

Spending Behaviour of a Case of Asian University Students

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Abstract

Recently, interest in exploring professional financial issues mainly money management was shown to be highly increased due to the societal awareness of its benefits. The skill of money management is a major tool in exercising control over them to obtain quality life as working adults. Stratified random sampling was used to examine the spending patterns of student population at one of Malaysia universities. Due to the habit of student expenditures on campus which was shown to influence the way money is managed through their lives. Taking a look at literatures from researchers outside Malaysia, it can be seen that financial literacy among students is required to restrain future problems that may arise from lack of knowledge on individual financial management. This study emphasizes the need on financial literacy awareness among the students looking into their background, financial awareness, attitude and family. Data analysis show that majority of the students do not put to practice correct skill in money management.

Keywords: financial literacy, spending management, students behavior, case study, Malaysia

1. Introduction

Spending behavior has never been stable. It is dynamic and may differ from one generation to another. Presently, students play significant roles in assisting the countries economy, while the expenditure has been identified as one major part of the overall consumer spending in Malaysia. College student's expenditure has been identified as one major part of the overall consumer spending in Malaysia. Local community expenditures on college students maybe important because a good number of residential colleges are regularly seen as major players in the local economy through the present employment and spending, as well as potential catalysts for the rural economic development. A good number of studies carried out on some universities economy to assess the general influence institutions have on the local economy. 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. The focus of this study is on Taylor's student's behavioral expenditure in order to find out how their behavior on spending has transformed, and how it differs from the past researches. In the society today, one of the major worries has been financial illiteracy, from money savings and knowledge about credit to payment of essentials to learning how to manage payback check. Literacy in finance is essential for consumer competence creation, many researches carried out by researchers and agencies have shown that lack of knowledge by the youth on money management will result to inefficiency on finance when adulthood is attained. The task cannot be solved by the schools while preparing literate youths financially. To resolve the problem, a good number of programs have been designed to educate the youths on financial management. This comprises of collaborations with the youth development organizations and cooperative extensions. The target of the program was to make students have knowledge about the associations between educational attainment and power earnings, factors that determine income, understanding needs versus wants, typical monthly expenses for a family, factors that affect spending and the benefits of savings and budgeting. The dept level of college graduates have significantly increased in the last decade. The high level of dept has significant social implications because recent department worries on college graduates may show less flexibility in the kind of jobs they accept. Moreover marriage decisions, family and

home purchases may be effected as well. Complications on high dept level of department are caused by poor financial management, and low financial literacy among some college students. Majority of the students' department high levels is caused by high cost of tuition in the past decades. However, increases in the level of student department may be due to the dynamic patterns of spending. All over the world, there are diverse ways that students spend, but a thorough market research on the student spending show that many common patterns truly can be seen. The habits of healthy and unhealthy student spending that are prevalent in the world today are stated below.

- a. Among the student, there are a lot of brand awareness that causes student expenses on clothes and accessories too unprecedented height.
- b. Financial companies have targeted the older students including student loan providers, consolidators and companies that issue credit cards. In some areas of the world where the credit cards of students are available, student's high dept are laid on their heads even when they have not graduated. Such is not encouraging student's financial trend. New students may not know the after effects are sinking deeper and deeper into dept even before the beginning of the earnings.
- c. The technique of students expenses show a parabolic trend. In the high schools, students spend more on entertainment compared to their parents during their academic year.
- d. There are not much increment on food for the students since the last generations (adjudged by inflation), however, alcohol remarkably increased. The culture of the party alarmingly increased among the students in such places, aside from expenses on ticket, students spend also on alcohol and other recreational activities.

Willful expenses are directly related to the student's resources. Being prudent in one's spending will lead to improved available resources to compete requirements for a degree or reduced students loans and related financial problems during education. This paper examines the impact of financial intervention behavior, improved knowledge of their pattern of spending and changes in their spending behavior. It is a known fact that college students spending were identifies as one important component of the total consumer spending in Malaysia. College student's expenses may be important to rural communities due to the fact that a good number residential colleges are large compared to the size of their community. Most of the time, these colleges are seen as major players in the local economy via the present expenditure and employment being one of the potential catalysts for the development of the rural economy. Judging by the current world situation a few questions may arise if Malaysian students are affected by the economic downwardness. This study was carried out to mainly determine how much students are willing to pay for different items such as entertainment, rental fee garget and other stuff. The study is targeted at assessing the extent of financial literacy among students at Taylor University (TU). This university is one of the renowned private Malaysian universities.

