refers to the person's way of living in the society expressed through the things he/she buys or consumes. Moreover, attitude makes up one's interest towards spending. Knowing what to spend and why you spend the way you do is a way to better understand your finances. Furthermore, this helps you keep track of your budget and your expenses. This is a way of keeping your spending habits in the right track.

The purpose of this study was to look at the factors affecting the spending behavior of college students in terms of attitude, family background, lifestyle and financial knowledge. Subsequently, this study is done to better understand how these factors influenced the spending conduct of college students and their financial behavior.

THEORETICAL BACKGROUND

This paper was anchored on the psychological theories (learning theories) which lies on the fact that people learn from experience and the results of experience will modify their actions on future occasions. Among the learning theories come stimulus response theories and cognitive theories.

According to the contributors of stimulus response theories, learning occurs as a person responds to some stimulus and is rewarded with need satisfaction for a correct response. They proved that the most frequent and recent stimuli are remembered and responded. This approach is the basis of reported advertisements. The cognitive theory states that stimulation and wants are conditional by a consumer's knowledge, his perception, beliefs and attitudes. It further states that even after a well thought out purchase the consumer undergo some sort of discomfort, fear or dissonance. This post decision anxiety is caused by cognitive dissonance arising from doubts on decisions taken.

RESEARCH METHODOLOGY

This study used the descriptive survey method. A researcher-made questionnaire was used as the main instrument for data collection. Interviews were also conducted to answer clarifications, verify the answers of the respondents, and to solicit additional information.

The respondents of this study were the college students of Surigao del State University Cantilan Campus. Respondents were selected through simple random sampling with the total number of participants determined using Sloven's formula.

Percentage was used to determine the simple descriptive interpretation of the demographic data of the respondents. Weighted mean was employed to determine factors affecting the spending behavior of college students.

The following scale and qualitative description served as guide:

Table 1. Scale and Qualitative Description

Weight	Scale	Interpretation
4	3.26-4.00	Strongly Agree
3	2.51-3.25	Agree
2	1.76-2.50	Disagree
1	1.0-1.75	Strongly Disagree

RESULTS AND DISCUSSION

In terms of the age of the respondents, it can be seen that majority of the respondents were 18 to 20 years old with percentage rating of 62. It was also revealed, that the age with the least frequency was 15-17 years old.

As to gender, it shows that 74% of the respondents are females and 26% of them are males. Gender distribution indicates that males were outnumbered by the female respondents because females have the largest number in the students' population.

Table 2 shows the factors affecting spending behavior of the respondents in terms of attitude. Most items were rated strongly agree resulting to its grand mean of 3.03. This means that most of the items are primarily considered all the time. Respondents value the attitude of saving money. They set aside money for the things they want to buy. They are self-disciplined enough to spend less of what they have. In addition, they do not buy things that are not important because they focus on spending on their needs rather than on their wants. They strongly agree that it is important to think and plan your expenses to eliminate overspending. On the other hand, they sometimes consider recording their expenses.

Kenny Cunningham in his article, "Does your attitude toward tine affect your spending habits?" wrote that in general people who are likely to spend their money on experiences as opposed to possessions report better relationships and higher overall satisfaction and well-being. In contrast, people with a negative view of the past are more likely to pursue happiness in life by acquiring material possessions.

Based on the study regarding attitudes conducted by Davies and Lea (1995), it was determined that male students tended to have a more pro-debt attitude than females. Attitudinal differences were not detected between men and 222.223 women in the present study. Moreover, with respect to behaviors, Heck (1984) determined that female students were more likely to engage in personal finance planning and implementing behaviors. In addition, it has been discovered that, regardless of gender, students who applied fewer sound financial principles were likely to experience financial stressors (e.g., inability to purchase clothing, pay utilities or medical bills, save for emergencies, etc.), but the relationship was stronger for female students (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000). Hayhoe et al. (2000) found that female students were more likely to keep a written budget, shop with a list, retain bills and receipts, plan spending and save regularly, but they were also more prone to feel remorse over a purchase and write checks with insufficient funds. The study of Henry, Weber, and Yarbrough (2001) revealed that female students were more likely than male students to maintain a budget.

