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University Students' Spending Behavior from the Perspective of Entrepreneurship Students

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Abstract: Investigating spending behavior among students is essential, particularly in understanding how they allocate funds toward academic priorities. This article aims to explore students' spending habits and the key practices that influence the allocation of semester-based educational funding. The study adopts a quantitative, cross-sectional approach, with 501 respondents selected from six higher education institutions in Melaka through a quota sampling technique. Data analysis was conducted using IBM SPSS software (version 28.0). The results indicate that both financial management knowledge and peer influence have a positive impact on students' spending behavior. This research contributes to the literature by enhancing the understanding of spending behavior patterns across the institutions studied, while also offering practical insights for higher learning institutions (HLIs) in Malaysia and their students. Limitations and suggestions for future research are also addressed.

Keywords: *University Students, Spending Behavior, Entrepreneurship, academic priorities*

1. Introduction

The concept of spending behavior refers to the act of allocating financial resources to fulfill needs and desires, often influenced by various factors, such as events, circumstances, or interpersonal relationships (Kumar, Sudin, Othman & Salehuddin, 2022). Individuals spend money on essential items like food, clothing, shelter, healthcare, transportation, and entertainment. Financial literacy becomes indispensable to managing such behavior efficiently. In support, previous literature has shown that inadequate financial literacy contributes to impulsive purchases, insufficient savings, and personal financial instability.

An alarming statistic from Malaysia's Insolvency Department highlights the gravity of this issue. Between 2018 and 2023, 46,132 Malaysians aged 25 to 44 declared bankruptcy. The primary reasons for bankruptcy were personal loans (42%), vehicle purchases (15%), and business loans (13%). These figures portend the necessity for financial education to mitigate poor financial decisions that culminate in such dire consequences.

Financial literacy has become the call of the hour. According to Fernando (2024), Looi, Nguyen, & Muthaiyah (2022), and Lusardi & Mitchell (2014), it has been deemed a vital tool in creating educated students. Financial literacy enables one to manage personal finances responsibly and make the right decisions on spending and saving. This automatically becomes highly relevant for those students who get scholarships or loans to look after themselves during university life.

Three commonly studied factors influencing spending behavior include peer influence (PI), price elasticity (PE), and financial management knowledge (FMK). Although all these factors have widely been examined, there is a scant amount of research specifically targeting university students depending on scholarships or loans for support. The present study, therefore, intends to investigate the factors that will affect the spending behavior of Malaysian university students who receive scholarships or loans for further education. Understanding these factors could help design better financial education programs and support systems to promote responsible spending and financial well-being among students.

2. Literature Review and Hypothesis Development

Spending behavior is a broad concept that simply describes how an individual spends his or her financial resources based on needs, desires, emotional changes, or environmental influences. Individuals spend their money differently depending on individual levels of income, upbringing, and environment. For instance, one will comfortably buy expensive and luxurious things without consideration, while another would save money

first before making purchases. Understanding these purchasing patterns is essential for achieving financial stability. An individual can have better financial health through proper prioritization of expenses and by being cautious (Kumar et al., 2022). Several scholars have argued that the building of financial awareness among university students is more important to promote the student's long-term financial stability.

Navigating university life can be challenging. In addition to managing academics and campus routines, one has to manage finances adequately. Even students who have scholarships or loans would need financial management to keep them going through the course of their studies. The three major variables normally researched in the context of students' buying behavior include peer influence (PI), price elasticity (PE), and financial management knowledge (FMK).

PI plays a significant role in shaping students' spending behavior. Many students feel the pressure to align their spending with that of their peers, whether on social activities, dining out, or purchasing trendy items. If not managed carefully, this can lead to financial strain. A close understanding of PE is also paramount. It refers to how sensitive a student is to changes in price when deciding to spend on a particular product. For example, they may be more inclined to purchase items when prices are low or discounted and less willing when prices increase. It, therefore, leads to sensitivity, which in turn affects their spending and financial situation as a whole. The sound foundation of FMK is important. A student who understands how to budget ways of saving and spending responsibly stands a better chance in handling their finance wisely. This knowledge will ultimately allow them to prioritize their expenses, make correct distinctions between wants and needs, and survive the college/university years without financial crises.

