

“Piggy Bank Money Management- A Primary Analysis Of Students’ Financial Behavior”

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Abstract: *The present study is focused on students’ attitude towards their piggy bank money that is pocket money and its management. Through this study, efforts are made to achieve the objectives of understanding how do students consume their pocket money, their investments practices, factors affecting their investment decisions etc. For the achievement of above mentioned objectives, survey research methodology is followed and primary data is collected and used. With the help of purposive sampling technique, a sample of 100 students (50 male and 50 female) from Lovely Professional University, Phagwara is selected who invest although small amount of money but on regular basis. A structured questionnaire is used to collect the required data from the sample respondents and the data is analyzed by using statistical tools like Graphs, Positional Measures and Factor Analysis applied with the help of SPSS.*

Keywords: *Behavioral Finance, Investment Behavior, Investors, Piggy Bank, Pocket Money,.*

I. Introduction

India is already regarded as an emerging economic power with potential to rank among the first 5 major nations of the 21st century. India is one of the fastest growing economies of the world along with China. For economic development it is necessary to invest savings in meaningful way. How much money is invested by people out of total savings, frequency of their investment, financial instruments in which they invest and risk aversion show their investment behavior. Each investor has his/her own specific financial needs, based on his financial goals and risk appetite. Ultimately, every investor aims at maximizing returns on his/her investment along with capital protection. Thus it is necessary to have financial knowledge so that people can behave rationally while making investment. Unless the common person becomes a wiser investor and is protected from wrong doings, wealth creation for the investors in the economy will remain a distant dream. The need of the time is to convert a country of savers into a nation of investors. To be an investor, being wealthy is not a condition. If you do investment regularly, even a small amount can produce considerable reward. In present economic climate, it is very important to determine the extent to which wise financial behaviors are actually practiced. It becomes more important when we study students’ attitude towards finance, as they are adult and foundation of better tomorrow. Everyone has his/her different attitude towards finance, some save and some don’t. So it is important to understand adults’ specially, students’ towards money management, financial services and their own practices.

II. Literature Review

Ozgen and Bayoglu (2005) studied 300 Turkish college students in Ankara to investigate attitude towards money and found that happiness with a financial situation during the past 6 months varied depending on age, while perceptions about their families’ financial position varied according to family type. **Chandra (2009)** analyzed the impact of competence of 250 individual investors on their stock market trading behavior and found that age, education and income were most important influencing factors in determining their competence. **Ray (2009)** surveyed 120 management students to investigate whether the investment objectives and factors influencing investment decision making were different during and after the 2008 market crash and observed that the behavior of market participants during the speculative bubble was to some extent unreasonable and that the composition of investments had changed as a consequence of market crash. **Kabra et al (2010)** studied the key factors and their impact on investment behavior and found that risk aversion people choose safe investment options like Life Insurance Policies, Fixed Deposits with banks and post office, PPF and NSC. **Miller et al (2010)** investigated 326 students’ perceptions related to purchasing decisions and courses they had taken and found that male students’ spending was more influenced by external factors than female students. **Chandra and Kumar (2011)** surveyed individual investors and found five major factors that influenced individual investors’ behavior in Indian Stock Market. Their findings provided a base for profiling individual investors and designing appropriate investment strategies according to their personal characteristics, thereby enabling them to optimize return on their investment. **Shah and Verma (2011)** made an attempt to investigate the behavioral aspect of Indian youth investors during recovery phase of Indian Stock Market and observed that high disposable income and less family responsibilities make the youth segment careless investors. **Gaur et al (2011)** made an attempt

to study the differences in the Investment Decision Making (IDM) process between female and male investors and found that there was higher level of awareness for males than females for different investment avenues. **Osman and Fah (2011)** selected 150 students from University Putra Malaysia (UPM) and examined the influence of sales promotion on their buying behavior and found no significant difference between gender and buying behavior but significant difference between family monthly income and buying behavior. **Brahmabhatt et al (2012)** conducted a survey on 100 investors to study their investment behavior and investment preferences and concluded that in Mumbai, people have sound knowledge of investment avenues and they think many times before investing in any market because this field is unpredictable. **Bhatt and Bhatt (2012)** made an attempt to understand the investors’ facet before investing in any of the investment tools and thus to scrutinize the important aspects for the investors before investing to help them in analyzing the products as per their requirements and found that majority of investors, specially who are less educated and low income earner, prefer bank deposits, post office deposits & insurance because of easy to understand and less risky. **Kalra (2013)** surveyed 374 individual investors, who belong to the urban socio-economic classification segment and analyzed the effect of demographic and socio economic factors on their financial satisfaction and found that age, gender, marital status, occupation, work-experience, income, saving rate, nature of household accommodation and investment tenure had a great impact on individual investors’ financial satisfaction levels.

