
Trends in Spending and Money Management Practices among Students of Kerala

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ABSTRACT

This study examines the spending behaviour of school/college students aged between 16 and 22. A survey conducted among 240 students comprising of 120 males and 120 females belonging to higher secondary and degree studies from schools and colleges of Kerala. Participants completed a survey regarding the likelihood to follow a budget to limit spending, savings and investments and management of personal finance. The study reveals that the students spend most of their money on pleasure trips, fast food and digital life than to books, savings etc. Majority depend their parents for meeting their day to day ends. Only half of them exercise budgeting; but more than ninety percentages limit the expenditure within their income. Female students are more savings savvy compared to male students.

Keywords: Money management, Trends in spending, Students, Financial decisions

INTRODUCTION

Making smart financial decisions and managing cash well is not only a good habit to learn but it also contributes to future financial success. Since students are considered as the backbone of any country, to equip themselves both physically and mentally is essential for the strong foundation of a great nation tomorrow. Practicing good money management skills among students is good for their bright future and thereby for the society and nation itself. Money management is the process of budgeting, saving, investing, spending or otherwise in overseeing the cash usage of an individual or group. As far as students concerned, how they consider spending by themselves is a matter of social freedom and they always stay updated in latest fashion and trends. For them buying branded clothes, expensive mobile phones, big meals at international food chains and travel by their own latest model vehicles- all this is a usual day expense of an average college goer and their parents are willing to give their children a monthly allowance for the same.

In this context, the study tries to find out likelihood of students to

- Follow a budget to limit spending
- Save and invest
- Manage their personal finance

LITERATURE REVIEW

Munmun Shabnam Bipasha , Shatabdi Goon conducted a survey, “Fast food preferences and food habits among students of private universities in Bangladesh” to examine the preference, prevalence and pattern of fast food consumption among the students and found that the prevalence of fast food consumption was 98.5%, and 43.3% of their pocket money.

Abhijeet Birari & Umesh Patil in their article “Spending & Saving Habits of Youth in the City of Aurangabad” found that students belonging to different education levels differ significantly in spending in many categories. It was also noted that both the male and female youth have different spending patterns with a slight similarity. Significant portion of their spending goes towards shopping, fast food, mobile phone expenditure, investment and transportation.

Another article “Gender Differences in Saving and Spending Behaviours of Thai Students” studies the gender differences in saving and spending behaviours of Thai students. The results showed that

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female and male students did not have different saving behaviour, although females had a more positive attitude towards saving and shopping than males. In addition, females were more concerned about being rich or having a lot of money than males, while males had a more positive attitude towards spending money than females.

OBJECTIVES OF THE STUDY

1. To assess the spending pattern and consumption preference of students on selected group of items
2. To study the money management practices followed by students

RESEARCH METHODOLOGY

This is a comparative study conducted on gender basis among the students aging from 16-22 years old pursuing higher secondary, degree and post graduation in various schools and colleges in the Ernakulam district of Kerala. Male and female representation in the sample is 120 each. A questionnaire was distributed among these 240 students through internet asking them to respond to the following questions to know the money management practices among students in Kerala.

1. What are the major sources of their income?
2. Average monthly income they gained?
3. What are their major expenditures?
4. What is the priority of their expenditures?
5. Do they have the habit of budgeting and spend according to budget limit?
6. Do students possess the habit of savings and if yes, for what purpose they use this savings?

The data collected were analysed using simple percentage analysis and conclusions are drawn accordingly.

RESULTS

Socio-demographic profiles of the Students

The respondents in this study were male and female students in the colleges/schools in Ernakulam district doing their graduation/post graduation/ higher secondary education in the arts and science subjects aged between 16 and 22. Their socio-demographic details are given below:

Table1. Gender wise classification

Male	120 (50)
Female	120(50)
Total	240(100)

Source: Primary Data (Percentages in brackets)

Half of the respondents are male.