The relationship between peer influence (PI) and spending behavior (SB)

PI refers to the tendency of a person, in this case, a student, to imitate his or her peers' actions, attitudes, or lifestyles (Laninga-Wijnen & Veenstra, 2021). At the same time, PI might be both positive and negative, as peers can encourage constructive habits in their comrades or can lead them towards one or another kind of risky behavior. Thus, peer pressure management should be effective, considering that students have to balance the aspiration for group acceptance with the necessity to keep their individuality intact.

The university academicians are highly relevant in this regard; they not only play an important role in teaching but also in guiding students through the social dynamics that influence their spending decisions. In this way, academicians build up critical thinking abilities in students for better judgment and standing against peer influences that could lead to compulsive spending. Through active mentorship and discussions on real-world financial challenges, academicians encourage students to make informed, independent decisions. This can help them differentiate between needs and wants, thus debilitating the possible rise of peer-driven consumerism. By incorporating financial education into their curriculum, they can also equip the students with means of identifying and defeating emotional and social motives driving their spending behavior (Lusardi & Mitchell, 2014). The idea here is to take a more proactive stance in arming students with the ability to make objective decisions about peer influence against long-term security and well-being and temporary social compliance.

This interrelationship of PI with SB essentially means that understanding how peers influence spending behavior can help academicians and policymakers devise programs that will improve not only the level of financial literacy among students but also foster responsible decision-making among them. The financial behavior of students is directly influenced by PI because they tend to imitate the spending habits of their peers so that they will not lose their social acceptance. Based on this literature review, we propose the following hypothesis:

H1: *There is a significant relationship between peer influence and student's spending behavior*

The relationship between price elasticity (PE) and spending behavior (SB)

According to Huang, Dawes, Lockshin & Greenacre (2017), PE refers to the sensitivity of consumers to any changes in prices during purchasing decisions. It essentially measures how much students consider the price of a product in deciding whether to buy it. Students with high levels of price sensitivity are more likely to respond to a price increase by downshifting to lower-priced alternatives or lapsing into non-purchase. It contrasts with the others because people who have lower sensitivity will experience minor effects of price change and may still purchase goods or services that they want despite price increases. The students are more

elastic in items such as clothes, gadgets, or entertainment. In this context, the students would not buy these necessities if the prices increased a little or would be on the lookout for alternatives or cheaper prices.

However, when it comes to necessities like textbooks, educational materials, or transportation, the demand tends to be inelastic. Even if prices rise, students are likely to continue purchasing these goods because they are essential for their education and daily life. As a result, businesses that target students must carefully consider the elasticity of the products they offer. Understanding how students react to price changes can help businesses create tailored pricing strategies that appeal to this demographic. For example, offering student discounts or implementing flexible pricing during specific times (e.g., exam periods for textbooks) can attract more buyers and maintain loyalty. Therefore, considering these dynamics is crucial for businesses targeting students as customers and developing pricing strategies that align with their preferences and behavior. Based on the literature discussion, we propose the following hypothesis:
H2: *There is a significant relationship between price elasticity and student's spending behavior*

The relationship between financial management knowledge (FMK) and spending behavior (SB)
FMK encompasses the ability to assess and manage risks associated with investments and financial products (Fernando, 2024). As discussed by Lusardi & Mitchell (2014), individuals with lower FMK are most likely to make suboptimal investment decisions. Individuals with a higher level of financial literacy tend to have better investment results and be more willing to invest their assets in equities, which give higher returns than bonds but also carry greater risk.

Research indicates that FMK is related to responsible financial behavior among students. According to Chuah, Kamaruddin, & Singh (2020), there is a tendency for students with more FMK to be more responsible in their financial behavior. Such a relationship would imply that the more knowledgeable students are about finance, the more able they will be to conduct their finances more knowledgeably and carefully. Conversely, Lee Chock & Chin (2023), explain how university students do not possess adequate FMK regarding budgeting and management of expenses, which in the long run leads to poor financial decisions. It is, therefore, very necessary that students learn key concepts of finance and practices. Fernando (2024) confirms that improved understanding by students about expenditure and FMK will add to their confidence in handling money, reducing the chances of financial mistakes.