2. Method

Both qualitative and quantitative analysis methods were used in this study. The qualitative research is based on the authors experience and observations during the past years of working with different colleges as well as with TU. Un-structured interviews were conducted as well as exchange of knowledge with colleagues, College Board and students, to enrich the study. For the quantitative research, two independent variables which include: students' attitude and student's demography which is thought to influence students spending behavior, these include garget, entertainment, cost of rental, transportation, and study related items and fashionable accessories. Student attitude: students with variable attitudes have different priorities to spend their monies on, each regular item for instance; some students prefer to spend more money on fashionable clothing instead of buying a cap. All of these maybe associated with personal interest on which item s/he prefers with the risk of loosing another one.

Demographics: the college is made up of students of different religion, age and status, with diverse ways and priority of spending money. All the students live in the university where assessment of their pattern of spending varies. While some of the students struggle to make ends meet, the usual college experience of eating Ramen Noodles, wearing clothing from goodwill, and drinking cheap beer are disappearing. Most of these can be explained by the dynamic demography of the present students.

The researcher used Convenience Sample Random Sampling for student population. Survey questions were distributed to different student's course and level of study. Analysis was carried out to determine the reliability of the questionnaires which was tested and the reliability of the questionnaire which was tested and the Crombach alfa for all the respondents was 0.751. Therefore, the questionnaire is deemed reliable and was used for the main study. For the language used in the questionnaire and clarity of sentences, the instrument was pre-tested with 10 non-respondents from TU.

The respondents for the survey include students of TU. None of the students were excluded from the survey which comprised of undergraduate and postgraduates. Considering research cost and time, the chance to connect with all students was not high. Therefore, among students, a small sample size was chosen randomly to be the research participants. Researchers used a personal administered questionnaire as their data collection instrument. Of the 140 questionnaires distributed, researcher received high cooperation from the respondents where 100 questionnaires were almost completely filled and returned. Data was analyzed using the Statistics Package for Social Sciences software.

The questioner comprises of three sections and different measurements and ratings scales were used. The survey questions comprise of questions related to personal information and student's spending behavior while staying on campus. Random sampled students were asked about the amount they spend in different areas in Malaysia where TU is located. All the students surveyed were asked the amount they spent in a week on rental stores and on clothing. They were asked the expense on gasoline and recreation as well as for each semester on books and other school supplies.

Respondents living off campus, but not at home with their parents were asked about their monthly expenditures for rent communication services (internet access, telephone local cell phones, cable television) and other utilities for example natural gas and electric. Students were allowed the chance to identify two additional types of expenditures that they incurred on a regular basis and up to two out of the ordinary expenses that they incurred in the previous semester. The questionnaire comprised of four sections:

Sections 1: respondents personal variables which comprised of nationality, gender and faculty. Nine questionnaires were extracted and each of the questions has different measurements. Nominal measurements were used for nationality and gender.

Section 2: focused on the respondents monthly expenses; 6 questions addressed each of the independent variables. The section comprised of semantic differential scale where respondents were given a range of amount spent on each of the question.

Section 3: focused on the respondents preferences. Likert scale was used in the second question and respondents were asked their opinion on credit card. Answers ranged from very important to not important at all. Section 4 focused on students' attitude and demography on spending on 6 items (fashionable items and accessories, transportation expenses, cost of rental, studies, entertainment, and garget and technology). Five likert scales which comprised of strongly agree; Disagree; neither agree nor disagree; Agree; and strongly agree.

3. Results and Discussion

Authors experience says that the cost of college has risen dramatically in the past years. Prices for tuition, fees, and books have risen by 5 to 10% annually for years. Prices of colleges depend on the type of institution a student attends besides the study period.

Basically, author's students could expect to pay more in tuition and fees this year, on average, than last year. As these costs have risen, an equally dramatic rise in the availability of grants, aid and loans has made college much affordable than most news articles would lead people to believe.

Generally, financial aid and grants are available to more students than ever before. Most full time students receive financial aid, grant funding and a loan to offset the cost of college. Author estimates that students pay about one-third of the actual costs of a college education. Authors experience shows that college students' expenses are increasing by the year. The excessive spending behaviour is shown by not only female students, but male students as well. College students are not only spending money on other fashion savvy clothing but also on fast food and the latest electronics.

Students spend most of their extra money on food, but a large portion goes to cell phone service, entertainment and clothing. Nationally, students spend a lot on clothes and shoes. Although there are several shoppers who are smart and attempt to find their favorite styles on sale somewhere along the line, many of these younger consumers have begun to shop like celebrities with unlimited cash. Some experts have posed the idea that it may be because students have more access to the wardrobes and styles of celebrities than ever before, and some of these items are within reach.

No matter the monetary situation, college students are finding ways to keep up fashionably. Due to the pattern that students have set, credit card companies bombard this young generation in anticipation of having them max out a card from their respective companies. Experience says that college students are now demanding luxury, and they are not seeing the problem with their spending. They have become so comfortable with these high prices that the items are now commonplace things seen at campuses around America.

