



An Analysis of Spending Behavior among the University Students: A Case Study of the University of Faisalabad

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Abstract

During university life, students' behaviors shift in many dimensions, particularly in how they manage financial matters. This study was designed to examine the spending behaviors of university students with a nuanced focus on the impact of their income sources, peer group influence, and exposure to social media. Targeting university students, this quantitative study recruited 100 participants through multistage sampling. The University of Faisalabad was conveniently selected, and respondents were purposively recruited to collect data. Responses were gathered using a structured questionnaire. The results reveal that financial reliance on



parents, combined with increasing trends of consumerism influenced by modern-day trends, significantly affects students' spending behavior. The findings highlight the importance of providing financial literacy to university students to help them distinguish between essential and non-essential spending, resist external influences, and adopt more sustainable financial practices.

Keywords: University students, Spending behavior, Financial literacy, Peer influence, Social media impact, Consumerism

Introduction

University students are a special group of consumers because they are going through a life that is moving from being teenagers to becoming the adults. This period is usually marked as new financial responsibilities and many students for the first-time experience managing these responsibilities. Their income sources may be limited but varied including scholarship, part time jobs, educational loans and parental support. Therefore, their spending influenced by a blend of their needs, lifestyle preferences, and peer groups. Studies have shown that a significant number of students do not have adequate knowledge and experience in the various areas of personal finance such as financial planning and their budgeting (Laborde et al., 2013; Ergün, 2018).

Over the past decade, there has been a noticeable transformation in the spending patterns of university students, particularly in developing countries like Pakistan. A study by Aftab, N., Yasin, G., Aftab, M., & Haider, S. (2021) revealed the impact of social media on students. This study explored several factors influencing spending behavior where one of the most significant was the exponential growth in digital platforms, including online shopping, food delivery apps, ride-hailing services, and subscription-based entertainment. Social media, too, has become a powerful driver of consumption, with students striving to keep pace with trends and maintain a certain lifestyle image, often driven by influencers and peer networks. Zhang, S., & Li, Y. (2024). One of the important factors affecting student spending habits is the rising cost of higher education. Expenses such as tuition fees, accommodation, transportation, and study materials place considerable financial strain on both students and their families. To cope with these costs, many students take on part-time jobs or freelance work, which can

make it difficult to maintain a healthy balance between academics, work, and personal finances. At the same time, modern university life often comes with growing expectations around lifestyle—students are increasingly drawn to branded goods, dining out, fashion trends, and the latest technology, all of which add to their financial burden. Research suggests that managing these pressures requires a solid understanding of financial principles and the ability to make responsible financial choices (Mien & Thao, 2015).

2. Significance of study

This study explored the multiple factors influencing the spending behavior of the target group. The aim was to analyze the spending pattern and the level of financial literacy among the target group, and to understand how social factors like income level, peer pressure, affect their financial habits. This included understanding how peer influence, parental guidance, and social media trends play a role in shaping consumption choices and financial decisions. There was a need to study the spending behavior of university students to identify key influencing factors, determine gaps in financial literacy, and offer practical interventions. This study addressed this gap with a specific focus on students enrolled at The University of Faisalabad.

3. Objectives of the Study

1. To identify the key factors influencing students' spending behavior.
2. To assess students' awareness and practices related to financial management.
3. To suggest strategies to promote responsible spending among university students.

4. Literature Review

Financial literacy is a key predictor of responsible spending behavior among university students. Lusardi and Mitchell (2014) assert that young adults with having more financial knowledge are more likely to budget, save, avoid excessive debt and spending money wisely. In the context of Pakistani universities, Rehman, Bhatti, and Chaudhry (2019) observed that the lack of basic financial education results in poor money management skills and unstructured spending among students because they had not trained to manage their finance.

