

The Psychology of Spending and Saving Among College Students

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Abstract

In our research paper, the study on psychology of spending and saving among college students. We believe that savings are very important not only for individual financial stability but also for the economic growth of our country. Nowadays college students face many financial challenges such as increasing education costs, easy access to digital payments, and growing social influence. Because of these factors, understanding how students manage their money has become very important. Through this study, we try to understand why students spend money, how they save, and what psychological factors influence their financial decisions. For our research, we collected responses from 102 students, mainly from the age group of 19–21 years. We found that most students depend on their parents or family as their main source of income, while a small percentage earn through part-time jobs. The majority of students spend money on personal and necessary expenses, but some also spend it on shopping and entertainment. At the same time, many students try to save money for future needs, emergencies, or specific goals. This shows that students are aware of the importance of saving, even though they sometimes struggle to control their spending. We also observed that psychological factors such as emotions, peer influence, habits, and financial literacy play a major role in spending behaviour. Most students said that they spend by their own choice, but many accepted that they sometimes feel guilty after making impulsive purchases. It is encouraging to see that many students avoid credit and “Buy Now, Pay Later” options. However, digital payments and online offers still make spending easier and more tempting. Overall, our study highlights the importance of financial literacy and self-control in developing good financial habits among college students. We believe that if students develop saving habits during their college years, it will help them achieve financial independence and reduce future financial stress. This research emphasizes the need for better financial education programs to guide students toward responsible spending and long-term financial security.

Introduction

Saving is a backbone of our country, and it plays an important role for economic growth. College students in India are dealing with a tough financial situation. Education cost are rising, credit is easily available and how people manage money is changing so it's important to understand how student's handle their finance. Constant act of Saving is very important to the financial Independence (of saving) and stability. Saving has therefore, become indispensable in the life of college students who strive to achieve personal financial Independence. How they spend, save, and money is influenced by their thoughts, friends and family. This study wants to explore these reasons to find ways to help students manage money better. Students often work part-time Jobs or receive allowances from their parent's to cover educational expenses. However, it is crucial for students to spend money wisely due to expensive

materials and fees which helps to take decisions to save or invest money for future goals. The consequences of poor financial management can be severe, ranging from high interest debt cycle to compromised mental health and limited career choices.

The findings of this study can inform financial education programs counseling. Services and policy interventions, ultimately contributing to the financial stability and prosperity of young adults in India. The increasing availability of digital payment methods and the growing influence of social media on spending decisions further complicate the financial environment for students. These decisions are not driven solely by income or financial knowledge, rather they are strongly influenced by psychological factors such as attitudes, beliefs, emotions, social pressures etc, at the same time students are exposed to a highly consumer - oriented environment that promotes instant gratification through online shopping, digital payments, credit facilities and social media influence. Which means that financial illiteracy can travel a long way through the youthful stages to the retirement stages of an individual. It is a driving force in the life of an individual. Even through habit of formation is not easy act, once the habit of saving is formed it affects one's saving ability because habit formation improves a person's perception and intention towards saving. Once the habit is formed it affects income changes and discounted value of further income changes. This study shows the various savings and spending avenues for college students.

An individual's financial literacy level is his/her ability to make informed judgement and to take effective actions regarding the current and future use and management of money. Students saving accounts are one tool with the potential to encourage both development and financial inclusion possibly ever in a financial sustainable way. Research indicates a strong correlation between financial literacy and responsible money management with many students lacking formal training. Consequently understanding their financial habits is essential to promote long term economic stability and reducing financial stress. Financial literacy in the area of saving is therefore; paramount as the financial industry is ever - evolving with innovative products. The major challenges that student face is the difficult to budget their expenses and save a promotional amount every month for contingent event. There is a vast different in the spending behaviour of student of our country as the system to free the younger population at an early age is different from the west.

Higher family income can contribute majorly to a good academy performance of the students but lower family income should not be an excessive for poor performance with the technology revolution and advancement in India startups have adopted their budgeting and spending habits accordingly. This study addresses the question of why, where, and how college students spend their money. The age group of 15 to 25 years is that part of the society which is immortalized in advertisements. The west depicts student has financially and emotionally free but in India the case is not the same despite being financial dependent on the parents still about an age of 15 to 25 years. There is a radical difference observe is the spending behaviour of the students of our country.

