**SPENDING HABITS AMONG MALAYSIAN UNIVERSITY STUDENTS**

Atie Nadome

Universiti Teknologi Mara, Bachelor in Statistic

**CHAPTER 1 : INTRODUCTION**

**1.1 The Introductory Paragraphs**

Spending behavior has never been stable, especially among university students. Free from the comforts of home, many students are experiencing being on their own for the first time. One of the challenges they face is budgeting in their money spent. Living in a university is a change from childhood into adulthood that makes student life more challenging and tougher because they need to make a decision for themselves. In the ages past, book stationeries, clothes, and other similar items for study were bought by the students. In the present time, student’s needs have increased for sure, when laptops and others gadgets are needed for assignments and for some, vehicles outside the basic necessities that a student should own.

There are many groups of students that spent their money differently especially among gender. Its look on how students manage their education’s money that they get whether from scholarship, loan or by parent. Females tended to spend more money on clothes, while men spent more money on entertainment and eating out (Wang and Xiao, 2009). According to Norvilitis et al. (2006), women are more likely to report having a budget then men, but women more frequently accumulate higher amount credit card debt and total debt (Micomonaco, 2003).

Leach, Hayhoe & Turner (1999) state that, early exposure to financial management is important for the younger generation because they have various obligations such as paying back the loans they used for their university education even before they graduated. All students, not just students receiving financial aid like business students, need to establish good spending habits. The educational background is seems to have an impact on university student spending habits. Chen & Volpe (1998) find that non-business majors are more likely to be less knowledgeable about personal financial than business majors particularly in finance and accounting.

Therefore, the aim of this study is to examine the spending behaviors and financial literacy level among university students in managing their cash. By assessing the financial literacy level of students, we can understand better about the spending habits of the students. The detail about the design of study is described further in this research.

**1.2 The Problem Statement**

 In the society today, one of the major worries has been financial illiteracy especially among university student. Financial literacy defined as the ability to read, interpret and analyze, manage the money, communicate about the personal financial condition that affect material well-being, compute, develop independent judgments, and take actions resulting from those processes in order to thrive in our complex financial world (Vitt et al., 2000). Thus, financial illiteracy leads to poor financial management among university student as their lack in financial knowledge implicate to the practice irresponsible spending habits and risk of bankruptcy, debt and financial crisis.

Moreover, advances in technology have as well led to increases in student’s expenses. Male students in particular are attracted to buy gadgets that are known to be costly, while the females more likely spent on shopping for clothes, bags and shoes are thought crucial, because they want to look nice going to classes. Financial management is an important aspect of our daily life involving cash flow and liability management. The more knowledge students have about their financial responsibility and status the less likely they are to be in debt (Norvilitis, et al., 2006).

Our problem area is Malaysia university students’ financial literacy level and factors towards spending habits will determine the student’s level of awareness in financial knowledge and factors that influence student to spent their money. Hopefully, this information about the factors of student’s spending habits and their level of awareness in financial knowledge will help in reducing the bankruptcy cases among young generation in Malaysia and also help in developing of economic performance in Malaysia.

**1.3 Objectives of The Study**

This study focuses on the Spending Habits among University Student. There are several objectives, which are needed to be taken into consideration in carrying out this study. All these objectives are mentioned as follows:-

1. To determine the level of financial literacy awareness among the university student toward spending habits.
2. To investigate the spending habits among business major’s student and non-business major’s student.
3. To determine the spending habits toward gender among university student.
4. To study the factors that influences university student toward their spending habits.

**1.4 Research Questions**

1. Does the financial literacy level among student give an affect to their spending habits?
2. Does the business major’s student has good financial management than non-business major’s student?
3. Does the female student spent more than male student?
4. Does family background influences university student towards their spending habits?
5. Does student’s attitude give an influence towards their spending habits?
6. Does financial aid influences university student towards their spending habits?

**1.5 Research Hypotheses**

1. H1 : There is a significant relationship between financial literacy level and spending habits.
2. H2 : There is a significant relationship between business and non-business major’s student on their spending habits.
3. H3 : There is a significant different between factors (family background, attitude and financial aids) and their spending habits.

