FINANCIAL LITERACY IN UNIVERSITY STUDENTS AND ITS IMPACT ON EXPENDITURE BEHAVIOUR

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Abstract

Financial literacy has become an essential life skill in the modern economic environment, especially among university students who are beginning to manage personal finances independently. This study examines the level of financial literacy among university students and its impact on their expenditure behaviour. The research focuses on understanding students' knowledge regarding budgeting, savings, investment, credit management, and financial planning, along with how these factors influence spending patterns and financial decision-making. Data were collected through structured questionnaires distributed among university students from different academic backgrounds. The findings indicate that students with higher financial literacy demonstrate more responsible expenditure behaviour, better budgeting practices, and improved savings habits. In contrast, students with low financial literacy tend to engage in impulsive spending, poor financial planning, and excessive use of credit facilities. The study also reveals that family background, educational exposure, and digital financial awareness significantly influence students' financial behaviour. Furthermore, the research highlights the importance of financial education programs in universities to improve students' financial management skills and long-term financial security. The study concludes that financial literacy positively affects expenditure behaviour and contributes to responsible financial decision-making among university students. Strengthening financial education can help students develop better money management practices and reduce future financial stress. The research provides valuable insights for educators, policymakers, and financial institutions regarding the promotion of financial literacy among young adults.

Introduction

Financial literacy has emerged as one of the most important life skills in the modern economic environment. It refers to the ability of individuals to understand and apply financial concepts such as budgeting, saving, investing, credit management, taxation, and financial planning in their daily lives. In recent years, the rapid growth of digital banking, online transactions, credit facilities, e-commerce platforms, and financial technologies has made financial decision-making more complex, especially for young individuals. University students, who are at the transition stage between dependence and financial independence, are particularly vulnerable to financial mismanagement due to inadequate financial knowledge and poor spending habits. Therefore, understanding the level of financial literacy among university students and its influence on expenditure behaviour has become an important area of academic and practical concern. University students are increasingly exposed to financial responsibilities such as managing educational expenses, transportation costs, accommodation fees, entertainment spending, mobile and internet expenses, and online shopping. Many students also use digital payment applications, debit cards, credit cards, and online banking services without having sufficient understanding of financial planning and money management. As a result, students may develop unhealthy expenditure patterns, including impulsive buying, unnecessary spending, excessive borrowing, and poor saving habits. Such financial behaviour can negatively affect their academic performance, mental well-being, and future financial stability.

Financial literacy plays a significant role in shaping an individual's expenditure behaviour. Students who possess adequate financial knowledge are generally more capable of preparing budgets, prioritizing needs over wants, maintaining savings, and making rational purchasing decisions. On the other hand, students with low financial literacy often fail to manage their expenses effectively and become more vulnerable to financial stress and debt-related problems. In the current consumer-driven society, where advertisements, social media influence, and peer pressure strongly affect purchasing decisions, financial literacy acts as a protective mechanism that helps students make informed and responsible financial choices. The importance of financial literacy has gained worldwide recognition due to increasing concerns regarding personal debt, financial insecurity, and poor money management among youth populations. Governments, educational institutions, financial organizations, and policymakers across the world are emphasizing the need for financial education among young people. Financial literacy is now considered essential not only for individual financial well-being but also for national economic growth and stability. Individuals with strong financial knowledge contribute positively to economic development by maintaining healthy saving and investment behaviour, avoiding excessive debt, and making productive financial decisions.

In the Indian context, financial literacy among university students has become increasingly important due to changing economic conditions, technological advancements, and evolving consumption patterns. India has witnessed significant growth in digital financial services such as Unified Payments Interface (UPI), mobile wallets, online banking, and e-commerce platforms. Young consumers, particularly university students, are among the most active users of these digital financial services. While these technologies provide convenience and accessibility, they also increase the risk of overspending and poor financial management if users lack proper financial awareness. Many students are attracted toward online shopping, lifestyle products, food delivery applications, and entertainment subscriptions, which can lead to unnecessary expenditure and financial imbalance.

Expenditure behaviour refers to the manner in which individuals allocate and utilize their financial resources to satisfy their needs and wants. It includes spending patterns, budgeting habits, saving behaviour, purchasing decisions, and financial priorities. Expenditure behaviour is influenced by various factors such as income level, financial knowledge, social environment, peer influence, family background, cultural values, and personal attitudes toward money. Among university students, expenditure behaviour is often affected by emotional factors, social comparison, and modern consumer culture. Students may spend money on fashionable items, gadgets, dining, entertainment, and social activities to maintain social status and peer acceptance. In many cases, such spending decisions are not based on financial necessity but on psychological and social influences.

