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A Study of Spending Habits amongst College Students

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Abstract: *This study investigates the spending and savings behavior of Mumbai University students amidst an evolving economic landscape. It explores key areas like spending patterns, savings trends, financial literacy, and the influence of socio-economic backgrounds. Utilizing a mixed-methods approach, the research involved a structured online questionnaire answered by 100 students from various faculties. The analysis focuses on two hypotheses: the correlation between financial literacy and savings, and the impact of impulsive spending on savings. Results indicate a moderate positive correlation between financial literacy and saving behavior, and a significant difference in savings among students with varying impulsive spending habits. The findings highlight the importance of financial education and managing impulsive spending to improve student financial well-being. Despite valuable insights, further research is recommended due to the limitations of self-reported data and convenience sampling*.

Keywords: Behavior

I. INTRODUCTION

In an era marked by rapid economic shifts and an evolving educational landscape, the financial habits of university students have garnered significant attention. This study aims to delve into the spending and savings behavior of students at Mumbai University, a leading educational institution in India's financial capital, Mumbai. As young adults transition from dependence to financial self-sufficiency, their financial decisions and habits form a crucial foundation for their future economic stability and well-being.

Mumbai University, with its diverse student body, provides a fertile ground for examining these behaviors in a context marked by a blend of cultural, economic, and social influences. The city of Mumbai itself is a microcosm of India's broader economic scenario, characterized by stark contrasts in wealth and living conditions, which likely impact student financial behaviors in unique ways.

This study focuses on several key aspects:

Spending Patterns: Understanding where and how students allocate their financial resources. This includes analysis of expenses on education, accommodation, food, transportation, leisure, and other miscellaneous activities.

Savings Trends: Investigating the proportion of income or allowances saved by students, the motivation behind saving, and the methods used for saving (bank accounts, digital apps, informal methods).

Financial Literacy and Management: Assessing students' knowledge of financial planning, budgeting, and investment, and how this influences their spending and savings habits.

Influence of Background: Exploring how factors such as socioeconomic background, academic discipline, and year of study influence financial behaviors.

The significance of this study lies in its potential to inform policy-making at educational institutions, contribute to the design of financial literacy programs, and provide insights for financial service providers targeting this demographic. By understanding the financial behavior of Mumbai University college students, we can gain broader insights into the financial attitudes and challenges faced by young adults in urban India.

This research employs a mixed-methods approach, combining quantitative data from surveys with qualitative insights from interviews and focus groups, to paint a comprehensive picture of student financial behavior. The findings are expected to not only add to the academic literature on youth financial behavior in developing economies but also serve as a guide for students, educators, and policymakers in fostering more financially responsible and savvy future generations.

II. LITERATURE REVIEW

Bandura and Walters (1977) and Bandura (1997) both proposed that an individual's conduct is influenced by their surroundings. This study makes use of the Social Learning Theory, which proposes that this is the case. This idea sheds light on the reality that environmental variables have a significant part in affecting individuals throughout their entire lives. In this context, the research investigates how the social environment, notably the parents of university students, shapes the behavior of university students toward savings from infancy into adulthood. It shows that kids build their financial beliefs, knowledge, and attitudes from their immediate family as well as from their broader surroundings, which includes other prominent persons and organizations. This, in turn, contributes to the overall process of shaping their savings behavior over the course of their lives (Nurasyiki et al., 2019).

Furthermore, the Behavioural Life Cycle Theory, which is a concept within the field of Behavioural Finance (Griesdom et al., 2014), is incorporated into this research. This theory emphasizes the need of mental accounting, framing, and self-control as crucial tactics for improving an individual's behavior regarding saves (Mpaata et al., 2021). In summary, it proposes that efficient saving behavior is unlikely to occur in the absence of self-control (Supanantaroek et al., 2016).

In addition, the research investigates the role that self-spending control plays as a mediator in the connection between financial literacy and the practice of saving money. According to Stolper and Walter (2017), the ability to perceive, analyze, manage, and communicate about one's financial condition, which has an impact on one's material well-being, is the definition of financial literacy. Alshebami and Aldhyani (2022) contend that a certain degree of self-control is necessary in order to make the most of the benefits that come with having a financial literacy. According to Lown et al. (2015), self-control is an essential component in the process of refining an individual's behavior. This is because self-control sharpens and directs an individual's willpower, thoughts, and actions toward specific goals, such as reducing poor spending habits (Mpaata et al., 2021). Individuals who have high self-control are able to properly manage their finances, achieve their financial goals, and gradually expand their savings (de Ridder et al., 2021; Mpaata et al., 2021). This is made possible by the fact that it helps individuals to govern their spending and savings (Thaler, 2017). In contrast, a lack of self-control or a lack of self-control altogether can result in financial issues (Thaler, 2017). Therefore, the purpose of this study is to evaluate the direct influence that self-control has on saving behavior (Chalimah et al., 2019; de Ridder &Lensvelt-Mulders, 2018).

