

## **Antecedent Affecting Spending Attitudes: A Case of Malaysian University Students**

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**Abstract:** Over the years, the purchasing power has shifted from the grow ups to the teenagers and young adults, especially the students. Adults are no longer the only targeted customers for the entrepreneurs and market alike; the youngsters are fast becoming the main consumers and buyers in many business. Many studies have discussed the topic of purchasing power, financial saving and management at international, global and national level, more than ever right now since the world's economic status is considerably rocky at the moment. As the youngsters are now old enough to experience financial independence and manage their personal expenditure, they are also old enough to face financial crisis. Thus, it is important for them to have the awareness and knowledge about financial management to avoid from falling into the hole of economic failure and debts. In this study, the researcher wished to study the factors that affect the spending attitudes among the university students. Therefore, two objectives particularly have been lined to act as a guide. To identify the relationship between socio demographic profile and peer influence towards spending attitude of UiTM students and to examine the effects of socio demographic factors (gender, educational level and income receive) on UiTM student's spending attitude. In order to achieve that questionnaires were distributed to 300 students before the data were collected and analyzed. The result indicated that there were positive relationship between all the independent variables with dependent variable. From the findings, it was revealed that there was a significant difference among selected demographic profile (gender, educational level and income received per semester) with spending attitude. Thus, all the hypotheses were supported and the objectives were also achieved.

**Key words:** Spending, attitude, university students, socio demographic, peers

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### **INTRODUCTION**

College students are always in a deep dilemma, since they have constrained incomes but high expenses to cover monthly like house rent, bills and food; therefore, it is vital for them to properly manage their money. The student's ways of managing incomes depends on several factors such as age, personality traits and knowledge. Norvilitis and MacLean (2010), as they get older, youths would spend more of their money on entertainment and lifestyle as they become more brand conscious. With the increase in standard of living of adults, the young have also been empowered with more money and have got more spending power. However, college students are concerned about their future financial status; 67% of freshmen at 4 years colleges or universities have concerns about paying their tuition. This is the highest amount of concern expressed in over a decade (Sudman, 1976). In addition, majority of students perceive themselves to have more control of their finances compared to the rest.

Research has been conducted globally to measure the spending attitude among youth. This study focused on the spending attitude among students in UiTM Terengganu and further examined how well-equipped they are to make financial decisions.

**Problem statement:** A person's capability to administer his or her individual finance has become an important matter in today's world. Naturally, different people would set different emphasis and value on their money; youngsters tend to splurge on entertainment and self-grooming whereas the older people would consider saving for retirement and buying properties such as vehicle and house. It is observable that attitude of a person towards money will affect their financial expenditure. People who indulge in wants rather than needs especially seeking for temporary satisfaction will certainly face difficulties in future financial planning. This is the major concern that are discussed widely the economists and researchers. Hence, individuals that keep

straight mindset and right attitude towards money will be more prone in an early financial planning and savings. This will steer them clear of financial burden and economic failure in their old days later. It is vital that the community is equipped with awareness about the importance of saving and some knowledge and skills concerning to personal financing. It is reported that the level of financial knowledge among students of higher learning institution were just above average and this is upsetting (Zuraida *et al.*, 2015). It is further distressing that students usually end-up overindulge rather saving.

**Objectives:**

- To identify the relationship between socio demographic profile and peer influence towards spending attitude of the UiTM students
- To examine the effects of socio demographic factors (gender, educational level and income receive) on UiTM student's spending attitude

**Literature review**

**Spending attitude:** It is a normal occurrence now to witness teens spending as early as in primary schools or in secondary schools. This might be due to they either have the luxury of unlimited financial resources from their parents or they earn their own cash by doing chores and having other responsibilities that reward them with an allowance. Money has now become an acceptable and expected reward as well motivator for many. Moreover, in many cases, they inhabit the same spending attitude of their parents as they grow up watching their role models. This is expected since kids are always with their parents and mostly in life; they will and want to mimic their parents who obviously are their financial socialization agents. Consequently, it is the parent's responsibilities to actually introduce and educate the kids with financial literacy and savings. They needs to foster the right spending attitude in kids from early age so that over the years they will learn to value money and imprint the importance of saving money in their mind.