Financial literacy helps students understand the importance of budgeting and financial discipline. Budgeting is one of the fundamental components of personal financial management, as it enables individuals to plan their income and expenses effectively. Students with good financial literacy are more likely to prepare monthly budgets, monitor their expenses, and avoid wasteful spending. They also tend to develop saving habits and long-term financial goals. In contrast, financially illiterate students may fail to control their expenditures and experience financial difficulties during their academic life. Another important aspect of financial literacy is awareness regarding savings and investments. University students who understand the benefits of savings are more likely to set aside a portion of their income or allowance for future needs and emergencies. Financially literate students also possess knowledge regarding banking services, interest rates, investment opportunities, insurance, and financial risks. Such awareness contributes to better financial planning and responsible expenditure behaviour. Moreover, financial literacy encourages students to distinguish between essential and non-essential expenditures, thereby promoting rational consumption practices.

Objectives of the Study

1. To examine the level of financial literacy among university students.
2. To analyze the expenditure behaviour and spending habits of university students.
3. To study the impact of financial literacy on students’ financial decision-making and expenditure behaviour.

Literature Review

Financial literacy has become an important area of research due to its direct influence on personal financial management and expenditure behaviour. Researchers across the world have emphasized that financial literacy is essential for developing responsible financial habits among young individuals, particularly university students. Financial literacy enables individuals to understand financial concepts such as budgeting, saving, investment, credit management, and financial planning. Several studies have examined the relationship between financial literacy and expenditure behaviour among students and found that financial knowledge significantly affects spending patterns and financial decision-making. Lusardi and Mitchell highlighted that financial literacy is a fundamental life skill required for effective financial decision-making. According to their studies, individuals with higher financial literacy are more capable of managing expenses, avoiding excessive debt, and planning for future financial security. They also emphasized that young people often lack basic financial knowledge, which negatively affects their financial behaviour and long-term economic well-being. Their research suggested that financial education programs can improve money management skills and encourage responsible spending behaviour among students.

Chen and Volpe conducted a study on college students' financial literacy and found that many students possess limited knowledge regarding savings, investments, insurance, and budgeting. Their study revealed that financially illiterate students were more likely to make poor financial decisions and engage in impulsive spending. The researchers concluded that educational institutions should introduce financial education courses to enhance students' financial awareness and improve expenditure behaviour. Mandell studied financial literacy among young adults and observed that students with financial education demonstrated better budgeting and saving habits compared to those without financial knowledge. The study showed that financial literacy positively influences expenditure control and helps students distinguish between needs and wants. Mandell further argued that financial education at an early stage can reduce financial stress and encourage healthy spending practices.

In the Indian context, Agarwalla and colleagues examined financial literacy among young working adults and students. Their findings indicated that financial literacy levels in India remain relatively low, especially among youth populations. The researchers found that lack of financial awareness often results in poor spending habits, low savings, and inadequate financial planning. The study recommended integrating financial literacy programs into higher education curricula to promote responsible financial behaviour.

Several researchers have also focused on the impact of digitalization and online shopping on students' expenditure behaviour. The growth of e-commerce platforms, digital payment systems, and social media marketing has significantly influenced students' spending patterns. Young consumers are increasingly attracted toward online shopping due to convenience, discounts, and social influence. Studies have shown that students who lack financial discipline are more likely to engage in impulsive online purchases, leading to overspending and financial instability. Xiao and O'Neill examined the relationship between financial knowledge and financial behaviour among college students. Their study found that students with higher financial literacy demonstrated stronger saving habits and more responsible expenditure behaviour. They observed that financially literate students were better at preparing budgets, monitoring expenses, and controlling unnecessary spending. The researchers emphasized that financial education contributes positively to long-term financial stability and economic well-being.

Research Methodology

Research methodology refers to the systematic process used for collecting, analyzing, and interpreting data related to the research problem. The present study aims to examine financial literacy among university students and analyze its impact on expenditure behaviour. The methodology adopted for the study is designed to ensure reliability, accuracy, and validity of the research findings. The study is descriptive and analytical in nature. A descriptive research design has been used to understand the level of financial literacy and expenditure behaviour among university students, while analytical methods are applied to examine the relationship between financial literacy and spending patterns. The study focuses on identifying how financial knowledge influences budgeting, saving habits, and expenditure decisions of students. Both primary and secondary data sources are used in the study. Primary data are collected directly from university students through a structured questionnaire. The questionnaire includes questions related to financial literacy, budgeting practices, saving behaviour, expenditure habits, online shopping behaviour, and financial decision-making. The questionnaire consists of close-ended questions using Likert scale responses for measuring attitudes and financial behaviour patterns.

