

**A STUDY ON STUDENT BUDGETING AND SPENDING
BEHAVIOUR AMONG THE COLLEGE STUDENTS OF AIZAWL**

PROJECT REPORT SUBMITTED TO



**DEPARTMENT OF MANAGEMENT
GOVT. J. THANKIMA COLLEGE**

**For the partial fulfilment of the requirement for the degree
of
BACHELOR OF BUSINESS ADMINISTRATION**

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DECLARATION

I, Nicky Lalmuanpuia, Roll No. 1908BBA011 hereby declared that the research project entitled “**A Study On Student Budgeting And Spending Behaviour Among The College Students Of Aizawl**” is the record of the work done by me and that the content of this research project did not form any basis for the award of any previous degree to me or, to the best of my knowledge, to nobody else, and the work has not been submitted by me for any degree in any other institution/University.

This is being submitted to Department of Management, Govt J Thankima College for the partial fulfillment for degree of Bachelors in Business Administration.

(J. LALBIAKDIKA)

Supervisor

(NICKY LALMUANPUIA)

Roll No.: 1908BBA011

CERTIFICATE



To whom it may concern

This is to certify Nicky Lalmuanpuia, Enrollment no. 1908BBA011, pursuing Bachelor of Business Administration is a bonafide students of Govt. J. Thankima College, who has carried out the project titled "A Study On Student Budgeting And Spending Behaviour Among The College Students Of Aizawl", undertaken as per the requirement for her Bachelor of Business Administration course curriculum.

He has successfully completed the above-mentioned research project and I sincerely hope that this is a significant study and she would successfully carryout similar research in future.

I wish her all the best.

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CHAPTER 1
INTRODUCTION

1.1 INTRODUCTION

Student budgeting primarily refers to management of financial expenses within their assigned budget. Several factors make the behavior of students dynamic and different from each other. These factors can be technical as well as psychological and controllable or uncontrollable. The major challenge that students face is the difficulty to budget their expenses and save a proportional amount every month for contingent events. Most of the students get their monthly allowance from their parents and are answerable to them for their expenditure. Higher family income can contribute majorly to good academic performance of the students but lower family income should not be an excuse for poor performance. With the technological revolution and advancement in India, students have adapted their budgeting and spending habits accordingly. The advanced marketing strategies of the firms have made the students spend extravagantly on wants and not just needs. And the marketing tactics have influenced the adults too which has led the young to follow their footsteps and spend free-handedly. There is a vast difference in the spending behavior of students of our country as the system to free the younger population at an early age is different from the west. Developing the saving habits of students can be an effective tool to encourage the younger lot to live in a financially sustainable way. The more knowledge students have about their financial responsibility and status, the less likely they are to be in debt.

1.2 FINANCIAL LITERACY IN COLLEGE

1.2.1 A COLLEGE SPENDING PERSPECTIVE

College students, especially in the Western world do not take the advice of their mentors or parents seriously when it often comes to financial management and responsibility. Many social critics that focus on spending habits of individuals have blamed extreme debt and other unsafe financial conduct on materialistic trends that are perceived as “inherent in Western society” (Marsha, 2011, P. 5). Spending habits that will make graduates poor are always associated either with the myth that everyone these days is finishing college broke or in debt. Frequently, buying new items instead of looking for old items like; used textbooks, used furniture, and other used school supplies accounts for students’ higher expenditures in college.

According to Chen & Volpe(1998), it is also proven that individuals with less knowledge tend to hold wrong opinions and make incorrect decisions in the areas regarding savings, borrowing, as well as investments. This is usually common among uninformed college students, yet

various attempts have been made to introduce money management courses to this people to move them out of the terrible box. Knowing how to budget in college is a discipline that takes time to master, yet it cannot be achieved by taking a forum, an economics course unit, or overnight. On the other hand, when persons cannot manage their funds, it becomes a society's challenge to be addressed (Chen & Volpe, 1998).

1.2.2 BUDGETING AND PURCHASING

Largely, many have fallen victims to at least one of the strange spending routines. It is so fortunate that once you have learned how to draw a parallel between the two, that is; budgeting and purchasing, life during college becomes easier and simpler. Since most parents tell their offspring that paying for college is their responsibility, especially in the Western nations, students have always tried to get as many grants and scholarships as possible. That is to say, friends and family who want to show love to their intimates give some pocket money and credit college students' accounts as perfect gifts. While others have attended college with so many financial aid grants and scholarships, many have been able to pay without resorting to borrowing due to proper budgeting. Therefore, learning from past mistakes has some benefits when in come to budgeting and spending. According to Mandell (2008) in his literacy survey, as cited by Llewellyn(2012), most college students are financially knowledgeable. However, the result indicated that only a lower percentage of students graduate from college with the budgeting and decision skills. Therefore, the remaining higher percentage makes critical financial decisions poorly due to inefficiency.

1.2.3 MONEY MANAGEMENT COURSES AND BENEFITS ON COLLEGE STUDENTS

According to Chen & Volpe(1998), "One reason for the low level of knowledge is the systematic lack of a sound personal finance education in college curricula". (p.6). similarly, "most of the higher education institutions put little emphasis on students' personal finance education". (Danes &Hira, 1987) cited by Chen & Volpe (1998, P. 6). Llewellyn(2012) argues the Financial Literacy and Education Commission to team up with the Department of Education and State governments to cultivate a consistent strategy for providing financial training to students in the college institutions. These would speed the smooth provision of viable money management education programs.

Surprisingly, most available research studies concentrate on high school students and adults' financial literacy levels. Yet, a small number of them have surveyed college students (Chen & Volpe, 1998). Therefore, Chen & Volpe (1998) suggest that the analysis on financial literacy shows how level of finance knowledge tends to influence people's opinions, beliefs, as well as their final choices. It is also recorded that more members from the less conversant group often make erroneous choices. They also tend to hold wrong beliefs and make incorrect decisions when it comes to general knowledge on savings, borrowing, and investments (Chen & Volpe, 1998). When taking money management courses, focusing on customized budget planning will make students learn how to budget practically.