III. Need Of The Study

There is a lot of work done on investment behavior of investors like- individual, households, institutions , societies etc but the very important part of our society is still untouched. That is our new generation, our students. So the present study is focused on studying students’ behavior towards finance. As the household income in India is increased because of tremendous growth and expansion in Indian economy over the last decade, the demand for financial planning and wealth management services has also grown. This study will be helpful for business sector, policy makers and financial service providers to understand the students’ behavior and needs towards money and also various aspects of financial planning & wealth management.

IV. Objectives Of The Study

1. To study the way students consume their pocket money.
2. To study various practices followed by the student investors.
3. To study the factor affecting students’ investment decisions.
4. To study the difference in perception of students’ in the decision of investing on the basis of gender.

V. Research Methodology

The study is primary data based. The data is collected from the 100 students (50 male students and 50 female students) from Lovely Professional University, Phagwara through a combination of purposive sampling technique and convenient sampling technique. Data is analyzed by applying statistical tools, like Graphs, Positional Measures and Factor Analysis etc are applied with the help of SPSS.

VI. Data Analysis

6.1 Frequency of the pocket money of the respondents:

The figure no 1 (In Appendix) is showing that most of the respondents get their pocket money whenever their required with 52%, followed by 45% respondents who get pocket money every month and only 3% respondents get their pocket money quarterly.

6.2 Amount of the pocket money:

The figure no. 2 tells us that 29% respondents get Rs 2000-3000, 29% respondents get more than Rs 4000, 23% respondents get Rs 3000-4000 and only 19% respondents get Rs 1000-2000 as their pocket money.

6.3 What is done with the pocket money?

As shown in the figure no. 3, it is clear that 38% respondents use to spend all of their pocket money whereas 62% respondents prefer to spend as well as invest their pocket money.

6.4 Where is pocket money spent?

The above figure no. 4 shows us the pattern of respondents’ expenditure behavior. Most of the respondents i.e. 41% prefer to spend more on clothes, 39% spend on food items, 11% respondents spend on fun & fitness and 9% respondents prefer to spend on phone & internet.

6.5 Do they make investment?

The table no 1 shown below depicts that out of 100 respondents, 38 don't make investment at all whereas 62 use to invest some of their pocket money. Male respondents were observed to be more investment lovers with frequency of out of 50 whereas this frequency in case of female respondents was out of 50.

6.6 Preference for various investment options:

The table no 2 shows that Life Insurance, Bank Deposits, & Valuable Metals like Gold, Silver were ranked 1 for the investment followed by Post Office Saving Schemes rank 3, Mutual Funds rank 4, Stock Market Products rank 6, Debentures rank 7 but Shares and Art Objects were least preferred with rank 9.

6.7 Reasons for making investment:

The figure no. 5 shown below tells us about the reasons for the investments made by the respondents. It tells us that 38% respondents make investment for the safety of their money, 24% to get return, 21% for capital appreciation, 9% for future requirements and others for unexplained reasons.

6.8 Risk bearing capacity:

The figure no. 6 shown below tells us the risk bearing capacity of the respondents. It shows that 48% respondents take medium risk, 13% take low risk and only 1% respondent take high risk. The responses of 20% respondents are missing.

6.9 Frequency of making investment:

The above shown table no. 3 tells us that 31% respondents make investment whenever they get a good option, 29% make monthly investment and only 1% each make investment on weekly & fortnightly basis whereas responses of 38% respondents are missing.

6.10 Source for investment decision:

The above shown figure no 7 tells us that 38% respondents follow their friends' advice to take investment decision, 23% rely on internet, 22% on agents, 9% on newspaper and 8% on other sources while taking investment decisions.

6.11 Factors affecting investment decisions:

6.11.1 Data Adequacy:

In the table no. 4, the Kaiser-Meyer-Olkin measure of sampling adequacy was found to be 0.582 & Bartlett's test of sphericity was also significant (chi-square =316.493, df =190, significance =.000) indicating the suitability of the data for the factor analysis.