Many students priority short term desire over long term financial security which can negatively impact their future financial health moreover financial literacy is often not a part of formal education living students are unprepared to handle real world financial challenges. Developing saving habit during college is crucial in helping students established financial discipline and ensure economic stability. The study helps the Undertaken to analyses the saving and spending habit of college students. The main reason behind the study is the college students saving habit is declining spend more than their income. This race search highlights the growing needs for financial education to help student transition from

impulsive high spending life style's towards sustainable long term savings and financial independence.

Keywords: College students, Spending, Saving

Objectives

1. To understand the spending habits of college students.
2. To examine the saving behavior of college students.
3. To study the relationship between financial literacy, income sources (allowances/part-time jobs), and saving habits among college students.
4. To examine the psychological factors (such as attitudes, beliefs, emotions, peer influence, and family influence) that affect spending and saving behavior among college students.

Review of literature

1. **James A, Roberts, Eli Jones** (2001) In this we are knowing about the students attitudes towards money and credit card usage influence compulsive buying behavior among American collage students. Seeing money as a symbol of status, success, and influence. A major finding is the of credit cards. Credit cards reduce the "Pain of paying" because money is not immediately cost. It surveyed 406 collage students using psychological and consumer behavior scales. About 9% of students were identified as compulsive buyers it leads to high debt. Mental stress, relationship problems for solving this we need financial literary programs and student should be educated about responsibility credit card usage. The parents and teacher should educate them.
2. **Norasibah Abdul Jalil, Norimah Rambeli, Asmawi Hashim, Emilda Hashim, Normala Zulkifli** (2020) In this we are seeing how university students manages there Income, Spending, Savings. This research was conducted on 301 university students by using online questionnaire the data analyzed using SPSS software. In this we find that most students depend on government loans and parents as there main source of Income and some small number of students are earning money from part time jobs and scholarships. Looking at the spending habits the highest expenses was spendened on food, beverages and accommodation and they are spending on non-essential items like entertainment, clothing and personal goods. The average earning PM 539.70 spending 893.25 per month and saving level is negative. The 53.5% student's say that saving money in reality they are face financial difficulty due to high level cost.
3. **Mohd Rahim Ariffin, Zunaidah Sulong, Amalina Abdullah** (2017) The study shows that students have a moderate level of financial literacy. Saving behaviour, parental guidance, and peer influence positivity affect financial knowledge, while low self - control leads to poor money management. Money students are willing to save, but they often focus on short - term spending instead of proper budgeting and long - term planning. Financial literacy helps in managing expenses avoiding debt, and building a secure future. Students need more knowledge about personal financial management and recommend activities to encourage better saving habits and to have control in spending.
4. **Hanlu Ling** (2021) This study says about the saving behaviour of university students in Guangdong province and the factors like financial literacy, parental influence, peer influence, and self - restraint. Through questionnaires the results show that all four factors have a positive relationship with saving behaviour, with financial literacy having the strongest impact. Saving is an important part of wealth management. It helps in individual financial security and national economic growth. The study focuses

on saving habits which are shaped more by personal knowledge, family guidance, social environment and self-discipline. The research concludes that the influence of parents, peers, and self - control can help students develop better saving habits.

This helps students, universities and other institutions promote financial awareness and responsible money management.

5. Phylis M. Mansfield, Mary Beth Pinto, Diane H. Parente (2003) This study assessed the relationship between self - control and credit card use with a sample of 165 college students of whom 69 (42%) were woman. Students self control was measured on self control scale which has 6 Subscales, one of which is

impulsivity. Comparisons were made between those students who paid their cards off each month, called convenience users, and those who carried a monthly balance forward. Results showed the convenience users had significantly higher control ones a self control and lower impulsivity than students which carry their monthly balance forward. Additionally, the study suggests student who carried their balance usually had more credit cards then Convenience users.

6. Samantha Villanueva Skidmore College (2016) This paper analyzes spending and saving behaviour among students of various class years, gender, ethnicities at skidmore college using data collected from an original survey. This models incorporates both demographic characteristics as well as currently economic theory. Results indicate that whites and Asians spend significantly more than other ethnicities while blacks save significantly more. Findings also provide support for the permanent income hypothesis however no significance was found regarding hyperbolic discounting.