Secondary data are collected from books, research journals, articles, government reports, financial literacy surveys, websites, and academic publications related to financial literacy and expenditure behaviour. Secondary data help in developing theoretical understanding and reviewing previous research studies relevant to the topic. The target population of the study consists of university students enrolled in undergraduate and postgraduate programs. Students from different academic disciplines are included to obtain diverse opinions and expenditure patterns. A sample of respondents is selected using a simple random sampling technique to ensure equal opportunity for participation and minimize bias in data collection.

Data Analysis

The present chapter focuses on the analysis and of data collected from university students regarding financial literacy and expenditure behaviour. The study aims to understand how financial knowledge influences budgeting, saving habits, spending patterns, and financial decision-making among students. Data were collected through a structured questionnaire from 100 university students. The responses were classified, tabulated, and analyzed using percentage analysis and descriptive . The findings are presented through tables along with detailed of each table. The analysis highlights the relationship between financial literacy and expenditure behaviour among students.

Table 1: Gender-wise Distribution of Respondents

Gender	Number of Respondents	Percentage
Male	56	56%
Female	44	44%
Total	100	100%

The above table shows the gender-wise distribution of respondents included in the study. Out of 100 respondents, 56% were male students and 44% were female students. The data indicate that male respondents slightly outnumbered female respondents in the survey. The participation of both genders provides balanced information regarding financial literacy and expenditure behaviour among university students. Gender diversity in the sample helps in understanding different financial attitudes and spending patterns among male and female students. Male students were found to be more involved in independent financial decision-making, while female students demonstrated relatively cautious spending behaviour. The participation of both groups contributes to the reliability of the study and helps in identifying whether financial literacy varies according to gender. Overall, the table reflects an adequate representation of students from both genders.

Table 2: Age-wise Distribution of Respondents

Age Group	Number of Respondents	Percentage
18–20 Years	38	38%
21–23 Years	47	47%
Above 23 Years	15	15%
Total	100	100%

The table presents the age-wise distribution of respondents participating in the study. A majority of respondents, accounting for 47%, belong to the age group of 21–23 years. Students aged 18–20 years constitute 38% of the sample, while only 15% of respondents are above 23 years of age. The findings indicate that most respondents are young adults who are at a crucial stage of developing financial habits and expenditure patterns. University students in the age group of 21–23 years are generally more financially independent and actively involved in managing educational expenses, transportation costs, and lifestyle expenditures. This age group is also highly exposed to digital financial services and online shopping platforms. Therefore, studying their financial literacy and expenditure behaviour provides valuable insights into the financial practices of young consumers in higher education institutions.

Table 3: Monthly Income/Allowance of Respondents

Monthly Income/Allowance	Number of Respondents	Percentage
Below ₹5,000	28	28%
₹5,000–₹10,000	46	46%
Above ₹10,000	26	26%
Total	100	100%

The above table indicates the monthly income or allowance received by university students. A majority of respondents, representing 46%, receive monthly income or allowance between ₹5,000 and ₹10,000. Around 28% of respondents receive less than ₹5,000, while 26% receive more than ₹10,000 per month. The findings suggest that most students operate within a limited financial budget, which directly influences their expenditure behaviour and spending priorities. Students with lower income levels are generally more careful in their spending decisions and focus mainly on essential expenditures such as education, food, and transportation. On the other hand, students with higher income or allowance may spend more on entertainment, online shopping, and lifestyle products. The table highlights the importance of financial literacy in helping students manage limited financial resources effectively and avoid unnecessary spending.

Table 4: Awareness of Financial Literacy Concepts

Awareness Level	Number of Respondents	Percentage
High	32	32%
Moderate	48	48%
Low	20	20%
Total	100	100%

The table shows the level of awareness regarding financial literacy concepts among university students. Out of 100 respondents, 48% possess moderate awareness of financial literacy concepts such as budgeting, savings, investments, and financial planning. About 32% of respondents demonstrate high awareness, while 20% possess low financial literacy. The findings indicate that although many students have basic financial knowledge, a significant proportion still lack adequate understanding of personal finance management. Students with higher financial literacy are generally more capable of managing expenses and making informed financial decisions. In contrast, students with low financial literacy may face difficulties in budgeting and controlling expenditure. The results emphasize the need for financial education programs and awareness campaigns in universities to improve students’ financial knowledge and encourage responsible financial behaviour.

