

**FACTORS INFLUENCING THE SPENDING AND SAVING HABITS OF  
STRATHMORE UNIVERSITY STUDENTS.**

**BY**

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## DECLARATION

I, the undersigned, declare that this project is my original work and has not been submitted for examination in any other institution.

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## APPROVAL

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## ABSTRACT

This study sought to examine the different factors that influence the spending and saving behavior of students. The target population of the study was concentrated on students at Strathmore University undertaking their undergraduate courses. Purposive sampling was used to select at least one student from a different course which gave a response of 40 students from 8 courses. Data was collected through open and closed questionnaire. The test-retest reliability was done to measure the reliability of the responses. The data collected was analyzed with the use of Ms. Excel where the results were presented using graphs, tables, and pie charts

The conclusions were that the variables highlighted had a positive correlation with the students' financial behaviors. The study found that the respondents indicated that their financial background has influenced their current financial habits due to the financial knowledge gained, that most female are spenders while male are savers, that most students became more financially discipline in their second year and that their peers influenced their financial habits. The study's limitation was mainly the lack of adequate research conducted locally within the jurisdiction of Kenya and recommends further research on the topic to be conducted locally.

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## LIST OF ACRONYMS

- BBIT – Bachelor of Business Information Technology.  
BCOM – Bachelor of Commerce.  
BBSAAS – Bachelor of Business Science Actuarial Science.  
BAC – Bachelor of Arts in Communication.  
BTM – Bachelor of Science Tourism Management.  
BICS – Bachelor of Business Science in Informatics and Computer Science.  
LL.B – Bachelor of Laws.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of study

For most young adults, college marks the beginning of greater financial independence from their parents and greater responsibility for making sound financial decision (Lyons, Roberts, & Scherpf, 2006). University or college students are in a distinct period of their lives where they start to manage their money independently without their parent's supervision (Gutter, Garrison, & Capur, 2010). Most of them start to deal with monetary challenges such as paying bills, keeping a budget, or having bank account bearing their own names for the first time, thus due to this reason many students find themselves unable to manage their finances well hence ending up being so much broke that they are unable to meet their financial obligations towards the end of the semester as compared to the start of the semester, where they spend their finances extravagantly. This is a problem which most of the students are facing throughout their campus life (Akelo, Mbunzi, & Ngari, 2019). The ability of students to cope with these challenges depends on the financial knowledge and behaviors they acquired before being on their own (Lyons, Roberts, & Scherpf, 2006).

University students have become an important consumer in the market segment. For the first time, many of these students start using credit cards issued in their own names, some also borrow a sizeable amount of money for the first time and must manage debt (Lyons, 2008). These young people maybe unprepared to effectively manage the psychological costs associated with high debt (Brodén, Lee, Serido, & Collins, 2008). Previous studies have confirmed that economic status strongly predicts happiness and over all wellbeing in most cultures. People are happier when they are financially secure (O'Neill, Sorhaindo, Xiao, & Garman, 2005).

Students who are exposed to social and economic development of society also contribute as an important element of student financial management efficiency. This also affects the spending and financial savings of students when they work. The level of education and exposure to the importance of financial management will influence the attitudes, behaviors and practices of the students' financial management. Not only that, other factors such as peer pressure, purchasing power and mass media influence also affect students' spending and savings patterns.

As a student, financial management skills need to be emphasized as they have to manage their expenses through limited income. If they are not well versed in controlling their expenses, they will surely face some problems like debt, health problems and not being able to attend college. Students need money to cover rising tuition fees and living costs. In this regard, students need to be wise in deciding what is included in the group of necessities or requirements. The failure of students to decide between necessities and requirements causes some students to be unable to afford college notes, laboratory equipment and participate in external activities or programs. In addition, this will not only affect their focus in learning at the college but also affects their achievement of the average certificate score points at every semester.

Misunderstandings between the wants and needs often cause students to misbehave which ultimately impact their daily, weekly, monthly and semester finances. Although there are also students who are able to distinguish between wants and needs, however, due to the failure to control their appetite, students also fall into financial management conflicts. Most of the students face situations where they do not have the skills to decide between their needs and their financial goals. Students fail to plan their financial goals between short, medium, and long term and eventually they are obligated to buy what they need. Different family backgrounds also sometimes influence the students to compete with each other in meeting their needs or vice versa. The situation is that some students are in debt, looking for part-time jobs and running out of loans before the semester ends (Khairunesa, Sarala, & Fazrulhelmi, 2020).

Students who are from richer background tend to spend more than the other students since they have enough money to use unlike the other students from lower class background who try to carefully spend their resources thus it is believed that the financial status of a student have influence on the amount of money which he/she spends (Gogo, Stephen, & Cyrus, 2019). freshman and senior students exhibit higher spending behaviors while sophomores and juniors exhibit less spending. However, their findings indicate that fourth years also tends to spend more on average. Thus, arguing that transition from college to post graduation may also probe more spending in preparation and anticipation of a higher income (Gogo, Muteti, & Ngari, 2019).

this study chose to perform its research on Strathmore University undergraduate students due to the diversity of the students who are from different background thus representing unique beliefs and behaviors. Similar research was conducted in 2019 at the University of Embu where it was concluded that year of study, family financial level, gender and school are significant factors in explaining spending habits of students. This study was challenged to seeks whether the same findings can be found in a private Strathmore which is a private University as compared to University of Embu which is a public University.

### **1.2 Problem statement**

In regard to the extravagant spending behaviors of Strathmore University students, most of them experience a deficit in their expenditure within their first week of acquiring any amount of money leaving them with a diminutive amount which isn't able to sustain them for the remainder of the time. Failure to effectively manage earnings during campus has transcended into increasing cases of fund misuse and misallocation among the youth in society today, thus creating vast inequalities in society (Rebecca, 2019).

With the development of social economy, financial management has gradually become a national activity thus investment and financial management are indispensable for everyone, including college students who are active in the campus of college (Ailing & Peng, 2019).

Financial literacy matters more than ever, given the increasing complexity of financial products and economic relationships (Greimel-Fuhrmann & Maria, 2018). The failure associated with financial management among university students has led to an increase in debt among them either from borrowing from their fellow students or loan institutions to cater for the expenses for the remainder of the semester.

This study aims to investigate the different factors that influence the spending and saving behaviors of university students.

### **1.3 Objectives of the study**

#### **1.3.1 Main objective**

To establish the spending and saving habits of students.

#### **1.3.2 Specific objectives**

- i. To investigate the relationship between gender and the financial discipline of university students.
- ii. To determine the effects of financial background on university students financial behavior.
- iii. To investigate the effect the year of study has on the financial habits of university students.
- iv. To investigate whether peer pressure influences student's financial behavior.

### **1.4 Research questions**

- i. What is the relationship between gender on student's financial discipline?
- ii. What is the influence of financial background on the financial behavior of students?
- iii. What is the effect of a students' year of study on their financial habits?
- iv. What is the effect of peer influence on students' financial behavior?

### **1.5 Significance of the study**

The findings of this study reveals whether the several demographic factors such as gender have an impact on student spending behaviors. The study also intends to assess whether student's financial literacy and year of study make a difference in how different students spend their income.

### **1.6 Benefits of the research**

The research findings will be useful to the university and students at large. The University will be well informed on how different courses affect students' financial behavior. Furthermore, the findings will highlight to the University whether more financial mentoring and tutorship is needed for students especially first years who experience financial freedom for the first time.