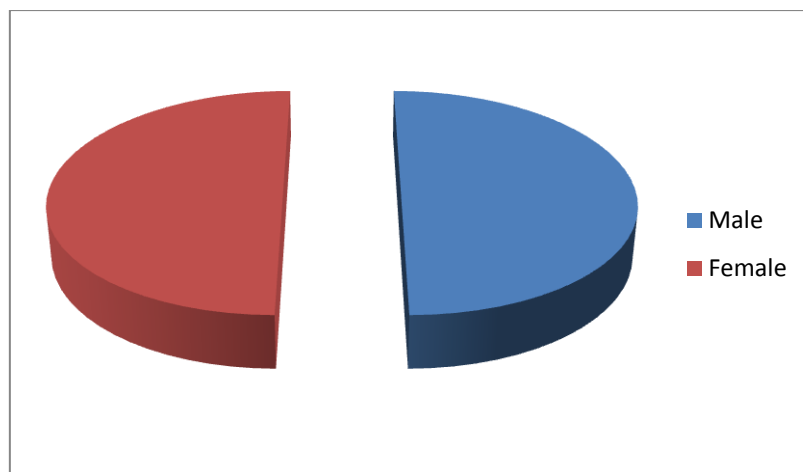


Figure1.

Source: Primary Data

Table2. Other demographic data

Demographic Data	Male	Female
Place of Residence		
Rural	87(73)	78(65)
Urban	33(28)	42(35)
Educational Qualification		
Higher secondary	45(38)	51(43)
degree	69(58)	57(48)
Post Graduation	3(2)	9(7)
Others	3(2)	3(2)

Source: Primary Data (Percentages in brackets)

Out of 120 male students and 120 female students majority consists of those residing in rural area (73% and 65% respectively). About their education qualification 38% of male and 43% of female respondents are pursuing higher secondary education where as 58% and 48% are doing their degree in various colleges under the Mahatma Gandhi University.

Table3. Source of income

Source of Income	Male	Female
Pocket Money	108(90)	116(97)
Salary (Part time job)	12(10)	4(3)

Source: Primary Data (Percentages in brackets)

The major source of income for most students was their parents. That is; source of income for 97% of the female respondents and 90% male respondents are provided by their parents as pocket money. Students with an income from part time job constituted 3% and 10% respectively.

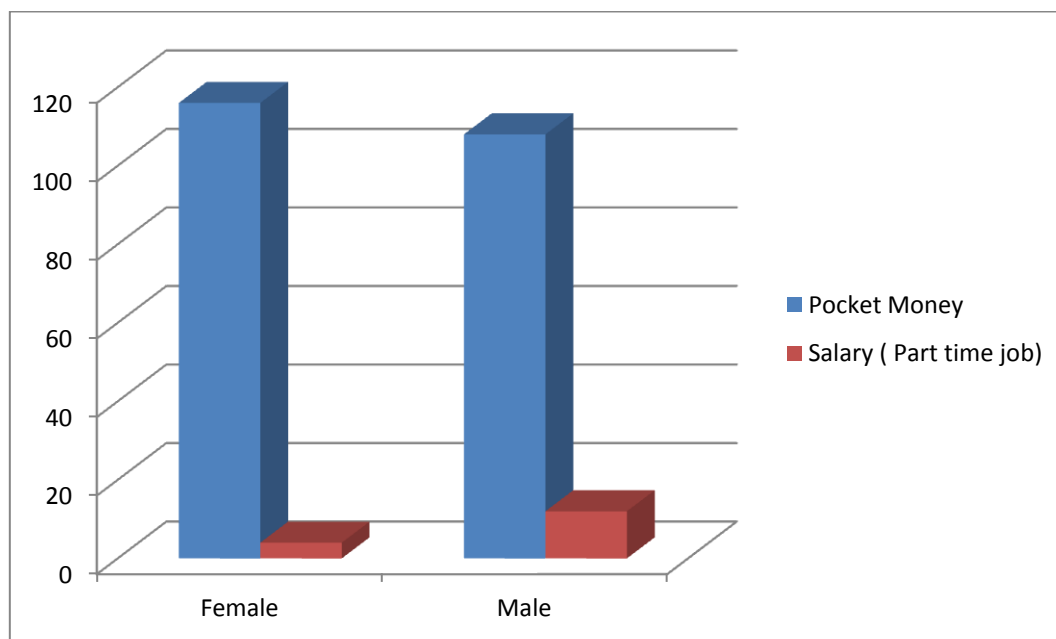


Figure2.

