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SPENDING PRACTICES DIMENSION FOR YOUNG PROFESSIONALS

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ABSTRACT
This research study delves into the spending practices of young professionals, aiming to identify and understand the exploratory factors that influence their financial decisions. With a sample size of 150 respondents, this investigation employs and quantitative research approach to unravel the intricate web of variables shaping the spending practices of this demographic.
The study employs a comprehensive survey instrument to collect data on various aspects, including income levels, and socio-economic backgrounds. Through a rigorous analysis of the collected data, the research aims to uncover patterns and correlations that illuminate the nuanced interplay between these factors and the spending practices of young professionals.
Understanding the four (4) dimensions of spending practices which are Good Financial Management, Consumer Behaviors, Proper budget monitoring and Financial behaviors that influences spending practices which provides young professionals with insights into their own financial behaviors. This knowledge can empower them to make more informed and strategic decisions, leading to improved financial well-being.

INTRODUCTION

So much has changed in the world of finance that requires individuals to change and do things differently. With a wide range of complex financial products in the market, a growing number of workers approaching retirement, and a shift towards individual responsibility over their finances, financial literacy is necessary. A financially literate individual is able to plan, save, borrow, invest, and spend wisely, take risks reduction measures, (Moulton et al. 2018) and even seek financial information where necessary. However, previous studies reveal that, a great number of people worldwide are financially illiterate. Xu and Zia (2022) in their research found that financial literacy levels are low in both high- and low-income countries. Lusardi and Mitchell (2011) observe that, financial illiteracy is widespread even where financial markets are well developed.

Money management is necessary as it has become essential that individuals get the skills to be able to survive in future with satisfaction. Financial literacy is now acknowledged globally as an important element for economic and financial stability and development. Trends support the rising global interest in financial literacy as a key to life skill. At present, people assume a vital part as one noteworthy part of the general purchaser spending in the nation (Doniego, 2021).

Proper financial management leads to improved available resources and reduced financial problems during education. With the advent of technology giving birth to online shopping, youths are faced with growing issues of money related unmindfulness. Bona, J (2017) emphasized that the spending conduct of youth and their constrained comprehension of cash administration invigorate propensities that may result to expensive budgetary errors today and in the future. The adolescent of today is developing in a society of obligation assisted

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by luxurious ways of life and simple credit (Dugas 2010). Money management is the ability to make informed judgments and to take effective decisions regarding the use and management of money (Komal, Yadav and Mehta, 2017).

OBJECTIVE OF THE STUDY

The purpose of the study is to determine the dimensions spending practices of young professionals. These factors were then analyzed and used to develop a framework that can further describe the spending practices of young professionals. It also aims to gain insights into how young professionals manage their finances, make spending decisions, and navigate financial responsibilities.

METHODOLOGY

Exploratory Factor Analysis (EFA) was utilized in the research. A survey of 150 people who are single ages 35 years old and below having a bachelor's degree and currently working. The research uses a 30-item researcher made questionnaire utilizing an ordinal scale response system. Each item in the questionnaire is anchored on the research idea of determining the spending practices of young individuals. This data was then tallied, summarized, and subjected to statistical treatment, using an SPSS Statistics, it is a statistical software suite developed for data management, advanced analytics, multivariate analysis, business intelligence, and criminal investigation (https://en.wikipedia.org/wiki/SPSS). One of its results was the Kaiser-Meyer-Olkin (KMO) test, which measures the strength of partial correlations between variables, and the correlation of the matrix's identity as a matrix was tested using Bartlett's test of sphericity (Noora Shrestha, 2021). The study also employs the Scree Plot or Scree Test, it is a line plot of the eigenvalues of factors or principal components in an analysis (George Thomas Lewith, 2010), which graphically shows the variety of elements that went through.

RESULTS AND DISCUSSION

This section exhibits the analysis and interpretation of the gathered data.