The spending behavior of youth together with their inadequate knowledge of money management promotes habits that may lead to costly financial mistakes today and in the future. Unlike any other generations, today's youth are living in a culture of debt facilitated by expensive lifestyles and easy credit. Three trends posing a hazard to youth's ability to run their money are adult behaviors as role models for youth; youths as a major consumer market and media focus and limited education for youth financial literacy. The youth put more importance on spending cash on entertainment, gadgets, eating out and personal grooming rather than saving

(Atri, 2012). Young adults aging from 17-25 years old splurge more on apparel as they get more brand conscious due to the easy availability of information from mass media (Shaari *et al.*, 2003). This is expected as according to Young Asian survey, conducted in conjunction with MSN, MTV and Yahoo! with over 7,000 young Asian respondents aged 8-24 across Hong Kong, Singapore, Taiwan, Malaysia, Thailand, Indonesia, Philippines and India, today's young Asian is a multi-tasking, interactive and digital-driven consumer who utilize the gadgets all the times.

According to global youth panel, a survey was conducted on spending habits of youth all over the world to find out the factors influencing youth's decision-making process. The results pointed that youths purchased either after doing online research on the product, influenced by family or friends, being subjective to mass media, attracted to product design or due to impulse buying. Consequently, youths spent their money on food, clothing and entertainment.

**Demographic profiles:** The relationship of socio demographic factor with effective credit behaviour has not been extensively examined. Although, some studies have sought to identify the differences between individuals who are more likely to engage in effective management of their finances and those who are not (Lyons, 2004).

Previous unpublished research found that women reacted better to a budget imposition (Quinn and Steiner, 2009; Henry *et al.*, 2001). There are some evidences that indicated financial knowledge of women is lower compared to man (Hung *et al.*, 2011). However, it is argued that females prefer to control their budget and make financial prudent practices by making list of items to buy the necessary items. Female students were more likely to have a written budget, plan their spending, keep bills and receipts and save regularly (Hayhoe *et al.*, 2000). It is found that male students were more likely to be in debt (Davies and Lea, 1995). In a contrast, a study at the University of Illinois has found that women were more likely than men to be risky in using credit cards (Lyons, 2004).

Personal finance should be taught at a young age but for the most part, schools and other sources neglect to really focus on handling money effectively. It is a parent's duty to ensure that a teen is learning how to handle their money. Very small numbers of parents make a proactive attempt at teaching kids about money. In a previous study, it is found that younger students had lower understanding of financial awareness as compared to

senior indicating that financial awareness improve as the age (Hershey and Wilson, 1997). However, older students were said to spend more than the young. Younger individuals were more cautious in spending since lack of financial understanding leaving them not confidence to later solve the financial problems.

Personal finance classes in college were found to show significant association with higher investment knowledge as compared to high school level (Peng *et al.*, 2007). This may suggest that college students are particularly receptive to financial education because of their increased financial responsibility. It is assumed that the level of education influent the level of financial awareness, proving that students of higher education are more capable of making wise financial decision and strategically plan their future finance (22a). It is also interesting to note that business major undergraduates are more aware of financial management as compared with those non-business majors.

**Peers:** Peer influence definitely exists and plays a role in youth’s purchases. However, study has shown that as they mature, this influence of friends and family decreases as they would rely on product’s evaluation and features to make independent decisions (Sabri and McDonald, 2010). The most significant factors to consider in purchasing were income, satisfaction, friend’s information, advertisements information, entertainment and age of respondents.

**Sources of income:** Generally, teens have three major sources of income: family allowances, earnings from part-time employment and gifts and other funds received from parents and relatives. The amount of an allowance children receive as well as its timing and frequency depend not only on a family’s income but also on the family’s values and philosophy and the age and maturity of the children. Their allowances can be divided into three categories: earned allowance which includes any payments by the family for household chores or rewards for achievement and good behavior, educational allowance which is given to offer educational opportunities for promoting self-reliance in financial decision making and money management and entitled allowance which is given to offer basic support especially to cover expenses for necessities and extras (Brophy, 1986). It was estimated that one-third of all teens get an allowance while >80% earned money in the labor market (Miller and Yung, 1990). It was also found that 57% of children ages 10-15 received an allowance, over 50%

earned money and 20% received gift money (Zollo, 1995). By 1990, more than half of the employed teens had worked at least 16 h per week while juggling school (Doss *et al.*, 1995; Bailey, 1992). A teen’s average weekly earnings was \$32, in addition to an average allowance of \$22 per week (O’Neill, 1992). Their estimated earnings went up in 1991 to \$85 a week (Bailey, 1992). In 1994, teens were estimated to have an average of \$67 weekly income (Miller and Yung, 1990).

