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Financial Savings Skills and Expenditure Behavior of Public University Students in Western Kenya

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Abstract

Records show that up to 11% of government sponsored students drop out of the universities in Western Kenya due to financial reasons. Statistics show that up to 28% of privately sponsored students enrolled in universities in Western Kenya region drop out or have extended completion of courses. Studies reveal students' expenditure behavior relates to available income and not budgets as they tend to overspend on leisure. Some students resort to illicit activities like prostitution, thuggery, drugs and academic malpractices in trying to mitigate on financial difficulties. There is a gap on the level of preparedness in saving skills on the expenditure behavior of university students. The purpose of this study was therefore to analyze the students' financial savings skills effect on expenditure behavior among public university students and to examine moderating effect of students' characteristics on the relationship between financial literacy on expenditure behavior in public universities. The study was anchored on the Goal Setting theory. The research adopted a survey descriptive research design. The target population was first to fourth year undergraduate students and 8 registrars and deans of students in four selected public universities in the Western Region of Kenya. The total population was 14, 228 respondents. A sample of 397 respondents was obtained using stratified random sampling. Data was collected with aid of structured questionnaires. The validity of the data collection instruments was obtained through expert advice of research supervisors and faculty of school of business and graduate studies. The reliability of the instruments was done through piloting using samples whose characteristics reflected those of the test population. The piloting was done using the test and retest technique computed using the Cronbach alpha coefficient and only accepted at a minimum level of 0.7. Both Qualitative and quantitative data were collected. Descriptive and inferential statistics were used to analyse the data collected. Presentation of data was done through frequency tables. The study found out that there is a positive and significant relationship between students' financial saving skills on expenditure behavior in public university students in the Western Region of Kenya. The study also found out that students' debt management skills have a weaker positive and insignificant relationship on expenditure behavior in public university. The study highly recomends that for better expenditure management by students in public universities in Western Kenya, the students ought to have financial savng skills because the study found out that there is a higher positive and significant relationship between financial saving skills and expenditure behaviour by students.

Keywords: *Government sponsored students, public university, saving skills, students' expenditure behavior*

1.1 Research objective

To analyze the students' financial savings skills effect on the expenditure behavior of public university students in Western Kenya.

1.2 Research hypothesis

H_o Skills in saving do not have a significant effect on expenditure behavior of public university students in Western Kenya.

1.3 The Scope of the study

There are 7 public universities operating in the Western region of Kenya. This study covered four of these public universities. The universities covered included Masinde Muliro University of Science and Technology (MMUST), Kaimosi Friends' University College (KAFUCO), Kibabii University and Alupe University College. The choice of universities to be covered in the study was informed by their location such that some are in urban areas while others are in the rural areas. While MMUST and Kibabii are urban or peri-urban, KAFUCO and ALUPE are rural. Samples were taken from 1st to 4th year students. The

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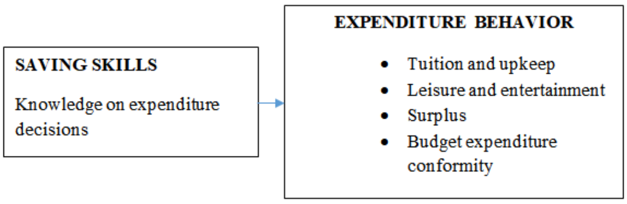
actual study was expected to cover a 4 year period of students admitted between 2015 and 2018 academic year

1.4 Conceptual frameworks



Source: Researcher (2018)

Figure 1: Conceptual Framework

2.1 Theoretical framework

2.1.1 Goal Setting Theory

The theory was developed by Hollenbeck and Klein (1987). The theory states that the extent to which a task is performed and accomplished is dependent on the nature of goals set. Clear, specific, and hard goals motivate more tha2.3n those that are not. In order to ensure achievement of optimal performance, goals set must be clear, complex and challenging. They should have an inbuilt mechanism to assure commitment and feedback. Studies linking motivation and financial literacy established that low savings among poor families were related to lack of will power i.e. motivation to achieve anything (Horgath & Angelov, 2003). Another study established that motivational variables significantly improved financial literacy skills amongst individuals thereby assisting them in the management of their finances and ultimately improving their financial wellbeing (Mandell & Klein, 2007).

This theory is relevant to financial literacy to the extent that it relates to willingness and ability to plan (i.e. goal setting) and hence, the theory can be used to raise levels of financial literacy. The theory emphasizes relationships between goals set and the resultant performance. Consequently, it explains aspects of financial planning that can be undertaken to achieve optimal results. These include establishing realistic and measurable goals that are time bound, reviewing and evaluating the financial plans periodically, ensuring that plans are prepared in good time ahead of implementation and recognizing that achievement of goals requires commitment. For university students to make sound financial decisions, they must be able to set their own financial goals and targets and ensure that they are achievable. Goals are better reflected in budgets. If students adopted budget making as part of their financial planning, they would reduce most of the discretionary spending behavior and channel funds to intended expenditure areas. This would save them from the financial distress they get entangled in and enable them pursue their academic pursuits without hindrance (Mandell & Klein, 2007).

2.2 Empirical literature

2.2.1 Saving Habits

Ordinarily, the youth do not engage in such basics as budgeting, prudent spending and systematic saving plans (Pillai, Carlo & Desouza, 2010). Educational institutions are important vehicles for educating and nurturing students in financial knowledge. In the US, high school students changed their saving and spending habits within three months of introducing a program of financial education at high school level (Danes, Huddleston & Boyce, 1999). A survey by Pillai et al, (2010) showed that out of 40% of respondents, 22% felt that being financially literate would help them adopt better investment approaches and maintain better spending habits. This underscores the need for young adults accessing financial literacy. Other studies have shown that university/ college students do not keep written budgets (Henry, Weber & Yarborough, 2001). This study however, showed that female students had a higher tendency to use a shopping list, plan their spending and save more regularly than their male counterparts. The implication here is that financial literacy would enable students to make budgets for their routine expenditures.