Source: Primary Data

Table4. Volume of income

Average monthly income as pocket money or salary	Male	Female
Less than 2000	87(73)	95(79)
2000-5000	12(10)	17(14)
5000-10000	12(10)	5(4)
more than 10000	9(7)	3(3)

Source: Primary Data (Percentages in brackets)

Male and female respondents spend roughly the same amount of money. Out of 120 male students those who earned an amount of less than 2000 is 73% for male students and 79% for females.

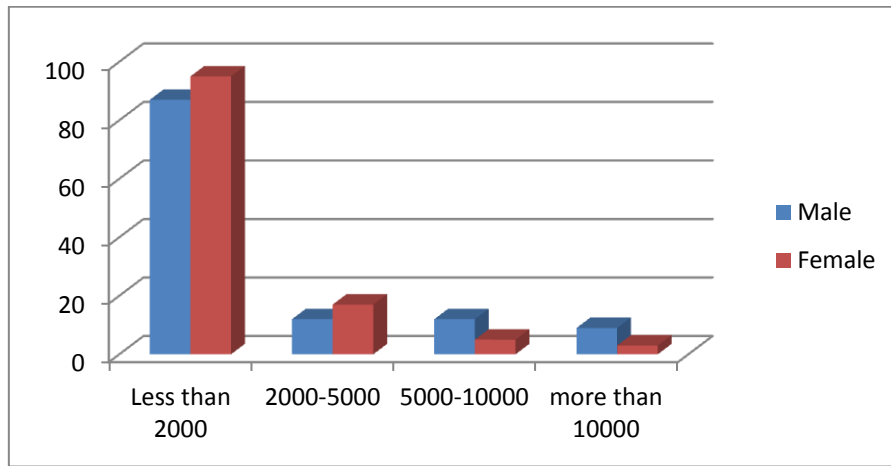


Figure3.

Source: Primary Data

Table5. Students Spending

Spending pattern of students	Male	Female
Transport fare/Petrol	91(76)	78(65)
Food/ Fast food	93(78)	60(50)
Cosmetics	7(6)	51(43)
Movies	71(59)	15(12)
Mobile/internet recharge	90(75)	87(73)
Apparels/attire	13(11)	36(30)
Travels/outing/picnic	47(39)	39(33)
Celebrations	29(24)	60(50)
Tobacco/beverage	5(3)	0(0)
Purchase of mobile phones/tablet/notebook/laptop	12(10)	6(5)
Savings and investment	18(15)	30(25)
Books/Novels	25(21)	30(25)
Others	0(0)	0(0)

Source: Primary Data (Percentages in brackets)

Apart from transport fare/ petrol charges expenditures, food/fast food and mobile/internet recharge were found to be most frequent item of expenditure for both male and female students. Movies are the next frequent item for male respondents while it is cosmetics and celebrations for the female students. Male students spend more on travels/outing and picnic where apparels, book, novels etc for the female. Tobacco and beverages is least frequent item of expenditure for men with 3% and it is zero for female students.

