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A Quantitative Study on Expenditure Behavior among Public and Private University Students in Malaysia

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Abstract: The principal point of this study is to examine the relationship between the spending pattern and consumer behavior, especially as it relates to income and financial literacy, among public and private university students in Malaysia. This study adopts Keynes's Psychological Law of Consumption theory. The foremost objective of this theoretical paper was to determine whether there is any difference in spending patterns among public and private university students and the association between parental incomes and spending behavior among public and private university students, as well as to examine the relationship between financial literacy and spending behavior among public and private university students. In addition, this study seeks to determine how well students comprehend the idea of needs and desires. The association between students' degree of financial literacy as well as their income and their spending habits will next be examined using the data. The link between endogenous and exogenous variables will be determined over both the long and short terms using the Statistical Package for the Social Sciences (SPSS) version 23. The study includes the findings from earlier investigations. The study contributed to a new understanding for the researcher of financial behavior under the categories of needs and wants which outline the importance of financial literacy, parents' income, and demographic factors. The study also contributes to a new idea for policymakers: adapt financial literacy programs among parents and children.

Keywords: *Cost of living, Income, Financial Literacy, Spending Behaviour, Keynes's Psychological Law of Consumptions theory.*

1. Introduction

Most individuals regularly spend money. Economics is a term used to refer to spending as consumption, which comes from the word *consume* (Jalil, Yusof, Rambeli, Samsudin, & Zakariya, 2015). Spending is the process of transferring money into an item or service that a person wants or needs, which might take the shape of either (Petpairote, 2023). To mention a few, these include items like clothing, food, housing, and transportation. Due to several factors, how people spend differs. Age, parental income, gender, origin, family history, personality, and many other variables affect it. Spending is the most crucial activity that most people tend to do every day. From the economic point of view, this is known as the concept of paying attention to the behavior of the consumer which is the utility of consumer behavior theory. The behavior of spending differs due to various factors where social and demographic changes can have main implications too. Looking at the word *consum*e, factors of needs and wants can make their behavior during spending be affected. This is where every person wants to satisfy their need which has become part and parcel of human life.

Students are a vital part of the human capital that shapes the future of our nation. Therefore, it is important to impart useful knowledge and skills to students so that they can use their knowledge and abilities to benefit society. Understanding how to manage and use money is among the crucial information and abilities that a student needed to possess. These financial competencies are crucial for improving our social standing in the modern world. The art and science of financial management require a variety of abilities to accomplish organizational and personal accounting goals (Kassim, Tamsir, Azim, Mohamed, & Nordin, 2018). A basic comprehension of financial principles is referred to as financial literacy. Life skills are now widely regarded as crucial since customers must be able to discriminate between various goods, services, and financial product providers to properly manage their finances. Everyone must make financial judgments daily about costs and savings. Understanding how to effectively handle money is a vital life skill that is mandatory in many facets of everyday life.

Problem Statement: Money is a necessity in our daily lives. It can help run our daily affairs as well as meet our needs and wants. Money is also an important element for us to achieve our life goals. However, financial management and spending patterns are very important to ensure that money is spent wisely so that we do not face the problem of money shortages. This is a problem that students frequently encounter, whether they attend public or private institutions of higher learning (IPTA or IPTS), particularly during the COVID-19 epidemic (Seman & Ahmad, 2017). In today's world, the younger generation has been too reckless in spending money wisely. This is visibly seen once they enter tertiary education, where they are outside of their parent's supervision. Once this happens, they tend to overspend the money given to them by their parents, as there is no one to monitor their spending. As the living cost has surged day by day, it has exaggerated the money movement among tertiary education scholars (Falahati & Paim , 2011). Most university students tend to have insufficient money to continue their living expenses after paying their tuition fee throughout their semester. It shows that they not only depend on their education loan but also need to ask for extra support from their family. Students need to spend their money wisely to survive throughout their semesters. Nevertheless, financial management and spending patterns are very important for making sure money is spent wisely so that we do not run into problems with a scarcity of money.

