HOW FINANCIAL LITERACY INFLUENCES IMPULSE SPENDING AMONG UNIVERSITY STUDENTS?

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INTRODUCTION

For university students, a majority of whom are experiencing their own budgeting for the first time, money management is an essential skill. However, even the greatest financial strategies can be suddenly ruined by impulsive spending, which refers to unplanned and frequently emotional spending. Considering that students are often influenced by peer pressure, discounts, and marketing, it is important to recognize how financial literacy - the understanding and ability to manage money well - can lower impulsive behaviors (London School of Business and Finance, 2024).

The purpose of this article is to find out the connection between Millat Umidi University students' financial literacy and impulsive spending. It examines the ways that students' purchasing decisions are influenced by money-management skills and awareness of impulsive spending. This study promotes a deeper awareness of the importance of money management and avoiding unnecessary spending.

Key words: *financial literacy, impulse spending, university students, budget planning*

LITERATURE REVIEW

Financial literacy is the ability to manage finances effectively, including budgeting, investing, and managing debt (Lusardi & Mitchell, 2020). It is an essential competency for people to make solid financial decisions and avoid mismanagement. Impulse spending refers to the spontaneous purchasing behavior that is often unplanned and triggered by emotional factors, such as stress or advertising (Baumeister et al., 2021). This behavior is particularly common among university students, a group with limited financial resources and life experience in managing personal finances (Jorgensen & Savla, 2021).

Higher financial literacy among college students has been linked to a lower impulsive spending. Because, people, who are financially literate, have efficient budgeting skills and are aware of the long-term effects of their spending choices (Norvilitis & MacLean, 2021). In contrast, students who are not that good at financial literacy often find it difficult to manage their money, which results in more impulsive and emotionally driven purchases (Zhang & Li, 2022). According to research by Beck et al. (2021) in the United States, students who have participated in financial education programs demonstrate more disciplined spending habits and are less likely to be affected by emotional triggers when making purchases.

The link between financial literacy and impulse spending is critical, particularly in university cases, where students face various pressures such as social comparisons, stress, and limited financial resources. Research conducted in Canada (Xiao & Porto, 2020) explains that financial stress among students often leads to impulsive spending behaviors as a coping mechanism. Moreover, students with low financial literacy are more likely to make poor financial decisions, resulting in an increase in debt and financial insecurity (Jorgensen & Savla, 2021). In contrast, research conducted in Finland (Chen & Lin, 2023) suggests that university students who were financially literate are more likely to prioritize their needs over wants and were more aware of their spending.

Furthermore, impulse spending among students is also influenced by external factors, including peer pressure (Baumeister et al., 2021). However, financial literacy acts as a protective factor, helping students recognize the importance of managing their finances to avoid falling into debt or engaging in unnecessary spending. Studies in the UK (Beck et al., 2021) have shown that financial education and awareness programs can significantly reduce impulse buying behaviors by encouraging students to take control of their financial decisions.

Financial literacy plays a significant role in shaping the spending behaviors of university students. Increasing financial literacy can reduce the possibility of impulse spending by providing students with the necessary skills to make informed financial decisions.

METHODOLOGY

A mixed method is implemented in this study, both primary and secondary research.

Primary research

In this article, survey is conducted as primary research. Target audience is Millat Umidi University 3rd year students. Survey questions are structured based on financial literacy, impulse spending, and their link. More than 30 responses are collected from this survey. Questions are basically asked around the topic of this article. They are demonstrated in the Results section.

Secondary research

The secondary research is made with the help of existing sources available in Google including articles in journals and web pages highlighting the importance of financial literacy and impulse spending among university students. Most of secondary research data is taken from the articles from the journal of Economic Perspectives by American Economic Association web page. All the sources are mentioned in references.