Nowadays, a typical college student is in mid-twenties, either lives at home or on campus, and has a job. Students no longer expect to complete college in 4 consecutive years, and many fluctuate between full-time and part-time study over a period of 5 to 7 years. The older the student, the more money he or she generally has.

Authors experience reveals college students to be savvy, capable and influential consumers, balancing the rising cost of tuition with a hardy work ethic, spending a fair portion of their considerable discretionary income on high-end technology, and holding considerable sway over the purchasing decisions of their peers. A large expense for many college students is electronics, gadgets, and technology. Students rely on technology to access information, communicate with friends, and keep themselves entertained. These expenses are seen as necessities apart from spending on other entertainments such as DVDs, music and video games.

Regards to the quantitative side of this study, generally a sample of TU student has been surveyed; among them 69% of students were Malaysian and 31% of students were non-Malaysian; 47% male and 53% female students; which about 16% student stay inside campus and the rest stay of the campus. Details for the sample are presented in Table 1.

Table 1. Demographic details of the sample

	Nationality		Gender		Leaving place		Total
	Malaysian students	International students	Male	Female	In campus	Off campus	
Percent	69.0	31.0	47.0	53.0	16.5	83.5	100.0

Student’s monthly allowance is that in the range of RM 0 to RM 500 we have only 1.5% of students; RM 500 to1000 we have 45% of students; RM 1000 to 1500 contain most student s which are 48%; And 1500 above there are only 5% people, as shown in figure 1.

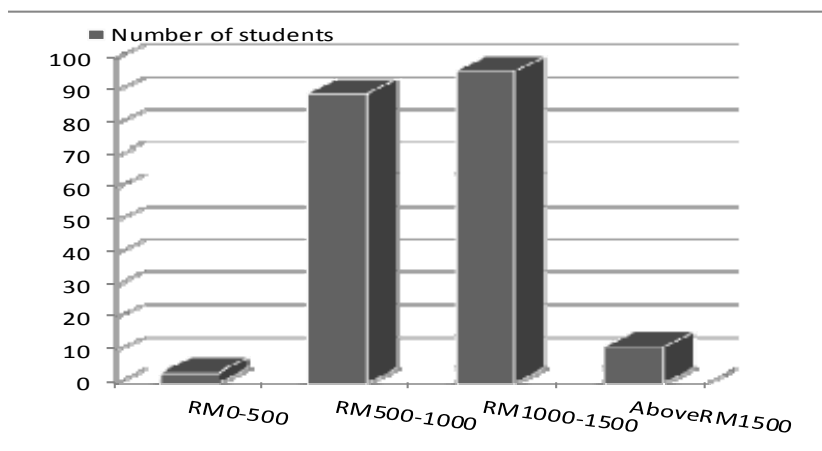


Figure 1. Students’ montly allowance

Student mostly prefer to transport to university by own car which in our result is about 67% of student travel by car. About 30% Of students like to travel by public transportation. And a few portion of students about 4% rather to go by other transportation.

Respondents mostly answer the questions that how often they eat out by twice daily which they are 52% of people and the rest prefer to have their lunch or dinner one time or three times a week.

Mostly about 45% respondents chose shopping as an activity for their entertainment and other respondent rate for other activities such as reading a book and playing games. For the Rental fee 33% of students pay from RM 0 to RM 500; 50% of them pay for RM 500 to RM 1000; And the rest spend above RM 1000 for their rental fee. For transportation cost; 6% Students pay to 50 RM; 42% of student pay to 100 RM; 31% of students pay to 200RM; And the rest pay till 500 RM. To purchase mobile phone near to 60 students prefer to have a phone

which worst 600 to 2000 RM which is quite high for a student.

Most of the respondent about 50% consider credit card as an important thing. although they also rate for moderate importance with 35% which mean they quite care to the credit card. Basically about 45% of respondent answers weekly to spend money for entertainments and 20% rate for monthly and 23% answered for daily spending over entertainment activities. Import point that is indicated can be about the knowledge that student have for managing their money with I am quite surprise with the result. Because there is shown 50% respondent rate that they always plan for their money and 40% said that sometime we make a plan that how we spend our money.

We observed that only 32% respondent agreed that students spend more money than before and about 40% result was natural from them. They said more than 40% that spending money will make them feel better and 35% disagreed with it.

Again more than 40 students select money as the most necessity, 36 give neutral result and 19 people goes against this statement. Which also in another question mostly choose to have money inside their pocket rather than having other items such as mobile phone.

