

WHAT DRIVES SAVING BEHAVIOUR AMONG UNDERGRADUATE STUDENTS OF UNIVERSITI MALAYSIA TERENGGANU?

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Abstract : This study addresses the issue of saving behaviours among undergraduate students of Universiti Malaysia Terengganu (UMT). With the role that savings play in providing long-term financial security, universities took the initiative to educate and improve the financial knowledge and skills of young students by offering related subjects in financial management and personal finance. Besides education, the influences of family members, friends and communities also play an important role in shaping saving behaviour. Thus, the objective of this study is to examine the key drivers in creating and shaping saving behaviour, including socialisation agent, financial knowledge and personal behaviour of undergraduate students. The data were collected from a self-administered questionnaire with a total of 286 respondents. The data were analysed by using multiple regression analysis. From this study, socialisation agent and personal behaviour were found as the main key drivers that contributed towards the saving behaviour of undergraduate students from UMT. Even though these two factors played an essential role in shaping the saving behaviour of students, the personal behaviour of the students had the most significant influence in cultivating the saving behaviour of the students.

Keywords: Saving behaviour, undergraduate students, socialisation agent, financial knowledge, personal behaviour.

Introduction

Saving behaviour, or better known as deferring consumption, is a positive action made by a person to exclude part of their income that is not spent on current expenditure for future use. Such an act facilitates an investment culture and promotes the ability to manage personal finance independently, especially at a young age. In today's environment, the ability to manage personal finance is regarded as an essential habit as failure to manage finances will lead to bankruptcy. In Malaysia, the number of bankruptcy cases exhibited an increasing trend between 2010 and 2014, but fluctuated between 2015 and 2018 (Malaysian Department of Insolvency [MDI], 2019). These high numbers of bankruptcy cases could affect the long-term productivity and revenue of the country (Malay Mail, 2019). Even though the number of bankruptcy cases was in a declining trend after

2015, the main cause of such a trend has yet to be identified and discovered by researchers (Asian Today, 2019). Between 2015 and 2019, the young generation, those below 25 years of age, made up 0.6% of the bankruptcy rate, while those aged between 25 and 34 years old had a bankruptcy rate of 25.3% (MDI, 2019). These numbers indicated that a graduate student was more likely to be associated with the filing of bankruptcy if they are unable to manage their finances effectively and independently.

There are many factors that contribute to the high number of bankruptcy cases in Malaysia, including personal loans (27.76%), vehicle purchase loan (24.73%), housing loans (14.09%), and credit cards (9.91%) (MDI, 2019). According to a speech by finance minister of Malaysia on March 4, 2019, poor financial literacy among young Malaysians was one of the key drivers that contributed to the high

bankruptcy rate (Asean Today, 2019). Youths tend to spend beyond their means because they are easily influenced by the latest marketing trends (Star Online, 2019). Furthermore, the low level of knowledge associated with financial planning could affect their financial decision-making at a young age (Mahdzan & Tabiani, 2013). Financial wisdom is important, and without it, it may ruin a person's future (The Star Online, 2013). A study found that 90% of the undergraduate students in Malaysia did not know where to seek financial information and gain knowledge on the matter, while 60% were stressed about financial issues. As a result of poor financial management, students encountered a higher cost of living and face risks of unemployment (Jalil, 2019).

To overcome the bankruptcy issue, the MDI has prepared various awareness and outreach programmes associated with the risks and effects of bankruptcy. The programme aimed to educate and cultivate saving behaviour among youngsters at an early age. Malaysia also launched "Belanjawanku", or known as Malaysian Individual and Family Expenditure Guide, on March 4, 2019. The plan was launched to educate and guide Malaysians in planning their spending. At the same time, it encourages people to live within their means. Allocating part of the earnings into savings and retirement funds could provide a cushion of security against any potential financial contingency in the future (Asian Today, 2019).