6.11.2 Number of Factors Extracted

As shown in the table no 5, 7 factors which were extracted having eigen values more than 1 and together accounting for 65.402 % of the variance. The eigen values for the factors 1 to 7 are 2.302, 2.097, 1.869, 1.809, 1.740, 1.689, 1.574 as shown in the above table. The percent of variance explained by individual factors is also shown in the table are 11.509, 10.487, 9.343, 9.045, 8.698, 8.447, 7.872 respectively for all 7 factors extracted.

6.11.3 Naming of Factors:

All 7 factors extracted are given appropriate names on the basis of variables represented in each case as shown in table no 6:

Factor 1- This factor, **Performance**, emerged as the most important one with 11.509 % out of total variance explained. Four statements are loaded in this factor as shown in the table. The factor is having reliability coefficient Cronbach's alpha equal to 0.537. Therefore, students need to check the past performance, growth rate etc. before taking investment decision.

Factor 2- This factor, **Terms of Investment**, is next important factor with 10.487% variance explained. Two statements are loaded in this factor as shown in the table. The factor is having reliability coefficient Cronbach's alpha equal to 0.540. Hence students should consider the terms of investment while making investment decisions.

Factor 3- This factor, **Advice**, has a variance of 9.343%. There are two statements are loaded in this factor as shown in the table. The factor is having reliability coefficient Cronbach's alpha equal to 0.609. Hence students should take their parents' and friends' advice before investing.

Factor 4- This factor, **Social Responsibility**, has a variance of 9.045%. There are two statements are loaded in this factor as shown in the table. The factor is having reliability coefficient Cronbach's alpha equal to 0.512. Hence students should take care of company's social responsibility and availability of information before investing.

Factor 5- This factor, **Risk & Returns**, has a variance of 8.698%. There are two statements are loaded in this factor as shown in the table. The factor is having reliability coefficient Cronbach’s alpha equal to 0.519. Hence students should consider the degree of risk and rate of return before taking investment decision.

Factor 6- This factor, **Safety & Satisfaction**, has a variance of 8.447%. There are three statements are loaded in this factor as shown in the table. The factor is having reliability coefficient Cronbach’s alpha equal to 0.431. Hence students should take care of quality of assets, safety of principal amount and also own satisfaction while investing money.

Factor 7- This factor, **Reputation in Customer Service**, has a variance of 7.872%. There are two statements are loaded in this factor as shown in the table. The factor is having reliability coefficient Cronbach’s alpha equal to 0.349. Hence students should consider the company’s reputation and customer service while making investment.

VII. Conclusion

On the basis of the research carried out, it can be concluded that out of total 100 respondents, 62% respondents use to spend as well as invest their pocket money whereas 38% respondents don’t invest at all rather they spend all the pocket money they get and all those who invest, male students are 35 and female students are 27, so it can be concluded that male students are more interested in making investments. Further it was found that female students prefer to spend more on clothes whereas male students prefer to spend on phone & internet and fun & fitness. Bank deposits, Life Insurance and Valuable metals were found to be most & equally preferred investment option. The risk bearing capacity of the student investors was recorded low to medium. After studying various factors affecting the students’ investment decisions, the main factors that affect their decisions were found being Performance, Terms of investment, Advice, Social Responsibility, Risk & Return, Safety & Satisfaction and Reputation of the company in customer service. Overall, the students were found satisfied with their investments practices.

VIII. Limitations Of The Study

Some limitations which are faced during the study are as follows:

1. The target population was restricted to LPU students only, but results could have been much better and satisfying if target population could be increased.
2. Another limitation was the limited funds with the students that restrict their investment practices.
3. Because of time restriction, not much factors could be involved in the study.

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Annexure :-

1. QUESTIONNAIRE

Dear Respondent,

I, Jyotishna Puri, doing a study on “What do students do with their pocket money” and you have been selected as a qualified respondents for the said purpose. I will be obliged if you spare few minutes for fulfilling this questionnaire and I assure you the confidentiality of the data provided by you.

Personal Details:

- Name E-mail
- Contact No..... Gender.....
- Age Course
- Organization Hostler / Day Scholar

.....
Please Tick Mark on your desired answer.