Table 5: Budget Preparation Habit Among Students

Response	Number of Respondents	Percentage
Always Prepare Budget	30	30%
Sometimes Prepare Budget	52	52%
Never Prepare Budget	18	18%
Total	100	100%

The above table explains the budgeting habits of university students. It is evident that 52% of respondents sometimes prepare a monthly budget, while 30% always prepare budgets for managing their expenses. However, 18% of students never prepare a budget. The findings reveal that although many students are aware of budgeting practices, only a limited number consistently apply budgeting techniques in their daily financial management. Budget preparation helps students monitor their expenses, prioritize essential needs, and avoid unnecessary spending. Students who regularly prepare budgets tend to maintain better financial discipline and saving habits. On the other hand, students who do not prepare budgets may experience difficulties in controlling expenditure and managing financial resources effectively. The table highlights the importance of promoting budgeting awareness among students for improving financial stability and expenditure management.

Table 6: Saving Habit of Respondents

Saving Habit	Number of Respondents	Percentage
Regular Saving	41	41%
Occasional Saving	39	39%
No Saving Habit	20	20%
Total	100	100%

The table presents information regarding the saving habits of university students. The data show that 41% of respondents save money regularly, while 39% save occasionally. However, 20% of respondents do not maintain any saving habit. Saving behaviour is an important indicator of financial discipline and financial literacy. Students who save regularly are generally more conscious about future financial security and emergency needs. They are also more likely to avoid impulsive spending and maintain expenditure control. Students who lack saving habits may spend money carelessly and face financial difficulties during emergencies. The findings suggest that financial literacy positively influences saving behaviour among students. Universities and educational institutions should encourage students to develop saving habits through financial education programs and practical training relatd to personal finance management.

Table 7: Preferred Mode of Payment

Mode of Payment	Number of Respondents	Percentage
Cash	22	22%
Digital Payment	61	61%
Debit/Credit Card	17	17%
Total	100	100%

The table shows the preferred mode of payment used by university students. A majority of respondents, accounting for 61%, prefer digital payment methods such as UPI, mobile wallets, and online banking applications. Around 22% prefer cash transactions, while 17% use debit or credit cards. The findings indicate that digital financial technologies have become highly popular among students due to convenience, speed, and accessibility. However, excessive use of digital payment systems may also encourage impulsive spending because students often spend money without realizing the actual amount being used. Financial literacy plays a significant role in helping students manage digital transactions responsibly. Students with adequate financial knowledge are more likely to monitor online expenditures and maintain expenditure control. The increasing popularity of digital payments highlights the need for financial education related to online transaction management and digital financial security.

Table 8: Purpose of Major Expenditure

Purpose	Number of Respondents	Percentage
Education	35	35%
Entertainment	25	25%
Online Shopping	22	22%

Food and Dining	18	18%
Total	100	100%

The above table presents the major areas of expenditure among university students. The findings indicate that 35% of respondents spend most of their money on educational purposes such as books, tuition fees, and academic materials. Around 25% spend mainly on entertainment activities, while 22% spend heavily on online shopping. Additionally, 18% of respondents spend a large portion of their income on food and dining. The data suggest that although education remains the primary expenditure category, students also allocate considerable amounts to lifestyle-related expenses. Online shopping and entertainment expenditures are strongly influenced by social media, peer pressure, and consumer culture. Financially literate students are more likely to prioritize educational and essential expenditures over unnecessary spending. The table emphasizes the importance of financial awareness in helping students differentiate between essential and non-essential expenses.

Table 9: Influence of Social Media on Spending Behaviour

Response	**Number of Respondents**	**Percentage**
Highly Influenced	49	49%
Moderately Influenced	33	33%
Not Influenced	18	18%
Total	100	100%

The table highlights the influence of social media on the spending behaviour of university students. Nearly half of the respondents, representing 49%, reported that social media highly influences their purchasing decisions and spending habits. About 33% are moderately influenced, while only 18% are not significantly influenced by social media advertisements and online promotions. These findings reveal that digital platforms play a major role in shaping consumer behaviour among students. Advertisements, influencer marketing, and peer comparisons on social media often encourage impulsive buying and lifestyle-oriented spending. Students with lower financial literacy are more vulnerable to emotional purchasing decisions and unnecessary expenditure. In contrast, financially literate students tend to critically evaluate online advertisements and make rational financial choices. The findings demonstrate the growing importance of financial education in helping students manage social media influence responsibly.

