

Expenses among Teenage Students and the Need for Financial Management

Taniya Namdev¹, Vinayak Sharma², Vikas Kumar Korjani³

^{1,2,3}Department of Computer Science & Engineering, Global Institute of Technology, Jaipur

Abstract

Teenage students are increasingly participating in financial activities, ranging from essential spending to discretionary purchases. The advent of digital transactions has significantly altered their spending habits, often resulting in impulsive purchases and poor financial management. This research delves into the financial behavior of teenagers, the influence of online transactions, and the pressing need for financial literacy. Additionally, it introduces the role of technology-driven financial management tools, such as our Expense Tracker project, in promoting responsible spending habits. Through surveys and statistical analysis, the study highlights the growing challenges and offers potential solutions to cultivate better financial discipline among teenager.

Keywords: Teenage finance, digital payments, expense tracking, financial literacy, budgeting, financial management tools.

1. Introduction

Teenage years represent a critical phase of development where individuals start exercising financial independence. Whether through allowances, part-time jobs, or parental support, teenagers gain access to personal finances and begin making their own spending decisions [1]-[3]. This period, although instrumental in fostering financial responsibility, also exposes them to the risks of overspending and poor money management due to a lack of structured financial education.

The rapid adoption of digital payment methods, such as UPI, mobile wallets, and debit cards, has made transactions seamless but has also blurred the visibility of financial activities. Teenagers often struggle to track their spending, leading to impulsive buying behaviors. The accessibility of e-commerce platforms further amplifies this issue, as discounts and promotional offers encourage unplanned spending.

This study aims to:

- Investigate teenage spending patterns across various categories.
- Examine the influence of online transactions on financial habits.
- Highlight the importance of financial literacy in equipping teenagers with essential money management skills.
- Showcase the effectiveness of technology-driven financial management tools, such as our Expense

Tracker project, in promoting responsible spending habits.

2. Spending Patterns Among Teenage Students

Teenagers' spending patterns typically fall into four primary categories: Educational Expenses, Food & Entertainment, Fashion & Lifestyle, and Transport & Miscellaneous.

In the educational category, expenses include books, stationery, school or tuition fees, and academic supplies. With the growing trend of e-learning, many teenagers also spend on online courses, educational apps, and digital study materials. Subscription-based learning platforms, such as Byju's, Unacademy, and Udemy, have become increasingly popular, with students frequently enrolling in skill enhancement courses. Moreover, private tutoring fees and online exam preparation classes have added to their regular educational spending. Some teenagers also invest in coding bootcamps, language courses, or career counseling services, contributing to their financial outflow.

Spending on food and entertainment has significantly increased with the rise of food delivery apps such as Zomato and Swiggy, making dining more accessible but also promoting impulsive spending. Teenagers frequently indulge in fast food, takeout, and café visits, contributing to a large portion of their expenses. Digital entertainment, including OTT subscriptions (Netflix, Prime Video, Disney+ Hotstar), gaming platforms, and music streaming services (Spotify, Apple Music), forms

a recurring expense. The auto-renewal feature of these services often goes unnoticed, adding to unnecessary financial outflows. Furthermore, many teenagers spend on online gaming, purchasing in-app features, game passes, and skins, contributing to higher entertainment costs.

In terms of fashion and lifestyle, teenagers allocate a significant portion of their finances to clothing, footwear, and accessories, often influenced by social media trends. With the rise of fast fashion brands and frequent online discounts, impulsive purchases have become more common. E-commerce platforms such as Myntra, Amazon, and Flipkart offer frequent sales, prompting unplanned spending. Teenagers are also increasingly investing in lifestyle products such as gadgets, cosmetics, and fitness services. The rising trend of personal grooming and self-care has led to higher spending on skincare products, beauty treatments, and salon services. Additionally, some teenagers spend on fitness memberships, including gym subscriptions or yoga classes, which add to their monthly lifestyle expenses.

Transport and miscellaneous expenses also form a significant part of teenage spending. Daily commuting costs include public transportation fares, fuel expenses, and ride-hailing services such as Ola and Uber. The convenience of app-based transport has increased spending, especially for teenagers who travel frequently. Additionally, many teenagers subscribe to cloud storage services, productivity apps, and paid software for academic or personal use. With the rising use of smartphones, regular spending on mobile recharges, data plans, and app subscriptions has become routine. Some teenagers also spend on vehicle rentals or shared e-scooter services for short-distance travel.

Key Insights:

Teenagers often spend impulsively due to peer influence and social validation, frequently purchasing trending products to fit in with their social circles. The subscription culture has also led to recurring expenses that are often unnoticed, making it difficult for teenagers to track their spending accurately. The ease of cashless payments further reduces their hesitation to spend, making them more prone to impulsive purchases. Inconsistent financial tracking, coupled with a lack of financial literacy, makes it challenging for teenagers to visualize their overall spending patterns. The

convenience of digital transactions and frequent online discounts encourages unplanned financial decisions, which can gradually lead to poor money management habits.

3. The Influence of Online Transactions

The growing adoption of cashless payments has fundamentally altered the financial behavior of teenagers. Digital payments offer convenience but also encourage careless spending due to their ease and lack of tangible financial interaction. The seamless nature of digital transactions reduces the psychological barrier to spending, making teenagers more likely to make impulse purchases. Unlike cash, where parting with physical money creates a sense of loss, digital payments feel less real, promoting excessive spending.

Moreover, the widespread availability of Buy Now, Pay Later (BNPL) schemes further encourages teenagers to spend beyond their means, often without fully understanding the repayment terms. Additionally, teenagers using digital wallets often store saved card details on e-commerce platforms, making future purchases just a click away, reducing the time for reconsideration.

