

## **An Analysis of Money Attitudes: Their Relationships & Effects On Personal Needs, Social Identity and Emotions**

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*Our attitudes towards the use, meaning, and importance of money are developed early in life, i.e. often years before having any idea of how money is obtained; why it is valued in high regard by some people, and what explains it being treated with contempt by others. Here a survey of 420 college students on 3 dimensions of a money attitude scale that reveals how money affects their relationships and influence on personal needs, social identity and emotions. Findings indicate a real need for better education in personal finance, especially money management, among college students.*

### **INTRODUCTION**

One's perception of money likely begins at an early age when we are children. Money is frequently seen as a means of being able to buy things. Money attitudes are derived from a person's experiences that are initially developed mostly by parental teachings, observation of family money practices, and later refined by socialization and dealings with other people. While conversations about drugs and sex may have become more commonplace, meaningful discussions about the role and value of money are all too often missing, ignored, or taken for granted as not being a problem. One result is that many people learn about how to handle money almost exclusively from personal practice, and this is likely not to take place until the latter teenage years. This factor may cause issues and problems to emerge when a student goes on to a college or university.

For many entry-level college students it is their first real time to be away from home and on their own and apart from daily supervision and control of their parents. College life is their initial exposure to essentially being on their own and having a significant personal responsibility for their day-to-day activities and particularly their finances, i.e. often struggling to handle a limited amount of money to cover expenses and to have enough money to enjoy college life. Many students while in high school have part-time jobs in order to take care of expenses, such as for an automobile and for clothing. However, either parents or other adult family members for the most part handle major living expenses for these students.

### **SITUATIONAL ANALYSIS**

Let's take a look at the economic situation here in America in which college students exist and consider factors that likely accompany them to college.

It may be a surprise to know:

- a. Americans spend on average about \$1.10 for every \$1.00 in wages!
- b. An average consumer owes 17% of after tax income to creditors
- c. 80 % of a family's income is spent on housing, food, transportation, and insurance.
- d. It is estimated that 97% of income for many wage earners is already spent before other everyday expenses for clothing, out-of-pocket health costs, and more!

So how do many Americans make ends meet? Many choose to obtain and to regularly use bank credit cards for a wide array of expenses, including many everyday purchases made in grocery stores, drug stores, discount stores, gas stations, restaurants, many other retail outlets, and plus now also for many online merchant transactions.

The surging number of credit card transactions and related ballooning credit card dollar volume both illustrate consumer practices. In 2008, Visa had 9.2 billion U.S. credit card purchase transactions that were up from 6.5 billion transactions five years earlier in 2003—or nearly a 50% rise! For Visa in 2008 this amounted to \$823.7 billion U.S. credit card purchases that were up from \$540 billion in 2003—or a 60% rise in dollar volume! In comparison for 2008, MasterCard had 6.3 billion U.S. credit card transactions that were up from 4.9 billion in 2003—a 47% rise! For MasterCard in 2008 it had \$574.3 billion in credit card purchases that was up from \$400 billion in 2003—a 44% rise! (Nilson 2009) These statistics provide indications of the situation that prevails among college students here in the U.S.

The undergraduate student population in the United States does in many ways mirror characteristics of the consumer population. The average outstanding credit card debt for households with a credit card was \$10,679.00 at the end of 2008. A year earlier it was an average of \$10, 637.00, i.e. so that it remains high and a cause for concern. For undergraduates they were carrying record high credit card balances as the average balance grew to \$3,173 in 2008. This was the highest credit card balance ever attained in the years that this measure has been calculated. In addition, their median credit card debt grew to \$1645.00 in 2008 from \$946.00 in 2004---an increase of 74%! Twenty-one percent of undergraduates had credit card balances of \$3000.00 to \$7000.00 that were also up noticeably from the last study in 2004. (Sallie Mae, 2009) 84% of the overall college student population had credit cards and that represents an increase of 11% since 2004. Only 2% of undergraduates had no credit history. 50% of college undergraduates had 4 or more credit cards in 2008 versus just 43% in 2004 and just 32% in 2000. Since 2004, freshman students who already have a credit card in-hand have increase from 23% to 39%! Thus, these statistics do much to demonstrate the definite need and justification for greater emphasis and availability of personal finance and money management education and training for the collegiate student population.