As a whole, financial literacy knowledge and skills will contribute to good financial planning and empowers people to make smart financial decisions for future wealth and prudent spending. Financial literacy is also an important precondition of sound retirement planning (Buchholtz *et al.*, 2021) and education plays an important role towards old-age savings (Krupa & Walczak, 2021). Therefore, savings help an individual or a family become financially secure. A lack of financial knowledge leads to the continuation of poverty, poor financial freedom, high financial stress, low saving rates, poor retirement fund, accumulated credit

card loans, and higher risks of being involved in money scams and bankruptcy filings (Jalil, 2019). In educating people, a new online bank named HMBradley was introduced in the United States. The bank was willing to pay its customers and industry-topping with a 3% interest rate if they can save at least 20% of their monthly income in their accounts (Roberts, 2019). In the same strain, an online financial literacy platform in Malaysia, known as uLearnMoney, was launched on October 30, 2019, in which financial education was offered to help youngsters solve immediate financial challenges, questions and doubts (Jalil, 2019).

Given that saving behaviour should be cultivated from early childhood, this study investigates the key drivers that contribute to the saving behaviour of undergraduate students from UMT. Based on previous research, socialisation agent, financial knowledge and personal behaviour are three common factors that contributed to saving behaviour.

Literature Review

Saving Behaviour

In the psychological context, saving usually refers to the process of setting aside money to be used in the future (Warneryd, 1999). In other words, saving behaviour is a combination of perceptions of future needs, saving decision and saving action. In a simple definition, savings are the surplus of income in the overall expenditure. Expenditures can also be considered as consumption, regardless of life contributions or insurance (if any). Saving behaviour can also be defined as the money-keeping activity after an individual have used it for their wealth (Asmawi, 2015). It also depends on an individual's personal income level. Students from a low-income background may need to be equipped with financial knowledge as it will allow them to plan and allocate their money wisely. Gonyea (2007) found that high income was one of the predictors of saving behaviour for retirement. In addition, the ability to delay gratification and exercise self-control is another important

determinant of individual saving and spending (Bausmeister, 2002). When one knows how to control the gratification, they will be more mindful in making a sound financial decision.

Socialisation Agent

There is no doubt that parents are the major actors in a family and serve as a major influence in shaping their children's saving behaviour. Many previous studies have shown that parents played a significant role in influencing and encouraging their children to save money for a specific purpose. In an early research work by Davis and Taylor (1979), they argued that children should be taught to save for emergencies and make the best use of opportunities to acquire the concept of interest. Besides, a study by Omar *et al.* (2018) showed that family background played an integral part of a student's saving behaviour. Furthermore, a positive relationship between parental socialisation and the saving behaviour of a student was also found. In line with this, Akben-Selcuk (2015) reported that the most significant influence on students' financial management behaviours were their parents. Danny (2014) also reported that parents' support and experiences could influence the saving behaviour of the children. Each parent has different ways of teaching and cultivating saving behaviour in their children. However, the relationship between family income and risky financial behaviour is no longer related when the students are employed. Ibrahim *et al.* (2009) reported that undergraduate students with a high level of financial literacy were influenced significantly by gender and maternal education background, but not by programmes and seminars. Therefore, the education level of the mother can help to educate, train and cultivate proper saving behaviour in a child.

Financial Knowledge

Financial knowledge can be defined as the ability to apply knowledge to manage money and making proper financial decisions effectively (Hung *et al.*, 2009). College students in Malaysia have poor financial knowledge (Shaari *et al.*, 2010) and management skills. Most of

the students do not practise healthy financial management (Falahati *et al.*, 2011). They can become potential victims of a fraudulent business scheme (Basir, 2016). College students were also found to be unable to repay their debts due to a lack of financial knowledge and poor financial management practices (Lyons, 2004). Therefore, Shaari *et al.* (2010) recommended that undergraduate students participate in financial literacy programmes at any point in their studies to avoid a future personal financial crisis. In contrast, Robb and Sharpe (2009) stated that financial knowledge could offer some negative impacts on college students, despite its importance. On the contrary, Akben-Selcuk (2015) reported that finance-related courses from high school or college had a positive impact on the probability of a student in practising a saving habit in the future, but it did not have a significant impact on the likelihood. Fazli and MacDonald (2010) observed that students who had earlier childhood consumer experience were more likely to engage in effective saving behaviour. However, it could lead to more personal financial problems as well. Thus, university students should apply financial knowledge in their daily life to avoid making the wrong financial decisions in the future.