RESULTS

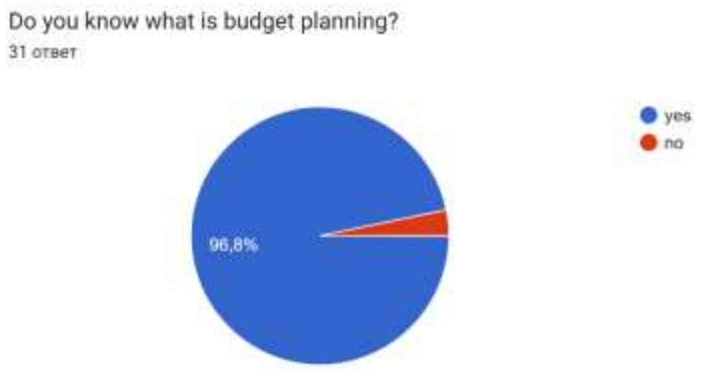

Figure 1

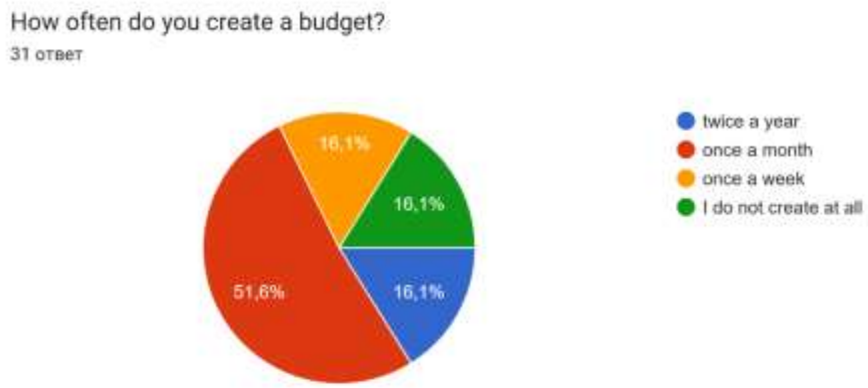

Figure 2

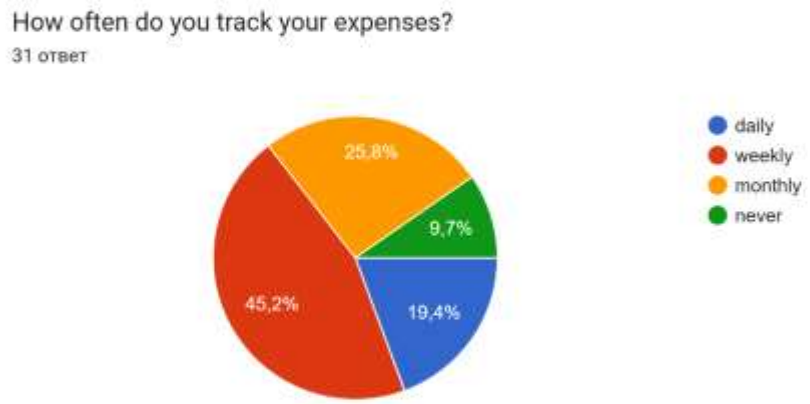

Figure 3

The survey gathered responses from third-year university students to assess their financial literacy levels and impulse spending behaviour. A vast majority (96.8%) of respondents are aware of budget planning. However, only 51.6% reported creating a budget monthly, while others did not create a budget at all. Expense tracking was similarly varied, with 45.2% tracking weekly, but 9.7% admitting they never track their spending.