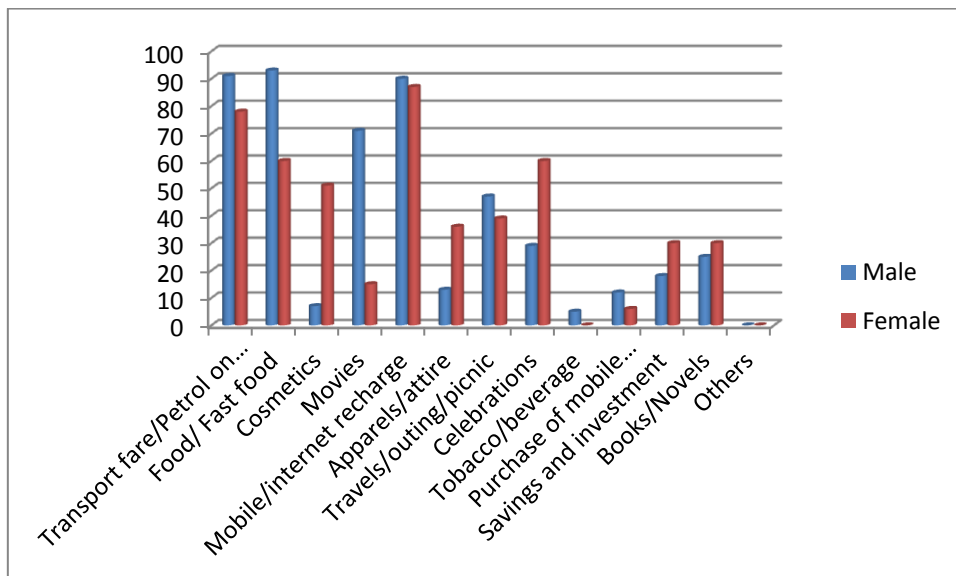


Figure4.

Source: Primary Data

Preferences of Student’s spending- Ranking by male respondents

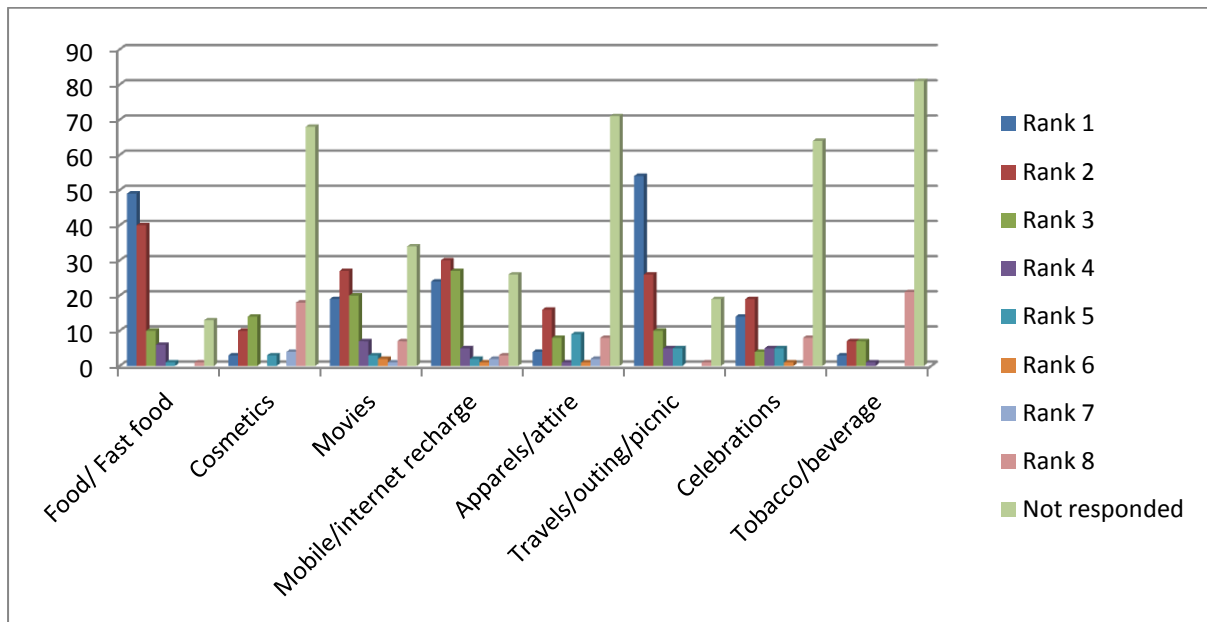


Figure5.

Source: Primary Data

The male students were asked to rank the priority of their necessities on the basis of these priorities they spend out of their pocket. Travels/outing/picnic, food/fast-food and mobile/internet recharge is the most frequent item of expenditure. Items like cosmetics, celebrations etc give least important. 81 people out of 120 didn’t respond about their habit of spending in tobacco/beverages.