Conversely, adolescent employments mostly were not by economic need but more of luxury driven (Bailey, 1992). It was revealed that entertainment was the top category of adolescent spending. Employed teens spent about 82% of their income primarily on entertainment, clothing, cosmetics and transportation (Doss *et al.*, 1995). Teen’s spending were related to the amount of money received from parents and the amount of gift money received (Zollo, 1995).

**MATERIALS AND METHODS**

**Scope and research design:** For the purpose of the study, the participants were carefully chosen for the survey. As the researcher wished to look into the relationship between the educational level and spending attitude; 300 students from differing faculties which were hotel and tourisms management, business management, accountancy, engineering, computer science and political science were gathered. As a part of the socio demographic profile, the age group was also varied, ranging from the age of 18-29 years old.

The researcher had personally administered and collected the questionnaires among the participants. Since, the researchers attempted to explore the significant differences between different profiles with spending attitude, three hypotheses were constructed in this study (Fig. 1).

**Theoretical framework**

**Hypothesis:**

- H<sub>1</sub>: There is a significant relationship between peers and student’s spending attitude
- H<sub>2</sub>: There is a significant relationship between socio demographic and student’s spending attitude

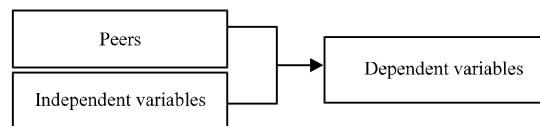


Fig. 1: Research framework explaining the relationship between the variables

- H<sub>3</sub>: There is a significant difference between gender and student's spending attitude
- H<sub>4</sub>: There is a significant difference between educational level and student's spending attitude
- H<sub>5</sub>: There is a significant difference between sources of income received and student's spending attitude

**Sampling procedure:** With the cooperation from the Academic Affairs of the university, a registration record was obtained and used as a sampling frame. It was discovered that the total population of undergraduates for the year 2014 was approximately recorded to be 7007 students. It was targeted that respondents came from different courses with varying academic achievements. Quota sampling approach was used to divide the population to attain more precise and generalized result from the broad responses. At the final stage of selecting the samples, the purposive sampling technique was executed. The estimated sample size was gazetted to be 364 as the ideal numbers (McNeal, 1992). However, due to the limitation of approaching the right prospects, eventually the sample size of 300 students was considered appropriate to represent the whole population of students in the university.

**Data collection and instrument:** The nature of this research investigation was highly descriptive and data were assessed cross-sectional. Close ended questions using nominal scale and likert scale were preferred for the questionnaires. The questionnaire was divided into five separate sections. The questions were directly replicated from several previous works. Each section contained questions that attended to measure variables with minimum amendment to fit the research objectives.

Section A was designed using a nominal scale and focused on the respondent's socio demographic profile. This part sought the gender, hometown, educational level, amount money received by semester, sources of funds and CGPA. Section B of this questionnaire concentrated on the students spending attitude among UiTM Terengganu's students. Section C and D were constructed to capture perceptual information on independent variables represented by peer and socio demographic indicators.

## RESULTS AND DISCUSSION

**Reliability test:** Based on the reliability analysis, the alpha value for all the variables were >0.70. The result strongly suggested that the data was reliable and can be used for further analysis (Table 1).

Table 1: Demographic information

Demographic factors	N	Percentage
<b>Gender</b>		
Male	81	27.0
Female	219	73.0
<b>Hometown</b>		
Urban	175	58.3
Rural	125	41.7
<b>Amount received every semester (RM)</b>		
<2000	137	45.7
2001-3000	101	33.7
3001-3500	39	13.0
>3501	23	7.6
<b>Education level</b>		
Diploma	115	
Bachelor	185	
<b>CGPA</b>		
2.00-2.50	14	
2.51-3.00	98	
3.01-3.50	144	
3.51-4.00	44	
<b>Sources of funds</b>		
Loan	186	
Scholarship	32	
Parents	73	
Others	9	