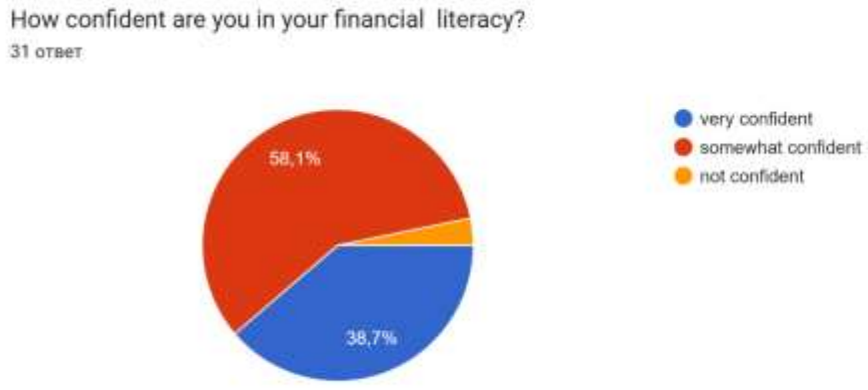

Figure 4

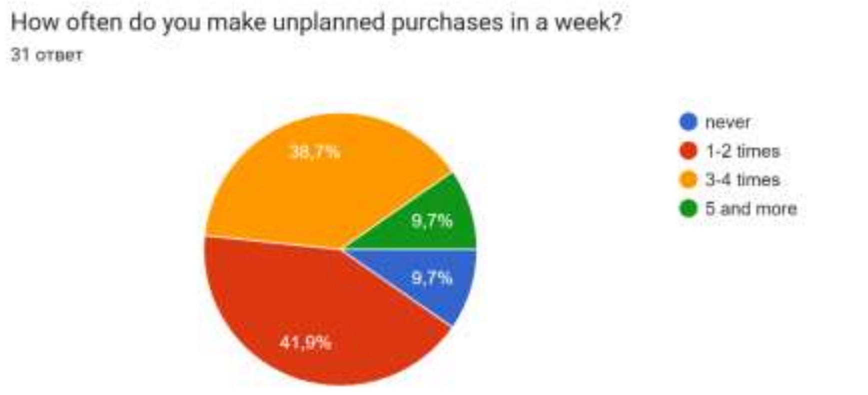

Figure 5

While 77.4% of participants set financial goals, confidence in financial literacy was mixed; 58.1% felt "somewhat confident," while only 38.7% described themselves as "very confident." Impulse spending behaviors were common, with 41.9% making 1–2 times unplanned purchases weekly and another 38.7% making 3–4 times.

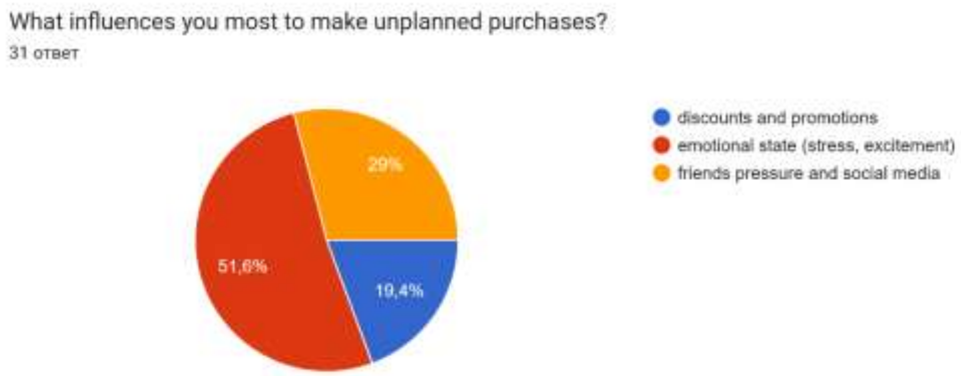

Figure 6

Emotional state is the primary trigger for impulse buying (51.6%), followed by social influences like friends and social media (29%). Most unplanned purchases involved food and snacks (61.3%).

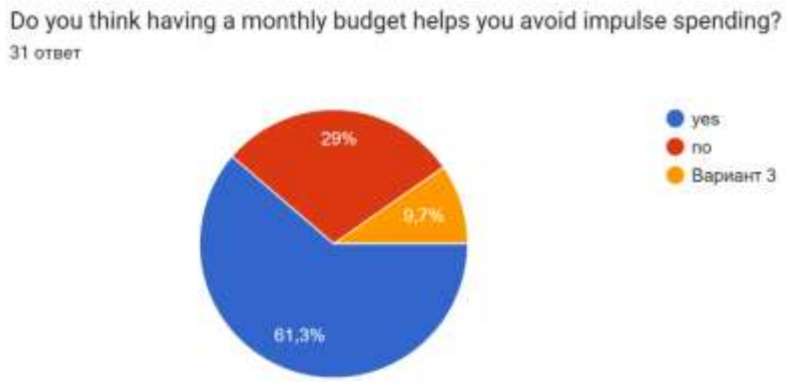

Figure 7

Encouragingly, 61.3% of respondents believed that creating a monthly budget could help avoid impulse spending. Only 32.3% reported consistently considering their financial goals before making an unplanned purchase.