Building confidence, applying real-world skills, and displaying functional behaviors related to money management would make college students make better financial resource decisions, harness earning dimensions, care for their belongings while adapting to sudden events. This is because; the application of sound foundational financial decision-making principles is expected immediately after finalizing the program and in the future, which is of great benefit to themselves and their folks. Consequently, charting monetary units learning at age five followed by taking a special finance course at age seventeen would prove equally ineffective if formal financial education is not offered sooner than high school, preferably from prime school (Llewellyn, 2012).

Moreover, Chen & Volpe(1998) claim that “together with evidence provided by the research conducted in the past three decades, the findings of this study suggest that there is a systematic lack of personal finance education in our education system” (p. 16). While Marsha(2011) on the other hand, states that a wide-range learning curriculum makes students learn various credit terms, the constituents of an everyday budget, comparing different credit deals and their personal credit ranking, as well as related crucial realities and skills. The foretelling skill of individual finance understanding shows that improving college students' awareness is vital. Eventually, it is clear that “without adequate knowledge, they are more likely to make mistakes in the real world” (Chen & Volpe, 1998, p. 16). Results of several studies suggest that adults do not have a good command of personal finance and investments. The conclusion is that students are exiting college schools when they are short of competency to make critical financial decisions affecting their lives (Chen & Volpe, 1998).

1.2.4 ACQUIRING A BETTER SPENDING EXERCISE IN COLLEGE AND ITS BENEFITS

Advancing the financial literacy of students from pre-nursery through college helps develop a comprehensive curriculum with many initiatives to offer support and stimulate awareness among college students on the day-to-day spending involvements (Llewellyn, 2012). There is no proven formula when it comes to styles of better spending. Yet, media literacy programs can help college students learn to question media messages that are transformational. These are media literacy programs target elementary, high school, and college students. College students are expected to develop and use critical thinking skills when interacting with communal media. Openly, integrating financial literacy within media programs reduces the influence of advertising messages to create transformation expectations. Thus, probably help college students manage their fondness to overspend with an improved approach (Marsha, 2011).

In order to spend wisely, start mounting up your emergency fund. This can be a smart move since being in college does not mean that emergencies will not surface. If you have not done so by this time, establishing an emergency fund looks crazy. However, keeping your money in a high return savings account can even help it gain a lot of interest while you attend school. Many college students have lower necessary expenses, to the extent that even a small amount of offers from friends can be of a big advantage. Each semester, a student can grow the fund with your investments. An additional benefit will be seen after graduating because of having a bit of enough financial needs to help you shift onto the real world.

There is one belief that by staying in universities or colleges longer, students will naturally pick up more about private finance responsibility. It is argued by (Chen & Volpe, 1998) that students do not gain more familiarity over personal funds and budgeting by just taking more time in college learning other distinct subjects. Instead, they can “learn the subject through a business course, seminars, or their own mistakes” (Chen & Volpe, 1998, p. 10). Therefore, the opinion that business majors are more educative than non-business majors are. In order to do well in the field of budgeting and spending, college students must have preceding exposure to personal financial management. This means that college students are not more literate just because they have attained a higher education level (Chen & Volpe, 1998).

Fortunately, for college students, the other best way to spend minimally is by setting aside some money for fun. Having worked so hard, luxuriating a bit, of your earning is not a strange idea. Yet, you must remember to set a boundary and hold unto it. Putting aside some money

for the nearby vacation or holiday in your savings account may serve as an example. With that manner, you can have a pleasing experience to recall without getting distressed about debt. However, this should not be taken as compulsory, yet it is up to you as to what fun you unconditionally consider gratifying.

CHAPTER 2

LITERATURE REVIEW

2 LITERATURE REVIEW

To search for the underlying factors behind their expenditure (Bona, 2018) Study found that students choose to buy the product which will meet their interest relative to product and price. The study concluded that college students' spending behavior is massively influenced by their

family background. Parents also play a critical role in shaping not only the attitudes towards financial management but also life attitudes in general of their children. To improve financial habits, students must take some time to create concrete measures to help them keep track of their expenses. First, they should create their own budget and keep ways on how to improve it. Keeping a record of expenses will help them monitor how much money they spend on clothing, entertainment, and gadgets. They should not forget to allocate money for savings because a good budget does have savings. Lastly, they should keep a positive attitude. This study failed to quantify student spending behavior in terms of monetary terms, since it was more qualitative in nature.

(Sorooshian, et al., 2013) The research paper finds that the cost of college has risen dramatically in the past years. Prices for multiple commodities like tuition, books and fees has risen by 5 to 10% annually. Most full-time students, however, receive financial aid, grant funding and a loan to offset the cost of college. Study estimates that students are paying about one-third of the actual costs of a college education. Experience says that college students are now demanding luxury, and they are not seeing the problem with their spending. They seem to have become so comfortable with these high prices that the items are now commonplace things seen at campuses. If students think before they spend, they will spend wisely and if they did not, they are likely to waste money. Student spending behavior can be improved if they plan their expenses ahead. They need to think to save to buy “needs” item rather than spend on “wants” item. Entertainment seems to be the spending that the student does at a very high frequency, thus they need to find ways to control it. This study went in depth into the financial and psychological aspect of spending behavior and brought out concrete results, but failed to take monetary terms into its scope.