Preferences of Student’s spending- Ranking by female respondents

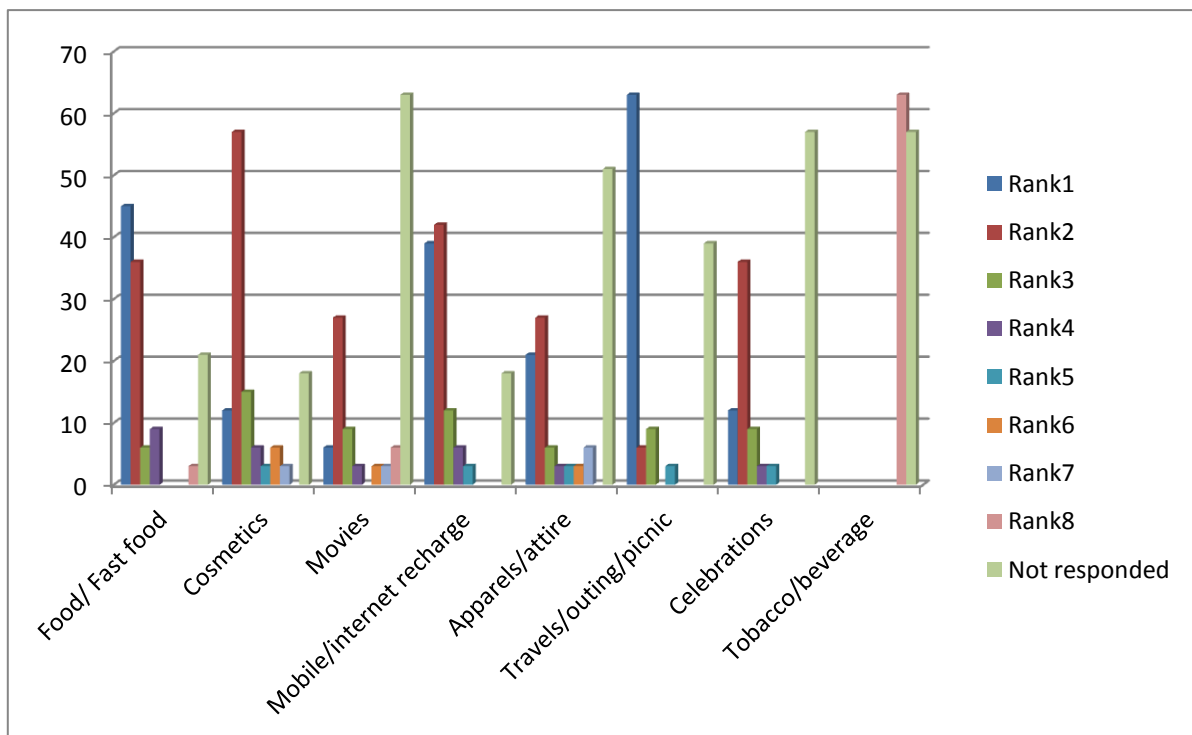


Figure6.

Source: Primary Data

The female students are also revealed that apart from spending on Travels/outing/picnic, food/fast-food and mobile/internet recharge, they are very much eager to spend on items like cosmetics and celebrations compared to their male counterparts. Movies and tobacco/beverages are their least preferable items

Table6. Habit of following a budget to limit spending

About the habit of follow a budget to limit spending	Male	Female
YES	63(52)	66(55)
NO	54(45)	54(45)
No Opinion	3(3)	0

Source: Primary Data

(Percentages in brackets)

About half of the population have the habit of following a budget to limit spending. It also shows that male and female students are always spend within the budget.

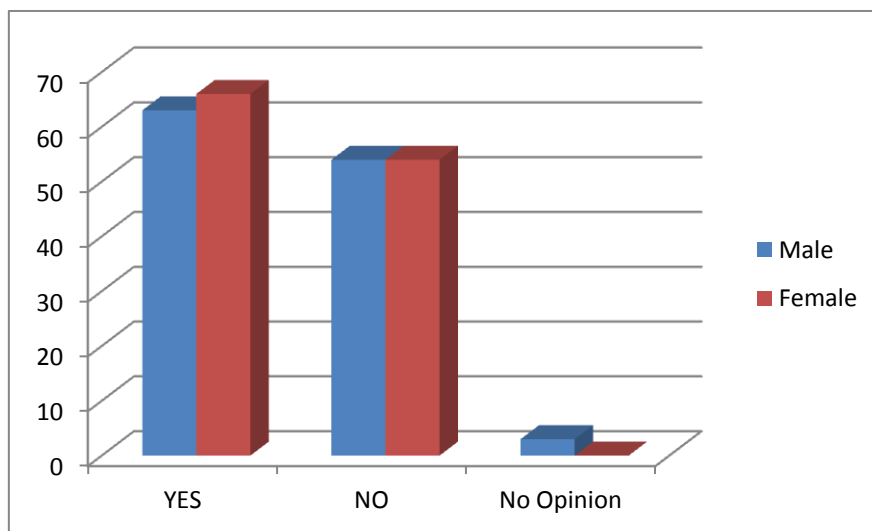


Figure7.