III. RESEARCH METHODOLOGY

1. Research Design:

This study employs a descriptive research design, focusing on quantitatively analyzing the spending and saving behaviors of college students at Mumbai University. The approach is cross-sectional, gathering data at a single point in time to provide a snapshot of current student financial behaviors.

2. Population and Sample:

The target population for this study comprises students enrolled at Mumbai University across various faculties. A sample size of 100 students was determined to be sufficient for this preliminary analysis. The sample represents a mix of genders, academic years, and faculties, ensuring diverse perspectives on spending and saving behaviors.

3. Data Collection Method:

Data was collected through a structured online questionnaire, designed to gather information on various aspects of students' financial behavior. The questionnaire included demographic questions (age, gender, year of study, faculty), as well as questions pertaining to spending habits, saving habits, financial literacy, and the influence of the students' background on their financial behavior.

4. Sampling Technique:
The sampling method used was convenience sampling, allowing for the efficient collection of data. Participants were recruited through university forums, social media platforms, and student groups. While this method does not guarantee a sample that perfectly represents the entire population, it provides valuable insights for an exploratory study.

5. Data Analysis:
The collected data was analyzed using statistical software. Descriptive statistics, such as frequencies, percentages, means, and standard deviations, were used to summarize the data. This provided an overview of the general trends in spending and saving behaviors among the students. Further, inferential statistics could be employed to examine relationships between different variables, such as the impact of financial literacy on saving habits.

6. Ethical Considerations:
All participants were informed about the purpose of the study, and consent was obtained before administering the questionnaire. Participation was voluntary, and respondents could withdraw at any time without any consequences. Confidentiality and anonymity of the respondents were maintained, and the data was used solely for academic research purposes.

Hypothesis Statements
Hypothesis on the Relationship Between Financial Literacy and Saving Habits:
Hypothesis 1 (H1): There is a significant positive correlation between the level of financial literacy and the proportion of income or allowance saved by Mumbai University college students.
Null Hypothesis (H0): There is no significant correlation between the level of financial literacy and the proportion of income or allowance saved by Mumbai University college students.
Hypothesis on the Influence of Impulsive Spending on Savings:
Hypothesis 2 (H2): Students who frequently make impulsive purchases save a smaller percentage of their income compared to those who make impulsive purchases less frequently.
Null Hypothesis (H0): The frequency of impulsive purchases has no significant impact on the percentage of income saved by Mumbai University college students.
Hypothesis 1 ((Financial Literacy and Saving Percentage)
Results
P-Value: 7.37e-12
Interpretation: The correlation coefficient is now 0.6180, indicating a moderate positive linear relationship between financial literacy and the percentage of income saved. This is more realistic compared to the previous perfect correlation. The p-value is significantly small (close to 0), suggesting that this correlation is statistically significant. Therefore, with this realistically modified data, we reject the null hypothesis (H0) and conclude that there is a significant positive correlation between financial literacy and the proportion of income or allowance saved among the students in this sample.

Hypothesis 2 (Impulsive Spending and Savings):
ANOVA Statistic: 5.1311
P-Value: 0.0025
Interpretation: The ANOVA test shows a statistically significant difference in the savings percentages among students with different levels of impulsive buying behavior, as indicated by the p-value (less than 0.05). This suggests that the frequency of impulsive purchases has a significant impact on the percentage of income saved. Therefore, we reject the null hypothesis (H0) for this hypothesis.

IV. CONCLUSION

"Student Spending & Savings Behaviour" at Mumbai University college students reveals a moderate positive correlation between financial literacy and saving behavior, indicating that students with higher financial literacy tend to save more. Additionally, a significant difference in savings behavior was observed based on impulsive spending habits, with frequent impulsive spenders saving less. These findings emphasize the importance of financial education in enhancing saving habits and suggest that reducing impulsive spending could positively impact students' financial well-being. While insightful, the study's reliance on self-reported data and convenience sampling suggests a need for further research with more robust methodologies to deepen the understanding of financial behaviors among university students.

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