Sabri and MacDonald (2010) found that students with access to personal income from part-time jobs or scholarships tended to manage money more responsibly than those fully

supported by their families. Nawaz and Ahmad (2020) conducted a study in Punjab, Pakistan, and discovered that over 80% of students rely entirely on parental allowance, often without tracking their monthly expenses.

Ahmed, Rana, and Malik (2021) emphasized that Instagram and TikTok have intensified impulsive spending by glamorizing materialism. Online influencers and targeted ads create an illusion of necessity, especially among youth.

Students' emotional well-being can influence their financial decisions. According to Roberts and Jones (2001), some individuals engage in “retail therapy,” using shopping as a coping mechanism for stress or anxiety. University life, often associated with academic pressure and personal growth challenges, can contribute to such behavior. Gender and culture also shape spending tendencies. Fatima and Sheikh (2016) found that female students in Pakistan were generally more savings-oriented and spent more on personal care and academics, whereas male students were inclined to spend more on transportation, technology, and social activities. These patterns are rooted in traditional gender roles and societal expectations.

Conceptual Framework

This study explores the spending behavior of university students at The University of Faisalabad by identifying the key factors influencing their financial decisions.

Independent Variables	Dependent Variable
<ul style="list-style-type: none">• Financial Literacy• Gender• Age• Residential area• Peer Pressure• Source of Income• Social Media Influence• Emotional/Psychological Factors	Spending Behavior of Students

Research Methodology

It was a cross-sectional study that used quantitative technique and the target population was the university students. For this purpose, multistage sampling technique was used. At first step University of Faisalabad was conveniently selected and then 100 respondents were interviewed purposively. A structured questionnaire (closed-ended questions Likert scale responses) was used for data collection. Descriptive and inferential statistical techniques were used to analyze data using SPSS. Respondents were informed about the study purpose and their consent was obtained before the data collection.

Results

Table No.1: Socio-economic background of the respondents.

Variable	Category	frequency	Percentage
Gender	Male	58	58%
	female	42	42%
Age	17 – 19 years	28	28%
	20 – 22 years	43	43%
	23 – 24 years	29	29%
Residential area	Urban	63	63%
	Rurals	37	37%
Monthly Allowance/ Income	Up to 10,000/- PKR	26	26%
	10,001 – 20,000/- PKR	31	31%
	20,001 – 30,000/- PKR	10	10%
	More than 30,000/-	33	33%

The univariate analysis shows that 55% of the respondents were male and rest of the respondents were female and most respondents age were between 20 to 22 years and they belong to urban area with 65% and having income or monthly allowance of more than 30,000 with 33% and other major respondents had income 31%.

Table No.2. Spending Behavior

Statement	Response	n	%age
Monthly allowance or income	Up to 10,000 PKR	26	26%
	10,001 – 20,000 PKR	31	31%
	20,001 – 30,000 PKR	10	10%
	More than 30,000 PKR	33	33%
Source of income	Parents/Guardians	69	69%
	Part-time job	18	18%
	Scholarship	3	3%
	Other	10	10%
Peer influence	Not at all	30	30%
	Slightly	38	38%
	Moderately	16	16%
	Strongly	16	16%
Social media influence	Never	17	17%
	Sometimes	42	42%
	Often	26	26%
	Always	15	15%

Data reveals that a considerable portion of students (33%) receive a monthly allowance of more than PKR 30,000, while 31% fall within the PKR 10,001–20,000 range. This shows that many students come from relatively stable financial backgrounds, although 26% still manage on a limited allowance of up to PKR 10,000. The majority (69%) depend on their parents or guardians for income, while only a small fraction earns through part-time jobs (18%) or scholarships (3%). Peer influence appears to play a moderate role, with 38% of students reporting slight influence and 16% each acknowledging moderate to strong peer pressure. Social media emerges as a powerful impact in shaping spending decisions 42% of students are sometimes influenced, while a combined 41% report being influenced often or always. These findings underscore that students may be financially supported; their spending behavior is significantly affected by social media and trends.