## **LITERATURE BACKGROUND**

Research has indicated that there are direct relationships between attitudes and behavior. For example, sound financial practices that are established on a money personality, or money ethic, consistent with an individual's perception of the monetary value of their "life force". (Dominguez 1999) Similarly, it has been suggested that the financial choices and decisions that people make in life are a function of beliefs that they hold for the meaning and importance of money (Bachrach, 1999, 2001). Assessing money attitudes and perceptions of control over financial circumstances is an initial step toward helping students to overcome issues related to financial stress that are tied to collegiate course requirements (Ajzen & Fishbein, 1980; Doob, 1947; LaPiere, 1934). Financial stress has been suggested as a primary reason why many college freshman seek employment during their first year. A study of college freshman found that 65% were concerned about how to pay for their college education, while 47% were expecting to seek work as a means of offsetting college costs (Linholt, 2002).

College students who use credit cards irresponsibly often suffer financially and psychologically. Students with high consumer debt are more likely to:

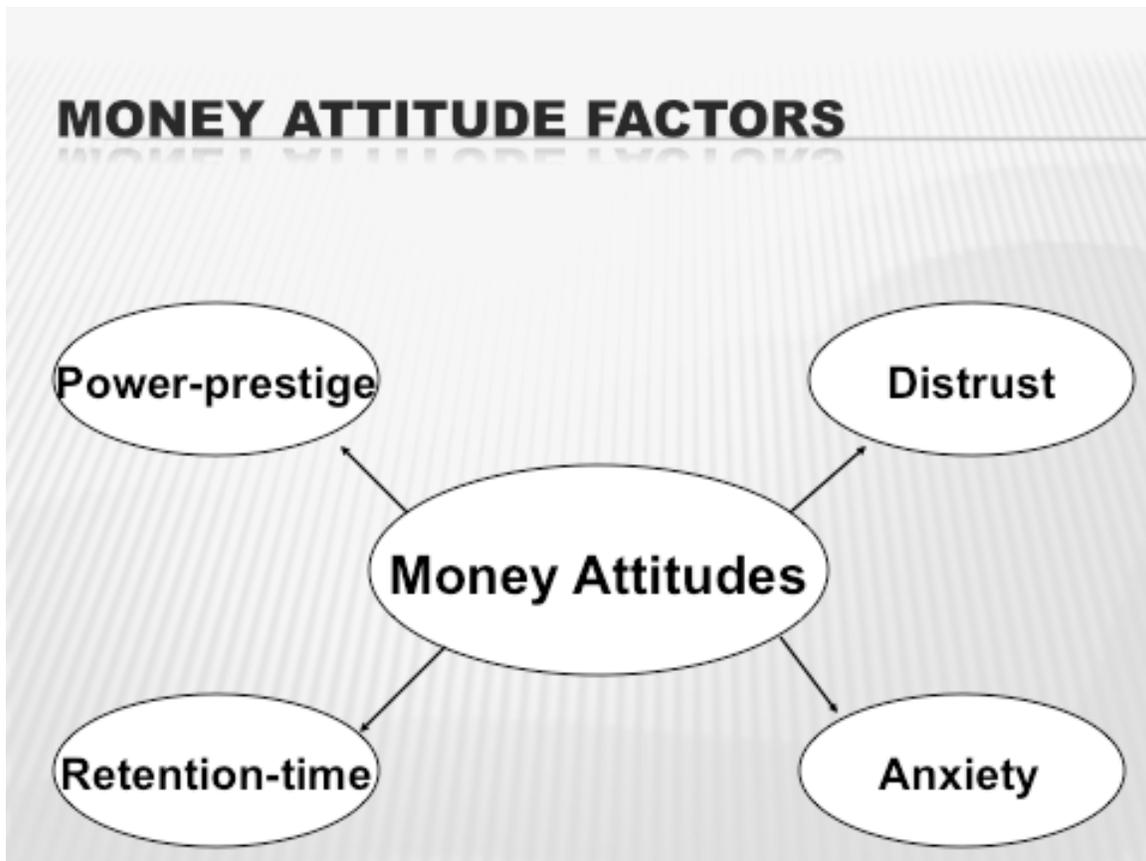
- \* earn poorer grades
- \* drop out of school
- \* suffer from depression
- \* file for bankruptcy, and
- \* work more hours to pay their bills.

In addition to the serious nature of the above problems, it was found that certain stress was related to credit card debt that was linked to a number of suicides by college students (Miller, 2000, Mannix, 1999).

### **MONEY ATTITUDE FACTORS**

Money is important, especially to American college students who have been raised in a credit card society where debt is used freely to support one's habits and life style. This is illustrated in Exhibit I.