Frequent exposure to personalized ads and flash sales through payment apps also tempts teenagers into spontaneous spending decisions. The lack of transaction notifications for small recurring payments results in unmonitored spending, as teenagers often overlook minor deductions. Digital payments have also increased the use of microtransactions in gaming and mobile apps, where teenagers spend small amounts frequently, creating a cumulative financial impact.

Key Impacts of Digital Transactions:

- **Ease of Spending:**
 - UPI and mobile wallets enable instant, frictionless payments, making it easier for teenagers to spend without much contemplation.
 - The lack of physical cash exchange reduces the perceived value of money.
 - **Contactless payments** have become the norm, removing the need for PIN verification on small transactions, which promotes casual spending.

- Digital payment platforms often offer **instant cashback** or reward points, further encouraging more frequent transactions.
- Pre-authorized payments, such as **in-app purchases**, enable one-click spending without requiring reauthorization, making impulse purchases even easier.
- **Subscription Culture:**
 - The auto-renewal of OTT platforms, gaming services, and music apps results in continuous recurring expenses.
 - Many teenagers are unaware of these recurring charges, leading to unintentional overspending.
 - Subscription services often offer **free trial periods**, but teenagers frequently forget to cancel, resulting in automatic paid subscriptions.
 - The ease of subscribing to multiple services simultaneously results in **overlapping subscriptions**, which contribute to increased monthly expenses.
 - Digital platforms also encourage **family plans**, tempting teenagers to split costs with friends, leading to unmonitored shared expenses.
- **Limited Awareness of Expenses:**
 - With digital payments, teenagers often overlook small purchases, which accumulate into substantial monthly expenses.
 - The absence of manual record-keeping makes it difficult to track and visualize spending patterns.
 - **Hidden transaction fees** on small purchases (such as convenience fees) add up over time, reducing purchasing power.
 - Payment apps often display **only partial transaction details**, making it harder for teenagers to verify all their expenses.
 - Without proper budgeting tools, teenagers may spend sporadically, leading to **financial instability** by the end of the month.

4. Financial Literacy and Its Importance

Financial literacy plays a vital role in helping teenagers develop responsible money management skills. Despite their growing financial independence, most teenagers lack formal financial education, leaving them unprepared for real-world financial challenges.

Without financial literacy, teenagers are more likely to fall into debt, engage in reckless spending, and fail to save for future needs. Furthermore, as teenagers increasingly use digital financial services, they are exposed to risks such as online scams, hidden subscription costs, and unregulated financial products. Developing financial literacy at an early age promotes better decision-making, reduces financial stress, and equips teenagers with the skills necessary for long-term financial stability.

- **Importance of Financial Literacy:**

- **Budgeting and Saving Strategies:**

- Financial literacy enables teenagers to create and follow a budget, allocate funds effectively, and prioritize essential expenses.
- It teaches them to set financial goals, such as saving for college or personal projects, fostering a habit of disciplined saving.
- Practical budgeting skills also help them avoid the trap of living paycheck to paycheck later in life.

- **Understanding Wants vs. Needs:**

- Educating teenagers about the difference between discretionary and necessary expenses helps them make informed financial decisions.
- This distinction reduces impulsive spending and promotes mindful consumption.
- It also instills the ability to resist marketing pressures and evaluate the true value of products before purchasing.

- **Early Investment Habits:**

- Exposure to basic concepts of investments, interest rates, and returns encourages early financial planning.
- Teaching teenagers about compound interest and the benefits of long-term investments encourages them to start investing early.
- They become aware of financial instruments like mutual funds, fixed deposits, and recurring deposits.
- By learning to diversify their investments, they reduce potential risks and enhance their future wealth.

- **Debt Management and Credit Awareness:**

- Financial literacy helps teenagers understand the consequences of debt and the importance of maintaining a good credit score.

- They learn about the dangers of payday loans, credit card debt, and high-interest borrowing.
- Educating teenagers on responsible borrowing prevents them from falling into unnecessary debt traps.

5. Case Study: Spending Habits of Indian Teenage Students

A 2023 survey conducted by the National Payments Corporation of India (NPCI) revealed insightful statistics regarding teenage financial habits:

- **80% of urban teenagers** use digital wallets and UPI for daily expenses.
- **65% admitted** to impulsive online shopping due to discounts and advertisements.
- **30% have fallen victim** to online frauds, highlighting the need for cybersecurity awareness.
- **Only 20%** of teenagers maintain a structured budget to track their expenses.
- **45% of teenage respondents** reported spending more on entertainment (OTT subscriptions, gaming) than on education-related expenses.
- **70% of teenagers** lacked awareness about the interest rates on digital credit services, such as "Buy Now, Pay Later" schemes.
- **55% of respondents** admitted to having at least one auto-renewing subscription they forgot about.
- **40% of teenagers** acknowledged that social media ads influenced their unplanned purchases.
- **35% of participants** mentioned borrowing money from friends or family due to overspending.
- **50% of teenagers** felt financial stress due to insufficient budgeting skills, leading to inconsistent spending habits.
- **60% of students** expressed the need for financial literacy programs in schools to better manage their finances.

6. The Role of Technology in Financial Management: Our Expense Tracker Project

To address these challenges, we developed an Expense Tracker application to assist teenagers in monitoring and managing their finances. The tool aims to promote

financial discipline through detailed expense tracking and analytics.

7. Conclusion

Teenage financial independence is growing, fueled by digital payment methods and evolving spending patterns. However, the lack of financial education makes teenagers vulnerable to overspending, financial instability, and online fraud.

7. Table

Statistic	Value
Urban teenagers using digital wallets and UPI	80%
Teenagers admitting to impulsive online shopping	65%
Teenagers affected by online frauds	30%
Teenagers maintaining a structured budget	20%

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