7. J. T. C. Bona (2018) In this found that many young adults lack of financial literacy, leading to poor spending habits and financial instability only 38% received formal financial education and 32% feel not very confident about managing finances. Finance literacy is about understanding how to manage money effectively. It's crucial for young adults as it helps them to make informed decisions, avoids debts and build a secure future which helps to achieve financial stability and security schools, and communities can play a role in providing practical financial literacy programs.

8. Amer Azlan Abdul Jamal, Wijaya Kamal Ramlan, Rosle Mohidin, Zaiton Osman (2016) Saving money is important for individuals and the economy. Eg In Malaysia, many young adults are struggling with debt and not saving are enough for retirement. Financial literacy has a significant impact on savings behavior where as family and peer groups influence also plays a role in shaping savings habits. Self - control Is control is important for making smart financial decisions. As young adults are they are spending too much and saving too little. By understanding these factors which helps young adults develop healthy saving habits and secure their financial futures. In short individual savings will not only benefit household but also the entire nation. Therefore it is important to have the knowledge on factors influencing individuals saving behaviors as it also helps in maintaining economic growth.

9. K.Tharanika & Anthony Andrew (2017) Saving habits of university students depend on many small things. Money student get from parents, scholarship, or part time jobs affects how much they can save. Students who know how to manage money and make a small budget can save better. When friends spend more, student also spend more. Daily expenses like food, travel, mobile recharge and entertainment reduce savings. Students who think about the future, such as education fees or emergencies try to save some money - self control and avoiding unnecessary spending also help students save more.

10. Kristi Leclerc (2012) College students spending habits are affected by many everyday reasons

friends and social life can make students spend money on outings, food and entertainment. Attractive offers, discounts, and online shopping tempt students to buy things. Some students get pocket money or irregular income. So they do not plan a proper budget because of these reasons students may use credit cards more slowly fall into debt. Many students do not know much about managing money and increase unnecessary spending because of this, students may use credit cards.

11. Kaitlin Karlson (2013) College students struggle with financial stability post-graduation. They over estimate future salaries, prefer cash over cards and confident with money handle credit better. College students spend a lot, often on non-essentials, and end up in debt. The life cycle theory says people should manage money based on lifetime income. The spending habits of college students often contradict the life - cycle theory, leading to financial struggles post-graduation. Encouraging financial literacy and responsible spending can help students manage their finances better.

12. Kanika Chawla (2021) The research says digital payments make Students spend more because they don't feel like they're losing money. They spend most on food and fun activities and least on books. Saving anxiety is equal to student anxiety. Our brains have built in spending brake (insula), but we often treat money illogically. In Metro cities students get's more money, men spend more, women save more. Savings worry is equal to anxiety. Many students lack saving habits, relying on loans or credit card, influenced by factors like parental guidance, peer pressure and financial literacy. Studies indicate that college students often prioritize discretionary spending over essential expenses, leading to financial stress. The life cycle hypothesis suggests students financial decisions are based on expected future earnings. The review highlights the need for targeted interventions, such as financial education programs and digital payment solutions to encourage responsible financial behaviour among Indian college students.

13. Hetvi Prajapati, Jignesh Vidani (2025) This study looks at how digital payment apps like google pay, phonepe and Paytm affect the saving and spending habits of college students in Ahmedabad. The study surveyed 200 people mostly young students. Most students find this apps easy and convenient to use prefer them over cash. But there is a need for better financial awareness and responsible spending. Most users trust this apps, though some still worry about security. However, many students also admitted that digital payments sometimes increase impulsive spending because payments are quick and cash back offers them.

14. Michael Gutter, Zeynep Copur (2011) This study explains how college students, money habits affect their financial well-being students who budget, save money, and use credit cards carefully feel less financial stress and are happier. The study also shows that financial education and good money attitudes. This also shows the study of poor habits like over spending risky credit use, and compulsive buying leads to money problems and stress. And this study found that students who make a budget, save money regularly, and avoid risky credit card use feel more financially secure and less stressed. Students who over spend, experience more financial stress and lower financial well-being. It also shows that financial education, income, debt level, and personal attitudes about money play an important role in students life.