(Vhalery, et al., 2018) The research paper classifies variables that become factors that influence allowance management. The population of the study are the college students from first year (term one) in Indraprasta University (UNINDRA) PGRI Jakarta. Samples in this study are 282 people that are taken randomly with sampling random technique. Data collection technique used is the questionnaire that is already validated by experts and field trial. Study questionnaire is divided into two types which are online through Google form and hardcopy (physique as the form) that is distributed manually. The result shows that factors which influence allowance management is divided into 10 factors which are financial knowledge factor, financial motivation and desire factor, wisdom factor, socio-culture factor, individual status factor,

individual attitude factor, family relation factor, individual friends' environment factor, and also family background factor. The paper however does not take into consideration the various spending habits of students like shopping, movies, dine outs etc. It does not give a clear picture that how much an average student spends monthly on what activity.

(Birari & Patil, 2014)The paper talks about the spending and savings pattern of the Indian youth. They show how westernization and increase in cost of living has influenced these spending patterns over the years. The results of this study show how the youth spends a large part of their allowance on shopping of branded items. The research paper has a sample of three groups of students at junior level, graduation level and post-graduation levels. The sample is based off the students in Aurangabad City of Maharashtra. The researchers used ANOVA and T-TEST to analyze the difference between spending patterns of all the three groups as well as genders. The results of the research showed how the spending patterns of the students differed significantly in many categories based on their level of education. Also, another result is that male and female student youth have different spending patterns with some similarities. A large portion of the students go towards their lifestyle patterns- shopping, dining out, mobile phones, investments and travelling. The paper suggests the youth to cultivate a habit of rational spending. It tells them to save and invest more in the financial markets. The only limitation of this paper however was that it

CHAPTER 3

SIGNIFICANCE AND SCOPE OF THE

3 SIGNIFICANCE AND SCOPE OF THE STUDY

3.1 SIGNIFICANCE OF THE STUDY

With cultural shift to westernization in India and advent of mall culture, the spending and savings habits of the students have changed over the years. College students have started to spend more money on entertainment and lifestyle and have become more brand conscious. With the increase in standard of living of adults, the young have also been empowered with more money and have got more spending power. Similarly the saving habit in college student is drastically declining over the years. This study is conducted to understand the saving and spending habits of college students.

This study was designed to collect data about financial management behaviors of college students, and provide information about current financial responsibilities of college students. Studying the financial management behaviors could provide more information about skills related to the psychosocial development tasks of developing autonomy and clarifying purpose.

3.2 SCOPE OF THE STUDY

The current study is mainly concentrated in college students within Aizawl city.

Sample size: from the questionnaire distributed in various colleges a number of 138 respondents were received and were analyzed for the study.

Sources of Data: Primary data Collected through questionnaire and Secondary data from Journals, websites, magazines, and other relevant documents

CHAPTER 4
RESEARCH DESIGN

4 RESEARCH DESIGN

4.1 OBJECTIVES OF THE STUDY

- To determine spending pattern of the students.
- To plan, advance and equalize the measure to gauge the saving behavior of students.
- To search for the underlying factors behind their expenditure.
- To ascertain how much they spend monthly

4.2 METHODOLOGY

Source of Data

Primary data

For the purpose of data collection, a structured questionnaire was used. It consisted of closed ended questions and the questionnaire was filled by the respondents via google form.

Secondary data

Secondary data has been collected using training manuals, annual reports, various journals, websites and subject related articles in newspapers and magazines.

Sampling method

Primary data was collected from a sample size of 138 respondents from college students in Aizawl. Non-probability convenience sampling technique is used in this study.

Data analysis

The collected data were analysed using statistical methods using Microsoft excel and are presented in the form of tables and charts.

4.3 LIMITATIONS

1. It is a sample study, not population study. The sample size of 138 students is a limitation to the study. The things that are true for the same may or may not apply to the population.
2. This study uses non-probability convenience sampling technique. The sample includes people who were convenient to the researchers.
3. The sample unit can be a limitation as the spending habit may be different in different cities. This study is conducted through the students of Aizawl – which is the capital of Mizoram, Spending pattern changes with different cities and hence the study is not valid for the entire population.

CHAPTER 5

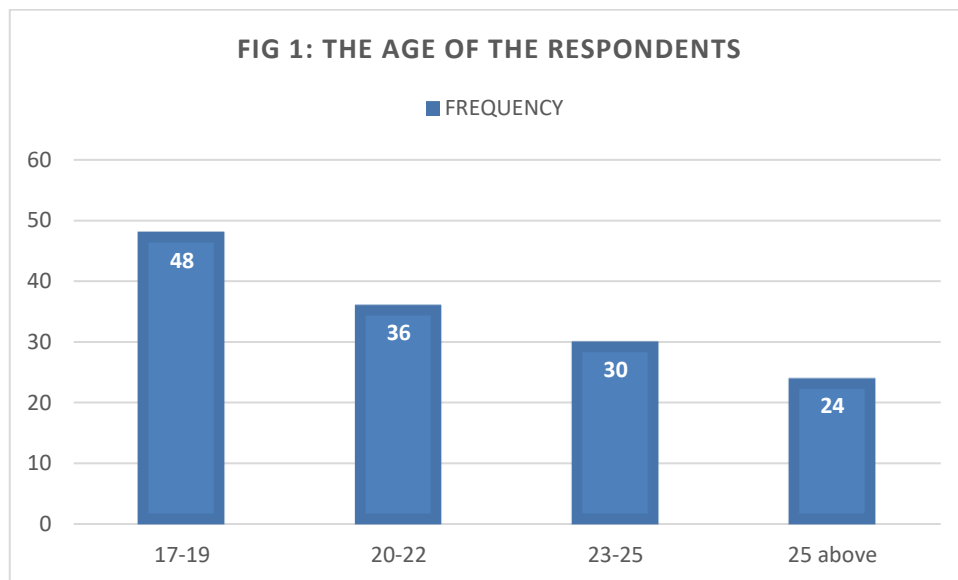
DATA ANALYSIS AND INTERPRETATIONS

4. DATA ANALYSIS AND INTERPRETATIONS

Table 1: Table showing the age of the respondents

AGE	FREQUENCY	PERCENTAGE
17-19	48	34.78%
20-22	36	26.08%
23-25	30	21.73%
25 above	24	17.39%
Total	138	