Eventually, increasing financial literacy among university students empowers them to make wise use of money and make the right money decisions. Indeed, filling the gaps in financial education will contribute positively toward improving the students' long-term financial position and stability. In the context of the above literature review, we would like to test the following hypothesis:
H3: *There is a significant relationship between financial management knowledge and student's spending behavior*

3. Methodology

This study's population consists of active students from six (6) higher learning institutions (HLIs) who enroll in entrepreneurship classes in the year 2024. The respondents are students pursuing diploma and bachelor's degree programs. Quota sampling technique has been applied. Quota sampling design refers to sampling plans where the authors split the entire population into mutually exhaustive subgroups (Sekaran and Bougie, 2016). In this study, the authors have divided the HLIs into two subgroups, namely; (a) Public HLI and (b) Private HLI. Each subgroup will represent three (3) Public HLIs and three (3) Private HLIs. At this stage, we distributed 100 sets of questionnaires via online and offline platforms for every subgroup – 6 HLIs. In terms of sample size, a few guidelines have been suggested by previous researchers. After considering their suggestions, the authors have considered 600 samples.

The survey questionnaire is divided into three (3) sections. Section A covers the questions related to the background of the HLIs' students. The demographic variables, such as gender, race, age, and HLI category are all collected in this study. Meanwhile, in section B, the questions cover variables such as peer influence (PI), Price Elasticity (PE) and Financial Management Knowledge (FMK). The items are modified and improvised to suit the study's population which is the students. The questions in Section C, on the other hand, cover Spending Behavior. In this study, the items are borrowed and improvised from Tuliao (2022). Thereafter, it is edited to

suit the context of this study. Altogether, 25 items are using a 5-Likert scale ranging from 1 (Completely Disagree) to 5 (Completely Agree) which are used to measure the items.

In this study, the authors used Statistical Package for the Social Sciences (SPSS) version 28.0 for data analysis. As for preliminary analysis, the authors used descriptive analysis to obtain the demographic profiles. In addition, we also performed multiple regression analyses to test the hypotheses of the study. According to Coakes (2013), the result of regression analysis represents the best prediction of a dependent variable from numerous independent variables. We also take into consideration the assumption underpinning the use of regression: (1) the outliers (2) multicollinearity versus singularity (3) normality, linearity and the independence of residual (4) the ratio of cases to independent variables.

4. Empirical Results

Out of 600 questionnaires distributed, a total of 501 questionnaires were returned, including 313 via online and 188 via offline data collection techniques. This means that the return rate of the survey is about 83.5 percent, which is more than the anticipated rate of 60 percent suggested by Trochim et al. (2016). These 501 questionnaires are suitable for further analysis and reporting in the study.

Table 1: Questionnaire distributed and returned

Higher Learning Institutions (HLIs)	Questionnaire Distributed	Questionnaire Returned	Technique
Private 1	100	71	Online
Private 2	100	66	Online
Private 3	100	79	Online
Public 1	100	93	Offline
Public 2	100	97	Online
Public 3	100	95	Offline
Total	**600**	**501**	

Demographic Analysis

Table 2 shows the demographic profile of those who responded to the questionnaire. The 501 students who took part in this survey were (60.1%, *n*=301) female and 39.1 percent (*n*=200) male. Most students were in the age range of 22-25 years old (50%, *n*=251), followed by the age range of 18-21 years old (42%, *n*=210), and more than 26 years old (8%, *n*=40). In terms of race, (47.1%, *n*=236) were Malay, (26.3%, *n*=132) were Chinese, (17%, *n*=85) were Indian, and 9.6% were other. The information on the HLI of students revealed that (56.9%, *n*=285) attended a public HLI, while (43.1%, *n*=216) attended a private HLI. Half of the students (50.9%, *n*=255) have a degree, followed by (49.1%, *n*=246) of the students with a diploma. Table 2 also revealed the name of the HLI area in Melaka that took part in the survey.