Table No. 3 Bivariate analysis (hypothesis testing)

Hypothesis	Chi-square value	Significance level	Gamma value	Significance level	Conclusion
H1: High monthly allowance affects the spending behavior of the students	44.362	.001	.349	.001	Hypothesis accepted
H2: High financial literacy affects spending behavior	70.599	.001	.539	.001	Hypothesis Accepted
H3: Social media influence the spending behavior	60.267	.001	.424	.001	Hypothesis Accepted
H4: Emotional stress affects the spending behavior	43.725	.001	.452	.001	Hypothesis Accepted
H5: Peer pressure influences the spending behavior	39.556	.001	.211	.088	<i>Hypothesis Rejected</i>

The hypothesis **H1**, that a higher monthly allowance influences spending behavior with a Chi-square value of 44.362 and a Gamma value of 0.349 (both significant at $p = 0.001$) was

accepted. Hypothesis **H2**, which tested whether students with higher financial literacy demonstrate more responsible financial behavior. With a Chi-square value of 70.599 and a Gamma value of 0.539, both at $p = 0.001$, it shows a significant positive association. So, the hypothesis “High financial literacy affects spending behavior” was accepted. These results show a strong positive relationship. Social media's impact on spending behavior hypothesis **H3** was found to be highly significant, with a Chi-square value of 60.267 and a Gamma value of 0.424 ($p = 0.001$). The relationship between emotional stress and spending behavior hypothesis **H4** was also statistically validated (Chi-square = 43.725, Gamma = 0.452, $p = 0.001$). The fifth hypothesis (**H5**) proposed that peer pressure influences the spending behavior of students. The chi-square test yielded a value of 39.556 with a significance level of 0.001, which indicates a statistically significant association between peer pressure and the spending behavior of the respondents. However, the Gamma value, which is 0.211, indicates only weak positive relationship, but significance level associated with the Gamma value was 0.088, which means that the direction and strength of the relationship are not statistically significant hence the hypothesis was rejected.

Discussion

The findings of this study are strongly supported by previous research in the field of student financial behavior. The study confirmed that with students receiving higher monthly allowance or income tending to spend more. This observation aligns with Nawaz and Ahmad (2020), who reported that over 80% of university students in Punjab rely entirely on parental support, and those with higher allowances often lack proper expense tracking. Similarly, Sabri and MacDonald (2010) found that students with access to personal income manage money more responsibly than those who depend solely on parents. The study also found a positive relation between financial literacy and responsible spending behavior, which mirrors the findings of Lusardi and Mitchell (2014). They emphasized that financially literate young adults are more likely to budget, save, and avoid excessive debt. In the Pakistani context, Rehman, Bhatti, and Chaudhry (2019) also concluded that students with lacking financial knowledge exhibited disorganized spending. Another significant finding is the influence of social media on student spending, which supports the results of Ahmed, Rana, and Malik (2021). Lastly, the study found that emotional stress contributes to increased spending

behavior, particularly impulsive purchases. This is supported by Roberts and Jones (2001), who identified “retail therapy” as a common response to stress among college students.

Conclusion

This study shows that university students’ spending habits are shaped by more than just how much allowance or income they receive each month. While students with higher allowances tend to spend more but those with better financial knowledge make wiser choices. Social media and emotional stress also play a big role, often pushing students toward impulsive spending. The majority of respondents depend on parental support and have varying levels of income, yet social media and peer influences significantly shape their spending behavior. Higher financial literacy relates with more control on spending, while emotional stress and social pressures can trigger more spending.

Recommendation

- Universities should conduct workshops and seminars on budgeting, saving, and responsible spending to help students make informed financial choices.
- Students should be encouraged to track their expenses and maintain personal budgets. Apps or university-led budgeting tools can be helpful in promoting this habit.
- Universities can support part-time job opportunities or internships to give students firsthand experience with earning and managing money, enhancing their financial responsibility.

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