ANALYSIS

The survey results provide valuable insights about how financial literacy influences impulse spending among third-year students at Millat Umidi University. While nearly all respondents (96.8%) are familiar with the concept of budget planning, this awareness does not always mean consistent budgeting habits. Only 51.6% of students create a budget monthly, while others do so less frequently or not at all. This explains that while students know the importance of budgeting, many struggle to put this knowledge into practice, possibly due to a lack of motivation or the perception that budgeting is time-consuming.

Expense tracking

Tracking expenses, another key part of financial literacy, is more prevalent but still inconsistent. 45.2% of respondents track their expenses weekly, and 19.4% do so daily. However, 9.7% never track their spending, which could make them more vulnerable to impulse purchases. Without regular tracking, it becomes difficult for students to understand where their money goes, making it harder to manage their finances effectively.

Impulse spending

Students are more likely to be engaged in impulsive spending. The majority of respondents—41.9%—admitted to making impulsive purchases one to two times per week, while 38.7% did so three to four times per week. These purchases are frequently triggered by emotional states, which 51.6% of students are affected. Discounts and promotions stay second (19.4%), followed by social factors including peer pressure and social media (29%). This demonstrates the gap between understanding financial literacy and effectively putting it into practice by showing how emotions as well as external circumstances may impact even students with a certain level of financial literacy. Most students (61.3%) stated that they often make impulsive purchases of food and snacks, and 25.8% identified clothing and other accessories.

These purchases, though small, can add up over time and strain a student's limited budget. It reflects the habitual nature of impulse spending, where small uninformed decisions can have a significant impact on financial stability.

Encouragingly, over 61.3% of students believe that creating a budget helps them avoid impulse spending, and 32.3% said they always consider their financial goals before making unplanned purchases. This shows that financial literacy can positively influence behavior, but its impact depends on how consistently students apply their knowledge.

While most third-year students at Millat Umidi University are aware of financial literacy concepts, many face challenges in implementing them effectively. Emotional triggers, social media pressure, and inconsistent financial habits are the leading reasons of impulse spending. To get rid of this gap, financial literacy education should not only focus on practical skills like budgeting and expense tracking but also address emotional and behavioral aspects to promote better financial decision-making habits.

DISCUSSION

This article aimed to explore how financial literacy influences impulse spending among third-year university students at Millat Umidi University. The findings highlight that while students are generally aware of budgeting and financial planning, this knowledge does not always lead to consistent habits. Most students admitted to making unplanned purchases regularly, often driven by emotions or social influences, which shows a gap between financial knowledge and practical application.

The results align with the idea that financial literacy is not just about knowing how to manage money but also about controlling emotional and social factors that lead to impulsive decisions. Emotional states were the most common trigger for unplanned purchases, followed by peer pressure and social media influence. These factors demonstrate the importance of addressing not only practical financial skills like budgeting but also behavioral aspects, such as managing emotional spending triggers.

Students believe that financial knowledge may help them change their spending habits, despite the obstacles, according to the survey. A budget, according to more than 61% of respondents, helps them prevent impulsive purchases, and many of them set financial goals which assist them make informed decisions. However, because fewer students regularly take their financial objectives into account before making purchases, the inconsistent use of these techniques reduces their efficacy. According to these results, financial literacy is crucial, but it should be combined with techniques that teach children how to control their emotions and fend off peer pressure. Workshops or classes that address both behavioral approaches to spending and financial management could be offered by universities.

Areas for further research

Future studies must investigate how financial literacy affects university students' impulsive purchases over a period of time. It might be useful to look explore how digital financial tools, such budgeting apps, might reduce impulsive purchases. Furthermore, focusing on how socioeconomic and cultural factors affect buying patterns may provide a more comprehensive understanding. The application of strategies for emotional regulation in financial decision-making may also be a topic of future research. Last but not least, research comparing the financial practices of students before and after targeted education may be helpful in understanding how financial literacy changes over time and how it affects spending patterns.

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