The students will become more self-aware of their financial behavior. The students will be aware of how their financial behavior or beliefs either directly or indirectly affects their peers on some level.

### **1.7 Scope of the study**

This study was limited to Strathmore University students undertaking their undergraduate course in the year 2021 with a sample population of 20 students undertaking BCOM, BBIT, LLB and BBSAAS. The theoretical scope of the study was limited to the Permanent Income Hypothesis and Hyperbolic Discounting models. The study utilized on both open and closed questionnaires which were digitally issued to the undergraduate students.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The aim of this chapter is to examine and review relevant literature on the factors influencing the spending and saving habits of Strathmore University students. The chapter presents the reviews of the relevant theories that anchor the study, the empirical studies, and a summary of the research gaps and is organized as follows: Section 2.1 provides the introduction to the chapter, section 2.2 captures the theoretical framework, section 2.2.1 discusses the permanent income hypothesis, section 2.2.2 discusses the hyperbolic discounting theory, section 2.3 this section contains the empirical review of the study, section 2.3.1 contains the discussion on gender, section 2.3.2 contains the discussion on financial literacy, section 2.3.3 contains the discussion on year of study, section 2.3.4 contains the discussion on peer pressure, section 2.4 gives a summary of the literature, section 2.5 gives a summary of the research gaps and section 2.6 contains a pictorial representation of the conceptual framework

#### 2.2 Theoretical Framework

##### 2.2.1 Permanent Income Hypothesis

The theory was developed by Milton Friedman in 1957 but was formalized by Robert Hall. It was originally applied to consumption and income. The assumption of a constant average propensity to consume and a marginal propensity to consume from transitory income equal to zero are the two major assumptions centered on the hypothesis.

The idea behind the Permanent Income Hypothesis is that people spend their money in a way that is consistent with their expected long-term income. Over time, consumption is said to be smoothed by changes in income (Villanueva, 2017). The Hypothesis emphasizes that consumers will spend money based on lifetime income, not just current income (Villanueva, 2017). A study was conducted in Japan where the families were questioned on their spending habits. The participants were revisited every three months for a whole year. The study concluded that Permanent Income Hypothesis applied to about 85% of the sample population (Hayashi, 1984).

This theory has been criticized to being limited in the type of goods consumers purchased as most of the previous literature focused on changes in consumption of perishable goods, which in turn gives rise to the speculation that the Permanent Income Hypothesis may not be applicable towards non-perishable items (Villanueva, 2017).

### **2.2.2 Hyperbolic Discounting**

The model of hyperbolic discounting accounts for a time-inconsistent mechanism of choices stating that given two options, humans mostly tend to show a preference for a more immediate, smaller value reward rather than waiting for a later, higher value reward (Villanueva, 2017) and was developed by Richard Herrnstein in 1961. These individuals are often described as being present-oriented, with more regard for current or immediate satisfaction rather than delayed satisfaction and as a result, people end up delaying certain decisions, such as saving mechanisms (Villanueva, 2017). The conflict of time preferences therefore results in hyperbolic discounting, or intertemporal preference. The study revealed that there is a preference for instant gratification and participants were found to put off saving, assuming they would eventually be able to start budgeting more efficiently at a later date (Angeletos, Laibson, Repetto, Tobacman, & Weinberg, 2001).

A similar study was done which found that the expectation that one will earn more in the near future will increase one's willingness to spend (Laibson, 1998). Moreover, young consumers who expect rising income paths and consumers with low levels of cash on hand are more likely to have a higher Marginal Propensity to Consume (Laibson, 1998)

The model of hyperbolic discounting fails to consider that bounded rationality and impulsive buying are two concepts that may influence consumer spending but aren't accounted for in the concept of hyperbolic discounting (Villanueva, 2017). Bounded rationality is the idea that when faced with a decision, consumers are weighing their options under certain constraints including limited information about alternative options and certain consequences that may come with their chosen decision (Villanueva, 2017) while impulsive buying explains the instinctual behavior of a consumer, which may prompt him or her to make a spur of the moment decision (Villanueva, 2017).

## **2.3 Empirical Review**

### **2.3.1 Gender**

Most times gender acts as a strong determining factor in different literature. In a study of attitudes, money and credit cards debt, men are less likely to have self-imposed budgets as compared to females (Norvilitis, et al., 2006) and (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000). According to (Roberts, 2000), women have been cultured and raised to find satisfaction in shopping, thus are more likely than men to exhibit compulsive spending behavior. The findings goes further to suggest that in the context of shopping for appearance goods such as clothing, accessories, and cosmetics, spending in females may only be greater than that of males.

A study done found that women have less interest in finance thus their preparation for the subject may not be appropriate (Chen & Volpe, 2002). This may be as a result of the fact that after examining the participants' college education, they discovered that men more likely than not, rated Mathematics and other number-oriented science subjects important, as compared to their female counterparts who ranked English and word-oriented liberal arts education subjects more important. The research also found out that women generally are less enthusiastic and less inclined in being involved with personal finance as evidenced on the statistically significant differences between men and women.

On research done where an interesting component on the where both men and women acquire their financial knowledge from and analyzed, from a sample of 924 persons, 74% of women and 68% of men replied that they received their financial knowledge from their parents while 70% of women and 63% of men learn from their own mistakes. These findings suggest that women learn most of their knowledge from their parents and from the mistakes that they make (Chen & Volpe, 2002). Furthermore, females are believed that managing money affects their future more than male while males were found to be actually more confident presently about money making decisions., (Danes & Haberman, 2007). These findings were later justified that "most women never receive even a basic education in finance until it's too late - which is to say after they get divorced or widowed" (Bach, 2002).

The study shows that majority of the students that took part in the survey were male students (66.3%) as compared to the female students who made up only 33.7% of the students' participants. This could possibly be an indication that majority of the students within Makerere University are

male students. There was also a significant relationship between gender and students, spending behavior (Rebecca, 2019). As the study demonstrates, women were much better planners and budgeters than males (Matthew, Amy, Kevin, & Jessica).

### **2.3.2 Financial background**

Financial literacy is assessed as a combination of awareness, knowledge, skill, attitude, and behavior needed to make sound financial decisions in order to achieve individual financial well-being. (García, Grifoni, López, & Mejía, 2013). Furthermore, financial literacy can encompass different concepts, including awareness and knowledge about finances, financial products, institutions, personal skills, the ability to manage money and the financial planning (Xu, 2012).

An individuals' spending, investment and borrowing decisions can be negatively affected by a person's lack of financial knowledge. The *Journal of Consumer Affairs* stated that, ". . . young people are leaving school without the basic skills to manage their personal financial affairs, putting them at a high risk for not being able to plan responsibly for their financial future." (Howlett, Kees, & Kemp, 2009).

There's a growing concern with credit debt and compulsive buying behavior from a study of 77432 college students at University of Missouri-Columbia. The study suggested that financial education programs could be offered on campus and that it would be a fruitful discussion to offer a Personal Finance course for college students (Norum, 2008).

Budgeting has been found as being able to change individuals' spending patterns of through the successful regulation of finances which as a result curbs unnecessary spending, and budget maintenance is met with a favorable attitude. It was further found that 45.6 percent of students with better financial knowledge keep detailed financial records, compared with only 29 percent of the students with inferior financial knowledge (Kidwell & & Turrisi, 2004).