Source – primary data



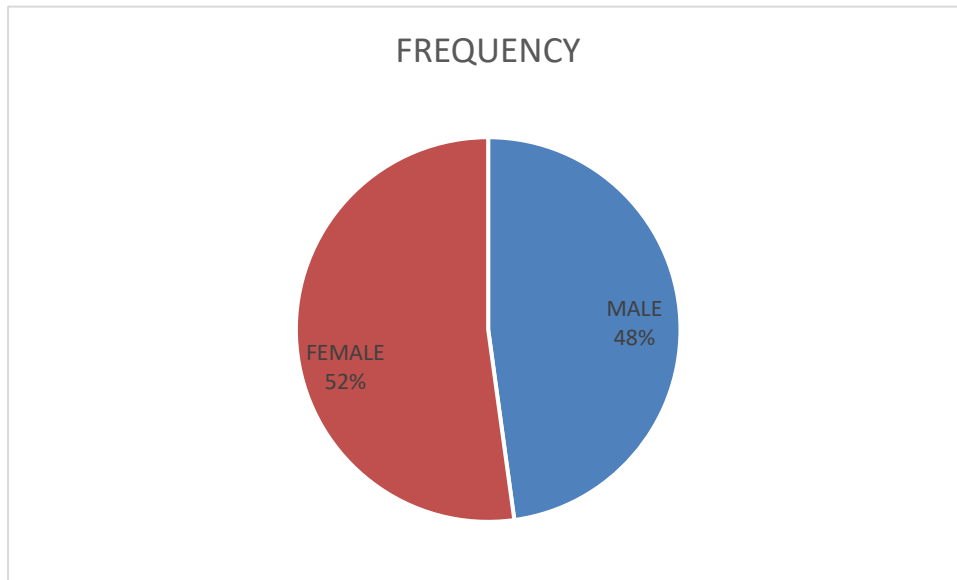
Source – primary survey

Interpretation: The above table shows that 34.78% of the respondents fall under the age group 17-19, 26.08% of the respondent fall under the age group 23-25, 21.73% of the respondents fall under the age group 23-25 age and 17.39% of the respondents falls under the age group 25 above.

Table 2: Table showing the gender of the respondents

	FREQUENCY	PERCENTAGE
MALE	66	47.83%
FEMALE	72	52.17%
TOTAL	138	

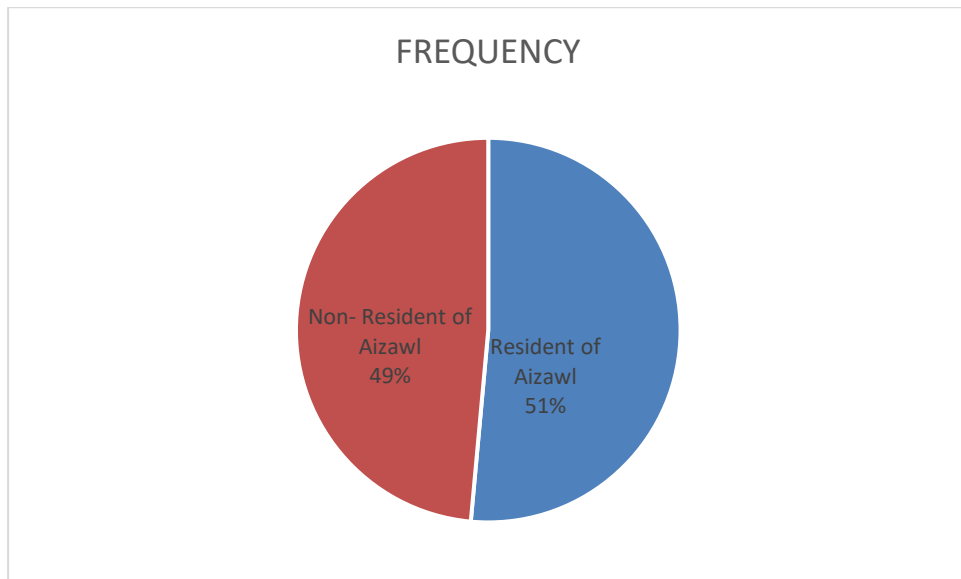
Source – primary data



Interpretation: The above table shows that 47.83% of the respondents are male and 52.17% of the respondents are female

Table 3: Table showing residential status of students

OPTIONS	FREQUENCY	PERCENTAGE
Resident of Aizawl	71	51.45%
Non- Resident of Aizawl	67	48.55%
TOTAL	138	

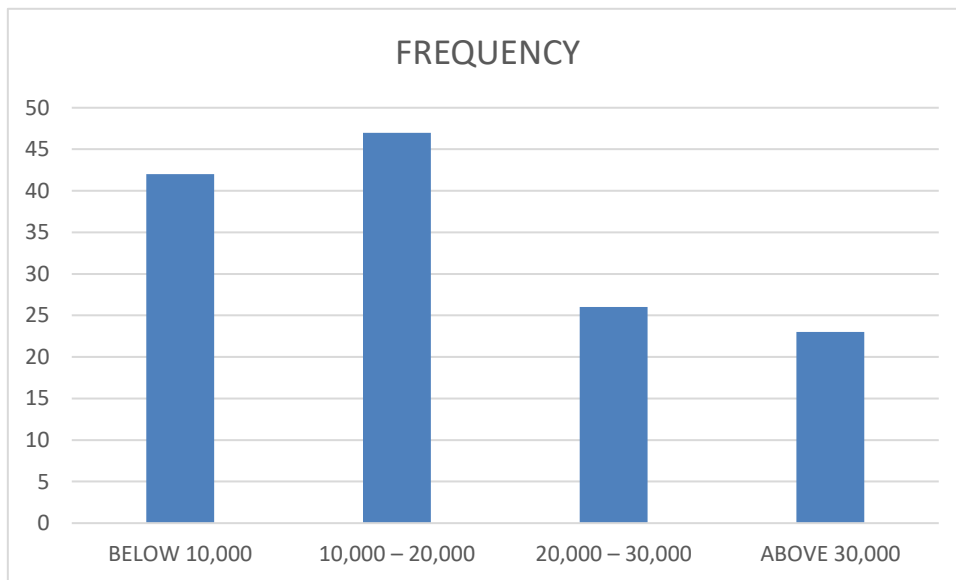


Source: Primary data

Interpretation: From the above table it can observe that 51.45% of respondents are students studying from outside Aizawl and 48.55% of the respondents are residents of Aizawl