KMO and Bartlett's Test

Shown in the table below is the KMO Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The KMO measures .830 which implies that the samples are in high correlations, that is appropriate for variable analysis that fits the data. As shown, the Bartlett's test of Sphericity yields a value of 1967.959 and a level of significance smaller than .001 which signifies of the data to be processed to factor spending practices of young professionals. Moreover, bartlett's test of Sphericity implies to reject the null hypothesis, and concluded that there are determinants for spending practices of young professionals.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.830
Bartlett's Test of Sphericity	Approx. Chi-Square	1967.959
	Df	435
	Sig.	.000

Table 1. KMO and Bartlett's Test

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Scree Plot

Figure 1 illustrates the graphical representation of the total variance explained and the graph of Eigen values against all the factors. It shows the gradual training of Eigen values and identifies the relative fit of each component based on its relative importance. The graph is particularly useful for determining how many factors will be retained. The point of interest is where the curve flattens. as observed, the curve gets flatter as it reaches component number 12 since it is where the Eigen values less than 1 begins. If the items of each dimension are less than minimum, the dimension will be discarded. Thus, only four factors considered as determinants were retained.
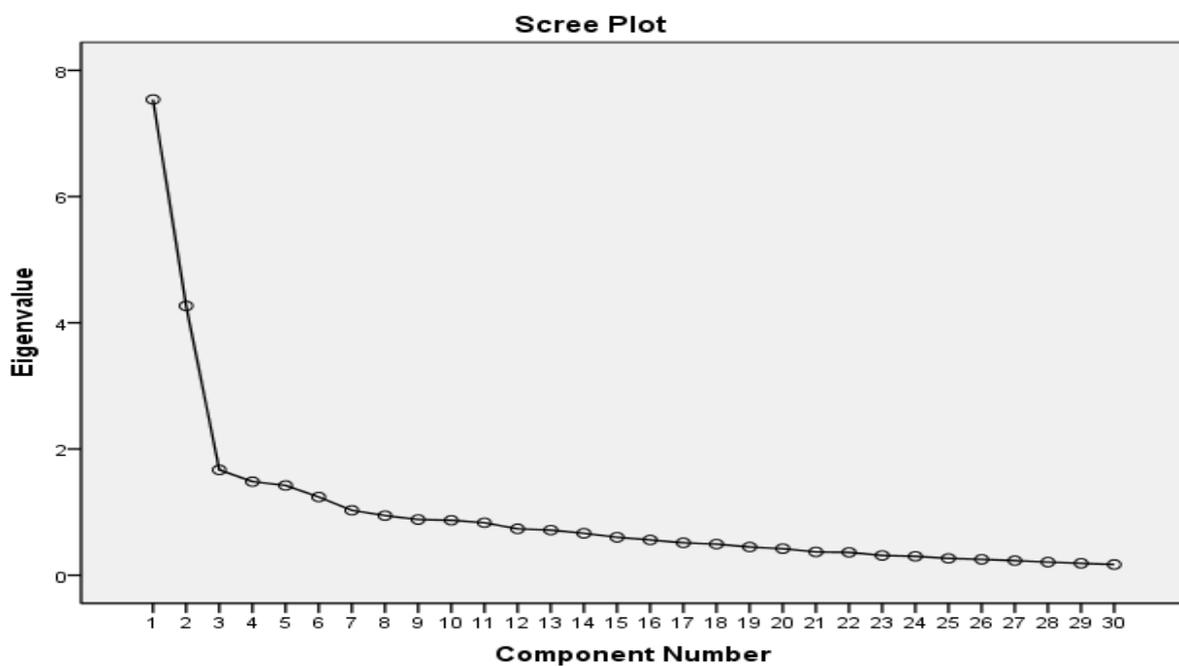

Figure 1. Scree Plot

Rotated Component Matrix

Table 2 shows items 8, 11, 21, 23, 9, 3, 28, 17, and 14 that the young professionals are practicing good behavior on financial management when it comes to spending their income or salary. Moreover, financial management behavior may vary between younger and older people. Although the repeated experience and practice of financial activities influence people's skills to manage their finances, empirical evidence seems to support that young people practice fewer basic financial tasks, such as budgeting or regularly planning their long-term savings (Jorgensen and Savla, 2010).

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Table 2: Rotated Component Matrix with Grouped Attributes Related to Good Financial Management of Spending Practices Dimension of Young Professionals.