Moreover, participants with less financial knowledge more often than not tend to hold wrong opinions and make incorrect decisions in the areas of savings, general knowledge and borrowing

and investments. The incompetency tends to limit one's ability to make informed financial decisions (Chen & Volpe, 1998).

Students who have minimum credit card problems in college tend to have parents who teach them how to manage their allowances and bank accounts. The research was conducted with a sample of 173 college students in a United States university is used. Estimation of the factors was done with maximum likelihood whereas the varimax rotation method was used to facilitate the interpretation of the outcomes. Alternative methods were used to test the robustness of their outcomes (Norvilitis & MacLean, 2006).

One of the most effective ways to increase financial literacy among young people is to focus on the relationship between their knowledge base and the experiences that they have with finances. As there is a link between experience and knowledge when it comes to students' financial literacy levels. It is suggested that the true solution to solving low financial literacy levels among college students is to ask parents to allow students to be more involved in the financial decisions that they make (Bartley, 2011).

The variables of students' financial knowledge were correlated against those of spending behavior, and it was found that there was a no relationship between them. This implies that students' acquisition of financial knowledge does not have an impact on how their spending behavior (Rebecca, 2019). Conclusive evidence presents the fact that family financial background is a strong determinant of certain spending patterns. As highlighted by other researchers, students who come from wealthier background tend to spend more money as compared to those from humble background. Not only is this further indicated in our study, but it was also found that there is a larger difference between their spending habits (Akelo, Mbunzi, & Ngari, 2019).

#### **2.3.4 Year of Study**

Younger people are found as being unable to handle their finances well. Moreover, there is a learning curve that existing when making the transition from being completely financially dependent to slowly becoming financially independent where students from their first years were

considered as financially dependent and fourth years were considered almost financially independent (M.F & M., 2010).

On a study done, the class year was one of factors influencing spending habits of students. The regression results of class year from the study revealed that freshman and senior students exhibit higher spending behaviors while sophomores and juniors exhibit less spending (Villanueva, 2017). However, the findings indicated that fourth years also tends to spend more on average. Thus, arguing that transition from college to post graduation may also probe more spending in preparation and anticipation of a higher income (Villanueva, 2017).

Furthermore, students in their first year of study were found to be spending more compared to other students, followed by those in their final year. This can be due to the fact that first years have just entered stage of financial independence while fourth years have different sources of finances which can serve as a supplement to the money given by their parents (Akelo, Mbunzi, & Ngari, 2019).

#### **2.3.5 Peer influence**

Peer influence is commonly found among peer groups. A peer group is defined as a small group of similarly aged; close friends, sharing the same activities (Castrogiovanni, 2002). Peer influence is viewed as the degree to which ones state of mind, thinking and conduct is affected by family, friends, and colleagues (Mangleburg, Doney, & Bristol, 2004). Studies conducted on peer group influence shows that increase in the communication gap between parents and adolescents, the intense desire to be an acceptable member of a group, and a highly impressionable mind that fails to distinguish between what is right and what is wrong are the main reasons behind peer group influence (Collins, 2003). Previous studies done indicate increase in savings among individuals because of peer influence (Homan, 2016). A study indicated that in as much as parents or guardians have formed positive financial behavior in their children, often, peer influence angle still is existence in an individual's savings behavior (Zaihan, 2016). This influence is attributed to the association in spending exercises during peer's social time and exchanging ideas on financial behavior among peers (Zaihan, 2016). (Jamal, Ramlan, A., & Osman, 2015) indicated that individual's financial behavior could be influenced by peer influence.

**Table 2.4 Summary of Literature reviewed**

<b>AUTHOR &amp; YEAR</b>	<b>TOPIC OF STUDY</b>	<b>COUNT RY</b>	<b>OVERALL RESEARCH OBJECTIVES</b>	<b>DATA ANALYSIS TECHNIQUE</b>	<b>THEORY(S )</b>	<b>NATURE &amp; SOURCE OF DATA</b>	<b>FINDINGS</b>
Gogo Jacqueline Akelo, Stephen Muteti Mbunzi and Cyrus Gitonga Ngari (2019)	Multinomial logistic modelling of socio-economic factors influencing spending behavior of university students.	Embu, Kenya.	To analyze the trend of the relationship between the impact of social factors and average amounts spend by students.  To establish the social-economic factors influencing the spending habits in Kenyan universities.	Descriptive statistics analysis.	None	Questionnaires.  Surveys.  Stratified sampling.	The average amount spent throughout the semester is decreases as the semester ends.  Family financial background is a strong determinant of certain spending patterns.  Students in their first year of study were spending more compared to other students, followed by those in their final year.

							In addition, in this study it was found that school of study of student was also a determinant of how students spend their resources. In school where financial courses are offered like school of business, tend to spent less amount than students pursuing other courses.
Samantha Villanueva (2017)	An Analysis of the Factors Affecting the Spending and Saving Habits of College Students.	New York, USA.	To examine the factors Influencing Financial Behaviors	Secondary data. Primary data.	Permanent Income Hypothesis. Hyperbolic Discounting.	Questionnaires Convenience sampling	Results indicate that Whites spend 29.4% more, Blacks spend 31.8% more and Asians spend 57.8% more than those grouped in the Other category.  Between males and females, data supports the idea that males are more likely to

							spend more in a given month than females.
Ida shaheera binti Bakhtiar (2019)	The Students Spending Pattern On Non-Academic Items Towards Food And Beverage Lead To Poor Financial Management	Malaysia	To know the factors influencing the spending habits of students spending.  To examine the spending behaviors and financial literacy levels among university students in managing the financial.		None	Online survey using questionnaires.	Male students were more likely than females to spend money on food and beverages.  Female students were more focusing on spending money on their appearance while male students were attracted to playing games, either indoor or outdoor.
Dr. Jyoti Pohane	A study of spending & saving		To analyze the spending and saving habits	Primary data  Statistical Tools	None	Questionnaire method (open	Students spend their pocket money cautiously.

	habits among the college students in Dombivli region.		among the young generation in Dombivli region.  To Study the Spending habit of the students.  To Study the Saving habit among the students.			ended and closed ended question)	Many students have developed the habit of saving.
Kavita Chavali (2019)	Saving and spending habits of youth in sultanate of Oman	Oman	To investigate with the saving and spending habits of youth in Sultanate of Oman.  To examine the influence of peers, parents and financial literacy of	Data Analysis	None	Structured questionnaire distributed to 200 youth using random sampling in Sultanate of Oman.	There is a significant correlation between financial literacy and saving and spending pattern.  There is a significant correlation between peer influence and saving and spending habit of youth.

