

## Financial Literacy and Paying for Expenses among College Students

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Previous literature exists on the consumer preferences of store brands and the role of prior experiences and value consciousness. A study showed how a previous store experience will have an effect on store brand perceptions. Consumer's budget, value, price, and discount consciousness and store brand perceptions contributed in explaining store brand behavior (Kara, Rojas-Mendez, Kucukemiroglu, & Harcar, 2009). However, studies linking financial literacy and brand preference are limited to our knowledge.

The purpose for this study was to analyze if financially competent students engage in brand preferences when shopping. Since students who deal with their own financial planning would have increased knowledge, students who pay for their own expenses are expected to be more likely to be financially literate.

### Hypotheses

1. Financially literate students are not as brand conscious as financially illiterate students.
2. Students who pay for own expenses are more likely to be financially literate.

### Methodology

Data for this study was collected from an online survey using QuestionPro.com. The link for the survey was sent out to students from the departments of Consumer Sciences, Psychology, and Communications from South Dakota State University in the spring semester of 2013. Three financial literacy questions were included to measure financial competencies including one question on compound interest, one question on diversification of risk on stock, and one question on inflation (Lusardi, Mitchell, and Curto, 2010). Two demographic questions were used including age and gender. Eight questions were used to gauge personal spending habits including brand consciousness, allocation of income, payment of expenses, and criteria for purchasing decisions.

### Preliminary Results

Of the 164 students who viewed the survey, a total of 79 students completed the online survey. The respondents spent most of their monthly budget on food, followed by gas/travel, entertainment, clothing, and electronics. The general store brand preference was moderate (2.78 out of 5). When respondents made purchase decisions, personal taste was the most important criterion, followed by cost (cheapest), habit, friends, and environmental concern. Respondents paid clothing, food, gas, and personal toiletries on their own, and car, housing, and books were paid by parents, and tuition was mostly financed with loans. Those who pay for housing and car on their own were more likely to be correct on the inflation question ( $\chi^2=10.918$ ,  $p=0.091$  for housing,  $\chi^2=15.727$ ,  $p=0.015$  for car payments). Further correlational analyses results will be available at the conference testing the relationship between brand consciousness and financial literacy. Our results imply that paying for one's own expenses may increase financial literacy.

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