Personal Behaviour

Personal behaviour is an observable response of a person. In detail, personal behaviour is the exertion of will, self-discipline and ability to delay gratification (Bausmeister, 2002). The intention of saving could affect actual saving behaviour. Thus, a positive attitude in an individual's saving behaviour is exhibited by the people who save money consistently. Furthermore, positive attitude usually relates to saving regularity. Therefore, an individual must have the habit of allocating a portion of their income for savings as this saving attitude will more likely lead to a higher probability of having positive savings (Alekan *et al.*, 2018; Soo-Cheng *et al.*, 2020). Personal financial wellbeing is an objective status of the individual's financial status that reflects the actions taken by each individual. For instance,

Greene (2014) examined the relationship between financial literacy and financial act, and he found that an increase in financial awareness led to positive financial behaviour. In contrast, Bordon *et al.* (2008) found that financial awareness and effective financial act were not significantly related. In addition, Xiao *et al.* (2009) suggested that positive financial behaviour brought better financial satisfaction, which contributed to higher life satisfaction. They also indicated that good financial practices improved the health status of an individual. To improve the financial knowledge and cultivate better financial management practices among the young generation, educators need to understand the latest financial behaviour and attitudes of the existing generation (Royer *et al.*, 2005). In conclusion, poor financial decisions are often associated with a low level of financial knowledge and literacy (Ahmad *et al.*, 2003).

Research Methodology

This is an exploratory quantitative study that investigates whether socialisation agent, financial knowledge and personal behaviour are related to saving behaviour. Questionnaires were used as the measurement tool for data collection. The questionnaires were adopted from different savings behaviour studies (Ganesan, 2012; Chai *et al.*, 2012). The questionnaires were divided into two sections, where section A consisted of the profile of respondents and section B used a five-point Likert scale to gauge four domains, which are saving behaviour, socialisation agent, financial knowledge and personal behaviour. A stratified random sampling technique was used to distribute 300 self-administered questionnaires to undergraduate students from UMT.

The raw data obtained from 300 respondents were screened for errors. Outliers and missing data were identified prior to statistical analysis. Data screening is an important step as it ensures the data are useable, reliable, and valid for the testing of causal theory (Lowry & Gaskin, 2014). Due to this, the normality test and factor analysis were conducted to ascertain any missing value in the data. From the results, no missing value

was found. However, 14 questionnaires were excluded from the study due to the presence of data anomalies detected from the normality test. Only 286 questionnaires were used for analysis. From the factor analysis, five items from the questionnaire were deleted. However, the three independent variables, including socialisation agent, financial knowledge, and personal behaviour, remained in the questionnaire.

Results and Discussion

Descriptive statistics

From the descriptive analysis of the demographic factors, 75.5% ($n = 216$) of the respondents were female, and 24.5% ($n = 70$) were male. About 2.1% ($n = 6$) of the respondents were between the ages of 18 and 20, 89.9% ($n = 257$) between the ages of 21 and 23, and only 8% ($n = 23$) were above 24 years old. A majority of the students were Malay (81.1%, $n = 232$), followed by Chinese (13.3%, $n = 38$) and Indian (4.2%, $n = 12$), and the rest were from other ethnic groups. Such group ratios are common as the respondents were from a public university. In a public university, the majority are Malays and female. About 50.7% ($n = 145$) of the respondents were from the business course, and 49.3% ($n = 141$) were students from non-business-related courses. The respondents' allowance sources were scholarship/loans (86.7%), parents (12.9%) and other sponsors (0.3%). From the results, only 18.2% of the respondents were working at part-time jobs with a salary of less than RM1,000 per month.

Multiple Regression Analysis

A standard regression method was used to analyse the collected data. Table 1 shows the results of the model used. Model 1 explains the two variables of socialisation agent and financial knowledge, which collectively explained 23.9% of the variation in saving behaviour. This proportion of variance was statistically significant ($F = 44.498$, $p = 0.00$). When personal behaviour was entered into the regression Model 2, the R^2 value was found to increase from 0.234 to 0.341 (an R^2 change of 0.108). This showed that personal

behaviour accounted for an additional of 34.1% of the variability in saving behaviour. