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An examination of college student money management tendencies

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Abstract

Determinants of college student money management decision-making were examined. A multi-variate model is hypothesized and tested that implicates attitude, affect, past behavior, and perceived control as predictors of intention to maintain a financial budget. Perceived control was also found to moderate budgeting intention, eliciting a shift from negative affect to subjective norm at high to low levels of perceived control. Further examination of an attitudinal model revealed positive expectancies toward budgeting utility and negative expectancies toward financial debt. Findings are discussed relative to debt prevention.
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The lack of money management among college students represents a major concern (Knight & Knight, 2000) and is associated with the accumulation of financial debt (e.g., Lea, Webley, & Walker, 1995; Lunt & Livingstone, 1992; Murdy & Rush, 1995; Ranyard & Craig, 1995; Walker, 1996). A better understanding of individuals budgeting tendencies is needed for efforts to reduce the likelihood of financial debt.

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Thus, the goals of the present research are: (1) to develop a model of money management that implicates cognitive and non-cognitive determinants of budgeting intention, (2) to identify moderated relationships between perceived control and intention useful in targeting individuals, and (3) to develop a model that implicates five cognitive structure predictors of budgeting attitude useful in changing budgeting cognitions.

1. Conceptual background

1.1. Maintaining a financial budget

A critical component of money management is the maintenance of a financial budget. Budgeting can be defined as allotting all or part of a person's total financial resources into distinct categories in order to track expenses against a tangible (electronic or manual) monetary forecast. This definition relies on the assumption that as expenses are incurred they deplete funds available in account categories (e.g., household or automobile expenses) making future purchases less likely (Heath & Soll, 1996). Thus, budgeting can be viewed as a strategy of managing personal finances with the purpose of avoiding negative outcomes of debt accumulation (Lunt & Livingstone, 1991).

1.2. Focus of budgeting research

Research on budgeting has indicated that beliefs about money and the management of money can influence spending patterns (e.g., Heath & Soll, 1996; Tokunaga, 1993), perceived ability to spend (e.g., Lea et al., 1995) and even normative influences toward spending (Rook & Fisher, 1995). These studies suggest that improved budgeting effectiveness can reduce the likelihood of overconsumption (e.g., Heath & Soll, 1996) and overspending (Lea et al., 1995). Further, research has suggested that overspending and overconsumption are reliable indicators of an individual's acceptable level of financial debt (Davies & Lea, 1995; Dittmar, 1996; Furnham, 1999; Hira & Brinkman, 1992; Lim & Teo, 1997; Livingstone & Lunt, 1993; Lunt & Livingstone, 1992) and perceived economic well-being (e.g., Hayhoe & Wilhelm, 1998; Wilhelm & Varcoe, 1991). Taken together, these streams of research suggest that an individual's tendency to manage money can subsequently influence the accrual of financial debt. Therefore, an understanding of the factors that influence intentions to maintain a financial budget may be useful in creating interventions designed to reduce the debt that is likely to accumulate due to a lack of money management.

1.3. Intervention strategies

Despite the noted contributions in the area of budgeting and money management, college students remain at risk of debt due to a lack of budgeting (Munro & Hirt, 1998). The major method used to address the lack of budgeting has been educational

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