33% students agree to wear expensive cloth and purchase a good conditioned car and the rest came with natural and disagree response. For more than half of the respondent answered that they rather to spend much money to have a last model with different feature mobile phone. Almost 33% students rather to go for clubbing except spend their money to purchase study related items and. and about 15% said purchasing studying stuffs is more important than spending for clubbing and the rest go for natural answers. Respondents mostly prefer to work harder and spend the earned money rather than saving it. And also regarding with purchase or borrow the books, almost half of students agreed to borrow their book not to purchase them from bookshop.

In this study a model was developed to identify the relationship of student's spending behavior with the six factors that contributing to it which are the Phone expenses, Transportation expenses, Studying related item expense, Entertainment expenses, Rental expenses, Fashion expenses. The student's spending behavior is the dependent variable which will be affected by the independent variables which are the factors. Multiple regression analysis was used in order to determine significant factors of students' spending behaviour. The level of significance for all statistical test was set at $p = 0.05$.

Analysis of monthly allowance they get relationship with their nationality, gender, faculty and accommodation option is to identify the preference of the variables based on the money they have. Students, who get monthly allowance with the range of RM 0-RM 500 per month, mostly are Malaysian female from IT faculty and staying in campus. This is probably because with the shortage of monthly allowance they choose to stay in campus which is way cheaper than staying off campus.

For the range of RM 500-RM 1000, mostly are Malaysian males from business faculty. Options of accommodation are equally distributed. Allowances of more than RM 1000 per month are mostly foreigner mostly Chinese that are from hospitality and tourism faculty and would prefer staying off campus. While most foreigners that are from hospitality faculty having the allowance of the range will certainly choose to stay outside due to have more privacy and more stable allowance to pay the house rent and the utilities incur.

The observation is on the student decision to spend based on the range of their expenses monthly was conducted. This will strongly related to the student spending behavior with weather they have plans before spending on anything. If the student think before they spend, it indicates that they will spend wisely and if they did not plan they are likely to waste money.

The dependent variable is expenses planning and the independent variables are Phone expenses, Transportation expenses, Studying related item expense, Entertainment expenses, Rental expenses, Fashion expenses. The r-square is 24.6%. This indicates that 24.6% of the dependent variable can be explained by the 6 independent variables which are Phone expenses, Transportation expenses, Studying related item expense, Entertainment expenses, Rental expenses, Fashion expenses. While the other 75.4% can be explain by other dependent variables that are not stated in this survey analysis.

The t-test for each variable is more than 5%, thus each independent variable is not significant enough to influence the dependent variable in the sample. The dependent variable is the expenses planning. Based on the ANOVA test, p value of F statistic is less than 5% for all the variables except for fashion expenses and rental expenses. This indicates that all the independent variables jointly can influence dependent variables except for fashion expenses and rental expenses.

Autocorrelation indicates error term is not independent which mean error terms are correlated. The value is close

to 2, thus there is no autocorrelation, hence indicates that the serial correlation is desirable. Hence, the variables are relevant enough to be uses in this study since the r-square, F-test, and the correlation occur are good enough.

4. Conclusion

All in all, the study shows that among the variables studied, the most significant of spending behavior is phone expenses. The significant test which F-test is 0.312% made it the most significant variables among others. Most of the students spent more for their gadgets. This is due to the high price of gadgets available in Malaysia as well. They are technology savvy as they use laptop, PDA and other technologies for studies related or for everyday tasks. Student spending behavior can be improved if they plan their expenses ahead. They have to think to save to buy needs item rather than spend on wants item. Entertainment seems to be the spending that the student do at a very high frequency, thus they need to find ways to control it.

One way student can reduce their spending is to analyze their behavior. Students can analyze their behaviors by developing behavior chart. Briefly a behavior chart is a forma method of keeping a record of the students' behavior and providing reinforcement for that behavior. Charts work very effectively in dealing with and changing some student behaviors. The chart can help students learn valuable economic lessons. It teaches students learn saving money and spending their money wisely. The system can be extended even further by offering lay-away. Students can purchase items by putting them on lay-away. They learn about down payments, as well as payment and balances. Credit term could also be arranged and offered to students who have established a good credit rating by having demonstrated positive behavioral change. When first using a behavior chart to change student spending behavior, it's necessary to lock the student into the system. This can be accomplished by devising an initial system with minimal expectation, when the student is first placed on a chart system, it should be somewhat easy for student to obtain reward. Once the student is locked into the system, the expectation would be gradually increased. like student can key in the amount that he or she has paid for the particular stuff. Then later after a week she can see all of her payment on the chart and make a wise decision whether that the money are spend wisely or not. If he/she did not over spend, they can give themselves reward as an interest to continue this method of record in order to be always aware from their expenditure.

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