Factor	Attributes	Loadings
Good Financial Management	Item 8 – I contribute to a retirement savings account,	0.709
	Item 11 – I seek out discounts and coupons when shopping.	0.692
	Item 21 – I contribute to a savings account for short-term goals.	0.665
	Item 23 – I follow a financial investment strategy.	0.638
	Item 9 – I invest in stocks or other financial instruments.	0.617
	Item 3 – I tend to save a significant portion of my income.	0.590
	Item 28 – I have a specific plan for retirement.	0.576
	Item 17 – I save for major life events (e.g. buying a house, getting married).	0.573
	Item 14 – I allocate a portion of my income to charity or philanthropy.	0.529

Table 3 provides a comprehensive view of the spending habits of young professionals, encompassing their interest in fashion trends, luxury experiences, and tech products. Their behaviors reflect a dynamic mix of fashion-forward choices, a penchant for luxury, tech enthusiasm, occasional spontaneous purchases, dining preferences, extra income sources, and a strategic approach to maximizing credit card benefits. The findings for items 7 and 19 showing both a loading of 0.791, and item 13 with loading of 0.744, suggest that these young professionals are likely influenced by societal trends and a desire for luxury experiences, which aligns to Japson's 2017 study deducting a connection between Filipino spending behavior and materialism, emphasizing the influence of vanity on males and females alike. Item 16 indicates impulse purchases when shopping online with a loading of 0.690. The study by Quijano et al. in 2021 adds another layer to this understanding, highlighting the role of convenience and flexible payment options including cash on delivery in motivating respondents to engage in online shopping. This convenience factor may contribute to the observed impulse buys often associated with online shopping among young professionals. Moreover, MacDonald et al.'s 2019 research on cash-back cards is particularly relevant to item 12 with a loading of 0.529, indicating that such financial tools can lead to increased spending and reduced savings. This insight resonates with the observed use of credit cards by young professionals, who appear to use them wisely for rewards but may still be susceptible to increased spending.

Table 3: Rotated Component Matrix with Grouped Attributes Related to Consumer Behaviors

Factor	Attributes	Loadings
Consumer Behaviors	Item 7 – I enjoy shopping for the latest fashion trends.	0.791
	Item 19 – I enjoy luxury experiences like fine dining and travel.	0.791
	Item 13 – I buy gadgets and tech products.	0.744
	Item 16 – I make impulse purchases when shopping online.	0.690
	Item 6 – I frequently dine out or order takeout.	0.656
	Item 24 – I have a side hustle to supplement my income.	0.574
	Item 12 – I use credit cards responsibly to earn rewards.	0.529

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Table 4 presents proper budget monitoring as a factor. The loading of 0.773 for item 2 indicates creating and sticking to a monthly budget plan. This item is consistent with the study of Bustamante et al. Al (2020). He hinted that young professionals have an adequate assessment of their financial management practices in terms of personal financial planning, such as budgeting money monthly and allotment. Item 1 indicates careful tracking of monthly expenses with a factor loading of 0.707. Kneller (2023) argued the importance of tracking spending among young professionals, which can help identify what, where, and how one spends his money and, if necessary, make any changes depending on the financial goals. Item 27 emphasizes priority spending on health and wellness with a factor loading of 0.630. The spending on health and wellness among youth was highlighted by Xia, G. (2022). According to the report, more young people are conscious of their fitness, making them an emerging force in the health consumption market. Lastly, item 26 indicates the review and adjustment of financial goals with a factor loading of 0.562. This item is consistent with the report of Harrison et al. (2016), where the study found that more young adults were more likely to have financial goals over the following years and have plans to achieve those goals.

Table 4: Rotated Component Matrix with Grouped Attributes Related to Proper Budget monitoring

Factor	Attributes	Loadings
Proper budget monitoring	Item 2 – I create a monthly budget and stick to it.	0.802
	Item 1 – I carefully track my monthly expenses.	0.707
	Item 27 – I prioritize spending on health and wellness.	0.630
	Item 26 – I review and adjust my financial goals.	0.562

Items 15, 25, and 29 about the financial behaviors of young professionals are presented in Table 5. Item 15's loading of 0.748 signifies the avoidance of debt. This item is consistent with the findings of Lusardi and Scheresberg (2013), who discovered that people with a greater degree of knowledge and understanding of financial matters are considered financially literate. Considerably less likely to have resorted to high-cost borrowing. The loading for item 29, which pertains to the avoidance of reckless financial decisions, is 0.657. This item is consistent with the findings of Anisaa, N.A, Arifinb S., Setyowatic L., Hidayahd N., Megastar A. D., 2020, which indicate that impulse purchasing of online products is influenced by financial literacy that is, the impulse purchasing behavior of students decreases as their financial literacy increases. In contrast, impulse purchases are more prevalent among students with lower levels of financial literacy. This factor is consistent with Carlo de Bassa Scheresberg's (2013) findings, which suggest that individuals with greater financial literacy or understanding of personal finance have more favorable economic outcomes. Specifically, such individuals are less inclined to utilize high-cost borrowing methods and are more likely to have retirement plans or established emergency savings.