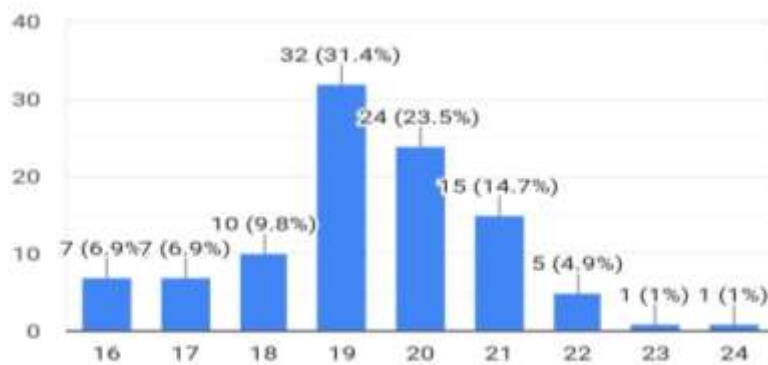
15. Blair Kidwell A, Robert Turrisi (2003) This paper talks about why college students decide to manage their money keeping a budget. To predict whether a student intends to keep a budget the student looked at four main things like attitude, Affect (emotions), Perceived control. The control factor the most interesting finding involves perceived control the study feels they have over their money change why choose to budget they will have a negative feeling to be broke and they do it because of social

pressure. The research is essentially saying that technical student how to budget isn't a one size fits all takes to help student avoid debt we have to understand the specific psychological button that make them want to manage their money. The goal of this research is to create short term program like (workshop) that work instead of just teaching math this program should target mindset and build confidence the big idea to stop college debt we shouldn't just give them a calculate we need to change how they think and feel about their ability to manage money

16. Shosh Shahrabani (2012) The 2010 study of Israel college student examined factor influencing intending to control personal budget without debt after the 2008 financial Crisis Past behavior (less frequent debt) and negative emotions about debt positivity affected budget intention Positive attitude towards budgeting higher financial knowledge, and higher income level also increased intention to control budget Attitude towards budgeting moderated the impact of past debt on budget Jews had greater intention to control debt then non Jews Results suggest improving financial knowledge and attitude towards money management can help young people control budgets and reduces.

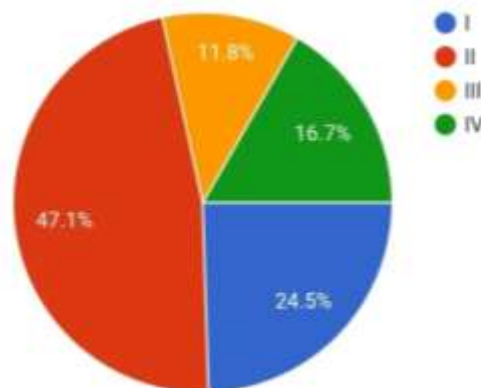
Findings & Analysis

1. Age



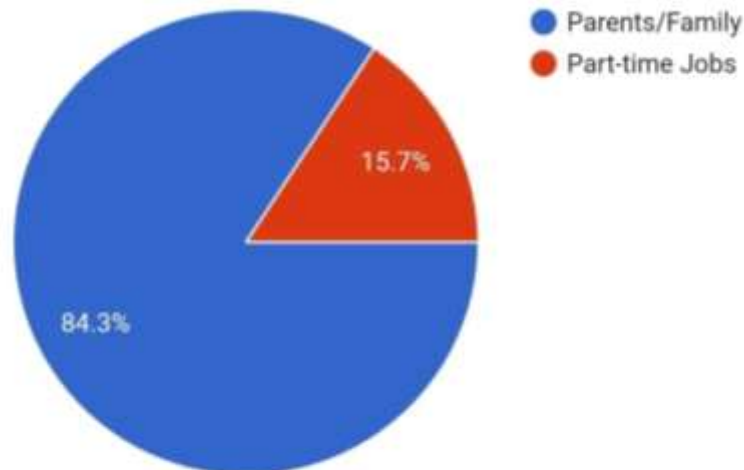
- We got active responses from 102 students. According to the responses we have received, it is clear that the majority of the participation is been received from the students of the age group from (19-21). We also have slight participation from other age groups as well.