Table 2. Attitude

Items	μ	Descriptive Rating
1. I value saving money.	3.50	Strongly Agree
2. I set aside money in advance for the things I want to buy.	3.35	Strongly Agree
3. I am self-disciplined in saving a portion of money from my allowance.	3.26	Strongly Agree
4. I spend less of what I have.	3.26	Strongly Agree
5. I keep record of my expenses.	2.37	Disagree
6. I try to live a simple life as much as possible.	3.44	Strongly Agree
7. I do not spend on things that are not important.	3.32	Strongly Agree
8. I focus on spending on my needs rather than on my wants.	3.42	Strongly Agree
9. Material things are not important to me.	2.85	Agree
10. I do not borrow money from my friends.	2.44	Agree
11. I do not lend money to my friends.	2.39	Disagree
12. I always spend money wisely.	3.16	Agree
13. It is important to think and plan for your expenses.	3.30	Strongly Agree
14. I maintain a record of my expenses.	2.40	Disagree
Factor Average	**3.03**	**Agree**

In terms of family background, results proved that most items were rated strongly agree with a grand mean of 3.22. Most items are the primary consideration all the time. According to the respondents, they see their parents as financial role models. At home, their parents put emphasis on the importance of saving money. They were trained by their parents to live a simple life. When they were young, their parents encouraged them to put their extra coins in a piggy bank. Their parents sometimes considered of giving rewards if they were able to save money from their allowance.

Previous studies had revealed that parents impart the meaning of money to their children, but the details of this process are largely absent from current literature. Individual parents can place value and meaning on money that have implications for their children as consumers, as parents will likely pass on these beliefs and values to their children. Yet, the implications of the cultural meaning of money extend beyond the family and apply to larger society, as many people attempt to critique others and make moral assumptions based on consumer taste. Details regarding how parents assign cultural value and meaning to money for their children are largely absent from the research literature, and a clear lack of focus on the origins of such meaning and values are visibly absent.

Gallo (2005), in his study noted the importance of connecting values and morals (such as the importance of saving for the future or spending on those in need) to money. However, he does not go into detail on what values parents typically associate with money. In addition, modern research omits where these potential values originate from for parents. Sato (2011) stated that for children, money acquires meaning through social situations mediated by the people surrounding them, particularly parents. However, Sato did not elaborate on how parents have come to acquire this meaning for themselves, other than to imply that they originated from their own parents in turn. By learning more about the origins of how parents value money and apply meaning to money, the ways in which they convey value and meaning to money for their own children may become more apparent.

Moreover, Shim et. al., 2010 revealed that parental socioeconomic status has been shown to be associated with students' financial attitudes and behaviors, encompassing general financial well-being and financial competence. Students who report coming from lower economic backgrounds may be more likely to be financially responsible and display positive behaviors such as controlling impulse spending (Bosch, 2013). Students from higher economic backgrounds may be accustomed to a lifestyle in which they do not need to practice saving money or create budgets (Bosch, 2013).

Table 3 shows the factors affecting spending behavior in terms of lifestyle. The study revealed that most items were rated strongly disagree resulting to its grand mean of 1.97. Respondents do not own the latest model of cellular phones and other gadgets. They do not spend on cigarettes. They do not go shopping on-line. They never consider going to the gym for physical fitness. However, dining out with friends in restaurants is sometimes considered. It is because life in the rural area is simple. In the rural area, students have the chance to get in touch with nature. Outdoor activities are very available. Biking, hiking, jogging, and camping are relaxing opportunities for students in the rural areas.

Magie (2008), in her study, stated that lifestyle is a leisure activities in which individual participate. The activities may be classified as people oriented, cultural, self-improvement, community or entertainment. In regard with the number of money spent on shopping by consumer, retailers track that different shopper groups spend different amounts of money based on demographic and lifestyle characteristics. It is stated that lifestyle will have an impact on the patronage behavior of customers in the retail market.

Hassan (2010), added that there is a significant and positive relationship between life style and spending behavior. They will choose to buy the product which meets their interest in terms of products and price.