Table 4: Table showing Monthly expenses of students

MONTHLY EXPENSE	FREQUENCY	PERCENTAGE
BELOW 2,000	42	30.43%
2,000 – 3,000	47	34.06%
3,000 – 4,000	26	18.84%
ABOVE 4,000	23	16.67%
TOTAL	138	

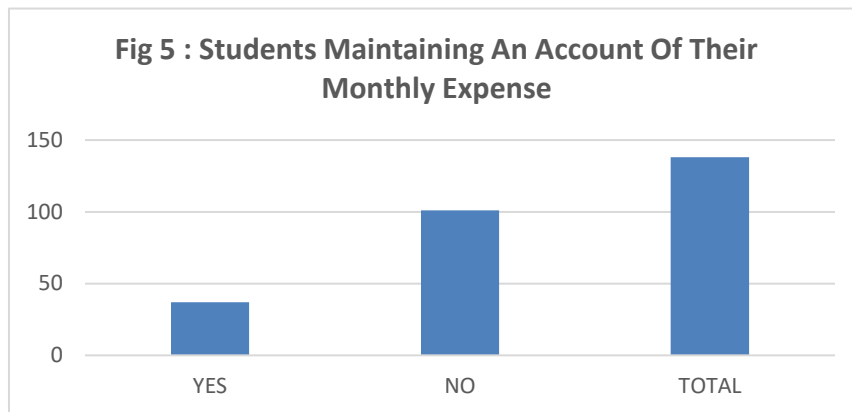


Source: Primary data

Interpretation: The above table shows that 30.43% of the respondents spent below Rs 2,000 34.06% of the respondents spend between Rs.2, 000-3,000 monthly, 18.84%of the respondents spend between Rs.3, 000-4000 monthly16.67% of the respondents spend above Rs. 4,000

Table 5: Table Showing Students Maintaining an Account of Their Monthly Expense

OPTIONS	FREQUENCY	PERCENTAGE
YES	37	26.81%
NO	101	73.19%
TOTAL	138	

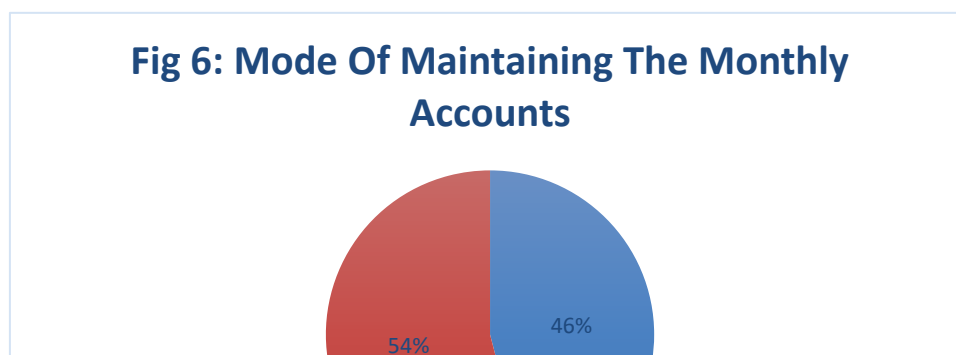


Source: Primary data

Interpretation: The above table shows that 26.81% of the respondents' maintains an account of their monthly expense and 73.19% of the respondents do not maintain a proper account of their monthly expense\

Table: 6 Table Showing Mode of Maintaining the Monthly Accounts

MODE	FREQUENCY	PERCENTAGE
APPLICATION	17	45.95%
MANUALLY	20	54.05%
TOTAL	37	

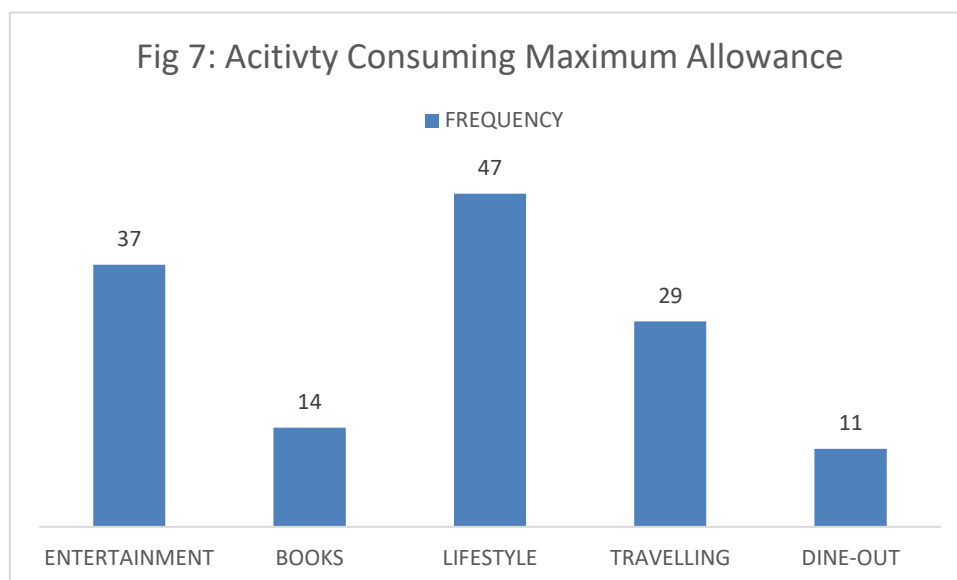


Source: Primary data

Interpretation: From the above table and graph it can observe that from 37 students who maintained monthly expenses account, 45.95% of them use a mobile application and 54.05% of them use manual budgeting to maintain their monthly budgets