**1.6 Significance Of The Study**

The study would provide a clear sense of direction for the public universities, especially UiTM as well as to society, to plan the good number of programs toward achieving in financial literacy awareness among students and youths by providing various types of financial management education. Besides, this finding provided data also important to administrators in business offices at high school, colleges and universities. Education within the high school setting can better prepare youths to encounter complex marketplace, earnings that do not meet spending goals, and easy access to credit places young adults at risk for future financial instability (Danes et al., 1999). Therefore, administrators in business offices able to prepare and modified effective courses, seminar, program and etcetera to increase the students’ awareness of the financial literacy. Thus, students will be more aware and cautious of their actions such as spending habits and control their fund in daily life. Moreover, financial literacy can prevent the university students engaged in extensive debt especially credit card debt. Furthermore, this finding enable parents to have a deep understand of their children who encounter the issues of financial independence in their life. Thus, parents could manipulate the money inflow and outflow of their children. Finally, this study provides useful information to the researches especially who are doing research on the factors that will affect the impulsive buying behavior or the determinants that will affect the shopaholic in youth adults. As a result, the researchers will understand financial literacy could affect the buying behavior. Therefore, with all these understanding and initiatives to improve financial literacy in the society hopes to bring about better decisions to improve the economy country.

**CHAPTER 2: REVIEW OF LITERATURES RELATED TO THE STUDY**

**2.1 The Literature Review**

 There are few researches carried out to test on the difference between the gender and their financial literacy. These include Chen & Volpe (1998), Danes & Haberman (2007), Manton et al. (2006), Micomonaco (2003), Peng et al. (2007) and Volpe et al. (1996), who found out that male scored better in the financial knowledge compared to the female. However, there is also a different finding in which Ibrahim et al. (2009) found out that there is no difference between the level of financial knowledge between males and females students. It means that the gender of students did not give any difference to their spending habits.

 Besides, the student’s major courses studies in university are one of the element indicators for academic courses which significant impact on their knowledge to personal financial literacy. There is a relationship between financial courses taken in college and students’ knowledge of investment (Peng, Bartholomae, Fox, & Cravener, 2007). According to Beal and Delpachitra (2003), Chen & Volpe (1998), Volpe, Chen, & Pavlicko (1996), Peng et al. (2007), and Robb & Sharpe (2009) have indicated that business majors are more knowledge about personal finance than non-business majors. The educational background made an impact on the average financial knowledge score, with business majors and students with higher class rank scoring better on the test of financial knowledge. As university students take on higher levels of personal financial responsibility, their interest in personal finances heightens and learning takes place. It is also more likely that college age students are experiencing more challenges with finances as they pay bills, use credit cards, workings, savings, budgeting monthly expenses, and manage student debt. As university students face more financial challenges in conjunction with relevant instruction, the learning process may be enhanced (Peng et al., 2007). The findings concluded that non-business majors are more likely to be less knowledgeable about personal financial than business majors particularly in finance and accounting (Chen & Volpe, 1998; Volpe et al., 1996). Based on the researcher's found, it indicated that the business student more carefully in their spending habit than non business student.

 Another research said that the attitude of young adults toward spending plays a vital role in sustainability perspectives of their finance and is a significant variable in financial prudence (Pillai et al., 2010). If students have the idea of managing their finances, there will be less default rate on their student loan debt (Cummins et al., 2009). Besides, students with high financial literacy enable them to decreases their chances of bankruptcy, receiving government assistance (Huston et al., 2003) and making poor consumer decision (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000).

 A survey on the spending habits of young people in Guangzhou, Hong Kong and Macau found that spend it mostly on entertainment, clothes and accessories. Hong Kong youths would borrow from friends or take up part-time work, in order to earn enough money to spend. The survey concluded that the more pocket money an average Hong Kong youth is given; the chances are that the proportion spent on enjoyment will be greater. in addition, nearly 20% of Hong Kong youths say they "spend all they have". When they run out of pocket money, they either borrow from friends or take up part-time work. (MSE, 2004)

 In addition, in the ages past, book stationeries, clothes, and other similar items for study were bought by the students. In the present time, student’s needs have increased for sure, when laptops or desktops are needed for assignments, hand phones and for some, vehicles outside the basic necessities that a student should possess. Advances in technology have as well led to increases in student’s expenses. Male students in particular are attracted to buy gadgets that are known to be costly, while the females, clothes, bags and shoes are thought crucial, because they want to look nice going to classes.( Shahryar Sorooshian & Tan Seng Teck, December 29,2013)

While, in a study conducted by researchers Roberts and Jones (2001), some students had credit card debt before they entered higher education. According to one study, 62% of incoming college freshman had access to a credit or charge card, and 50.9% had some kind of debt (Jones 2005).