3. Research Methodology

3.1 Research design

For purposes of this study, a survey descriptive research design was adopted to bring out the relationship between financial literacy and expenditure behavior. This approach provided the picture of the situation as it naturally happens (Burns & Grove, 2003).

3.2 Target population

This study targeted 14, 220 first to fourth year university students and 8 registrars and deans of students from MMUST in Kakamega, KAFUCO in Vihiga, Alupe in Busia and Kibabii in Bungoma counties. The populations from these universities are summarized in Table 3.1.

Table 3.1: Population by university

University	Students	Registrars/ Deans of Students	Total Population (N)
MMUST	8, 900	2	8902
KAFUCO	660	2	662
KIBABII	4, 050	2	4052
ALUPE	610	2	612
TOTAL	**14, 220**	**8**	**14, 228**

Source: KUCCPS website 2015/18 admissions

3.3 Sampling design and sample size

This study adopted Slovin's formula for sample determination. The total sample size shall therefore be 397 persons. This sample was then redistributed among the universities in the proportion of their populations as shown in Table 3.2.

Table 3.2: Distribution of sample among universities

University	N	N
MMUST	8900	244
KAFUCO	660	18
KIBABII	4050	111
ALUPE	610	16
REGISTRARS/DEANS	8	8
Total	**14228**	**397**

Source: KUCCPS website 2015/18 admissions

3.4 Data collection tools

Data was collected by the use of a comprehensive structured questionnaire.

3.5 Pilot study

Piloting the instrument was conducted using samples from the same universities but were not involved in the final study.

3.6 Data analysis and presentation

Data collected was summarized and analyzed quantitatively using both descriptive and inferential statistics in the form of frequency counts, percentages, means, modes and standard deviations was used to determine the influence of financial literacy on the expenditure behavior of public university students. A regression analysis was performed to regress financial literacy variables against expenditure behavior using a Pierson correlation confidence moment at 95% significance level

4. Results and Discussions

4.1 Response Rate

Table 4.1: Response rate of respondents

Response	Frequency	Percentage
	f	%
Collected	224	56.4%
Uncollected	173	43.6%
Total	**397**	**100**

Source: Field data (2018)

Table 4.1 shows that a total of 397 questionnaires were administered to the respondents out of which 224 questionnaires were properly filled and collected. This gave a response rate of 56.4% which is adequate for data analysis and generation of a conclusion of the study population. Bebbie (2004) asserted that return rates of 50% and above are acceptable analyze and publish research findings.

4.2 Inferential analysis

4.2.1 Students' financial savings skills and expenditure behaviour

The researcher sought to analyze the students' financial savings skills effect on the expenditure behavior of public university students in Western Kenya.

Table 4.2: Students' financial saving skills and expenditure behaviour

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.248[a]	.062	.057	.59556

a. Predictors: (Constant), financial saving skills

ANOVA[a]

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.171	1	5.171	14.578	.000[b]
	Residual	78.742	222	.355		
	Total	83.912	223			

a. Dependent Variable: Expenditure behavior
b. Predictors: (Constant), financial saving skills

Coefficients[a]

	Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	3.584	.125		28.638	.000
	Financial saving skills	.159	.042	.248	3.818	.000

a. Dependent Variable: Expenditure behavior

Source: Field data (2018)

Study finding results in Table 4.2 of model summary show that there is a positive and significant relationship between students financial saving skills and expenditure behaviour (R=0.248, α=0.002, p=0.05). It also reveals that students financial saving skills accounts for 6.2% of the expenditure behaviour while the rest is as a result of other factors a part from students financial saving skills (R^2=0.062). ANOVA results indicate that the overall simple regression model is feasible in measuring the relationship between students' financial saving skills and expenditure behaviour. This is shown by a significant F-statistical test (F=14.578; α=0.000, p=0.05).

From the results, the overall simple regression model can be written as; Y (expenditure behavior) =3.584+0.159X, Where: X= Students financial saving skills. The results also show that the relationship between students financial saving skills and expenditure behaviour is statistically significant (α=0.000 and p-value=0.05). Since the t-statistic is significant, the study reject the null hypothesis and concludes that students financial saving skills has a significant and a positive effect on expenditure behavior of public university students in Western Kenya. In general, it can be concluded that students' financial saving skills lead to positive expenditure behaviour by students. This can be interpreted that, students financial saving skills enable them to have surplus to use for leisure activities, for maintenance, upkeep and entertaining their friends. The study findings are in agreement with the study conducted by Pillai, Carlo &Desouza (2010); Pillai et al (2010); and Henry, Weber & Yarborough (2001). Their findings depict that good saving habits by students make them have prudent expenditure on leisure, entertainment and university upkeep.

5. Summary of Study Findings and Conclusion

5.1 Summary of the findings

Study finding results revealed that there is a positive and significant relationship between students' financial saving skills and expenditure behavior. It also depicted that students financial saving skills accounts for 6.2% of the expenditure behaviour while the rest is as a result of other factors a part from students financial saving skills. The results also show that the relationship between students' financial saving skills and expenditure behaviour is statistically significant. Since the t-statistic is significant, the study rejected the third null hypothesis and concluded that students financial saving skills had a significant and a positive effect on expenditure behavior of public university students in Western Kenya.

5.2 Conclusions

The study research concluded that students' financial saving skills lead to positive expenditure behaviour by students. This can be interpreted that, students financial saving skills enable them to have surplus to use for leisure activities, for maintenance, upkeep and entertaining their friends.

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