			self on the saving and spending behavior of youth.				There is a significant correlation between peer influence and saving and spending habit of youth.
Saumya Singh, Shubham Gupta (2020)	Student budgeting and spending behavior.	Delhi, India	<p>To search for the underlying factors behind their expenditure.</p> <p>To ascertain how much they spend monthly.</p> <p>To plan, advance and equalize the measure to gauge the saving behavior of students.</p> <p>To determine spending pattern of the students</p>	<p>Descriptive research design.</p> <p>Quantitative data.</p> <p>Primary data.</p>	None	<p>Sampling.</p> <p>Structured questionnaire (consisted of closed ended question).</p>	<p>91 respondents out of the sample of 138 respondents replied that they prefer to save a part of their allowance while 47 do not prefer to save their allowance because at the end of the month they are hardly able to save any money.</p> <p>Out of 91 respondents who prefer to save a part of their monthly allowance, 50 respondents prefer to save in bank.</p> <p>It was observed that most students spend on</p>

							lifestyle that include shopping and other such related activities followed by entertainment.
P.Jeevitha & R.Kanya Priya (2019)	A study on saving and spending habits of college students with reference to Coimbatore city.	Coimbatore city, India	To analysis the various modes of saving habit among college students.  To find out the spending pattern among college students.  To identify the saving and spending status of college students.	Primary Data.  Secondary Data.	None	Sampling.  Structured questionnaire.	There is a significant difference between saving habit and non-saving habit of college students.  There is no relationship between spending money in different fields and purpose of saving money.
J. T. C. Bona (2018)	Factors affecting the spending	Surigao Del Sur State	to look at the factors affecting	Descriptive survey method	Psychological theories	Questionnaire was used as the main instrument	Respondents value the attitude of

	<p>behavior of college students</p>	<p>University - Cantilan Campus</p>	<p>the spending behavior among college students of Surigao del Sur State University in Cantilan, the northernmost municipality in the province of Surigao del Sur, Philippines in terms of attitude, family background, lifestyle and financial knowledge.</p> <p>To better understand how these factors influenced the</p>		<p>(learning theories). Among the learning theories come stimulus response theories and cognitive theories.</p>	<p>for data collection. Interviews were also conducted to answer clarifications, verify the answers of the respondents, and to solicit additional information.</p>	<p>saving money. They set aside money for the things they want to buy.</p> <p>The researcher concluded that college students' spending behavior are greatly influenced by their family background.</p>
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			<p>spending conduct of college students and their financial behavior.</p>				
<p>Nakimbugwe Yvone Rebecca (2019)</p>	<p>An analysis of factors influencing expenditure behaviour of undergraduate students</p>	<p>Makerere University, Uganda</p>	<p>To investigate the relationship between gender and spending behavior of university students.</p> <p>To investigate the relationship between age and spending behavior of university students.</p> <p>To examine the relationship between financial knowledge and spending behavior</p>	<p>Exploratory approach</p>	<p>None</p>	<p>Quantitative &amp; qualitative data</p>	<p>There was also a significant relationship between social status variables and spending behavior, an indicator that social status greatly impacts on students' spending behavior.</p> <p>Students' acquisition of financial knowledge does not have an impact on how their spending behavior.</p> <p>Students that belong to one age group do not exactly spend as those who belong to another.</p>

			of university students.				
Verónica Frisancho (2019)	The Impact of Financial Education for Youth	Peru	Whether the excitement about school-based financial education is warranted.	Regression analysis	None	Qualitative & quantitative data	<p>The potential to teach financial skills to the youth is large and the results tend to be very inclusive.</p> <p>Learning gains tend to be higher among initially higher-performing students. In contrast, financial education provision does not widen initial inequalities in terms of financial skills.</p>
Bettina Greimel & Maria Silgoner (2018)	Analyzing the Gender Gap in Financial Literacy	Austria	To examine if a gender gap in financial literacy can also be confirmed for	Regression analysis	Division of task hypothesis	Qualitative & quantitative data	Men tend to outperform women in answering knowledge questions.

			Austria, using survey data on financial literacy of the Austrian population.				Women show a considerably higher tendency to indicate “I don’t know” than men.
Haiyang Chen (2-16)	Personal Investment Literacy Among College Students	Marshall University	To assess college students' knowledge of personal investment and the relationship between investment literacy and gender, academic discipline, and experience.	Ms. Excel	None	Qualitative data	On average the survey participants' knowledge of personal investment is grossly inadequate.  The results suggest that college students have inadequate knowledge of personal investment basics.
Kayla Allen & Victoria Kinchen (2009)	Financial management practices of	Louisiana, USA	To determine the personal financial management habits and skills	SPSS analysis software	None	Quantitative & qualitative data	It was found in the Southeastern Louisiana University study that more than 50% of students save.

	college students		of college students.				Students are often choosing banking institutions without carefully considering how the institution could best serve their individual financial management needs.
Khairunesa Isa1, Sarala Thulasi Palpanadan2 & Fazrulhelmi Ahmad (2020)	The spending habits of university students.	Malaysia	Determining the level of first-year students' knowledge of financial management and also determining the tendency of students' spending habits	Statistical Package for Social Science (SPSS) software version 20.0.	None	Quantitative & qualitative data	there was a simple and significant relationship between student knowledge level and spending tendency  Food buying factors were identified as the predictors of the most influential factor in spending among students
Matthew Stollak, Amy Vandenberg, Kevin Steiner,	Student budgeting and spending behaviors: a	USA	This study examines how students at a small Midwestern liberal arts college	Regression analysis	None	Quantitative & qualitative data	Women were much better planners and budgeters than males.

Jessica Richards	comparative study		meet the budgeting challenge.				Students became better budgeters and planners as they matured.
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*Table*

## 2.5 Research gaps

Habitual spenders and how individuals of this kind may affect the results has not been considered. Future studies on this subject should take into consideration types of spenders in order to compare findings and draw meaningful conclusions about financial practices these spenders exhibit. The impact of formal education on spending habits of students in institution of higher learning was not considered in conducting the study (Akelo, Mbunzi, & Ngari, 2019).

The findings and recommendations were based on the survey results that include the trend and patterns shown in the results, which are limited to the study site (two colleges at the University of KwaZulu-Natal) thereby limiting the generalization of the results. In addition, the survey was self-reporting in nature. The respondents were not monitored by the researcher, it may be hard to know if the respondents took the questions seriously (Oloyede & Farai, 2020).

The study fails to consider the main driving forces that lie behind the development of financial habits. It would be interesting to note the impact of formal education on the spending and saving habits of college students. Very minimal research has been conducted in this particular branch of the topic and doing so could shed light on methods that allow students to develop good financial habits (Villanueva, 2017).

