

# INFLUENCES OF PEER RELATIONS AND LOCUS OF CONTROL ON STUDENTS' FINANCIAL EXTRAVAGANCE

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## Abstract

Effort to checkmate extravagance and maximize gain is the focus of all organizations more in this period of global financial crisis. There is need therefore to checkmate unnecessary financial spending. This study examines the influence of the variables, peer relations and locus of control, on such spending among University students. Three hundred (144 males and 156 females) participants were used for the study. Their ages ranged between 20-30 years with mean age of 26.07. Nowicki-Strickland Locus of Control Scale, Index of Peer Relations and Extravagant Life Assessment Scale were three instruments used for the study. A Two Way ANOVA statistics was used in analyzing the data. The study showed no significant difference between the two polars peer relations on extravagant Life style, while significant difference existed between the two locus of control orientations on extravagance. However interactions of the two variables portrayed peer relations as a strong modulator towards spending in both domains of locus of control. Discussions and recommendations from the findings were made, with emphasis on balancing the scale.

**Key words:** *Locus of control, Financial extravagance and Peer relations*

## Introduction

Financial recklessness is a behavior that has far reaching negative implications towards the progress and maturity of any human individual. It is one aspect of a subject's background that is relevant to security investigation. Those who exhibit extravagant spending patterns may be more vulnerable to monetary enticements to breach security than people who manage their finances responsibly (Worst, Duckworth, Mc Daniel, 1999). Over spenders may acquire sufficient debt such that they cannot service the debt through legally acquired income. Thus, they may be more susceptible to engaging in illegal and profitable offenses that might pose a risk to national security. Companies with managers that are financially extravagant are more likely to hit the rock of financial bankruptcy. Student union organization with a leader who is financially extravagant is likely to have problem moving forward towards the progress

of the union. Marriages where either partners spend recklessly may not be likely to sustain their existence. In essence, financial extravagance is among major vices that people look out for before embarking on any meaningful relationship, recruitment and financial management.

A lot of factors may influence an individual's financial recklessness. Variables as mental problem like manic psychosis, low self esteem, environment where one finds oneself are all likely to influence one's financial management. Knowledge of the variables that might lead to extravagance is a great step in a right direction towards solving the problem of financial extravagance. This study is on the influence of the variables; peer relations and locus of control on financial recklessness. There are varied ways students relate to each other. Some have mutual relationship while others find it difficult to relate mutually with peers. Others too like relating to their peers while some like being left alone. All of the varied ways are unique to an individual. On the other hand, locus of control is a construct that is used to categorise people's basic motivational orientations and perceptions of how much control they have over the conditions of their lives. People with an external locus of control tend to behave in response to external circumstances and to perceive their life outcomes as arising from factors out of their control. People with an internal locus of control tend to behave in response to internal states and intentions and to perceive their life outcomes as arising from the exercises of their own agency and abilities (VandenBos, 2007).

### **Statement of the Problem**

It is a fact that identifying a problem is a step towards the solution. However, identifying a problem without solution is also as good as not doing anything. Knowing that financial extravagance is a serious impediment to any student and even organization in general is good but then identifying the causes and curbing them are better. Sparse knowledge on the causes of financial extravagance poses serious risk factors towards treating such a disorder. Researchers face the challenges of giving deep insight into the variables that may predispose individuals towards overspending. On the other hand, the problems financial recklessness create to students are numerous. But to sum it all, it is capable of decreasing the productive output of the student and expose him to unwarranted risks like illegal acquisition of money, cultism, drug trafficking etc.

### **Purpose of the Study**

The purpose of this work is to determine the roles peer relations and locus of control play on student's financial recklessness. It also seeks to determine the interaction effect of the variables on financial recklessness.

### **Research Questions**

- i. Will students with appropriate peer relations show lesser financial extravagance than students with inappropriate peer relations?
- ii. Will students with external locus of control show more financial extravagance than students with internal locus of control?
- iii. Will there be an interaction of locus of control and peer relations on extravagant life style?

## Method

### Participants

Three hundred (300) participants were used for the study. They included undergraduate students of Nnamdi Azikiwe University and Federal Polytechnic Oko, both in Anambra state Nigeria. The samples were 144 male and 156 female students. Their ages ranged between 20-30 years with mean age of 26.07 and standard deviation age of 4.38. The participants were incidentally sampled from three faculties (social and management sciences and law) of the institutions.