This is a problem that students frequently encounter, whether they attend public or private higher education institutions (IPTA) (IPTS). A few of these scholars get monetary resources through Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) and other subsidies. (Seman & Ahmad, 2017). Several researchers that evaluated the spending patterns of university students concluded that their top two expenses were meals and tuition. However, there is a gap where there are no measurements done on the expenditure behavior between the public and private universities in Malaysia. This is a thorough look at the expenditure behavior of the students and how they manage their budget effectively. Scholars will also examine whether financial knowledge has a substantial influence on money organization between Malaysian public and private universities (Lyn & Sahid, 2021). As a result, the problem that must be examined in this study has to do with how students spend their money. Their needs as students are to provide for their necessities like food, housing, transportation, notes, and educational materials. These needs must be satisfied to ensure that their academic process runs smoothly and without financial restrictions, whether they are aware of excellent money management, which is knowledgeable and distinct in identifying their demands as students.

Spending Pattern: Spending patterns are how an individual spends money (Md. Sapir & Wan Ahmad, 2020) Individual expense planning is necessary to understand society to achieve the goal of improving one's quality of life. A wise spending pattern is when an individual prioritizes basic needs before fulfilling wants. As a student, according to (Nizad, Yakob, Hafizuddin-Syah, & Baharin, 2018), necessities are necessary items for life such as shelter, food, clothing, and necessities for learning such as notes and transport. While the will is the stuff, the individual may lack or not have it, and it has no impact, which is great for his daily life like dining in a fancy restaurant, paying phone bills, and buying designer clothes. Student expenses in educational institutions can be divided into two categories: the cost of education and the cost of living. The cost of living includes the cost of food, shelter, clothing, and other necessities, while the cost of education is comprised of tuition fees, textbooks, and usage facilities at the place of study. Malaysia's Ministry of Higher Education oversees higher education in the country (MOHE). It has been separated into two categories: public and private institutions (Seman & Ahmad, 2017). Universities, polytechnics, community colleges, and teacher education programs are all examples of public educational institutions.

For their operations, research, and development, Malaysian public educational institutions are reliant on government or state financing. Private universities, private university colleges, foreign university branch campuses, and private colleges are all examples of private institutions. Being independent, undergraduates tend to face an inability to manage their finances. This is where their spending patterns tend to deviate due to their thoughts and feelings (Hartono, 2022). A recent study shows that, if examined, married individuals had different spending patterns compared to unmarried individuals. Married individuals concentrate more on needs, while unmarried individuals focus more on luxuries such as car ownership, credit cards, etc. When people tend to spend, it is important to understand their needs and choices. People on a large scale choose to spend more on entertainment, food and drinks, education, as well as leisure activities. Recent studies by (Ismail, Amran, & Yusof, 2022) show that during the Covid-19 pandemic, food and transportation had the most influence on spending patterns, while entertainment had no influence. According to (Hartono, 2022), a student has no source of income and may not get their parents' allowance on time, run out of pocket money, or encounter other unanticipated expenses. While they are unable to budget themselves, students should be able to manage their funds instead of making unnecessary purchases.

Income and Spending Behavior: Under his Psychological Law of Consumptions concept, Keynes theorized that individuals typically spend more as their wealth rises. Nonetheless, there was also some spending and saving as a result of the rise in income. This study used Keynes' Psychological Law of Consumption theory to examine the connection between income and spending patterns (Jalil, Yusof, Rambeli, Samsudin, & Zakariya, 2015). The life-cycle theory, the prospect theory, and the consumer socialization theory are the three dominant theories featured in the study by Xiao, Ford, and Kim (Consumer Financial Behavior: An Interdisciplinary Overview of Selected Theories and Research, 2011) has concentrated. The most popular theory in economics, which addresses issues like consumption and saving behavior, is the life-cycle theory. The hypothesis evolved. Socialization is where a person learns values and norms that give a pattern to the society to which he belongs. According to the social learning theory, children learn their economic concepts from their parents' socialization throughout their life cycle. They learn their parent's behavior, which helps them understand consumer socialization.

Their parent's financial practice then develops the child's consumer attitude, knowledge, and behavior (Falahati & Paim, 2011). Taking self-control ability as one of the factors influencing a student's financial behavior, this includes being able to identify and control emotions as well as the desire to spend. Some students get funding from their parents or third parties, and this allows them to make their own spending decisions (Ida, Haizal, Noor, & Aizi, 2020). This leads to an increase in purchasing power among students. It is possible that expenses could exceed total earnings without parental control. Budget is a very important topic in all walks of life at the national level. The budget presented each year is intended to provide information to the public on total revenue and expenditure as well as financial planning for the following year (Kassim, Tamsir, Azim, Mohamed, & Nordin, 2018). For the university student, the budget should also be provided as a mechanism for measuring the implementation of financial planning and smooth cash flow. The budget serves as a yardstick for lifestyle based on ability.