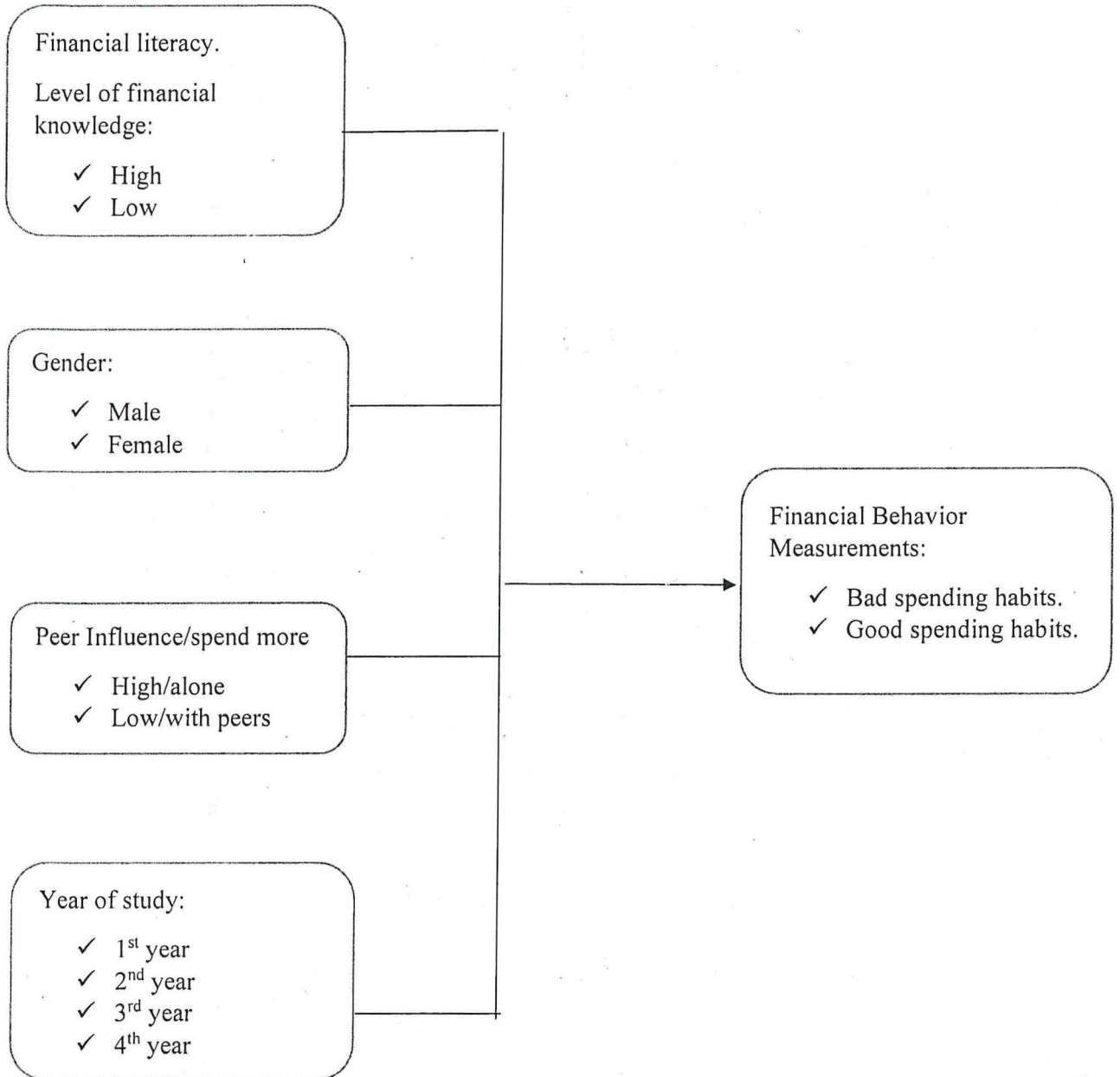
Clearly, a limitation of the study is that it focused on a relatively homogenous population at one school. Would students at larger, more diverse campuses have similar outcomes? (Matthew, Amy, Kevin, & Jessica).

## 2.6 Conceptual Framework

Figure 1 1

Independent Variables

Dependent Variables



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter presents the methodology used in the collection and analysis on the factors influencing the spending and saving habits of Strathmore University students. The chapter is organized as follows: Section 3.1 introduces the chapter, section 3.2 discusses the research design, section 3.3 captures the study population, section 3.4 discusses the sampling design and size, section 3.5 captures the data collection instruments, section 3.6 contains the data collection procedures, section 3.7 discusses the research quality and section 3.8 discusses data analysis

#### 3.2 Research Design

Research design provides confidence to the scientific community that the obtained results from the design adopted have high levels of validity and reliability (Creswell, 2008). It provides a framework through which the researcher gathers and presents data, and it employs a cross-sectional and descriptive survey research design (Kothari, 2014). A descriptive survey design focuses on the formulation of objectives (Mugenda & Mugenda, 2003). Data collection tools, design, data collection, processing, analysis, and the reporting of the findings (Cooper & Schindler, 2008). This research adopted a descriptive survey as it enables the researcher to acquire data at a point in time by using questionnaires. This design was considered as it is suitable due to the study objectives, scope of the study, research involvement, time frame of data collection, nature of data that was gathered and the analytical techniques to be performed (Cooper & Schindler, 2008).

#### 3.3 Study Population

A population is a unit of study and is defined as the total collection of elements on which a researcher wishes to make some inferences (Cooper & Schindler, 2008). A population creates a basis from which the sample for the study is drawn from. The individuals within a specified population usually have common traits or characteristics that bind them together (Creswell, 2008). The target population of this study was drawn from undergraduate students studying at Strathmore University. The respondents selected have the information relevant in answering the research problem.

### **3.4 Sampling Design and Sample Size**

A sample is a subset of the population and represents the entire population being studied. It is used to draw inferences about that population (Cooper & Schindler, 2008). Quality research must be characterized by affordability in terms of finances, time sensitive and enough human resource and that sample sizes should not be too large or too small to be within the confidence levels of a study outcome (Mugenda & Mugenda, 2003).

The sample population was derived from students in different courses at most 5 students per class in different years and courses.

### **3.5 Data Collection Instruments**

Data collection instruments can either be questionnaires, schedules, interviews, or any available records. This research relies on structures questionnaires as the main instrument in the data collection process. The main merit of questionnaires is that they include everybody from which data/input was collected. The structured questionnaire was used as it made data collection from a larger population easier. The data collection instrument used was developed in line with the objectives with the first part containing demographic information, the second part including statements on the independent variable and the third part collected information on the dependent variable.

### **3.6 Data Collection Procedures**

A self-developed structured questionnaire was designed for the aim of collecting data. It was distributed digitally through the convenience sampling method to different students in different years undertaking different undergraduate courses at Strathmore University. The questions asked will seek to answer each of the objectives.

The first section addressed the students' gender characteristics and was tied to a question addressing whether they save more or spend more.

Section two sought to determine a student's year of study and the financial behavior prevalent during the four years.

The third section sought to assess the student's financial background and included a question addressing the course they do and if it has any direct effect on how their financial behavior as well as a question seeking to determine how they acquired financial knowledge prior to joining Strathmore University.

The final section investigated on whether the financial decision to either spend or save is influenced by peers and sought to find out if students spend more alone or in the company of their peers.

### **3.7 Data Analysis**

Descriptive analysis was used in this research which is a type of data analysis which assists to construct patterns to meet all data needs through describing or summarizing data. The data collected from questionnaires was inputted in Microsoft Excel for analysis.

Excel was the main data analysis tool where graphs were highly utilized in illustrating trends over time and a way to visualize the relationships between the variables. Furthermore, it enabled in the summarization of the data collection in a visual form.

### **3.8 Research Quality**

Reliability is a measure of the degree to which the research instruments presents consistency of results even after several trials (Saunders, Thornhill, & Lewis, 2019). Reliability relates to the consistency of a measure (Heale & Twycross, 2015). Reliability as a measure of the extent to which instruments produce reliable outcomes or data after recurring results. It establishes whether the measure can produce similar outcomes in other instances (Mugenda & Mugenda, 2003).

Validity has been described as a criterion used to determine the degree to which deductions in a study are drawn in order as to provide an accurate description or clarification of what happen (Gall, 2005). For content validity, the questionnaire was tested by subjecting it to double-check by seeking the assistance of the research supervisor and it will be determined by pre-testing to determine whether items are worded correctly to avoid misinterpretation where the instrument of data collection will then be adjusted correctly. Pre-testing will be done in order to enhance the dependency, accuracy, consistency, and adequacy of the instruments.