Table 3. Lifestyle

Items		μ	Descriptive Rating
1.	I see college as a chance to have fun.	2.60	Agree
2.	I love to travel and see new places.	3.15	Agree
3.	I go outing with my friends.	2.91	Agree
4.	I like to hang-out and attend a party with my friends.	2.56	Agree
5.	I buy the latest fashion on clothes, shoes, and accessories.	1.86	Disagree
6.	I own the latest model of cellular phones and other gadgets.	1.41	Strongly Disagree
7.	I dine-out with friends in restaurants and other fast-food chains.	1.76	Disagree
8.	I spend on cigarettes daily.	0.87	Strongly Disagree
9.	I go shopping on-line.	1.32	Strongly Disagree
10.	I avail the discounts offered when shopping on-line.	1.47	Strongly Disagree
11.	I go to the gym for physical fitness.	1.16	Strongly Disagree
12.	I watch movies or entertainment shows.	2.63	Agree
Factor Average		**1.97**	**Disagree**

In terms of financial knowledge most items were rated very good resulting to its grand mean of 2.77. Respondents had superior knowledge in financial planning, money management, budget, and personal budgeting. Financial planning involves identifying provisions for emergencies, savings/insurance held, and financial provision for retirement and anticipated expenses (health care, education, etc.). Attitudes to financial planning were also covered.

Money management aims at identifying degree of financial control, whether people make ends meet and, attitudes and approaches to financial management.

On the study conducted by Mandell (2008); Mortimer (2003), it was found that formal financial education during the high school years predicts students' financial knowledge (which encompassed both objective and subjective knowledge), a finding that should contribute to the debate in the field as to whether high school financial education makes a difference.

Research showed that those with higher financial literacy levels are more likely to save and plan for retirement (Bernheim, et al., (2001)): Lusardi (2009), indicating that enhanced financial literacy can have an effect on behavior change. At the workplace level, Bayer, et al., (1996) found that retirement seminars offered in the workplace can significantly increase the participation of employees in voluntary contribution plans and that the effect is higher for non-highly paid employees. Bernheim & Garrett (2003) also foud that financial education provided by employers is associated with higher savings in general and in particular with higher retirement savings.

Beyond its positive influence over pensions and retirement savings, financial education improves welfare by minimizing financial mistakes with substantial associated costs (Campbell (2006); Pence & Bucks, (2006)). Gerardi, et al., (2010) showed that those with better financial literacy are less likely to default on their credits and they even raise the question on whether the lack of financial literacy was partially to blame for the magnitude of the 2008 subprime crises in the US. Individuals with more financial knowledge have been found to choose less costly mortgages and avoid high interest payments and additional fees (Gerardi, et al.,(2010); Lusardi & Tufano, (2009); Moore, (2003)).

CONCLUSION

After having studied the data, the researcher concluded that college students' spending behavior are greatly influenced by their family background. Parents play a key role in shaping not only the attitudes towards financial management but also life attitudes in general of their children. It is therefore critical that young individuals begin to learn about finance during adolescence for them to have the best possible chance to be successful in adulthood. Having a good financial knowledge is not enough. Success requires a set of healthy and positive attitude and supportive parents who expect responsible financial attitude.

Based on the findings, the researcher believes that if parents have a better understanding of how financial literacy can contribute to the success of their children in the future, they might be more directed to instill positive financial behaviors and encourage financial education at home. Schulman et.al (2005) emphasized that we should also find ways to help parents understand how to involve their children in the family's financial decision making thus, teaching them to make good decisions of their own. Findings suggest that in order to help students achieve success, parents, schools and stakeholders should form partnership dedicated in teaching financial practices.

To improve financial habits, students should take some concrete measures to help them keep track of their expenses. First, they should create their own budget and keep ways on how to improve it. Keeping a record of expenses will help them monitor how much money they spend on clothing, entertatinment, and gadgets. They should not forget to allocate money for savings because a good budget do have savings. Lastly, they should keep a positive attitude.

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How to cite this article:
Bona J T C. Factors affecting the spending behavior of college students. J. Fundam. Appl. Sci., 2018, *10(3S), 142-152.*