Table 5: Rotated Component Matrix with Grouped Attributes Related to Financial Behaviors

Factors	Attributes	Loading
Financial behaviors	Item 15: I avoid accumulating debt.	0.748
	Item 25: I avoid spending on unnecessary subscription services.	0.697
	Item 29: I avoid making impulsive financial decisions.	0.657

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STUDY FRAMEWORK

Presented in Figure 2 is the framework developed based on the findings. The researchers found out that the factors of the Spending Practices Dimension for Young Professionals are (1) Good Financial Management, (2) Consumer Behaviors, (3) Proper Budget Monitoring, and (4) Financial Behavior
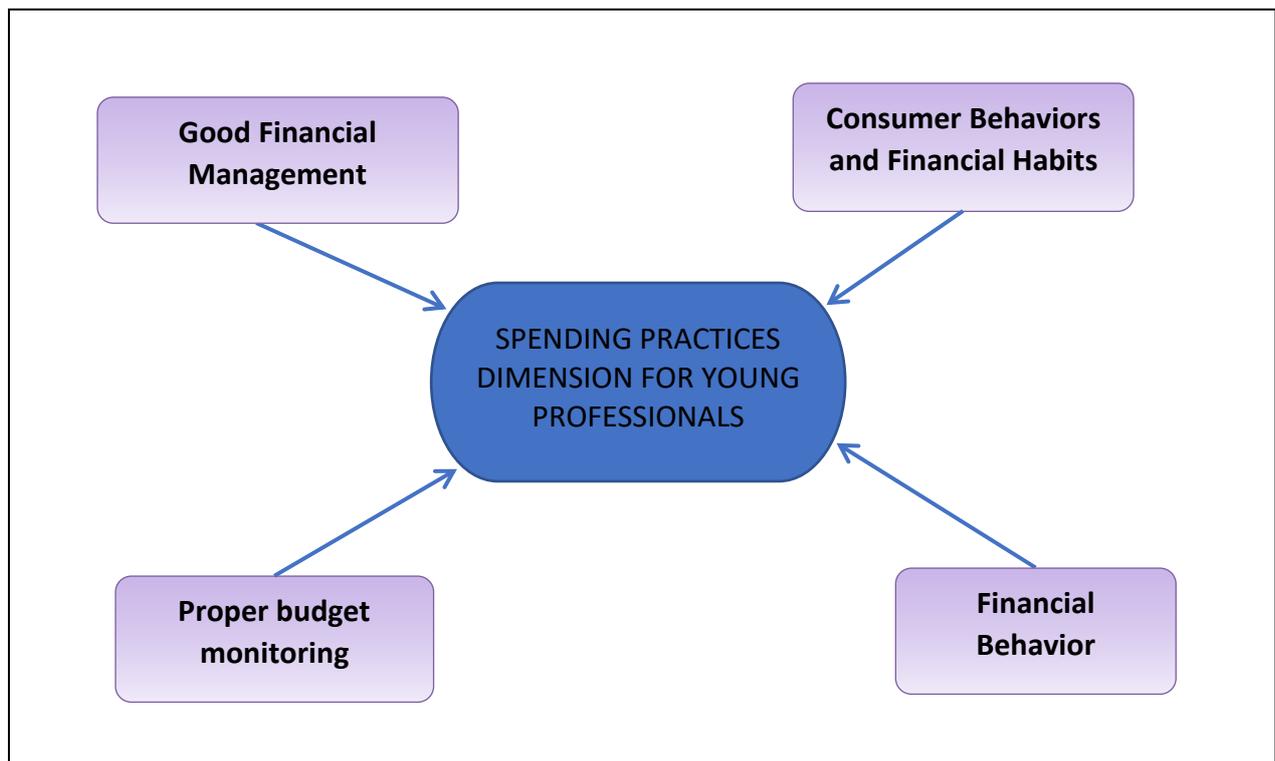

Figure 2. Study Framework

CONCLUSION

Based on the findings, the researchers concluded that there are four dimensions for young professionals, namely Good Financial Management, Consumer Behaviors, Proper Budget Monitoring, and Financial Behavior.

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