2. Year (currently studying)



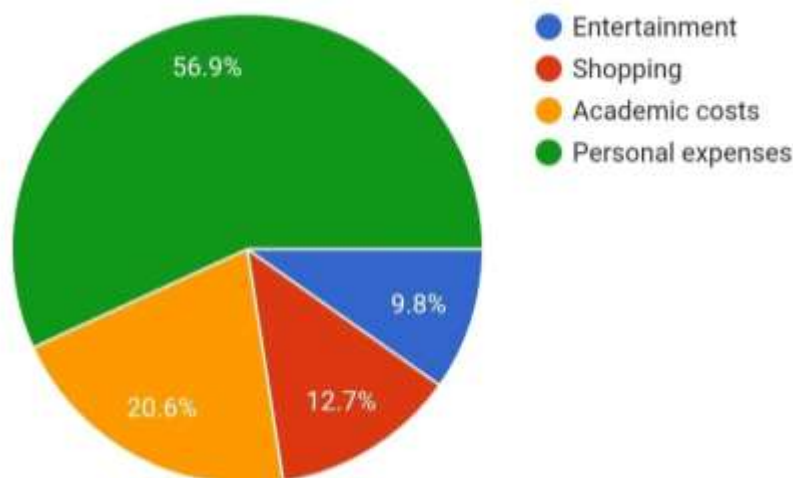
- There is a clear dominance seen in the above chart by the students of the second year(47%) and also the first year(24%) which shows that the responses are received by the settled and settling students of the college. We also have responses from the third(12%) and fourth(17%) years as well.

3. What is your source of income?



- For the students to save and spend money we must know what is their source of income as well. So the above chart shows the source of income of the students.
- There were only two main sources of income for the students which is Parents/Family and Part-time Jobs
- 84% of the students source of income are their parents and family members
- whereas 16% of the students are going for part time jobs who are generating their own source of income which is a good thing to do.

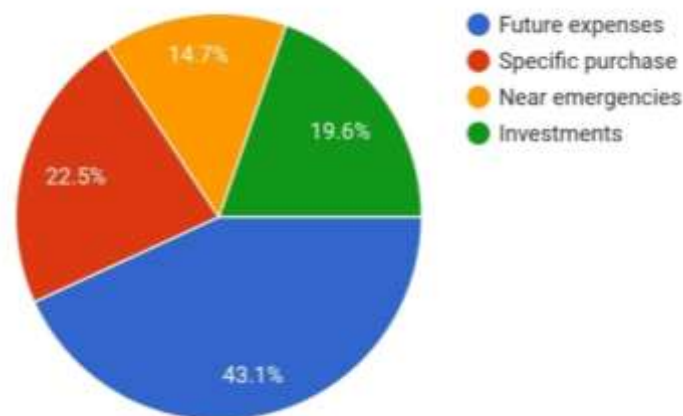
4. What is your primary category of spending?



- Next we get to see what is their primary category of spending, where they prefer to spend their money

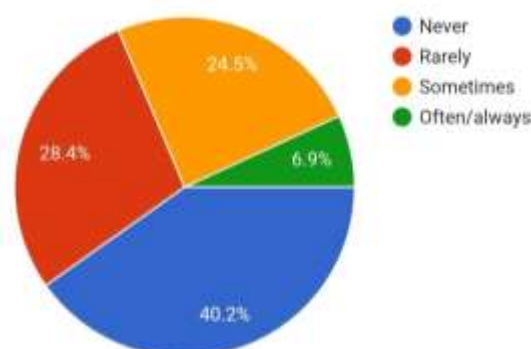
- 57% of the students prefer to spend on their personal expenses
- 21% of the students spend their income on academic expenses which is necessary for college students.
- 13% of the students opt to shop and spend their income.
- Almost 10% of the students prefer to spend their income on entertainment beyond all the other expenses in our day-to-day life.