Table 7: Table Showing Activity Consuming Maximum Allowance

SPENDING ACTIVITY	FREQUENCY	PERCENTAGE
ENTERTAINMENT	37	26.81%
BOOKS	14	10.14%
LIFESTYLE	47	34.06%
TRAVELLING	29	21.01%
DINE-OUT	11	7.79%
TOTAL	138	

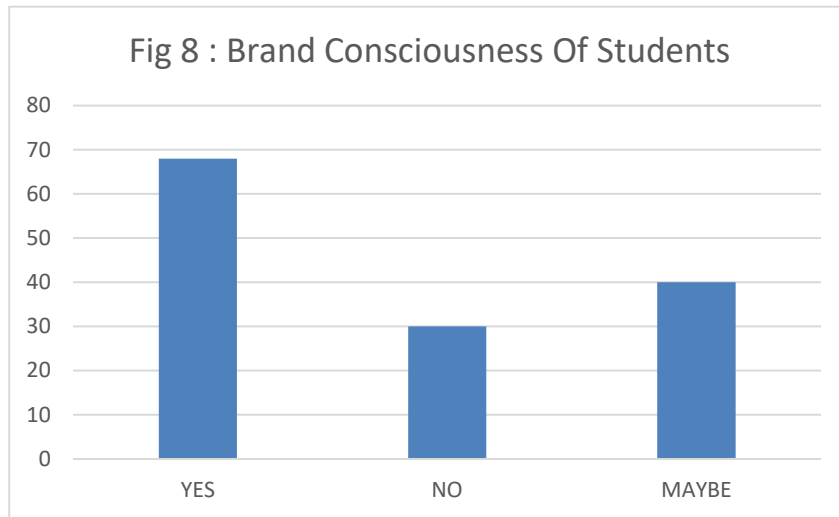


Source: Primary data

Interpretation: From the above table and graph it can observe that 34.06% of the respondents spend most of their money on lifestyle expenses, 26.81% of the respondents spend on entertainment, 21.01% of the respondents spend on travelling, 10.14% of the respondents spend on books and the remaining 7.79% spend a majority of their budget on dining.

Table 8: Table Showing Brand Consciousness of Students

RESPONSE	FREQUENCY	PERCENTAGE
YES	68	49.28%
NO	30	21.74%
MAYBE	40	28.99%
TOTAL	138	

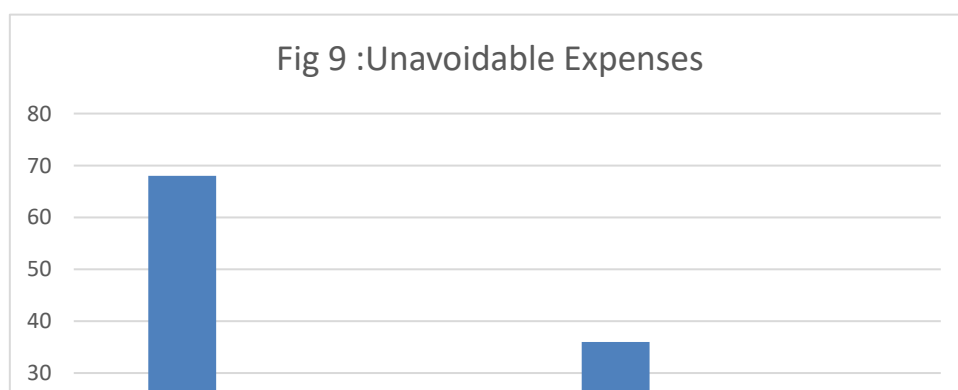


Source: Primary data

Interpretation: From the above table and graph it can observe that a vast 49.28% of the respondents stated that they were brand conscious while making purchases, 28.99% were not brand conscious while making purchases, while the remaining 21.74% of the sample responded with a maybe.

Table 9: Table showing Unavoidable Expenses

UNAVOIDABLE EXPENSE	FREQUENCY	PERCENTAGE
DINE-OUT	68	49.28%
MOVIES	26	18.84%
SHOPPING	36	26.09%
TRAVELLING	8	5.80%
TOTAL	138	

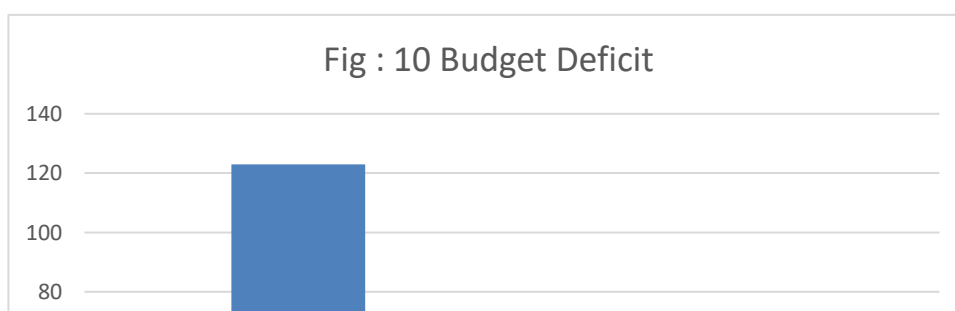


Source: Primary data

Interpretation: From the above table and graph it can observe majority of 49.28% people voted for dine-out as their major unavoidable expense. Next unavoidable expense at 26.09% was shopping. Third was movies with 18.84% people voting for it. Last was travelling with 5.8% of the total votes.