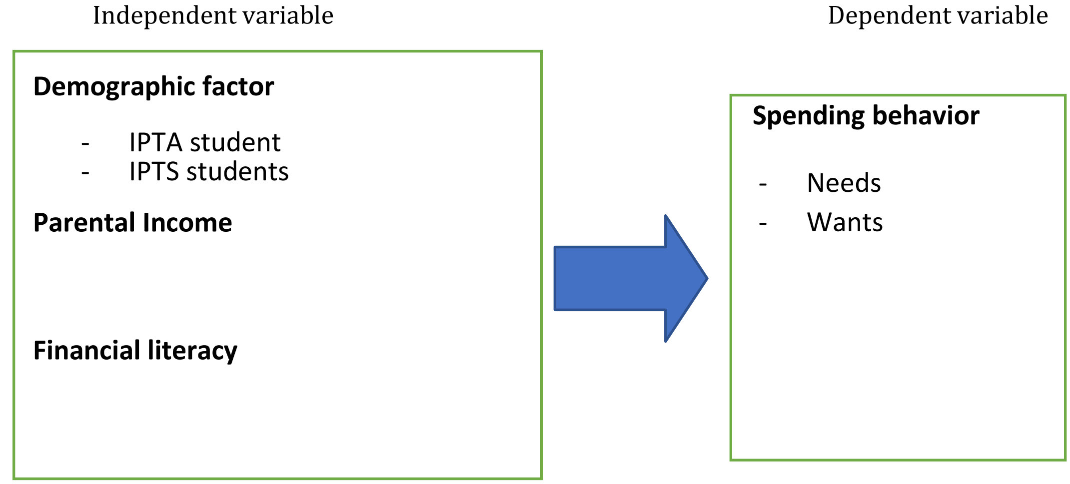
2. Financial Literacy

Basic knowledge of financial principles is known as financial literacy. It has been discovered that financial literacy is positively connected with people's propensity to save money. Knowledge of both fundamental and complex financial concepts, such as how to calculate interest rates, inflation rates, percentages, stock prices, and unit trusts, is referred to as financial literacy (Kenayathulla, Nair, Rahman, & Radzi, 2020). It is now globally recognized as an essential life skill as consumers must be able to differentiate between various products, services, and providers of financial products to manage their finances successfully. Everyone wants to make regular monetary choices about expenditures and investments (Ida, Haizal, Noor, & Aizi, 2020). Understanding how students can manage money well is a very important life skill and is needed in all aspects of daily life. According to Zahari & Wahid (2020), being literate in economics is very important for all humans as it involves their financial management. When they have a better understanding, they can manage and make decisions about their finances. The study Zahari & Wahid (2020) introduces those students who are literate in finance management and tend to have a good life despite the rise in living costs.

This is specifically focused on tertiary education student who needs to improve their financial management with financial support from education loans and parents. Financial literacy can have a significant impact on a person's financial behavior, according to a prior study. Debt problems are more likely to affect people with poor levels of financial literacy (Zahari & Wahid, 2020). Financially knowledgeable persons are more likely to recognize the ideal level of debt, have less debt, and make better credit decisions. This indicates that a lack of financial literacy causes a person to spend excessively to the point of running out of money at the end of the semester. If students fail to manage the given funding sources, they must do part-time work to earn money. According to (Hartono, 2022), financial literacy is the main concept to enable saving behavior. However, several factors influence saving behavior, which are parent socialization, peer influence, and self-control. Hartono also added that his study had given provided new underlying data on the financial literacy that affects the saving behavior of students.

Conceptual Framework: The conceptual framework in Figure 1 shows the direction of the relationship. In this study, the dependent variables are the spending behavior between needs and want. While the independent variables are demographic factors, parental income and financial literacy.

Figure 1: Conceptual Framework



Research Objective: The objective of this study is to attain; -

(i) To determine whether is there any difference in the spending pattern between public and private university students

(ii) Identify the relationship between parental income and spending behavior among the public and private university students

(iii) To examine the relationship between financial literacy and spending behavior between public and private university students

Research Question

(i) Is there any difference in the spending pattern between public and private university students?