Furthermore, financial education plays a significant role in how students make use of their money and their credit. Graduating students leave college with an average of $20,402 in education and credit debt (Robb and Sharpe 2009). The amount of credit card information and education given by parents is greater than any other socialization agent. Mothers and fathers are the two most important sources of influence on college students’ money beliefs and attitudes. There is a correlation between the amount of credit card information learned from parents and student credit card use. Students who had a lower credit card balance were more likely to be educated by their parents about proper spending and credit debt (Pinto, Parente, and Mansfield 2005).

According to one study, financially at risk students were more likely to be female, black, and financially independent of their parents. Female students also possessed less financial knowledge, but were more likely to possess a credit card and carry more debt (Robb and Sharpe 2009). White students, compared to other racial/ethnic groups, possessed more financial knowledge than their counterparts. The study also confirmed that females were more likely than males to have an outstanding credit card balance, and typically had more debt than male students (Robb and Sharpe 2009). Financial decisions are highly influenced by financial knowledge (Chen & Volpe, 1998) which is parallel with the research by Peng et al. (2007), they found out that student with higher levels of financial literacy made good spending decision in hypothetical circumstances. In order to avoid any debt and wasteful spending which lead to financial soundness, financial prudence could enlighten the future among the youth and generate wealth (Pillai et al., 2010).

**2.2 The Definition Of Terms**

* **Gender** of student is defined as male and female students who are involved in the research of spending habits.
* **Business major** is defined as a student’s major courses studies in university and one of the element indicators for academic courses which significant impact on their knowledge to personal financial literacy.
* **Business non major** is defined as a student's major courses in university and indicators for academic courses which do not significant to financial literacy.
* **Financial literacy** is defined as the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources.
* **Attitude** is an expression of favor or disfavor toward a person, place, thing, or event. For this case, the attitude is about the behavior of students in their spending money. Whether it is in good or bad attitude which are for the studies or more to the entertainment.
* **Financial aid** isfunding that is intended to help students pay education-related expenses including [tuition](http://en.wikipedia.org/wiki/Tuition), fees, [room and board](http://en.wikipedia.org/wiki/Room_and_board), books, and supplies for education at a [college](http://en.wikipedia.org/wiki/College), [university](http://en.wikipedia.org/wiki/University), or [private school](http://en.wikipedia.org/wiki/Private_school)**.**

**2.3 The Theoretical Framework Of The Study**

**Awareness (IV 1)**

Measurement

* Level of financial literacy
* High
* moderate
* low

**Academic Courses (IV 2)**

Measurement

* Business majors and non-business majors

**Money Management (DV)**

Measurement

* Spending habits

**DEPENDENT VARIABLE (DV)**

**INDEPENDENT VARIABLE (IV)**

**Factors of Spending (IV 3)**

Measurement

* Family background
* Higher income
* Average income
* Lower income
* Attitude
* Shopping
* Academic purpose
* Traveling
* Entertainment
* Financial aid
* Scholarship
* Loan
* Parent

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| --- | --- | --- | --- |
| **DEPENDENT VARIABLE** | **TYPES OF VARIABLE** | **INDEPENDENT VARIABLE** | **TYPES OF VARIABLE** |
| **Money Management*** Spending habits
 | Quantitative | **Awareness*** Level of financial literacy
* High
* moderate
* low
 | Qualitative |
| **Academic Courses*** Business majors and non-business majors
 | Qualitative |
| **Demographic** * Gender
* Male
* Female
 | Qualitative |
| **Factors of Spending** * Family background
* Higher income
* Average income
* Lower income
* Attitude
* Shopping
* Academic purpose
* Traveling
* entertainment
* Financial aid
* Scholarship
* Loan
* Parent
 | Qualitative |

**CHAPTER 3: THE RESEARCH METHODOLOGY**

**3.1 The Target Population**

The target population for our study is defined as undergraduate university students studying in University Technology MARA (UiTM), Shah Alam. We applied the study for the students who are major in business and non-business.

**3.2 The Sampling and Data Collection Procedure**

Once the campus is determine, we select at random the faculty in the UiTM Shah Alam. The study obtained only the list of students in semester 3, 4 and 5. Hence, the list of students from semester 3, 4 and 5 would be the sampling frame for that particular campus in which the respondents are randomly selected using certain sampling procedure.

