

AN ANALYSIS OF THE SPENDING AND SAVING PATTERN OF THE STUDENTS OF THE UNIVERSITY OF TECHNOLOGY AND APPLIED SCIENCES, MUSCAT

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Abstract: This study investigates the spending and saving pattern of the students of University of Technology and Applied Sciences, Muscat. It helps in getting a better understanding of the spending and saving habits of the University students and their general financial behavior. The study was conducted in April, 2021. The main objective of the study is to unravel the spending and saving pattern of youth. The specific objectives were (1) To study the demographic profile of the students.; (2) To identify the spending preferences of the students; (3) To examine the impact of income on their saving and spending pattern and (4) To analyze the influence of the financial literacy of students on their spending and saving pattern. The research is done using a sample of 101 students of the University of Technology and Applied Sciences – HCT, Muscat. The online survey was conducted with the University students belonging to different age groups. The data collected has been subjected to detailed analysis using PSPPP statistical package. The researchers have used percentage analysis, ANOVA and Chi-square tables to scrutinize the data. Based on which some suggestions are made by the researchers on the basis of the results.

IndexTerms - Students, Spending pattern, Saving pattern, Income, Financial Literacy and Financial Behavior.

I. INTRODUCTION

Personal finance is a field of study that explains the attitude, behavior and preferences of an individual with respect to his spending, saving and investment. Studying the spending, saving and investment pattern of individuals has been a matter of great interest for researchers over the years. Personal financial management involves framing plans for meeting the future financial needs of the individual and deciding how and where to spend, save and invest while considering the constrictions of such financial decisions. In the recent years, people's spending has increased due to the revolution in technology and the ease of availability of goods and services. Spending by youth also has increased due to several factors over the years. Overspending and impulsive buying are some problems that people face, and in order to prevent these problems the younger generation should efficiently spend and save money to be financially stable in the future. But recently, the buying behavior has been affected considerably during the pandemic. Economic crises have contracted people's income and their purchasing power.

Spending and saving of an individual depend on his inclination and capacity to spend or hold money (Katona, 1975). Saving habit in our society is low and savers need awareness about the importance of saving from family and friends. Young people spend a lot on everything whether they need it or not. Parents help their children to save until they become youth. The younger generation should be taught how to manage their spending and saving and how to create budgets for future activities. Many youths are influenced by their family, especially teenagers observe the spending habits of their parents and family members. However, college students are considered to be independent financially to a certain extent when compared to school students.

II. REVIEW OF LITERATURE

The purpose of this research was to identify the spending and saving habit of youth in Oman. It has been noticed, through reading many academic articles related to this topic, that spending among students was high in general, and on other hand the level of saving was low. There is a significant relationship between the influence of peers, parents and level of literacy and the saving and spending habit of youth in Oman (Chavali, 2020). This study was conducted to analyze the current spending and savings behaviour of young people in Oman and to know the factors of spending and saving pattern among the University students of Oman.

It has been noticed that youth spend more money than they save and they prefer spending using online banking services (Sharmila, 2019). Tyagi & Ranga (2017) analysed the variations in spending patterns of the elderly, middle-aged and the youth and it turned out that the spending decreased and saving increased with the increase in age of people. Chhabra (2016) stated that students from different education background differ notably in their spending patterns. Main portion of their spending goes on shopping, mobile phone accessories and fuel. Shopping is the largest portion of overall spending in all levels of education. Then comes spending on car fuel.

It has been observed that there is a drastic difference in regards to spending pattern of male and female youths (Ajide, 2015). Students studying at higher levels are found to be good planners and budgeters when compared to diploma students. Female students follow their budget plans more strictly than male students (Stollak et. al., 2010). The money management practices of adolescents are influenced by their parents' financial behaviour (Jelks, 2005). Most students prefer to keep their money for constant random spending, and they do not have any interest in saving money.

Many studies have shown that parents and family play a big role in influencing their children on financial matters (Singh & Gupta, 2020). Bona (2018) analysed the factors affecting the spending behavior of college students in the Philippines and found out that the spending and saving attitudes of the students are greatly influenced by their family members. There is a positive relationship between the spending plan and the amount of information that youth get from their parents (Koonce & Mimira, 2010). Spending and saving for young people have changed after the development of technology and that young people are affected by spending severely when they have high incomes (Ajeesh, 2019).