#### **EXHIBIT I**



This is the classic diagram developed by Yamaguchi and Templar (1982). Here in this instance, a three factor scheme is employed because their subsequent work indicated that distrust was a factor which was determined by perception of price, i.e. therefore not applicable . The three money attitude factors are:

Power/Prestige: Tendency to use money to influence and to impress other people.

Retention Time: Tendency to be a careful financial planner.

Money Anxiety: Tendency to view money as a source of worry or angst.

Where power/prestige is involved with money is regarded as a status symbol. Money has a primary value due to its usefulness in removing obstacles that stand in the way of a person who is seeking power and influence. Money represents a command (power) over goods and services necessary to advance the self-interest of an individual in a free enterprise economy alike that found in the United States (Walker & Garmin, 1992).

Where retention-time is involved there is an emphasis on financial planning and the careful use of money. An individual who is influenced by this factor seeks to secure their financial future and to keep a close eye on their money, assets, and overall financial security. Money is to be used with discretion and purchases are to be planned, i.e. these individuals are less likely to be compulsive shoppers.

Where anxiety is involved money is viewed as a source of stress. Accordingly, having money may provoke compulsive buying because this spontaneous action pushes the consumer to reduce tension associated with having money. Compulsive buyers react to stress with higher levels of anxiety than do non-compulsive buyers (Edwards 1993; Valence 1988).

Given these factors a money attitude scale was developed to assess a person's ability to handle and deal with money. (Yamaguchi & Templer 1982.) This method was used herein to assess attitudes towards money.

## RESEARCH DESIGN

A Student-Faculty collaborative project was done within an undergraduate business course to enhance learning experience through exposure to research and application. A self-administered questionnaire that was adapted from the literature was used to survey 420 students at a private university with 3000 student headcount population. (See Appendix) Data for evaluation of student respondents was gathered on 3 dimensions of the money attitude scale: power/prestige, money anxiety, and retention time. Additionally, some corresponding data on student degree major and gender were gathered for analysis based upon these characteristics. A review of the literature found these aspects to be relatively absent in assessing college student attitudes towards money and its influence on their behavior. Plus, these aspects provided meaningful bases for comparison of findings for educational benefit.

Using a prescribed assessment technique (scoring method) a separate score for each of the three money attitude dimensions may be determined from responses to designated questions within the aforementioned survey instrument, namely:

### POWER/PRESTIGE FACTOR:

- A: I sometimes purchase things because I know they will impress other people.
- D: I believe that financial wealth is one of the important signs of a person's wealth.
- G: I tend to show more respect to people who are wealthier than I am.
- J: I sometimes boast about my financial wealth or how much money I make.

$$A + D + G + J = \text{Power/Prestige Score [ P ]}$$

### MONEY ANXIETY FACTOR:

- C: I tend to get worried about decisions involving money.
- F: I feel nervous when I don't have enough money.
- I: I worry about being financially secure.
- L: I usually say: "I can't afford it" even when I can.

$$C + F + I + L = \text{Anxiety Score [ A ]}$$

### RETENTION TIME FACTOR:

- B: I regularly put money aside for the future.
- E: I keep a close watch on how much money I have.

H: I follow a careful financial budget.

K: I keep track of my investments and financial wealth.

$$B + E + H + K = \text{Retention Time Score [ R ]}$$

A Total Money Attitude Score [TMA] is obtained by adding these three scores together, therefore:  $P + A + R = \text{TMA}$ . Here Money Attitude is a general estimate of how much respect and attention is given to money. Resultant scores on the three individual money attitude factors and total money attitude score may be scaled through comparison with scores from a sample of MBA students that was derived from the same literature source. (See Appendix)

## RESEARCH FINDINGS

Compilation of survey data produced the following yielded the following results. When looking at the influence of school on money attitudes it was found:

### EXHIBIT II

<b>MONEY ATTITUDE SCORE vs SCHOOL</b>				
<b>SCHOOL ↓</b>	<b>Power/Prestige Score</b>	<b>Retention Time Score</b>	<b>Money Anxiety Score</b>	<b>Total Money Attitude Score</b>
Arts & Sciences	<b>10.9</b>	<b>13.8</b>	<b>13.8</b>	<b>38.4</b>
Business	<b>11.5</b>	<b>14.3</b>	<b>13.8</b>	<b>39.5</b>
Conservatory	<b>11.3</b>	<b>12.5</b>	<b>13.5</b>	<b>37.4</b>
Education	<b>9.8</b>	<b>13.2</b>	<b>13.1</b>	<b>35.8</b>
<b>MBA AVERAGE SCORE</b>	<b>9.9</b>	<b>15.0</b>	<b>12.8</b>	<b>37.6</b>