Below are the steps taken in the sampling and data collection processes:

1. UiTM Shah Alam has many faculties. So, we use the stratified sampling method whereby the faculty are Faculty of Science, Faculty of Computer and Mathematical Science, Faculty of Civil Engineering, Faculty of Business and Management, Faculty of Music and others. Therefore, we choose the faculty by using simple random sampling to select at random.
2. We only select two faculties which are Faculty of Business and Management and Faculty of Computer and Mathematical Science. Once again, we applied stratified sampling because Faculty of Science Computer and Mathematics offer three main courses which are Bachelor of Statistics, Bachelor of Computer Science and Bachelor of Actuarial Science. While Faculty of Business and Management offer three main courses which are Bachelor Of Business Administration (Hons.) Marketing, Bachelor Of Business Administration (Hons.) Insurance and Bachelor Of Business Administration (Hons.) Finance. From the three main courses of each faculty, the respondents are selected randomly as our sample.
3. The permission to collect data is obtained from the Faculty of Science Computer and Mathematics and Faculty of Business and Management. At the same time, the list of students name to be used as the sample frame by using the random numbers generated through the computer. For example, if the sampling frame consists of 850 students and the study decide to take only 200 students as respondents, then the 200 numbers are generated using the following computer statement ( rand 200 1-850). The computer would generate randomly 200 numbers in the range of 200-450. The student whose number on the list matched the numbers generated by the computer would become the respondents for this study.
4. Once the respondents are identified, the research assistants would proceed to the respective lecture during the time where the students are having their lecture session. The research assistants would obtain the permission from the lecture to distribute the questionnaire.
5. If the research assistant failed to find the respondents indeed particular time, they would proceed to the next lecture session or with the help of their friend, the questionnaire is delivered to the respondents.
6. The respondents can respond to the questionnaire at their convenience time. And mail it using the self-addressed envelope. To ensure confidentiality of the responses, each questionnaire is enclosed with a cover letter that explained clearly the purpose of the study. The respondents do not need to provide any identification on the questionnaire. They could also submit the completed questionnaire using the sealed envelope to the representative at the office of academic affairs the following day.
7. The study employed the above method in order to allow respondents to attend the questionnaires without any pressure. Therefore the response bias due to time constraint and the present of researcher would not arise.

**3.3 The measuring Instruments Employed in the study**

The study adopt the questionnaire to measure money management, level of financial literacy, demographic, factors of spending which are family background, attitude and financial aid, and academic courses.

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| Section A: Demographic* Age
* Gender
* - Academic Courses
 |
| Section B: Financial literacy Related Questions* Level of student knowledge about financial management.
 |
| Section C: Spending Habits Related Questions* Monthly spent on money.
* Factors that influence students to spend their money.
 |
| Section D: Open-Ended Questions |

**3.4 The Assumption Required**

* The population from which the sample is selected is normally distributed.
* Respondent is randomly selected, no bias in the selection process and hence it is a representative of the population under study.
* Respondent are given a wide variety of response choice. The choice of response is from 1(for disagree with the statement) to 10 (for strongly agree with statement).
* Respondent answer the questionnaire at their own convenience without bias, prejudice, threat, influence of or pressure from any party.

**3.5 The Procedure for Data Analysis**

The researcher analyzed the data using the Statistical Package for Social Science version 18 (SPSS 18.0). This SPSS helps to facilitate data clearing, and checking for logical inconsistencies.

To study about demographic such as gender and age toward university students spending habits, we use descriptive analysis by using pie chart and bar chart. Scale measurement that we use for gender and age is nominal and ratio.

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| **THE RESEARCH HYPOTHESIS** | **STATISTICAL ANALYSIS** |
| H1 : There is a significant relationship between financial literacy level and spending habits. | Regression / Correlation  |
| H2 : There is a significant relationship between business and non-business major’s student on their spending habits. | Regression / Correlation |
| H3 : There is a significant difference between factors (family background, attitude and financial aids) and their spending habits. | Correlation / Chi – square Test |

**3.6 The Scope and Limitations of the Study**

 One of the limitations in this study is time limit. At the same time cost is also another limitation in our study. In the beginning we had a plan to comparative analysis between the faculties in the UiTM Shah Alam. The result might only be generalizable to the above population. In others words, the finding might be different if the scope is increased to include more faculties since different faculties might pose different characteristics. But later on considering time and budget we changed our mind to scope the faculty. We considered selecting only two faculties which are Faculty of Business and Management and Faculty of Computer and Mathematical Science. Then, we have made questionnaires and distributed the questionnaires to the students at the two faculties.

 Besides, this study only measures the perception of respondents for each item on a questionnaire. Should the expectation score also be taken into account, the results would be more informative when the gap scores between perception and expectation. Thus, the management of a university would become more concern about the actual and the expectation of student's spending habits. Therefore, the university could plan the appropriate program that is related to how the university's students manage their financial.

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