(ii) How is the relationship between parental income and spending behavior among public and private university students?

(iii) Is there a significant relationship between financial literacy and spending behavior among students at public and private universities?

Research Hypothesis

i) H0: There is no difference in spending patterns between public and private university students.

H1: There is a difference in spending habits between public and private university students.

ii) H0: There is no relationship between parental income and spending behavior among the public and private university students

H1: There is a relationship between income and spending behavior among the public and private university students

iii) H0: There is no significant relationship between financial literacy and spending behavior between public and private university students

H1: There is a significant relationship between financial literacy and spending behavior between public and private university students.

3. Methodology

A quantitative method is used to analyze data using statistical analysis. A larger sample population will be summarized using quantitative research. In the quantitative study, two independent factors that are anticipated to affect students' spending behavior are their demographics, parental income, and financial literacy. For the student population, the researcher employed convenience sampling and random sampling. Various courses and levels of study were given different survey questions. Convenience sampling was used to choose the samples. An ideal probability sampling method would broaden the applicability of the findings. An analysis was performed to ascertain the validity and dependability of the questionnaires that were examined. The questionnaire comprised three sections: Section A asks questions about demographic data. Section B asks questions about independent variables, and Section C asks questions about our dependent variable. The demographic information of the respondents was requested in the final part, Section A. Questions on the respondents' gender, age, ethnicity, current academic year, department of study, parents' total income, and other information are included in this section. The two elements that influence college students' spending patterns are measured in Section B.

These two elements include parental income and financial management knowledge. This section uses a five-point Likert scale to allow respondents to select their preferred response. The questions in Section C are intended to elicit responses, ideas, and perspectives on consumer behavior among university students. This segment utilizes the Likert scale. Before the questionnaire is published, a pilot test is conducted to test its reliability and understandability. Users of econometric analysis commonly use the implicit assumption that the classical assumptions, i.e., mean and variance values stay constant and independent throughout time to estimate these long-run relationships. However, empirical studies have shown that consistent mean and variance values do not typically occur for time series data. Due to this, conventional tests like the t-test and F-test presumptively reject constant mean and variance values.

4. Study Findings

Previous Study: Shahryar & Tan (2014) studied the expenditure pattern of Malaysian undergraduates from a Malaysian university. This is where the skill, especially in money management, came in when they explored the influence of money management in their lives. The methods used were qualitative and quantitative, whereas in qualitative the author wrote based on his or her experience and observation working with different types of colleagues. In the qualitative method, two independent variables were established, which were the student's attitudes and demography. This is because these variables had a high influence on the student's spending behavior. The finding showed that expense planning was determined as a dependent variable and expenses on phones, transportation, items related to study, entertainment, rental, and fashion were classified as independent variables. The level of significance was set at p=0.05 using multiple regression analysis and the r-square is 24.6%. This showed that 24.6% of the dependent variable could be explained using the independent variable, whereas the rest (75.4%) could be explained by another dependent variable which was not analyzed in this survey. On the t-test, each independent variable was not significant for the dependent variable as it was more than 5%. The finding also showed that most students spent more time on their phones, as the most significant F-test was 0.312%. A finding by Manju (2016) which indicated that most students preferred to spend more money on excursions, meals, and digital life than on books and savings has been used to justify this.

Most students relied on their parents as well, but only half of them made a budget. At least 90% of people set spending limits based on their income. The study also demonstrated that female students saved more frequently than male students did. The earlier study by Esmail Alekam, Madya Salniza, and Sany Sanuri (2018), which acknowledged that family, parents, and peers had the most effect on financial literacy, might be used to corroborate the findings of this study. The findings demonstrated that behavior and financial literacy had a favorable connection, with = 0.38; t = 8.81; p < 0.001; a relationship between family or parental and financial literacy with = 0.15; t = 3.48; p < 0.001; and a relationship between peer influence and financial literacy with =0.18; t = 4.69; p <0.001. As the results indicate, all hypotheses were accepted as the t-value was greater than 1.96. Therefore, when examined by (Kenayathulla, Nair, Rahman, & Radzi, 2020) it was demonstrated that the monetary illiterateness level among undergraduates was higher than their financial attitudes, which remained at a moderate level. This study has created a new perspective on looking at financial literacy through the branches of knowledge, behavior, and attitude. The key term in behavioral finance in the philosophy of self-control is known as present bias, according to Xiao and Porto (2019). The findings show that it is associated with saving practices, unwanted expenditures, and lending. It can be seen from the results of F value = 140.816, p < 0.001, and a value of R^2 = 0.410. As 41.0% of the economy is literate, this affects the student's financial behavior.