Table 2: Pearson correlation analysis

Parametars	Peer	Demographics
<b>Spending attitude</b>		
Pearson correlation	0.532	0.284
Sig. (2 tailed)	0.000	0.000

### Frequency analysis for socio demographic information:

The total respondents were 300 which consisted of 81 male with the rate of 27% and 219 female with the rate of 73%. There were 175 respondents from urban area (58.3%) and 125 respondents from rural area (41.7%). According to the amount received by the respondents per semester, 45% received below RM2,000, 33.7% received between RM2,001-3,000, 13% received between RM3,001-3,500 and 7.6% received more than RM3,500. The observed score on CGPA displayed the highest representation of the sample were those with the CGPA of between 3.01-3.50 which made up the total of 48%. There were 98 or 32.7% students representing the CGPA group of between 2.51-3.00, 14.7% among students with CGPA between 3.51-4.00 and 14 or 4.7% students were those with the CGPA between 2.00-2.50 (Table 2).

The analysis of a student's sources of fund revealed that 62% of the students received education loan, 24.3% of them earned allowances from their parents, 10.7% on scholarship and only 3% of the respondents acquired from other sources.

Information in the Table 2 shows that the Pearson correlation between peer and spending attitude value is positive. Since, the pearson correlation value is 0.532 and it is considered as moderate while indicating weak relationship as for socio demographic at 0.284. Nevertheless, all the factors have a significant relationship towards spending attitude with p = 0.000 (Table 3).

Table 3: Analysis of differences of gender

Gender	N	Mean	Sig.
Male	81	3.09	0.023
Female	209	3.28	-

Table 4: Analysis of differences of education level

Education level	N	Mean	Sig.
Diploma	115	3.05	0.000
Degree	185	3.34	-

Table 5: Analysis of differences of income received per semester

Income received (RM)	N	Mean rank	Sig.
<2,000	137	142.95	0.036
2,001-3000	101	150.96	-
3,001-3,500	39	146.82	-
>3,500	23	199.72	-

There were 81 male and 209 female respondents involved. The mean level spending attitude for male is slightly lower than female at 3.09 while female is at 3.28. Hence, the result indicates that there is a significant difference between gender and spending attitude at 0.023. Therefore,  $H_3$  is accepted (Table 4).

From the Table 4, the mean level for degree students is at 3.34 compared to diploma students at 3.05. Hence, there is a significant difference between diploma and degree students at 0.000. The hypothesis 4 is also supported (Table 5).

As a whole, the result found that there was a significant difference in term of income received with spending attitude at 0.036. Respondent that regularly received an average on RM3,500 per semester seem to have higher tendency to spend (mean rank 199.72) as compared to those who receiving an average income below than RM2,000 (mean rank 142.95), RM2,001-3,000 (mean rank 150.96) and RM3,001-3,500 (mean rank 146.82).

### CONCLUSION

From the analysis, it is found that all factors have a significant positive relationship with the spending attitude, thus proving that indeed socio demographic and peer play significant role in influencing the spending attitude among the students of UiTM. Table 3 shows that undeniably different gender has different spending attitude. The data revealed that females have a higher tendency to plan a budget than males, thus supporting the finding (Hayhoe *et al.*, 2000).

Table 4 indicates that there is a difference in spending attitude between different education levels. The Degree level demonstrated a higher significant mean than the Diploma level. It can be assumed that the degree students have more knowledge and awareness about financial issues as they have studied more and higher

than the diploma students (22b). It can also be said that they are more confidence in handling finance, since they are more mature (Hershey and Wilson, 1997).

Table 5 shows that students who received higher allowance would surely spend more as compared to those who received lower allowance. This finding support the earlier claimed (Zollo, 1995). It is highly recommended that the students are exposed and taught the importance of saving and finance management as soon as they enroll in the university, even better at way earlier age of a toddler. The parents need to foster a habit of saving money and spending efficiently and moderately. They need to portray a good role model for the kids to follow. The schools, teachers and government also need to be wary about this issue and facilitate the students in their process of learning financial management.

### RECOMMENDATIONS

It is recommended for future research for an in depth study on spending attitudes among varying courses be done to observe the spending attitude of business major and non-major students. It is also recommended that the population is broaden to get even more accurate responses.

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