1. Do you get Pocket Money?
(a) Yes (b) No
2. How frequently do you get your Pocket Money?
(a) Monthly (b) Quarterly (c) When Ever You Want
3. How much Pocket Money do you get?
(a) 1000-2000 (b) 2000-3000 (c) 3000-4000 (d) more than 4000
4. What do you do with your Pocket Money?
(a) Spend all (b) Invest all (c) Spend as well as Invest.
5. Where do you spend money?
(a) Food (b) Clothes (c) Phone & Internet (d) Fun & Fitness
(e) If any other, please specify.....
6. Do you make Investment?
(a) Yes (b) No

If yes, then please answer the following questions too.

7. Please rank the following investment options according to your preference, assign rank 1 for most preferred and 10 for least preferred, ranks should not be repeated.

- A) Shares
- B) Debentures
- C) Life insurance
- D) Stock Market Products
- E) Bank Deposits
- F) Mutual Funds
- G) Post office saving schemes
- H) Valuable Metals like Gold, Silver
- I) Art Objects
- J) If another, please specify.....

8. Give reasons for your preference of above investment options
Please specify.....

9. Why do you invest?
(a) Safety (b) Return (c) Capital Appreciation
(d) Future Requirements (e) If any please specify.....
10. How much risk do you assume bearable?
(a) Higher (b) Medium (c) Low

11. How often do you invest?
 (a) Weekly (b) Fortnightly (c) Monthly
 (d) Whenever I get good option.
12. What is the source for your investment decision?
 (a) Friend’s Advice (b) Newspaper (c) Internet (d) Agents
 (e) If any, please specify.....
13. Following are the 20 statements regarding factors affecting the investment practices. Kindly read them carefully and mark a **Tick** in the corresponding block out of 5 given alternatives, that effects your investment decision. Please mark only one tick for one statement.

S. No	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Reputation of the Company					
2.	Regular return					
3.	Good customer service					
4.	Safety of principal amount					
5.	Risk factor					
6.	Term of Investment					
7.	Amount of Investment					
8.	Parents’ advice					
9.	Friends’ advice					
10.	Withdrawal facility					
11.	Past performance of the options					
12.	Capital appreciation					
13.	Information available on the internet					
14.	Become rich easily & quickly					
15.	Growth rate					
16.	Social responsibility of the company					
17.	Access to information					
18.	Stories of successful investors					
19.	Quality of assets					
20.	My satisfaction with the investments					

14. Do you get return on your investments as per your expectation?
 (a) Yes (b) No
15. Are you satisfied with your investment practices?
 (a) Yes (b) No

(THANKS)