Table 10: Relationship Between Financial Literacy and Expenditure Behaviour

Financial Literacy Level	Controlled Spending	Uncontrolled Spending	Total
High Financial Literacy	28	4	32
Moderate Financial Literacy	30	18	48
Low Financial Literacy	5	15	20
Total	63	37	100

The above table presents the relationship between financial literacy and expenditure behaviour among university students. Among respondents with high financial literacy, 28 students demonstrated controlled spending behaviour, while only 4 showed uncontrolled expenditure patterns. In contrast, among students with low financial literacy, 15 respondents displayed uncontrolled spending habits. The findings clearly indicate a positive relationship between financial literacy and responsible expenditure behaviour. Students with higher financial knowledge are more capable of budgeting, saving, and controlling unnecessary expenses. They tend to make informed financial decisions and avoid impulsive spending. On the other hand, students with poor financial literacy often struggle to manage their expenses effectively and are more likely to engage in excessive spending. The results confirm that financial literacy significantly influences expenditure behaviour and contributes to better financial management among university students.

Findings

The data analysis reveals several important findings regarding financial literacy and expenditure behaviour among university students. Most respondents possess moderate financial literacy and are aware of basic financial concepts such as budgeting and saving. However, a significant number of students still lack proper financial management skills. The findings indicate that students with higher financial literacy are more likely to prepare budgets, maintain regular savings, and control unnecessary expenditure. Financial literacy positively influences expenditure behaviour by promoting responsible spending and informed financial decision-making. Digital payment systems and social media significantly influence students' spending habits. Many students engage in online shopping and entertainment-related expenditures due to convenience and peer influence. Financially literate students are comparatively more cautious in managing digital transactions and avoiding impulsive purchases.

Results and Discussion

The present study examined the relationship between financial literacy and expenditure behaviour among university students. The findings reveal that financial literacy significantly influences students' financial decision-making, budgeting habits, saving practices, and spending behaviour. Most respondents demonstrated moderate awareness regarding financial concepts such as budgeting, savings, digital payments, and expenditure management. However, a considerable proportion of students still lacked adequate financial knowledge and practical financial management skills. The analysis showed that students with higher financial literacy levels were more likely to prepare monthly budgets and maintain regular saving habits. Financially literate students displayed better control over their expenditures and were more capable of distinguishing between essential and non-essential spending. They also demonstrated greater awareness regarding financial planning and responsible use of digital payment systems. In contrast, students with lower financial literacy were more likely to engage in impulsive buying and uncontrolled spending behaviour.

The study further revealed that digital payment systems such as UPI, mobile wallets, and online banking applications are widely used among university students. The convenience and accessibility of digital transactions have significantly changed students' spending habits. While digital payments simplify financial transactions, they also encourage excessive spending due to reduced physical awareness of money usage. Financially literate students were comparatively more cautious in using digital payment systems and monitoring their online expenditures. Social media emerged as another important factor influencing expenditure behaviour among students. A large number of respondents admitted that advertisements, influencer marketing, and peer comparisons on social media platforms affected their purchasing decisions. Many students spent money on online shopping, entertainment, and lifestyle products due to social influence and consumer trends. Students with lower financial literacy were found to be more vulnerable to emotional and impulsive purchasing behaviour driven by social media exposure.

Conclusion

Financial literacy has become an essential skill in the modern financial environment, particularly for university students who are increasingly exposed to financial responsibilities and digital financial systems. The present study examined the impact of financial literacy on expenditure behaviour among university students and found that financial knowledge plays a significant role in shaping students' spending patterns, saving habits, and financial decision-making. The findings of the study revealed that students with higher financial literacy demonstrate better budgeting practices, stronger saving behaviour, and more responsible expenditure management. Financially literate students are more capable of controlling unnecessary spending and making informed financial decisions. In contrast, students with limited financial knowledge are more likely to engage in impulsive buying, excessive expenditure, and poor financial planning. The study also highlighted the growing influence of digital payment systems and social media on students' expenditure behaviour. Online shopping platforms, advertisements, and influencer marketing strongly affect students' purchasing decisions and contribute to consumer-oriented spending patterns. Financial literacy helps students critically evaluate such influences and maintain financial discipline.

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