Table 2: Demographic analysis result

Characteristic		Frequency	Percentage
Gender	Male	200	39.9
	Female	301	60.1
Age	18-21	210	42
	22-25	251	50
	More than 26	40	8
Race	Malay	236	47.1
	Chinese	132	26.3
	Indian	85	17
	Other	48	9.6
Higher Learning Institution (HLI)	Public HLI	285	56.9
	Private HLI	216	43.1

Level of Education	Diploma	246	49.1
	Degree	255	50.9
Name of HLI	Private 1	71	14.2
	Private 2	66	13.6
	Private 3	79	15.8
	Public 1	93	18.6
	Public 2	97	19.4
	Public 3	95	19

Reliability Analysis

The assessment of the reliability of a measurement is conducted by using Cronbach's Coefficient Alpha to indicate the similarity of the items which will reflect the construct of interest (Hair, Black, Babin, & Anderson, 2018; Sekaran & Bougie 2016). Cronbach Alpha is a well-known estimation of internal consistency for social sciences studies. Cronbach's Coefficient Alpha is required to be more than 0.700, to indicate the reliable measures of their respective constructs (Hair et al. 2018). Likewise, Sekaran and Bougie (2016) point out that the measure of reliability with values of 0.600 to 0.700 indicates limited acceptability. Thus, the higher the obtained value of the coefficient, the more reliable is the measuring instrument. The Cronbach's alpha for the study of all variables ranged from 0.764 to 0.865, some of which are greater than the recommended threshold of 0.600 (Sekaran and Bougie, 2016). The reliability results are presented in Table 3.

Table 3: Reliability analysis result

Variables	Cronbach Alpha	Items
SB	0.856	4
PI	0.865	3
PE	0.764	5
FMK	0.850	4

Multiple Regression Analysis

Multiple regression is one of the methods that analysts and statisticians use to understand and create conclusions by confirming the hypothesis. The objective of multiple regression analysis is to use the independent variables whose values are known to predict the value of the single dependent value. In simple words, multiple regression is a method that analysts and statisticians use to understand and create conclusions by confirming the hypothesis. R-square represents the proportion of variance in the outcome variable which is explained by the predictor variables in the sample (Ozili, 2023). He added a low R-square of at least 0.1 (or 10 percent) is acceptable on the condition that some or most of the predictors or explanatory variables are statistically significant. If this condition is not met, the low R-square model cannot be accepted. The t-value helps to identify which independent variable influences the most variance on the dependent variable. It should be noted that the variables are statistically significant at the 1% and 5% levels.

Based on Table 4, the R-squared value (0.937) is acceptable and statistically significant. In addition, peer influence is the most influential factor leading to students' spending behavior. Lastly, it can be summarized that PI and PE are significantly related to SB at <0.001 significant level. Therefore, H_1 and H_2 are accepted. Whilst, FMK showed an insignificant relationship with SB. This caused H3 to be rejected.

Table 4: Multiple regression analysis result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PI	0.984	0.014	83.338	<0.001
PE	-0.074	0.011	-1.451	<0.001
FMK	-0.017	0.012	-6.361	0.147
*Dependent variable: spending behavior				
R: 0.968		S.E. of regression: 316.440		
R-Squared: 0.937		Sum Squared Residual: 21.262		

Discussion of The Findings

In this section, we will map the discussion parallel with the literature review. It would be easy for the reader to follow the structure of the article.

Peer influence is the most dominant factor influencing student's spending behavior

It confirms that the relationship between peer influence and spending behavior is significant, as stated by $\beta = 0.984$ and $p < 0.000$. This agrees with previous literature indicating that peers are indeed a major source for developing attitudes, beliefs, and behaviors, especially in higher learning institutions where the students spend most of their time with other peers (Kumar et al., 2022). Apart from that, peer pressure amidst the social dynamics that characterize academic life may greatly influence the spending habits of students. Many students at HLI attempt to adopt the spending pattern of other people to fit into a particular clique to be accepted, or just to project an image. This is probably in the form of attending activities or social events, keeping abreast of whatever is in vogue, or buying something their classmates like. These dynamics make spending a means toward an end: acceptance or reinforcing a sense of belonging. At the end of it all, social acceptance and a feeling of belonging remain some of the usual forces driving money decisions for students.