Table 1: Summary of Articles Included in Study Findings

Title / Author / Year	Theory / Model	Methodology	Year	Variables	Results
Spending Behaviour of a Case of Asian University Students. (Shahryar & Tan , 2014)	Spending behavior	Ordinary Least Square Regression (OLS)	2013	Financial Literacy, Background, Financial Awareness, Attitude, Family	Data study reveals that the majority of students do not have the right money management skills in practice.
Trends in Spending and Money Management Practices among Students of Kerala. (Manju, 2016)	Spending Pattern	Simple Percentage Analysis	2016	Budget To Limit Spending, Savings And Investments, Management Of Personal Finance	The report shows that students spend more money on fast food, pleasure excursions, and internet activities than on books, savings, etc. Most children rely on their parents to see them through each day. Only half of them budget, yet more than 90% of them keep their spending within their means. Compared to male students, female students are more adept at saving money.
The effect of family, peer, behavior, saving and spending behavior on financial literacy among young generations. International Journal of Organizational Leadership. (Esmail Alekam, Madya Salniza, & Sany Sanuri, 2018)	Financial Socialization On Conceptual Model, Social Capital Theory	Partial Least Squares Structural Equation Modelling (PLS-SEM)	2018	Financial Literacy, Behavior, Family/Parental Factors, Peer Influence	The results demonstrated a substantial relationship between Family/Parental and Peer Influence on Financial Literacy. This study, therefore, suggests that increasing the degree of financial literacy through the implementation of various financial education programs is relevant to the general public, academic and university administrations, government, and financial advisors. In the end, this research is regarded as one of those that have advanced concerns about financial literacy in the literature.
Financial literacy of undergraduate students in selected Malaysian higher education institutions: a way forward to a policy recommendation. (Kenayathulla,	Iceberg Model for Competency	Descriptive And Inferential Statistics	2020	Financial Knowledge, Attitudes, Behavior	These undergraduate students show a high degree of financial understanding and behavior, according to the data. They still have a reasonable financial mindset, though. Additionally, the findings show that students' financial literacy is not influenced by their gender or socioeconomic background.

Nair, Rahman, & Radzi, 2020)					This study offers policymakers and related organizations new information on the necessary steps to secure the financial security of future generations.
Present bias and financial behavior. (Xiao & Porto, 2019)	Theory of Self-Control	Ordinary Least Square Regression (OLS)	2019	Spending, Borrowing, Saving, Money Management	Results using data from a nationwide urban sample in China reveal that some behavioral patterns support the theory's predictions that customers who are biased in favor of the present are more likely to spend money now and less likely to save it for the future. The findings help academics better comprehend this crucial idea and have ramifications for future studies on the present bias. The findings will help financial planners provide their clients with better service.

5. Conclusion

This study overall has demonstrated that financial literacy is a significant factor in determining how much a person saves. However, it is just a preliminary finding from this exploratory research that implies that the government should strengthen efforts to promote financial literacy through fundamental teaching programs about financial concerns if it wants to raise saving among families. As stated by Perbadanan Insurans Deposit Malaysia (PIDM) in 2022, there are some notable programs on enhancing financial literacy, such as BNM's Train-the-Trainers (TTT) and AKPK's Customized Financial Solution Programme (Employee Wellness Programme) (Perbadanan Insurans Deposit Malaysia (PIDM), 2022). There are also UNCDF programs combined with other programs to support counseling and advisory services about financial literacy. This should raise awareness among parents, relatives, and students about the need to establish sound financial practices at home, particularly at the proper age when kids are prepared to learn about financial matters.

Second, social organizations like mosques and churches may promote financial literacy. Parents, educators, and university professors should all push students to develop sound financial habits and learn how to handle their money. An efficient strategy to teach pupils to become responsible and wise consumers would seem to be to provide them with a rudimentary understanding of personal finance through the educational system. Third, the study's most eye-opening findings and those that are most consistent with earlier research are that perceived financial well-being may be raised through finance knowledge. In other words, financial education should be made accessible to all school-age children, college students, and parents to assure financial well-being.

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