Business students achieved the highest Total Money Attitude score, but this was only in the 60<sup>th</sup> percentile with scores at or below this number (score). However, Education students whose score averaged 35.8 that put them in the 30<sup>th</sup> percentile. Conservatory students were in the 40<sup>th</sup> percentile while Arts & Sciences students were in the 50<sup>th</sup> percentile respectively. These scores overall illustrate less that desired capabilities for handling and managing one's finances and money, especially among people who are looked upon as "educated" and supposed to be "professional" in their behavior.

When data was compiled with regard to both school (major) and gender the following results ensued:

**EXHIBIT III**

<b>MONEY ATTITUDE SCORE BY SCHOOL &amp; GENDER</b>					
<b>SCHOOL ↓</b>		<b>Power/Prestige Score</b>	<b>Retention Time Score</b>	<b>Money Anxiety Score</b>	<b>Total Money Attitude Score</b>
Arts & Sciences	<b>M</b>	<b>11.0</b>	<b>13.9</b>	<b>13.6</b>	<b>38.4</b>
	<b>F</b>	<b>10.7</b>	<b>13.7</b>	<b>14.1</b>	
Business	<b>M</b>	<b>11.7</b>	<b>14.5</b>	<b>13.8</b>	<b>39.5</b>
	<b>F</b>	<b>9.8</b>	<b>14.1</b>	<b>13.9</b>	
Conservatory	<b>M</b>	<b>11.6</b>	<b>12.4</b>	<b>13.6</b>	<b>37.4</b>
	<b>F</b>	<b>11.1</b>	<b>12.6</b>	<b>13.5</b>	
Education	<b>M</b>	<b>10.6</b>	<b>14.2</b>	<b>13.1</b>	<b>35.8</b>
	<b>F</b>	<b>9.5</b>	<b>12.8</b>	<b>12.0</b>	
<b>MBA AVERAGE SCORE</b>		<b>9.9</b>	<b>15.0</b>	<b>12.8</b>	<b>37.6</b>

Specifically, when looking at Gender alone with regard to Total Money Attitude [TMA] score the following results were found:

$$\text{Power/Prestige} + \text{Retention} + \text{Anxiety} = \text{TMA}$$

$$\text{Male TMA} = \underline{38.8} \quad \text{Female TMA} = \underline{37.8}$$

Therefore: Males scored in the 50-59th percentile or just above the Average TMA, while Females scored in the 40-49th percentile or less than the Average TMA, i.e. where the MBA Sample Average TMA Score was 37.6. This was surprising as women are typically regarded and seen by many as being better at handling money and managing personal finances.

**SUMMARY AND FINDINGS**

- There is definite need for money management education and training for college students.
- Money attitude scores indicate that Business students display somewhat better money management ability.
- Overall money attitude scores for surveyed students rank in the lower 50 percentile which is telling.

- Ample evidence exists for better and more comprehensive Personal Finance education and training for college students, i.e. ***to reduce financial stress and build wealth!***

These above findings are consistent with college student behavior in general as the average time taken to get a undergraduate degree is currently five (5) years for private college students and six (6) years for public college students.

This aspect means more than just taking an additional year or two to finish one's undergraduate degree, i.e. that usually is scheduled to be finished within four (4) years. When one considers that "full time student status" for tuition charged starts usually at 12 credit hours per term and allows as much as 18 credit hours per term--AT NO ADDITIONAL TUITION COST--the prevailing regard for money is both attention getting and quite telling. By taking 15 credit hours per term a typical undergraduate degree requiring 120 total credit hours is completed as scheduled in four (4) years, and with 18 hours per term in 3 ½ years—plus the cost savings are in the many thousands of dollars!

### **FURTHER RESEARCH AND ACTIONS**

- Survey money attitudes among university Faculty and Staff to provide better insights regarding money attitudes.
- Conduct longitudinal research and surveys to track any changes and/or developing trends in Money Attitudes.
- Implement a "before and after" survey of students enrolled in the Personal Finance course to measure how it affects money attitudes, i.e. in first and last week of semester.
- Continue to utilize faculty-student collaborative research projects to enhance the learning experience of students.

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