It is noted that peer influence might have both a positive and negative impact on the student's life. In today's digital age, social media has emerged as the major force for peer influence; this tends to go beyond what any close, face-to-face interaction may do. Such platforms as Instagram, TikTok, Twitter (X), and Snapchat serve as virtual places where students observe their peers' spending behaviors and imitate them. For example, students can be more influenced to purchase certain brands or attend high-price events because their peers post about them on social media. Social media is curated; therefore, it may foster the feelings of "missing out" and press the students towards consumerism to maintain a socially desirable image of themselves.

On the other hand, students of other socioeconomic statuses may experience peer pressure differently. For instance, students from less well-off families may have to race to keep pace with their richer peers to be able to spend as much money as they do, which in turn can lead to financial difficulties or even debt. Alternatively, richer students will unconsciously place pressures on the rest by setting a greater standard of consumption that the others will have to live up to quite often without realizing what burden this causes.

University students are more sensitive to necessity products

The relationship between price elasticity and students' spending behavior is significant ($\beta = -0.074$, $p < 0.000$). These support the previous literature, which suggested that price elasticity could better facilitate the students to spend money wisely (Lai, Ting, & Wong, 2022). Price elasticity or sensitivity of consumers to changes in pricing is one of the important motivators that influence students toward spending. Students with limited budgets are more responsive to changes in prices especially in luxury goods. The price elasticity is higher for luxury products like entertainment, dining out, and fashion items, because such categories allow flexibility in adjusting to price increases or discounts in light of their income. Price elasticity, is generally low for necessities like textbooks, rent, or food items, as students cannot avoid buying these, even if their prices increase. In the case of discretionary spending items, higher price elasticity-like leisure activities or gadgets-gives flexibility to students to reduce or adjust consumption accordingly if the prices go up.

The price elasticity must be understood by the students in their effort to make wise decisions in their consumption. This will enable the students to identify that some products or services show higher or lower responsiveness to changes in their prices, hence making them undertake spending activities such that the best budget used would yield maximum benefit.

Financial management knowledge is crucial to control student's spending behavior.

The relationship between financial management knowledge and student's spending behavior was found to be insignificant ($\beta = -0.017$, $p = 0.147$), contradicting previous research by Azmi & Ramakrishnan (2018). This inconsistency in the findings may also be because several students are uninformed about the long-term effects of spending habits due to ignorance over the long-term aftermath of poor financial management (Kumar et al., 2022). Instead, most students make spending decisions based on emotions or social pressures without proper financial planning, rather than making a conscious, rational evaluation of how their choices are affecting their

finances. The high expenditures on necessities and the tendency to overspend on day-to-day essentials further mark the importance of practical financial education, as shown by the survey results.

On the other hand, the learning of financial concepts is mostly theoretical with less chance for students to be able to apply their knowledge in real life. This concept has been established by McCormick & Ward (2019) and without such experience, the knowledge gained would not effectively result in good spending behavior. This therefore brings critical questions concerning the effectiveness of the programs on financial education. In developing sound financial behavior among the students, there exists a gap between mere theoretical knowledge and its practical use. Strengthening financial education on real-life situations, emotional influences, and long-term spending decision outcomes may provide students with better opportunities to make choices.

5. Conclusion

This study highlights the complex dynamics influencing students' spending behavior. The significant relationships identified between peer influence and price elasticity suggest that social factors and sensitivity to price changes play crucial roles in shaping how students allocate their financial resources. Peer influence, as noted by Kumar et al. (2022), drives students to align their spending habits with those of their peers, leading to increased expenditures on social activities and trends. Additionally, the concept of price elasticity indicates that students are more likely to adjust their consumption patterns based on price fluctuations, especially for non-essential goods, as highlighted by Lai et. al. (2022).

In contrast, the lack of a significant relationship between financial management knowledge and spending behavior raises critical concerns. Despite students receiving some education in financial management, this knowledge does not necessarily translate into responsible spending practices. This finding aligns with research by Lusardi and Mitchell (2014), which emphasizes that financial literacy alone is insufficient for effective financial decision-making without practical application and awareness of long-term consequences.

Overall, these findings underscore the importance of addressing the social and economic factors that influence spending behavior while also recognizing the limitations of financial education in promoting sound financial practices among students. Future efforts should focus on enhancing the applicability of financial management education, incorporating real-world scenarios, and addressing the emotional and social dynamics that significantly impact students' financial choices.

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