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Recommended Citation

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Convenience or reckless spending? How mobile payment apps can help college students manage their money

By Mikayla Reed

Abstract

Mobile payment service (MPS) apps are often utilized because they are convenient and easy to use. However, some people may not understand how MPS use could impact day-to-day finances or long-term financial well-being. This study seeks to explore why and how college students use MPS apps. It is hypothesized that MPS app use is related to factors such as ease of use, convenience, and financial behaviors, such as monitoring spending or paying bills on time. In the fall of 2021, 122 college students from the Southeastern United States responded to an online Qualtrics survey related to preferences among MPS apps, frequency of their use, and spending and bill-paying financial behaviors in the last 6 months. Responses were coded and analyzed by using IBM SPSS v. 28. Correlations revealed frequent MPS use was not associated with financial skills, usefulness, convenience, awareness, or actual financial behaviors. However, financial skills were positively related to factors such as MPS usefulness ($r = .62, p \leq .001$) and convenience ($r = .58, p \leq .001$), and awareness of financial behaviors ($r = .55, p \leq .001$). Findings suggest that MPS apps can be a tool to promote financial management behaviors such as controlling spending and paying bills on time.

Background

Mobile payment services (MPS) were designed to allow consumers to utilize their financial means at any point in time and in any location while using their mobile device (Putri et al., 2020). The rise of smartphones has created an upsurge in technology companies designing their own MPS apps like Apple Pay, Google Pay, Samsung, and Android Pay (Moorthy et al., 2020). Out of convenience, comfort, and usefulness, younger generations have turned to MPS to manage their finances and phone manufacturers have begun creating more secure apps and devices that contribute to the continued use of their MPS (Chiriach et al., 2018). Services that are easy to use and are useful in reaching a particular goal may then be selected for use without rigor or significant effort expended in the exploration of alternative services (Sharma et al., 2019). MPS apps have provided consumers the ability to complete financial obligations from anywhere at any time (Packin & Lev-Aretz, 2016). However, few studies have examined whether MPS app users are developing the financial skills necessary for making more complex financial decisions. The ability to locate relevant information pertinent to one's financial situation, decipher that information, and make use of it could be altered by the convenience and ease of use of MPS apps. Perceived self-efficacy or awareness of our own financial behaviors can also impact decisions due to overestimating our own financial abilities. As it relates to MPS app usage, college students with low self-efficacy, or low awareness of their financial behaviors, may lean on MPS apps to navigate their finances due to the convenience and perceived usefulness of the application. College students with high self-efficacy, or high awareness of their financial behaviors, may feel more confident in their abilities to navigate their finances without the support of a MPS application.

Methods

- Upon completing a review of the literature, an online survey was designed and administered online through Qualtrics. Email messages were distributed to faculty members in the Department of Psychology and Family Science at Mississippi University for Women, and to the coordinator for the Office of Undergraduate Research (OUR) for the purpose of soliciting participants. Participants were also solicited through social media accounts such as Facebook. Participants who opted to participate in a raffle for a \$25 gift card were directed to a separate survey. The winner was announced in late December 2021.
- While a total of 133 responses were collected, 10 incomplete and 2 outliers were removed leaving 122 responses appropriate for analysis.
- The survey instrument included the CFPB (2018) Financial Skill Scale and questions concerning financial awareness and behaviors were adopted from Lusardi (2010) and Lin (2011).

Results

- Descriptive statistics are presented in Table 1. Most participants identified as White, with equal numbers of male and female participants. Most of the participants self-identified as Junior or Senior class standing. The average age of participants was around 25.
- Correlation analysis (Table 2) revealed that there is a significant and negative relationship between awareness of financial behaviors and actual financial behaviors ($r = -.50, p < .001$) and awareness of financial behaviors and weekly MPS app use ($r = -.16, p < .05$).
- Financial skills were significantly and positively correlated with awareness of financial behaviors ($r = .55, p < .001$).
- Actual financial behaviors was significantly and negatively related to MPS usefulness ($r = -.21, p < .01$)
- Weekly use of MPS was not related to any variable in the study.

Discussion

- While MPS use was not related to any of the variables, it is possible this is due to the frequency of use and normal distribution. Only 6 participants noted using an MPS at least once and more than half used them regularly, at least 4 or more times per week.
- Findings suggest that college students routinely use MPS apps without thoughtful consideration of how their use can impact their finances.
- There was an association between awareness of financial behaviors and the actual financial behaviors suggesting that among participants those that are aware of their financial behaviors engage in less risky behaviors such as overspending and are paying their bills on time. Those that have less awareness of their financial behaviors are likely to overspend and not pay their bills on time.
- Additionally, being aware of financial behaviors is associated with less use of MPS use per week suggesting that those that are controlling their spending and paying their bills on-time use a MPS app less than those who do not control their spending or pay their bills on time.
- A key finding is financial skills related positively to awareness of financial behaviors, but not of actual financial behaviors. College students may feel capable of managing their finances and may be aware of why overspending and paying bills on time is important. However, they don't always follow the behaviors that prevent overspending or late payments.

Implications

- The outcomes of this study can be used to enhance financial education efforts on the Mississippi University for Women campus. Specifically, there is a need to better understand why college students fail to monitor their finances or why they overestimate their financial skills when they utilize technology for the purpose of managing their personal finances.

Table 1. Demographics.

	Range	All (N = 122)	Male (n = 60)	Female (n = 62)
Race/Ethnicity				
White		80	45	35
Other		42	15	27
Academic Standing				
Freshperson		9	3	6
Sophomore		26	16	10
Junior		36	14	22
Senior		49	27	22
Graduate		1		1
Age (S.D.)		25.57 (7.55)	27.25 (6.96)	23.95 (7.79)
Financial Skills	15 – 81	47.07 (10.75)	47.00 (8.33)	47.15 (12.74)
MPS Usefulness	7 – 42	30.00 (6.98)	29.25 (6.42)	30.73 (7.46)
MPS Helpful Institutions	9 – 35	23.20 (5.05)	23.30 (5.27)	23.10 (4.87)
MPS Convenience	5 – 35	24.67 (5.27)	24.07 (5.09)	25.26 (5.41)
Multiple MPS Use and Comfort	4 – 28	19.06 (3.69)	18.45 (3.39)	19.65 (3.89)
Awareness of Fin Behaviors	5 – 15	10.04 (2.31)	9.58 (2.02)	10.48 (2.49)
Actual Financial Behaviors	9 – 45	24.67 (6.58)	24.83 (6.18)	24.52 (6.99)
Wkly Freq MPS App Use	0 – 4	3.27 (.996)	3.57 (.533)	2.98 (1.24)

Table 2. Correlations for Study Variables for All Participants (N = 122)

Variable	2	3	4	5	6	7	8
1. Financial Skills	.62***	.51***	.58***	.59***	.55***	-.22	-.08
2. MPS Usefulness	—	.56***	.81***	.76***	.60***	-.21**	-.07
3. MPS Helpful Institutions		—	.61***	.57***	.25**	.05	.11
4. MPS Convenience			—	.91***	.48***	-.12	.11
5. Multiple MPS Use and Comfort				—	.41***	-.05	.00
6. Awareness of Fin Behaviors					—	-.50***	-.16
7. Actual Financial Behaviors						—	.10
8. Wkly Freq MPS App Use							—

Note. *** $p \leq .001$, ** $p \leq .01$, * $p \leq .05$.

References

Available upon request

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