2. Tables & Figures

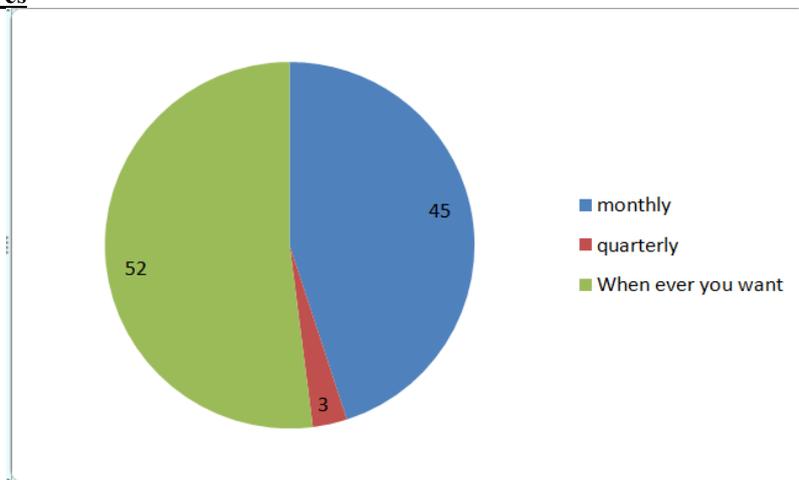


Figure No. 1

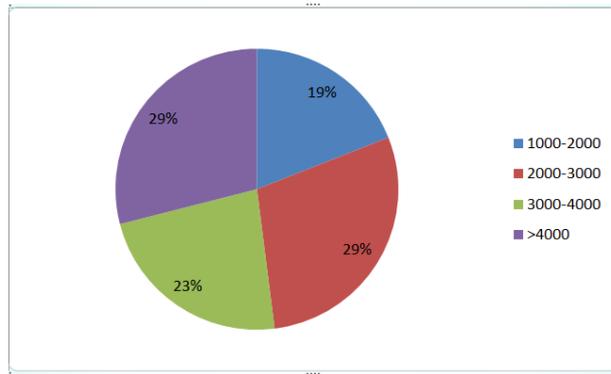


Figure No. 2

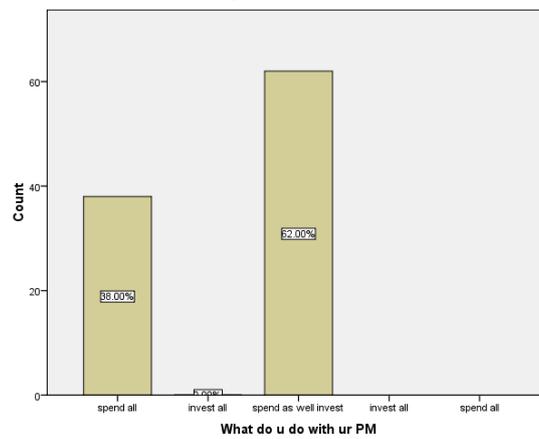


Figure No. 3

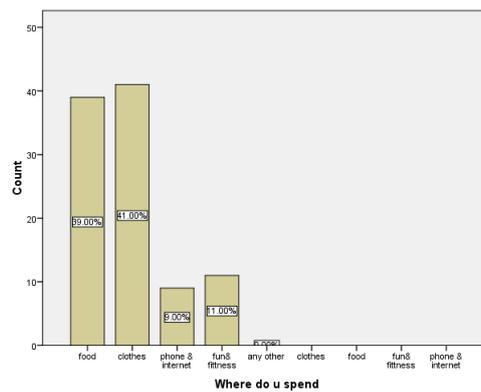


Figure No. 4

Table No 1. Investors

		Do u make investment	
		no	yes
		Count	Count
Gender of the respondent	Female	23	27
	Male	15	35

Table 2. Statistics

		Share	Debentures	Life Insurance	Stock market products	Bank deposits	Mutual funds	Post office saving schemes	Valuable metals like gold, silver	Art objects
N	Valid	62	62	62	62	62	62	62	62	62
	Missing	38	38	38	38	38	38	38	38	38
	Mode	9.00	7.00	1.00	6.00 ^a	1.00	4.00	3.00	1.00	9.00
	Percent tiles	9.0000	8.0000	8.0000	9.0000	8.0000	9.0000	9.0000	9.0000	9.0000