5. What is your main purpose of saving?



- Students not only spend but also tend to save money, so in that aspect we also gather insights on their saving nature like what is their purpose to save.
- 43% is the highest response received from students which shows that they save money for the future expenses which is an essential part of saving.
- 22% of the students perspective to save money is for a specific purchase which is being planned by them or it can also be said to obtain their wants.
- 20% of the students opt to save money to enter into the field of investments where they can get great returns on their investments which is also a good thing to be noticed.
- 15% of the students have said that their motive to save money is to meet the cost which is going to occur due to the near emergencies.

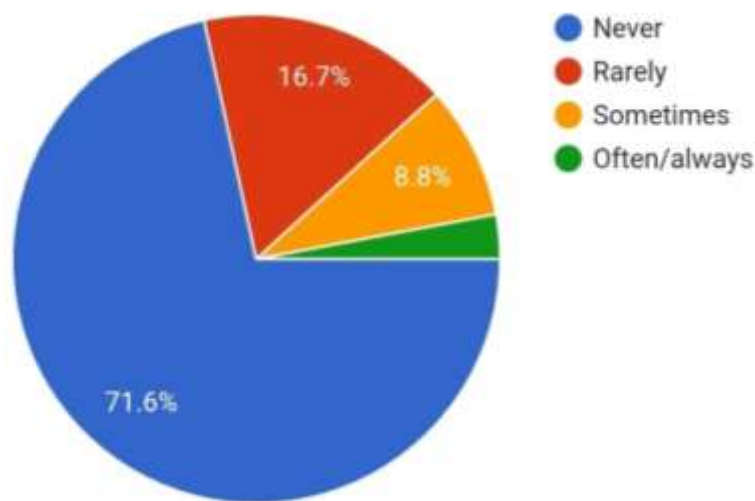
6. Do you often spend more money just because your friends spend?



- To know the psychology of the students the above chart tells us what's the need for students to spend more money, is it because of their friends or their own will to spend.

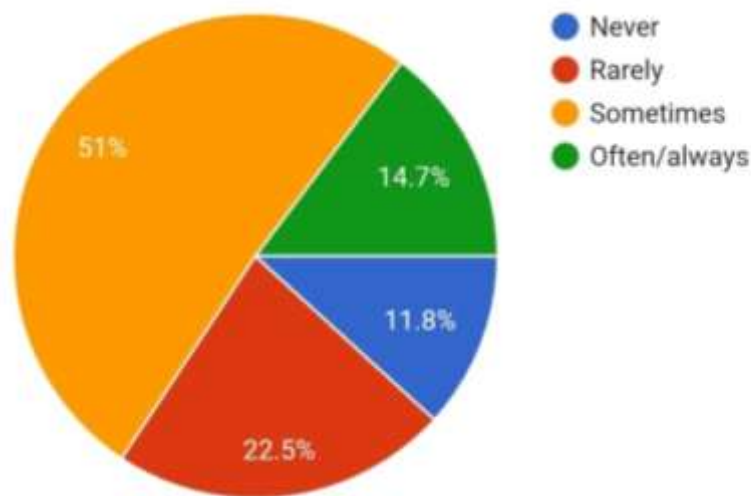
- 40% of the students response states that the spendings done by the students is not because their friends or peers spend rather it's their own will.
- 28% of the students response Tells us that the rarely they spend money just because of their friends who spend.
- 24% of the responses by the students shows that they sometimes tend to spend money by seeing their friends spend.
- 7% of the students in colleges say that their friends spending is the main reason which influence themselves as well to spend more money.