### **3.9 Ethical Consideration**

The data collection method through questionnaires considered took into consideration the participants' privacy and did not ask for their names or email address. Furthermore, answering the questions were their own choice and they could choose not to answer.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND FINDINGS.

#### 4.1 Introduction

This chapter captures the findings that have been collected and analyzed from the study. The chapter presents the information collected from the respondents and their analysis. The chapter is organized as follows: Section 4.1 introduces the chapter, section 4.2 contains the response rate, section 4.3 contains the reliability analysis and a table on it, section 4.4 contains the demographic information and a table that contains the gender of the respondent, section 4.5 captures total response on factors influencing the spending and saving habits of Strathmore University students section 4.5.1 contains the total response on gender and students' financial discipline, section 4.5.2 captures the total response on financial background and students' financial behavior, section 4.5.3 contains the total response on the year of study on students financial behavior, section 4.5.4 captures the total response on peer pressure on students' financial habits and section 4.6 provides a summary of the chapter.

#### 4.2 Response rate

The research sample consisted of 35 students undertaking their undergraduate studies at Strathmore university doing different courses. The 40-questionnaire given were mostly filled and returned as shown in table 4.2. The rate of response was considered satisfactory to be able to make conclusions from the study.

Table 1

Questionnaire	Frequency
Filled and returned	35
Unreturned	5
Total issued	40

50% response rate is adequate for analysis, 60% good while above 70% is excellent.

### 4.3 Reliability analysis

This study used the test-retest reliability measure which was a measure of stability. The Pearson r formula was used for this and the results are as follows:

Questions	X	Y	X <sup>2</sup>	Y <sup>2</sup>	XY
Peer influence(yes)	0.67	0.74	0.4489	0.5476	0.5092
Peer influence(no)	0.33	0.26	0.1089	0.0676	0.0858
Total	1	1	0.5578	0.6152	0.595

Numerator  
0.595-1  
-0.405

Denominator(X)  
0.5578-1  
-0.4422

Denominator(Y)  
0.6152-1  
-0.3848

Denominator  
total  
0.4125

Pearson r 0.9818

The test indicates that the variables have a very high correlation thus the research is very reliable.

#### 4.4 Demographic information

The study was keen in determining some demographic information of the respondents. The respondents were required to indicate their gender, year of study and the course being pursued. The results were then presented in the relevant sections.

##### 4.4.1 Gender

The study purposed to determine the gender of the respondents.

Table 2

Gender	Frequency
Male	16
Female	19
<b>Total</b>	<b>35</b>

##### 4.4.2 Year of study

The respondents were required to input their current year of study

Table 3

Year of study	Frequency
Year 1	8
Year 2	12
Year 3	7
Year 4	8
<b>Total</b>	<b>35</b>

##### 4.4.3 Course undertaken

The respondents were required to input the course undertaken in Strathmore University in which the graphs of the spending and saving of each course was calculated.

Table 4

course	frequency
--------	-----------

Bcom	9
international relations	6
law	5
financial economics	4
financial engineering	2
actuarial science	4
communications	4
acca	1
Total	35

#### 4.5 Factors influencing spending and saving habits of Strathmore University students

##### 4.5.1 Gender

The respondents were required to input their gender and whether they were more financially inclined to save or spend. There was a rather good balance in the gender as follows:

Gender?  
35 responses

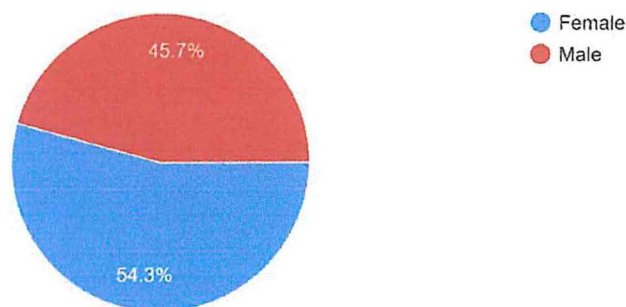


Figure 1 2

Majority of the respondents acknowledged that they are mostly spenders, and they save at rare occasions. Majority of the female turned out to be spenders at 63% while the remaining 37% of the female respondents turned out to be savers. The male respondents had a rather different shift with 53% of them turning out to be spenders while 47% are savers. Most of the respondents spent most of their money on outings with friends and parties.

Can you say you are more of a saver or a spender?  
35 responses

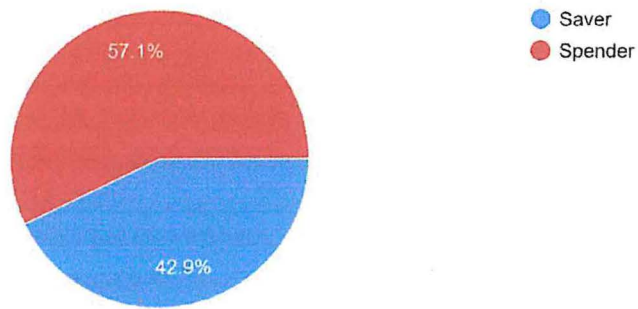


Figure 1 3

male spenders	8
male savers	7
	16

Table 5

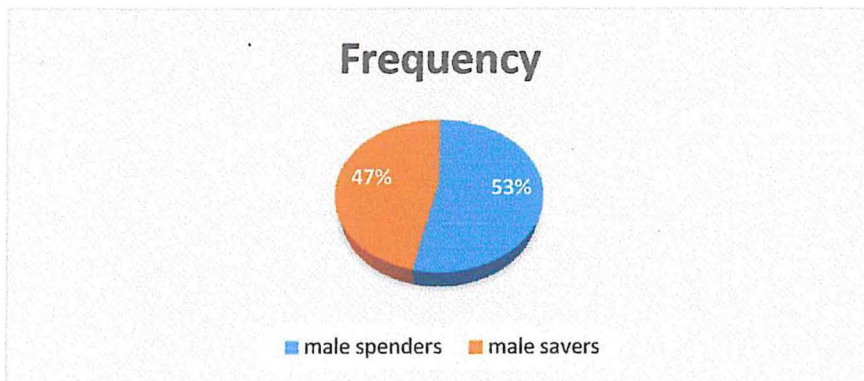


Figure 1 4

Table 6

female spenders	12
female savers	7
	19

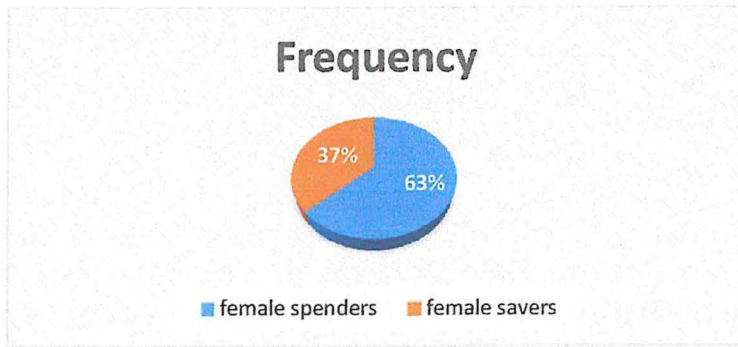


Figure 1 5

#### 4.5.2 Financial background

Do you have any informal financial literacy from birth?