Table 10: Table Showing Budget Deficit

OPTIONS	FREQUENCY	PERCENTAGE
YES	123	89.13%
NO	15	38.41%
TOTAL	138	

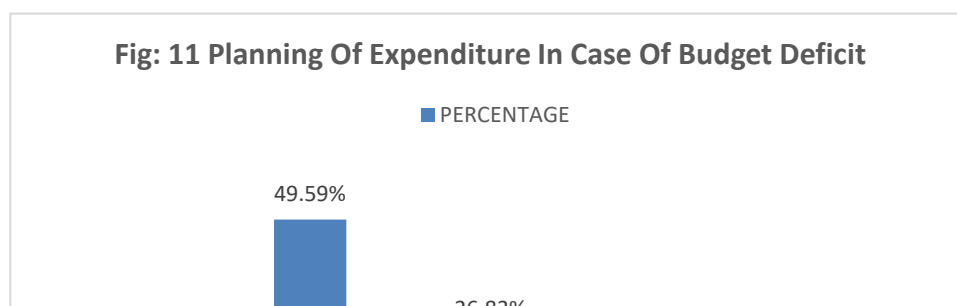


Source: Primary data

Interpretation: From the above table it can observe that 89.13 % of the respondents face deficit while 38.41% of the respondents do not face any deficit

Table 11: Table showing Planning of Expenditure In Case Of Budget Deficit

PLANNING BUDGET DEFICIT	FREQUENCY	PERCENTAGE
ASKED FOR MONEY FROM PARENTS	61	49.59%
ASKED FROM FRIENDS	33	26.83%
REDUCED YOUR DAILY	29	23.58%
TOTAL	123	

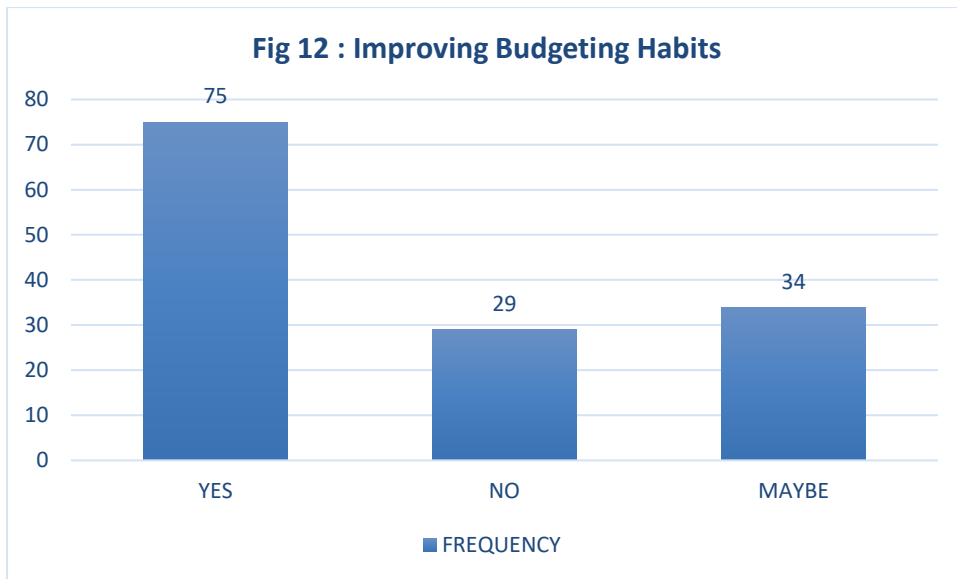


Source: Primary data

Interpretation: From the above table it can observe that from 123 respondents who voted yes in the previous question 49.59% of the respondents asked money from their parents, 26.83% of the respondents asked money from friends and 23.58% reduce their daily expenditure in times of deficit.

Table 12: Table Showing Improving Budgeting Habits

OPTIONS	FREQUENCY	PERCENTAGE
YES	75	54.35%
NO	29	21.01%
MAYBE	34	24.64%
TOTAL	138	

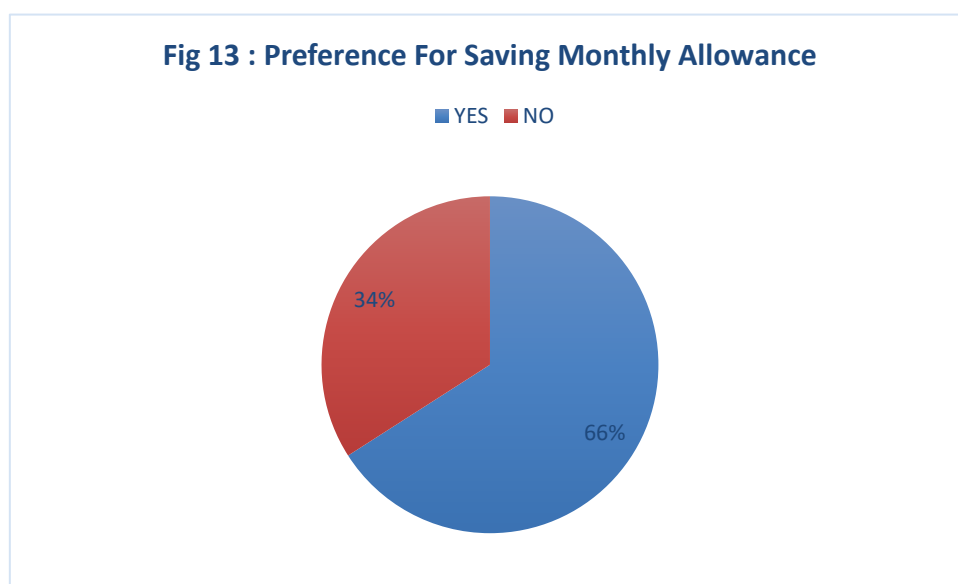


Source: Primary data

Interpretation: From the above table it can observe that when asked about if they could improve their budgeting habits thus spending less 54.35% students said yes, they do see a scope for improvement. 21.01% students said no and the rest 24.64% students responded with a maybe.