7. Do you prefer to buy things on credit/BNPL (Buy now pay later) rather than wait and save up money?



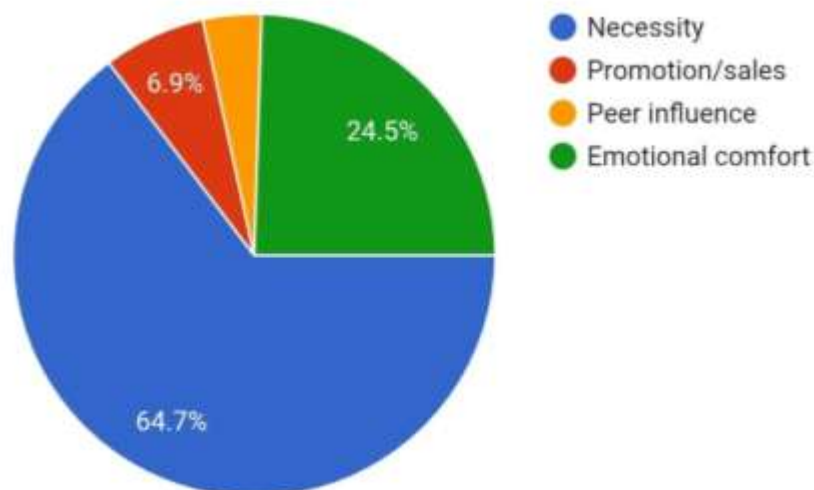
- In recent days we get to buy things on Credit or Buy now pay Later(BNPL) option let's know what students think about it.
- 72% of the students don't prefer to buy things on Credit or Buy now pay later option is which good to see that they r aware that credit is not good to deal with during the college days.
- 17% of the students think that rarely it's ok to go with credit option but not always.
- 9% of the students in modern times state that sometimes it's fine to go for credit or BNPL option rather saving up money.
- Hardly 3% of the students response says that they often/always are good to go with credit option rather than waiting and saving up money to buy things.

8. Do you feel guilty after making an impulsive purchase or after spending?



- We humans will sure feel guilty after making an impulsive/unsatisfactory purchase or spending same way this above chart shows the same when it comes to college students.
- 51% of the students show that they feel guilty sometimes after making an impulsive purchase
- 22% of the students say that they feel guilty rarely in terms of impulsive purchase or spendings.
- 15% of the students often feel guilty for their purchase or spendings which shows that they get to realise things lately.
- 12% of the students state that they never feel guilty for their impulsive purchase or spending which they do in their daily life.

9. What is your primary motivator for purchase/spending?



- We got to know the primary category of spending but we must also know what motivates students to spend right. This chaty shows the percentage of area which motivate students
- 65% of the students primary motivator of spending is their necessity in their day-to-day life.
- 24% of the students response shows that the motivation for them to spend money is for their own emotional comfort.
- 7% of the students are being influenced by the promotion/sales activities which shows that the

students get motivated by this aspect.

- 4% of the student population motivation for spending is their peer influence. We get to see that very less number of students are conscious about spending and rest all students get influenced very fast by their peers.

Conclusion

This study shows that the psychology of spending and saving plays a very important role in the financial life of college students. Most students depend on their parent's income, and their spending is mainly focused on personal and necessary expenses. At the same time, many students also try to save money for future needs, specific goals, or emergencies. This shows that students are aware of the importance of savings. The findings also tell us that spending decisions are not only influenced by income, but also by emotions, habits, peer influence, and financial knowledge. While most students say they spend by their own choice, feelings like emotional comfort and impulsive buying still affect them. The fact that many students feel guilty after impulsive purchases shows that they understand the consequences of uncontrolled spending. It is also positive to see that a majority of students avoid credit and BNPL options, which reflects a sense of financial responsibility.

Another important point observed from the study is that even though many students say their main spending is for necessities, a major percentage of spending is on shopping, entertainment, and emotional comfort. This shows that college life comes with social expectations, lifestyle and their desire to enjoy the present. The age group of 19–21 is a stage where students are exploring independence, and sometimes they prioritize short-term happiness over long-term financial security. This balance between enjoying the present and planning for the future becomes a real challenge for many students. Digital payments and online offers have made spending much easier and faster. Since money is not physically seen while paying through apps or cards, students may not always realize how much they are spending. Cashback offers, discounts, and “buy now, pay later” options can create unnecessary temptation. Even though most students in our study avoid credit, the growing digital environment still increases the chances of impulsive decisions. This makes financial awareness and self-control even more important in today's time.

This research also finds financial literacy is the key factor that can improve students' financial behavior. When students understand budgeting, saving, and responsible spending, they can avoid debt and reduce financial stress. Increasing saving habits during college life is very important because it builds discipline and prepares students for future financial independence. Family guidance and self-control also play a strong role in shaping these habits. Overall, this research highlights the need for better financial education programs for college students. By improving awareness, and money management skills, students can move from impulsive spending towards planned saving. I believe that if students start practicing responsible financial habits during their college years, it will not only benefit them personally but also contribute to the economic growth and stability of the country.

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