Source: Primary Data

Table7. Opinion about managing personal finance

Opinion about managing personal finance	Male	Female
I always need extra money to meet my expenses	18(15)	9(8)
I usually can limit my expenditures within my income	91(76)	99(82)
I normally dont care about management of my income and expenditure	8(6)	12(10)
Not responded	3(3)	0

Source: Primary Data (Percentages in brackets)

Majority limit their expenditures within their income granted by their parents. Only 15% and 8 % of male and female respondents spend beyond their means.

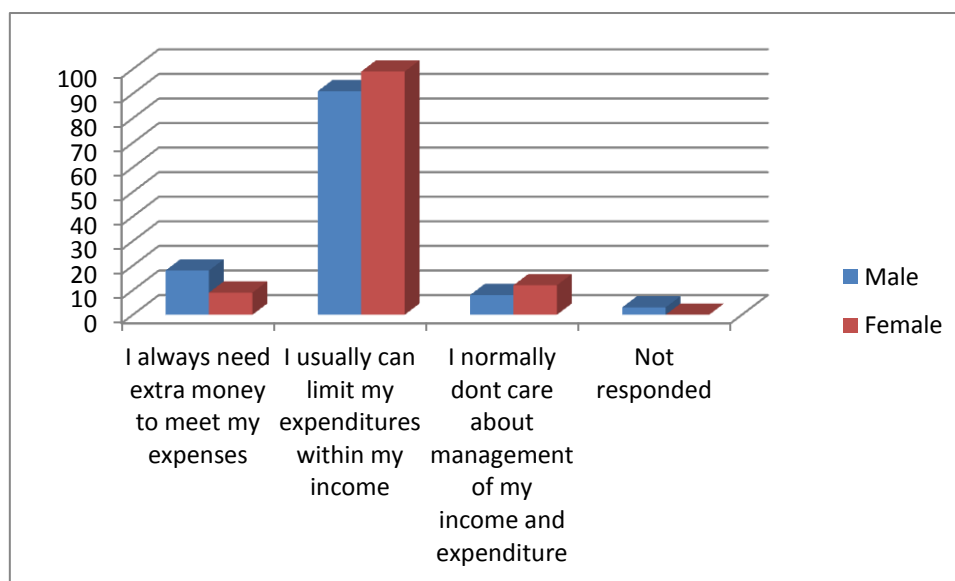


Figure8.

Source: Primary Data

Table8. About habit of savings/ invest

About habit of savings/invest	Male	Female
YES	70(58)	84(70)
NO	47(39)	36(30)
Not responded	3(3)	0(0)

Source: Primary Data (Percentages in brackets)

The study shows that more than fifty percentages have the habit of saving and investment. But the females are more saving savvy (70) when compared to their male counterparts. Only 58% save their money and 3% does not express their opinion about investment.

Table9. Saving behaviour

About habit of savings/invest	Male	Female
YES	70(58)	84(70)
NO	47(39)	36(30)
Not responded	3(3)	0(0)

Source: Primary Data(Percentages in brackets)

The saving behaviour of male and female students shows that female students are more likely to save when compared to their male counterparts. Out of 120 male students and 120 female students, those who have the habit of saving are 58% and 70% respectively.