### Instrument

There (3) instruments were used for the study. They included Nowicki-Strickland Locus of Control Scale, Index of Peer Relations and Extravagant Life Assessment Scale. The Nowicki ó Strickland Locus of Control Scale (N-SLCS) was developed by Nowicki and Strickland (1973). Its purpose was to measure locus of control in children. The inventory can also be used to assess locus of control in youths and adults by modifying the reference to kids and parents in some of the items as was done in this study. Nowicki and Strickland, (1973) reported a six week interval test-retest reliability coefficients of .63, .66 and .71 for 3<sup>rd</sup> grade, 7<sup>th</sup> grade and 10<sup>th</sup> grade students respectively. Jaiyeoba (1992) obtained a concurrent validity coefficient of .25 in Nigeria by correlating N-SLCS with Index of Self Esteem developed by Hudson (1982) using adult population. The Index of Peer Relations was validated (divergent validity) in Nigeria by Anumba who obtained a divergent coefficient of .62 by correlating IPR with Hare Self Esteem Scale by Hare (1985). IPR was developed by Hudson, Nurius, Daley and Newsome (1986) to measure problems of interpersonal relationship one is experiencing in the course of social interaction with peers. The authors report alpha coefficient reliability of .94. The Extravagant Life Style Assessment scale (ELAS) was developed by Omuluabi and Akinfala (1999), to identify individuals with extravagant life style, reckless financial management behaviour, a propensity for fraudulent practices and criminal behaviour tendency. Omuluabi & Akinfala (1999) provided the Cronbach alpha coefficient of .90, Spearman Brown split half coefficient of .77. The scale was validated (concurrent validity) by correlating it with the following inventories; (a) Pd scale of MMPI by Hathaway & McKinley (1967) = .18; (b) Id scale of IES test by Dombrose & Slobin (1958) = .17 (c) P scale of EPQ by Eysenck & Eysenck (1975) = .32

### Procedure

The instruments were administered to the participants simultaneously by either of the researchers. They were given to the students who were allowed to either go home with them or to respond to them immediately. Incidental sampling method was used in distributing the questionnaire. As such, students that were found in the faculties of social and management sciences as well as law , who indicated interest to respond to the questionnaires after the researchersø explanations were eligible to participate. Out of 360 questionnaires distributed, 200 went to the University participants while 140 were distributed at the Polytechnic. The researcher had to divide the questionnaires into half of 180 each for the two gender. Among the 360 questionnaires distributed, 340 were returned while 300 were well responded to. The other ones were faulted because the respondents did not adhere to the instructions as required.

**Design and Statistics**

A cross sectional survey design was used in the study. On the basis of 2 factorial nature of the study, a 2\*2 factorial design was also employed so as to determine the interactions of the factors. The statistics involved was a 2 Way ANOVA statistics.

**Result**

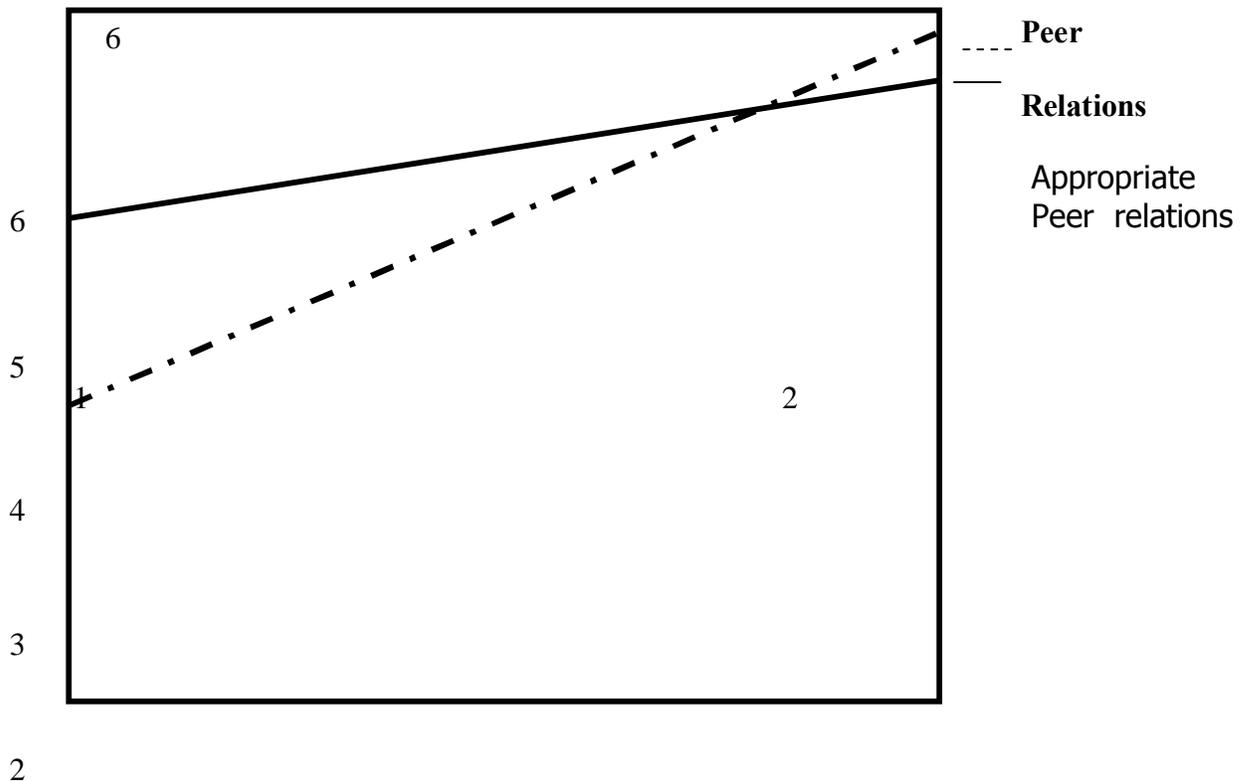
The result of the study showed no significant difference between the two ends of peer relations on financial extravagance. It also showed a significant difference between external and internal locus of control on financial extravagance. The table below summarized the result.