III. RESEARCH DESIGN

3.1 Population and Sample

The students of the University of Technology and Applied Sciences, Muscat were considered for this study. They were selected through convenience sampling method. The researchers collected data from a sample of 101 students from various departments of the University.

3.2 Data and Sources of Data

The data which has been used in this research are of two types: (i) Primary data and (ii) Secondary data. A well-structured questionnaire was used to collect primary data. The secondary data has been gathered from research journals, books, reports and online magazines. The primary data was collected from the students in April 2021.

3.3 Theoretical Framework

This is a quantitative research paper. The dependent variables under observation were the saving and spending patterns of college students. The researchers used Likert's scaling technique of measuring variables of spending pattern and saving pattern of the college youth. The independent variables of the study are the demographic variables, income level and financial literacy of the students.

3.4 Methodology and Tools

The raw data collected through google forms were analyzed using PSPP software. The researchers have used simple percentage analysis, one-way ANOVA and Pearson's chi-square test to examine the association between the dependent and the independent variables. The Cronbach's Alpha of the processed data was 0.86 which means that the test items in the questionnaire were internally consistent. The Z values of the coded data was between -3.29 to +3.29. Hence, the data was normally distributed.

3.5 Research Objectives

- To study the demographic profile of the students.
- To identify the spending preferences of the students.
- To examine the impact of income level of students on the spending and saving pattern of the students.
- To analyse the influence of financial literacy level of students on their spending and saving pattern

3.6 Hypotheses of the Study

- Null Hypothesis 1 (H_{01}): There is no association between the income level of the students and their spending pattern
- Null Hypothesis 2 (H_{02}): There is no association between the income level of the students and their saving pattern.
- Null Hypothesis 3 (H_{03}): There is no association between the financial literacy level of the students and their spending pattern.
- Null Hypothesis 4 (H_{04}): There is no association between the financial literacy level of the students and their saving pattern.

IV. RESULTS AND DISCUSSION

4.1 Demographic Variables of the Study

The following table exhibits show the demographic data relating to the sample respondents of the survey.

Table 1: Demographic Profile

		Frequency	Percent
Age	17-20	17	16.80%
	21-24	81	80.20%
	25-28	3	3.00%
	Total	101	100.00%
Gender	Male	75	74.30%
	Female	26	25.70%
	Total	101	100.00%
Department	Engineering	18	17.80%
	Information Technology	1	1.00%
	Business Studies	79	78.20%
	Others	3	3.00%
	Total	101	100.00%

Education Level	Diploma	43	42.60%
	Advanced Diploma	14	13.90%
	Bachelors	44	43.60%
	Total	101	100.00%
Monthly Income	Less than 100 OMR	61	60.40%
	101 – 200 OMR	29	28.70%
	201 – 300 OMR	4	4.00%
	Above 300 OMR	7	6.90%
	Total	101	100.00%
Source of Income	Student Allowance	86	72.27%
	Pocket money	19	15.97%
	Part time Salary	13	10.92%
	Other income	1	0.84%
	Total no. of Responses	119	100.00%

Source: Computed data

4.2 Spending Preferences

The student respondents were questioned about their spending preferences. Their responses have been tabulated here under:

Table 2: Spending Preferences

Items	Frequency	Percentage of Responses	Percent of Cases
Food and Beverages	84	22.22%	82.40%
Personal care	52	13.76%	51.00%
Transportation	52	13.76%	51.00%
Clothing and Accessories	44	11.64%	43.10%
Mobile recharges	44	11.64%	43.10%
Entertainment	27	6.99%	26.50%
Education	26	6.89%	25.50%
Charity	25	6.62%	24.50%
Electronic Goods	24	6.36%	23.50%
Total	378	100.00%	370.60%

Source: Computed data

Table 2 shows the multiple response analysis of the spending preferences of the college students. The spending preferences of students have been arranged in the order of preference of the students. Majority of the students stated that they preferred to spend most of their money on Food and Beverages. The second major areas of preference were Personal care and Transportation expenses. The third major areas of spending preference were for clothing and mobile recharge expenses. The fourth area of spending preference was entertainment expenses. The least preferred option has been spending towards electronic goods. Therefore, it can be concluded that most of the students of the University prefer to spend their money on basic necessities of life.