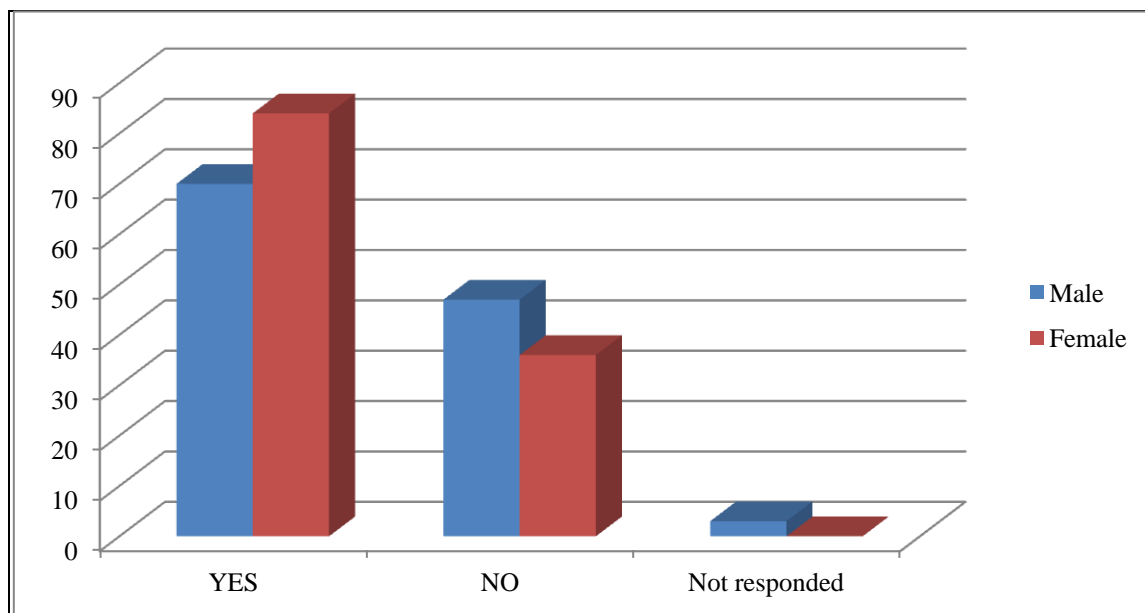


Figure9.

Source: Primary Data

Table10. About savings/investment objectives

About savings/investment objectives	Male	Female
Purchase of mobile phone/notebook/laptop/tablet/motorbike	24(20)	6(5)
travels/novels/magazines/books	21(18)	24(20)
meeting unexpected expenditures	34(28)	36(30)
Others	41(34)	54(45)

Source: Primary Data (Percentages in brackets)

The savings and investment objectives of students differ as 28% of male students use the amount saved for meeting unexpected expenditures, 18% for travels purchasing novels, magazines, books etc....and 20% for purchase of mobile phone or computers. This is 30%, 20% and 5% for female students. Among the 120 male students and 120 female students, majority, ie; 34% and 45% respectively used their saved portion for other purposes like for higher education, for future shopping, and for someone it is habit to keep a portion as savings.

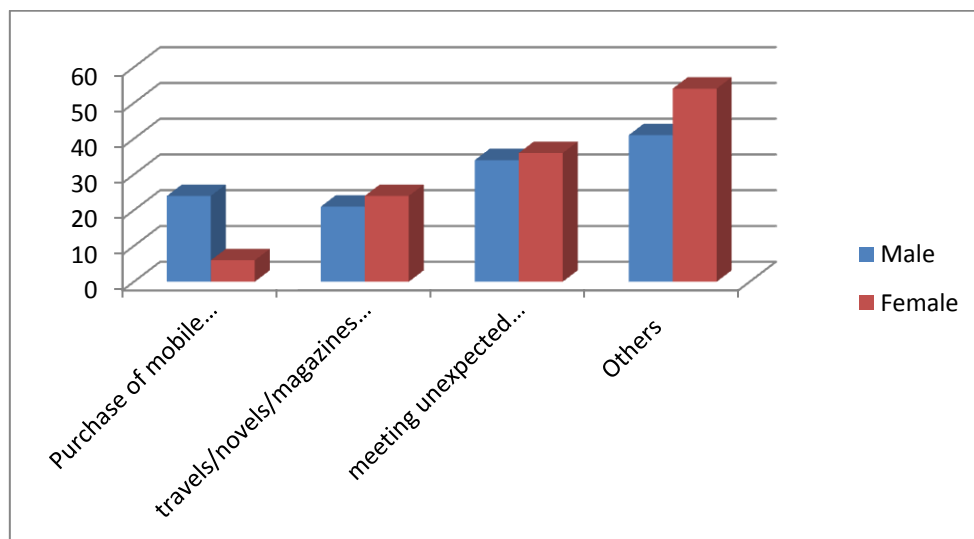


Figure10.