35 responses

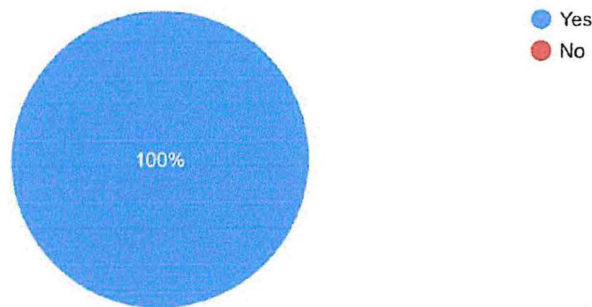


Figure 1 6

All respondents acknowledged they had early financial literature from their home setting. On further questioning, they said that majority of their earlier financial knowledge was gotten from observing their parents financial habits. Some said that observing their parents' financial behavior or even being guided by them has made them more financially conscious into their purchases, some have admitted to being more accountable in answering the question, where did my money go to?

However, some admitted that their earlier financial knowledge from their parents' is not relevant in the current day and age. Some went along and stated that their parents financial knowledge was relevant in their times, but current shifts and tech advances has made their advice obsolete and

some further stated that and I quote “one can’t conquer new seas with old boats”. This has made them seek for financial insights from financial books to as to supplement their earlier knowledge.

Was the financial knowledge from observing your parents, friends, books or video?

33 responses

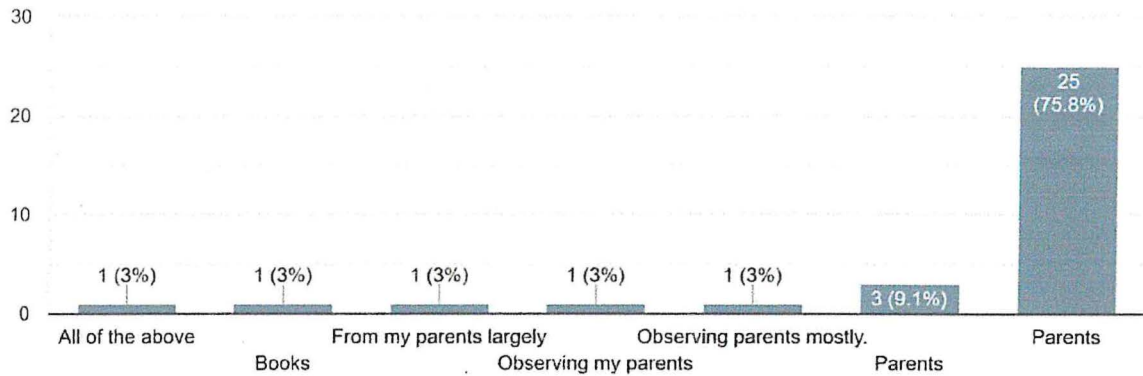


Figure 17

#### 4.5.3 Year of study

The respondents were required to input their current year of study. The year with the highest responses was year four and the least year one.

What year are you in?

35 responses

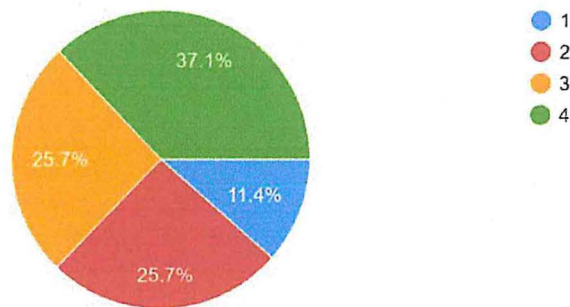


Figure 18

Moreover, 57.1% of the respondents indicated that they became more financially discipline in second year. Upon further research, it was found that the reason was due to the poor financial management they had in their first year. A majority of the students responded that their first year was their worst financially because they were new to the whole aspect of financial freedom that resulted to budgeting. Most of them weren't familiar with how to budget thus spent most of their money with friends which led them to be broke. Their first-year experience really informed their financial discipline in their second year of study.

Which study year can you say you became more financially discipline?

35 responses

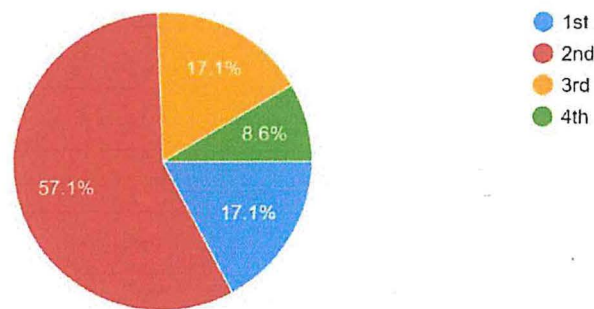


Figure 19

It was found that 67% of third and second years were more skewed towards sending their money rather than spending it and 33% saved their money. 54% of fourth years were found to be spenders while 46% were found to be savers. The first years had an equal percentage of spenders and savers at 50% each.

#### 4.5.4. Peer pressure

The respondents were asked on whether their peers influence their financial habits. Majority said that their peers have no influence over their financial behavior, and one went along and added that he/she is at a point where they are financially assertive to say no to their friends' demands in regard to their finances.

Do your peers influence your financial habits?

35 responses

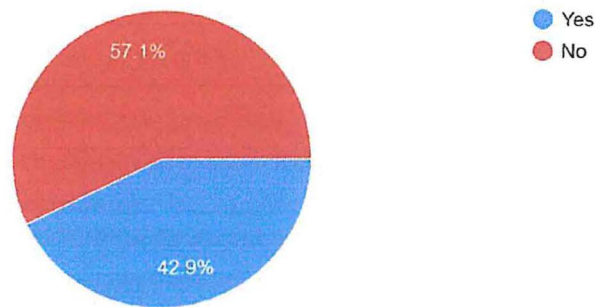


Figure 1 10

The study went further to ask them whether they spent more or saved more when with friends and 74% of the respondents admitted to spending more when they are in the company of friends while only 24% said they save more. The respondents attributed the more spending to saving to the fact that their friend circle consists majorly of outgoing people who love experiencing new things. One respondent stated he/she spends more to keep up with his/her friend group.

The respondents that saved more when with friends attributed this to having a circle of friends that mainly consists of savers thus, they influence each other to save. Some stated that they save more with friends due to the pooling together of their contribution or the division of the bill in equal proportion to relieve the overwhelming burden of paying from one or a few.

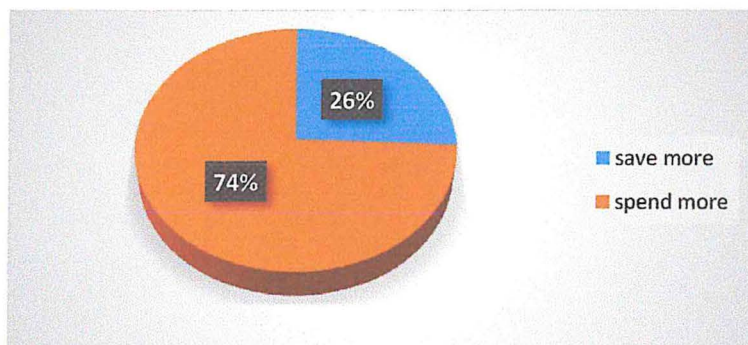


Figure 1 11

Finally, the respondents were asked whether their friends financial behavior influenced theirs. 34% of the respondents affirmed that their friends financial behavior usually rubs off on them and they find themselves imitation them on a subconscious way. This mainly happens if the said friends is very close or if they always hang out together. 14% of the respondents stated that their friends financial behavior doesn't rub off on them in any way. The remaining 52% stated that the rubbing off effect may occur but not in a material way. They claim that even if they imitated their friends, it was on very rare occasions and they were usually aware of it and counter-attacked its effects.