a. Multiple modes exist. The smallest value is shown

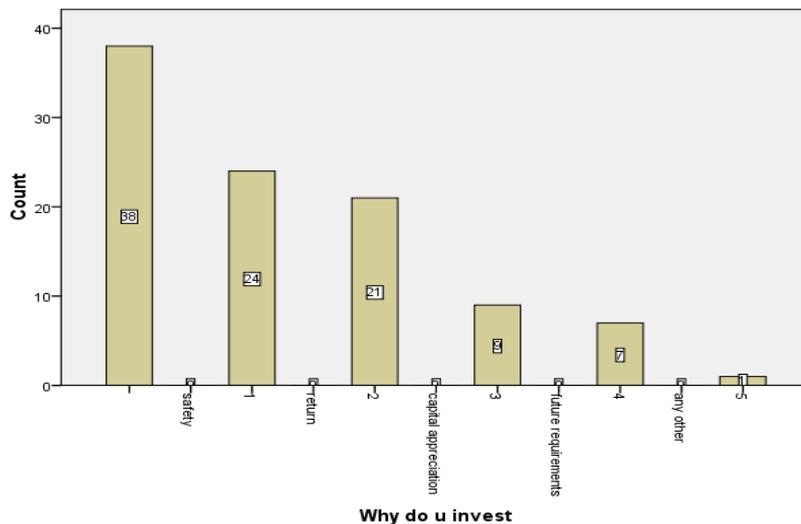


Figure No. 5

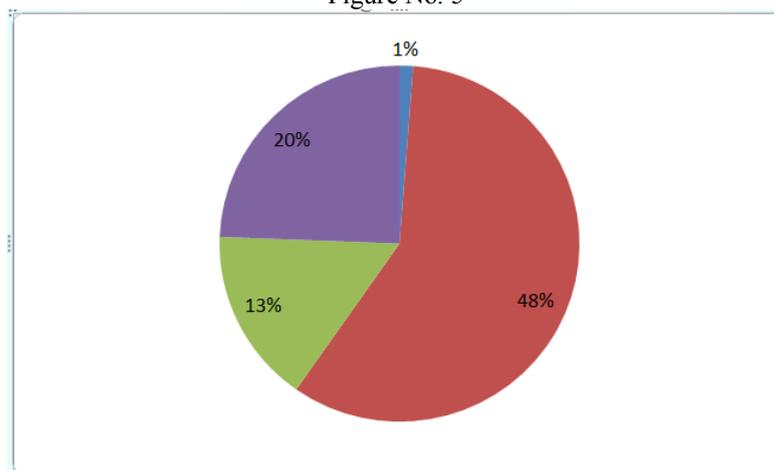


Figure No. 6

Table 3. How often do u invest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	missing	38	38.0	38.0	38.0
	weekly	1	1.0	1.0	39.0
	fortnightly	1	1.0	1.0	40.0
	monthly	29	29.0	29.0	69.0
	whenever i get good option	31	31.0	31.0	100.0
	Total	100	100.0	100.0	

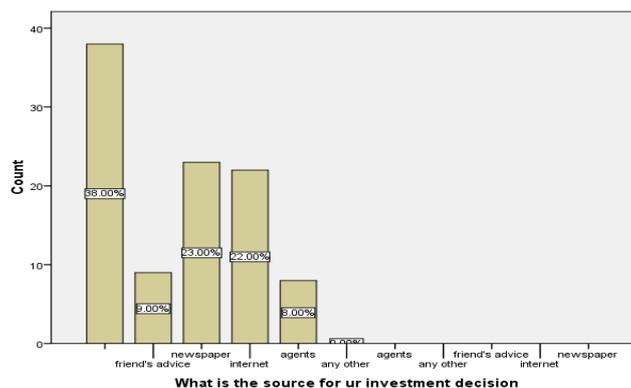


Figure No. 7

Table 4. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.582
Bartlett's Test of Sphericity	Approx. Chi-Square	316.493
	Df	190
	Sig.	.000

Table 5. Rotated Component Matrix^a

Statements	Component						
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
Past performance of the options	.815						
Growth Rate	.567						
Stories of successful investors	.548						
Reputation of the company	-.544						.500
Capital appreciation	.509						
Amount of investment		.814					
withdrawal facility		.581					
Become rich easily & quickly							
Friends' advice			.807				
Parents' advice			.757				
Social responsibility of the company				.851			
Access to information				.647			
Regular return					.768		
Information available on the internet					-.629		
Risk factor					.571		
Safety of principal amount						.730	
Quality of assets						.590	
My satisfaction with the investments						.574	
Term of investment							
Good customer service							.815
Eigen values	2.302	2.097	1.869	1.809	1.740	1.689	1.574
Percent of variance	11.509	10.487	9.343	9.045	8.698	8.447	7.872
Cumulative percentage	11.509	21.996	31.339	40.384	49.083	57.530	65.402

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 12 iterations.

Table 6. Naming of Factors

Factor No.	Factor Name (Percent variance)	Statement (Factor Loading)	Cronbach’s alpha
Factor 1	Performance (11.509)	1. Past performance of the option (0.815) 2. Growth Rate (0.567) 3. Stories of successful investors (0.548) 4. Capital Appreciation (0.509)	0.537
Factor 2	Terms of Investment (10.487)	1. Amount of Investment (0.814) 2. Withdrawal Facility (0.581)	0.540
Factor 3	Advice (9.343)	1. Friends’ Advice (0.807) 2. Parents’ Advice (0.757)	0.609
Factor 4	Social Responsibility (9.045)	1. Social Responsibility of the company (0.851) 2. Access to Information (0.647)	0.512
Factor 5	Risk & Return (8.698)	1. Regular Return (0.768) 2. Risk factor (0.571)	0.519
Factor 6	Safety & Satisfaction (8.447)	1. Safety of Principal Amount (0.730) 2. Quality of assets (0.590)	0.431
Factor 7	Reputation in Customer Service (7.872)	3. My Satisfaction with the Investment (0.5740) 1. Reputation of the Company (0.500) 2. Good Customer Service (0.815)	0.349