Source: Primary Data

FINDINGS

1. The study finds out ninety percentages of male students and ninety seven percentages of female students are dependent on their parents for meeting their daily expenses. Pocket money is their major source of income.
2. Male and female respondents spend roughly the same amount of money. They spend more on things that are absolutely essential. The spending pattern also follows the same trend for transport fare/Petrol, food/fast food, and mobile/internet charges. That is; the pattern of spending shows a difference on gender base only in items like celebrations, movies, apparels, cosmetics and savings and investment.
3. Male students rank their spending on selected items according to their preference such as rank one, two, three, four and five ...etc. for Travels/outing/picnic, food/fast food, mobile/internet charges, movies, apparels etc respectively. Whereas it is travels/outing/picnic, cosmetics, mobile/internet charges, food/fast food etc for female students.
4. Only half of the both male and female students have the practice of following a budget in their day to day spending.
5. Even though only half of the respondents follow a practice of budgeting, majority male and female participants (76% and 82% respectively) limit their expenditures within their income granted by their parents or hard earned salary.
6. Students spend more on petrol/transportation charge as majority have their own vehicles, then fast-food and mobile or internet charge rather than other items like cinema, celebrations or other entertainments.
7. Students are most likely to save and make investment. While the majority of their regular income comes from parents or gifts from others in the form of pocket money. Very few borrowed money, while most of them save money. They are typically like an active economic citizen.
8. The purpose of saving a portion of their allocated money by the parents is to meet future shopping, or meeting unexpected expenditures and contingencies.

SUGGESTIONS

Practicing judicious use of pocket money and hard earned salary in the school/college days is the first step towards gaining control over their expenditures and debt in future. Students must be encouraged to save money by minimising wasteful expenses and maintaining track of their expenditure. Parents should let their children know the value of money before they feed their pockets.

CONCLUSION

Information on source of income and spending habits, purchases and usage provides insights on effective use of money management skills. To study the spending pattern and consumption preferences of students on selected group of products and services, a sample size of 240 students pursuing higher secondary and degree courses in Ernakulam district of Kerala are surveyed. The study reveals that major source of income for most students are their parents. Ninety percentages of male students and ninety four percentages of female students get pocket money or monthly allowance from their parents up to Rs. 2000. It also reveals the practices of money management - utilising pocket money in a planned manner, the priorities of money spending, budgeting and saving habits among students are hope worthy. Practicing these financial skills from their school/college days help them to gain control over their expenditures and debt and navigate their life in a successful manner.

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Despite this, part-time employment among full-time students in the UK is an important form of labour market participation, and one that is often neglected in economic research. By contrast, there are a larger number of empirical studies relating to the United States, dating from the 1980s (Meyer and Wise, 1982) to more recent research (Sabia, 2009; Kalenkoski and Pabilonia, 2009).^Â On the other hand, time spent working reduces the time available for educational activity (Kalenkoski and Pabilonia, 2009) and therefore could lead to lower educational achievements, possibly resulting in school withdrawals.^Â During this time, the rising trend in earnings premiums associated with non-manual occupations had just begun, so some educational choices were formulated without this knowledge. Credit card use and payment practices among a sample of college students. Proceedings of the Association for Financial Counseling and Planning Education, Balasundram, M. & Ronald, E. (2006). Perspectives on Credit Card Use and Abuse. Unpublished Doctor Dissertation, Sam Houston State University, U.S.A. Central Bank of Malaysia (2009, September 8). List of Issuers of Credit Cards, Charge Cards, E-money and Remittance Service Providers. Retrieved October 13, 2010, from Chien, Y. W. and Devaney, S. A. (2001).^Â Differences in spending habits and credit use of college students. *The Journal of Consumer Affairs*, 34(1): Hilgert, M. A., and Hogarth, J. M. (2003).^Â Household financial management: The connection between knowledge and behavior.