4.3 Preferred Mode of Payment

The mode of payment preferred by the University students for spending purposes are tabulated hereunder:

Table 3: Preferred Payment Modes

Payment Options	Frequency	Percent
Cash payment	27	26.50%
Cheque payment	2	2.00%
Card payment	55	53.90%
Online transfer	18	17.60%
Total	101	100.00%

Source: Computed data

Majority of the students at the University of Technology and Applied Sciences preferred to make payment for their spending by debit or credit cards. Cash payment was the second preferred mode followed by online transfer. Cheque payment was the least option preferred by students.

4.4 Preferred Mode of Savings

Table 4: Preferred Saving Modes

		Frequency	Percent	Valid Percent
Valid	Savings bank account	72	70.60%	70.60%
	Fixed deposit account	10	9.80%	9.80%
	Mutual Funds	2	2.00%	2.00%
	Stock market	17	16.70%	16.70%
	Total	101	100.00%	

Source: Computed data

Table 4 shows the saving mode preferences of the students. 70.6% said that they preferred to save their money in Savings bank accounts. 16.7% preferred to buy stocks with their savings in order to gain in the future, 9.8% of the students preferred to save in fixed deposits and only 2% preferred mutual funds. It is noticeable here that the majority of respondents preferred savings bank accounts for safeguarding their money.

4.5 Impact of Income on Spending Pattern of Students

Studies have shown that there is a close relationship between the income of an individual and his expenditure. The analyses of the impact of the level of income of the students on their spending and saving pattern are presented here:

Table 5: ANOVA - Spending pattern by Income Level

		Sum of Squares	df	Mean Square	F	Sig.
Mean Spending Pattern Score	Between Groups	1.29	3	0.43	1.27	0.29
	Within Groups	32.93	97	0.34		
	Total	34.22	100			

Source: Computed data

Hypothesis Testing 1:

Table 5 shows the analysis of variance between the different levels of income of the students and their spending pattern. The F value is 1.27 ($p=0.29$) at 100 degrees of freedom. The test results are statistically insignificant as the p value is greater than 0.05. Hence, the first null hypothesis is accepted at 5% level of significance and it is concluded that there is no association between the income level of the University students and their spending pattern.

4.6 Impact of Income on Saving Pattern of Students

The relationship between the income of the students and their saving pattern are presented here:

Table 6: ANOVA - Saving pattern by Income Level

		Sum of Squares	df	Mean Square	F	Sig.
Mean Saving Pattern Score	Between Groups	3.41	3	1.14	3.66	0.015
	Within Groups	29.8	97	0.31		
	Total	33.21	100			

Source: Computed data

Table 6 shows the analysis of variance between the different levels of income of the students i.e., Up to 100 OMR, 101 to 200 OMR, 201 to 300 OMR and above 300 OMR and their saving pattern.

Hypothesis Testing 2:

The F value in Table 6 is 3.66 ($p=0.015$) at 100 degrees of freedom. The test results are statistically significant as the p value is less than 0.05. Hence, the second null hypothesis is rejected at 5% level of significance and it is concluded that there is an association between the income level of the students and their saving patterns. The saving pattern of the students was different across the different levels of income. To analyse which of the groups of students significantly differed in their saving attitude with respect to their incomes, the following descriptive table for ANOVA was generated.

Table 7: Descriptives for ANOVA - Saving Pattern by Income Level of the students

Mean Saving Pattern Score	Level of Income	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
						Lower Bound	Upper Bound
	Up to 100 OMR	61	3.84	0.53	0.07	3.71	3.98
	101 to 200 OMR	29	3.71	0.54	0.1	3.51	3.92
	201 to 300 OMR	4	2.92	1.11	0.55	1.17	4.68
	Above 300 OMR	7	3.91	0.49	0.19	3.46	4.37
	Total	101	3.78	0.58	0.06	3.66	3.89

Source: Computed data

Table 7 gives the descriptive for the ANOVA between saving pattern of students and their income level. The mean values of the income group up to 100 OMR is 3.84, for the group 101 to 200 OMR is 3.71, for the group 201 to 300 OMR is 2.92 and the for the highest income group the mean is 3.91. Comparing the mean values of the students belonging to different income groups, it can be concluded that students who had income above 300 OMR were more inclined towards savings when compared to the other group students.