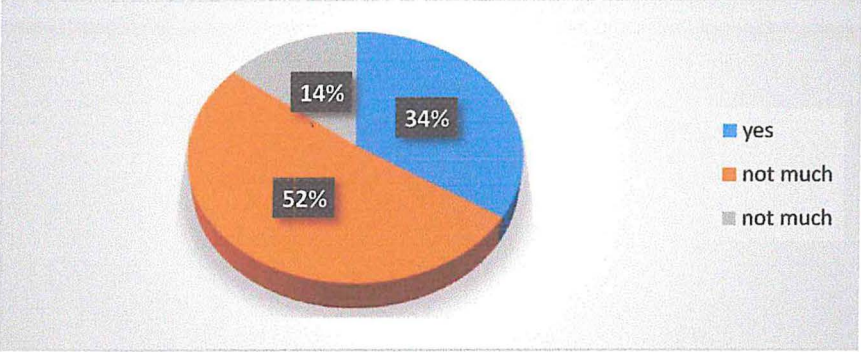


Figure 1 12

#### 4.5 Summary of the chapter

The current chapter has provided the findings and results of the study's objectives. The chapter contains pie charts and bar graphs in the analysis of the respondents input since most of the data collection was qualitative. The next chapter provides a discussion of the results, recommendations, and conclusions.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

The study was done to determine the factors influencing the spending and saving habits of Strathmore University Students. The study was guided by four independent variables: gender, financial literacy, year of study and peer pressure. The chapter is organized as follows: Section 5.1 introduces the chapter; section 5.2 gives a summary of the study based on the study's objectives, section 5.3 gives the conclusion of the study and section 5.4 contains recommendations for future studies.

#### 5.2 Summary of the study

##### 5.2.1 Gender

From the previous chapter's finding, majority of the respondents who filled out the questionnaire turned out to be females (54.3%) in comparison to the male students who turned out to be 45.7%. This could be due to the compassionate nature of females and their need to help out their friends. There was also a significant relationship between gender and the students' financial behavior as most female respondents spent more than saved as compared to their male classmates.

The study shows that majority of the students that took part in the survey were male students (66.3%) as compared to the female students who made up only 33.7% of the students' participants. This could possibly be an indication that majority of the students within Makerere University are male students. There was also a significant relationship between gender and students, spending behavior (Rebecca, 2019). As the study demonstrates, women were much better planners and budgeters than males (Matthew, Amy, Kevin, & Jessica).

##### 5.2.2 Financial background

Although all the respondents responded to having at least some financial background from observing their parents or from being taught by them not all agreed that that early financial knowledge has helped them in any sort. Most confirmed how their early financial knowledge has shaped their financial behaviors but a few of the respondents accused the obsolescence of their parents financial knowledge stating that times have changed thus they seek knowledge from current day and age books.

The variables of students' financial knowledge were correlated against those of spending behavior, and it was found that there was a no relationship between them. This implies that students' acquisition of financial knowledge does not have an impact on how their spending behavior (Rebecca, 2019). Conclusive evidence presents the fact that family financial background is a strong determinant of certain spending patterns.

### **5.2.3 Year of study**

Majority of the respondents turned out to be in their fourth year (37.1% with a tie of the second and third years (25.7%) and finally the first years (11.4%). 57.1% of the respondents stated that they became better at managing their finances in their second year due to the mistakes they made in their first years. Most claimed that their financial immaturity in the aspect of financial freedom caused them to make more financial mistakes in their first year of campus thus informing their second-year wisdom.

Furthermore, students in their first year of study were found to be spending more compared to other students, followed by those in their final year. This can be due to the fact that first years have just entered stage of financial independence while fourth years have different sources of finances which can serve as a supplement to the money given by their parents (Akelo, Mbunzi, & Ngari, 2019).

### **5.2.4 Peer pressure**

57.1% of the respondents affirmed the effects their peers have in their spending and saving habits either directly or indirectly. Most of the respondents stated that the more time they spent around friends who spend more, they most likely began spending more and when they hanged around friends who were more of savers, they tended to imitate that aspect of them either subconsciously or consciously.

Previous studies done indicate increase in savings among individuals because of peer influence (Homan, 2016). A study indicated that in as much as parents or guardians have formed positive financial behavior in their children, often, peer influence angle still is existence in an individual's savings behavior (Zaihan, 2016). This influence is attributed to the association in spending exercises during peer's social time and exchanging ideas on financial behavior among peers (Zaihan, 2016).

### **5.3 Conclusions**

The study revealed that various factors have a great impact on the spending and saving habits of students. Some of the effects may be positive but there are some effects that are negative. Demographic factors such as age were seen to have a material influence in the students' financial behavior with more female being spenders rather than savers while their male classmates appeared to almost have a balance. Social factors such as peer influence were also seen to have an impact on their financial habits with students spending more with friends than they save.

The study also found out that a student's financial background affected the financial behavior but to a certain point where the effectiveness of early financial literacy stops being effective. This is because of the generation differences that have been made even wider with the new technological trends, fintech or obsolescence of financial knowledge. This has made the current generation to seek financial knowledge from books, some google and others their peers.

### **5.4 Limitations of the study**

The main limitation of the study was the limited research done in the area locally. Most of the research done in the area came from countries that were outside Kenya and Africa which proved challenging due to the differences in culture.

### **5.5 Recommendations for future research**

The study was concentrated in the capital city of Kenya, Nairobi, which advanced in terms of internet speed as compared to rural areas in Kenya. Furthermore, Nairobi has financial resources for students to learn from that are within reach. Future research may want to determine whether students who live in Nairobi rather than other parts of the country are more financially knowledgeable as compared to students from other geographical locations.

Furthermore, the study was conducted in Strathmore University which tends to be a private school with adequate resources thus ease of access to knowledge. Future studies should be conducted in public schools around the country to form their own conclusions.

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## APPENDIX

### QUESTIONNAIRE

#### Section 1: Gender

a) Kindly indicate your gender

Female

Male

b) Can you say you are more of a saver or spender?

Save

Spend

c) What percentage of your money do you spend

---

#### Section 2: Year of study

a) What year are you in?

1

2

3

4

b) Which study year say you say you became more financially discipline?

1st

2<sup>nd</sup>

3<sup>rd</sup>

4<sup>th</sup>

- c) Which year can you say you struggled financially due to poor financial planning and what happened?

\_\_\_\_\_

**Section 3: Financial background**

- a) Do you have any informal financial literacy from birth?

Yes

No

- b) Was the financial knowledge from observing your parents, friends, or books?

\_\_\_\_\_

- c) Has your early financial knowledge influenced your current financial behavior?(can you explain)

\_\_\_\_\_

**Section four: Peer pressure**

- a) Do your peers influence your financial habits?

Yes

No

- b) Cn you say you save more or spend more in the company of your friends? (kindly explain)

\_\_\_\_\_

- c) Do your friends' financial behavior influence yours in any way?

\_\_\_\_\_

# PLAGIARISM REPORT





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