Table 13: Table Showing Preference for Saving Monthly Allowance

OPTIONS	FREQUENCY	PERCENTAGE
YES	91	65.94%
NO	47	34.06%
TOTAL	138	

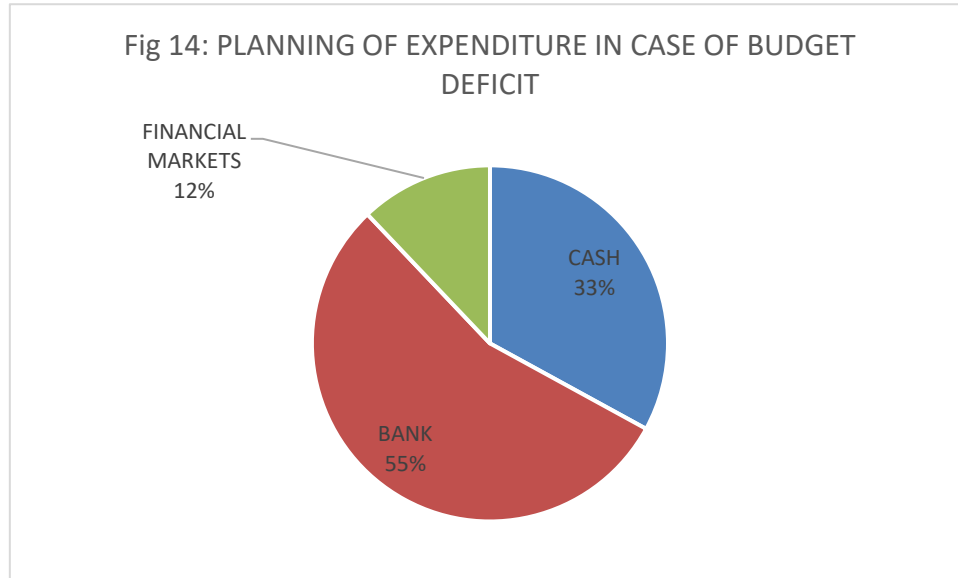


Source: Primary data

Interpretation: From the above table it can observe that when asked about whether the respondents believed in spending their monthly allowance. 65.94% said yes while a one-third respondents (34.06%) said they do not.

Table 14: Table Showing Mode Of Saving The Monthly Allowance

SAVING OPTIONS	FREQUENCY	PERCENTAGE
CASH	30	32.97%
BANK	50	54.95%
FINANCIAL MARKETS	11	12.09%
TOTAL	91	



Source: Primary data

Interpretation: From the above table it can observe that from 91 respondents who votes yes in the previous question, 54.95% said they saved in banks, 32.97% said they preferred saving in cash while the small remainder of 12.09% invested in financial markets.

CHAPTER 6

FINDINGS AND CONCLUSION

6.1 FINDINGS OF THE STUDY

1. Most of the respondents are between the age of 17-19 which is 34.78% of the respondents
2. Majority of the respondents are male , which is 52.17% out of 100 %
3. Majority of the respondents which is 51.45% are residents of Aizawl, the remaining 48.55% of respondents are students staying in a rented house, hostels or with their relatives.

4. The study shows that monthly expenditure of most of the students is between Rs 2000 – 3000.
5. Majority of the respondents which is 73.19% do not maintain a proper account for their monthly expenses
6. From the 27 respondents who maintains an account on their monthly expenses majority of them, which is 54.05% maintain their monthly accounts manually i.e. traditional form of budgeting.
7. It was observed that most students (34.06%) spend on lifestyle that include shopping and other such related activities.
8. The study shows that nearly half of the respondents (49.28%) are brand conscious.
9. The study shows that the most unavoidable expense of students is dine-out. It includes fine dine, ordering food online, having food in college canteen etc.
10. It was observed that majority of the respondents suffer deficit in their allowance.
11. The study shows that from the 123 respondents who have deficit in their budget, 49.59% asked money from their parents
12. Majority of respondents 54.43% see a scope of improvement in their budgeting habits.
13. Majority of the respondents, i.e. 91 respondents out of the sample of 138 respondents replied that they prefer to save a part of their allowance.
14. It was observed that out of 91 respondents who prefer to save a part of their monthly allowance, 50 respondents prefer to save in bank.

6.2 CONCLUSIONS

As per the research that was conducted, and upon further analysis, a very clear picture is being depicted- over half the students are living on a relatively tight budget to cover their expenses and support their lifestyle, which often goes unmaintained. Those who study in their hometown spend relatively less as compared to those studying outside their hometown, since the outstation students have to pay bills related to accommodations, such as electricity, gas, etc.

Major spending of these students is on their lifestyle and entertainment, which varies for every student. Students have become extremely brand conscious today, since every brand conveys something different about their personality.

About half the respondents find dine out as their most unavoidable expense, followed by movies. An interesting finding was that more students asked money from their parents when faced with a budget deficit than those who asked their parents for money. This shows that majority of college students in Aizawl are completely dependent on their parents money.

The study also shows that students prefer to save a part of their monthly allowance, mostly in cash form or in bank, which shows good budgeting habits. A fraction also tends to invest their savings in the financial markets.

One very simple but effective way students can reduce their spending is by analyzing their behavior. They can do so by developing a behavior chart. This is a method of keeping constant record of the students' behavior and providing reinforcement for that same behavior. These charts work wonders when dealing with and changing student behaviors.

It is absolutely critical that college students educate themselves about finance during their adolescence phase, as it is their best possible chance to be successful in adulthood. However, having a good financial knowledge base is not enough. Steady success requires healthy and positive attitude along with supportive parents who facilitate responsible financial attitude.

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