**Table 1: Summary Table of 2 Way ANOVA of Peer Relations and Locus of Control on Students Financial Extravagance**

Source	SS	Df	MS	F
Peer Relations	42.96	1	42.96	0.13
Locus of Control	5337.17	1	5337.17	15.78*
Peer Relations & Locus of Control	193.64	1	193.64	0.58*
Error	98744.75	292	338.17	
<b>Total</b>	<b>758797.0</b>	<b>300</b>		

Note: \*shows significance at 0.05 level of testing.

**Fig I: Interaction of Locus of Control and Peer Relations on Spending**



## Discussion

The study did not show any significant difference between appropriate and inappropriate peer relations on extravagant life style. Thus, whether an individual has appropriate peer relations or not do not influence his spending styles.

However, an individual's locus of control was shown in the findings to influence significantly one's spending style. The study implied that people high in internal locus of control spend more than people high in external locus of control. The one arising question thus becomes; why does that occur? Phares & Trull (1997) said of internals as those who believed in their skills and whose reinforcement of such skills increase the production of the skills. On the other hand, the externals are those who much believe on luck and external factors as major contributors to their success. Thus, no matter an outcome that arises from their skills, they hardly attribute it to such skills.

Based on the above premise, the internals are more likely to spend, if such spending will help achieve their objectives. Because they had the internal motives that they can do it, they tend to use all the resources within them both financial and others to accomplish their objectives. The externals who so much believe on luck chances are not internally motivated. Therefore they tend to put little into achieving their objectives, believing that no matter how much they spend or put, that the success is independent of their effort rather externally based. This explanation was in line with Vanessa and Marlene (2006) study on the relationship between consumer financial knowledge, income and locus of control on financial behavior. According to the authors, their findings suggested that consumers' propensity to save, budget and control spending depend partly on their level of perceived control over outcomes as well as knowledge and financial resources. According to them, evidence of race and ethnicity as moderators are mixed. For example, if two people are contesting for students' union presidency, the one high on internal locus of control is likely to campaign using all his resources including financial spending believing that his efforts and inputs will make him win. The other one if high on external locus will not likely spend much believing that no matter how much you spend or put, that one who wants to vote for you will definitely do so and that it is solely on luck and goodwill of the people not your effort. In essence such a candidate (external) may be likely to spend less as the other person (internal) had spent.

Furthermore, this study showed an interaction of locus of control and peer relations on spending styles. The major information from the study was on the role of peer relations as a buffer on spending. Those who are externals showed increase on spending if they had appropriate peer relations than of them who had inappropriate peer relations. In addition, those who are internals with appropriate peer relations (healthy interpersonal relationship) showed reduced spending than those who had inappropriate peer relations (faulty interpersonal relationship). The interaction of the two variables portrayed that virtue (spending) should stand at the middle. Externals with appropriate peer relation showed increase in internal motivations and thus had to put in more resources towards fulfilling their goals. Their interactions with their peers increased their internal motivations and thus helped balance their spending habit. Similarly, those who are internals with appropriate peer relations showed also increment on chance and external factors and thus were able to reduce their spending. This interaction with their peer helped them to balance the scale.

In essence, the study showed that high internals are more likely to be extravagant as they strive to use their resources to maximize their goals. However high externals are more likely to remain under spending as a result of low internal motivation. Both extremes do not

favour any one neither do they favour companies who might employ such individuals. It does not also favour parents who support the students in school either. It demands thus a balancing of the scale with appropriate peer relations. However, increasing an individual's internal motivation (for externals) and also increasing chance factors and environmental inputs (for internals) are necessary towards balancing the scale.

### **Recommendation**

The researchers recommend the following;

- It is necessary that companies and student bodies who are interested in appropriate use of their finances put into consideration the balancing of the two extremes of the scale of locus of control.
- Psychotherapy will constitute the major tool of the balancing of the locus of control orientation
- That psychotherapist who involve themselves in such areas as financial counselling should bear in mind the role(s) of peer relations as modulators in spending.
- That none of the two locus of control is the best nor can fit in all areas of an industrial organization. It becomes necessary then that individuals should be placed in jobs according to their personality make ups, and contents of the job. Some jobs may demand internal motivations more than external. Some may also demand balancing the scale.

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