4.7 Influence of Financial Literacy on the Spending Pattern

A cross tab between the level of financial literacy and the spending pattern of the students were analysed using Chi-square test. The output is given below:

Table 8: Chi-Square Test for the Influence of Financial Literacy on Spending Pattern

	Value	df	Asymptotic Sig. (2-tailed)
Pearson Chi-Square	157.06	144	0.216
Likelihood Ratio	141.94	144	0.533
Linear-by-Linear Association	1.56	1	0.211
N of Valid Cases	101		

Source: Computed data

Hypothesis Testing 3:

Table 8 exhibits the results of the Chi-square test done to analyse the association between the financial literacy of the students and their spending pattern. The Chi-square value is 157.06 ($p=0.216$). The test results are statistically insignificant as the p value is greater than 0.05. Hence, the third null hypothesis is accepted at 5% level of significance and it is concluded that there is no association between the financial literacy level of the University students and their spending pattern. The spending behaviour of the students is not influenced by their level of financial literacy.

4.8 Influence of Financial Literacy of the students on the Saving Pattern

Table 9: Chi-Square Test for the Influence of Financial Literacy on Saving Pattern

	Value	df	Asymptotic Sig. (2-tailed)
Pearson Chi-Square	291.08	144	0.000
Likelihood Ratio	165.97	144	0.101
Linear-by-Linear Association	4.72	1	0.03
N of Valid Cases	100		

Source: Computed data

Hypothesis Testing 4:

Table 9 displays the Chi-square test results for the association between the financial literacy of the students and their saving pattern. The Chi-square value is 291.08 ($p=0.000$). The test results are statistically significant as the p value is lesser than 0.05. Hence, the fourth null hypothesis is rejected at 5% level of significance and it is concluded that there is a strong association between the financial literacy level of the University students and their saving pattern. The saving behavior of the students is influenced by their level of financial literacy.

V. FINDINGS

Other findings of the study are presented here: There was no association between demographic factors and the spending and saving pattern of the students. Most of the students received their income through student allowance granted by the University. Majority of the students relied on the Parental Advice for deciding their spending and saving pattern. 21.80% of them collect information from peers and friends, 30.70% relied on online information and the remaining students relied on Television news and advertisements for making their decisions. There was no association between the age, gender and educational background of the students and their spending and saving pattern.

It was found that the main saving goal of the students was buying assets in the future, followed by saving for meeting contingencies, to meet their routine expenses, to pay education expenses, and for other reasons.

VI. CONCLUSION AND RECOMMENDATIONS

Besides the results discussed above, this research has revealed that the socio-economic profile of the sample respondents did not have any impact on their spending and saving pattern. The key determinants of the saving pattern were income level and financial literacy of the students. The study also found out that there was no association between demographic factors and the spending and saving pattern of the students. The students depended on parental guidance for collecting spending and saving information. They preferred spending through credit cards. The spending pattern of the students across all disciplines and income levels were similar. There was no association between their spending patterns and their income or financial literacy.

Young people have a big role to play in saving money. As the youth's ability to save will increase the level of household savings in the society. The Gross Savings rate of Oman has been quite fluctuating since 1980. In 2018, it was 20.2% of our Gross Domestic Product (GDP) whereas in 2019 it dropped to 15% (World Bank National Accounts data, 2020). An increase in our national savings goes a long way in increasing our GDP. Therefore, the following recommendations are made by the researchers: (i) The students from all disciplines at the University of Technology and Applied Sciences should be taught about the importance of budgeting money before spending through their curriculum, (ii) The students have to be trained through seminars and workshops about the importance of savings and investment options available in the market, (iii) The students should be made aware of the significance of goal setting and planning with respect to money management practices and (iv) Banks and financial institutions should develop financial products/services to attract college students to save more.

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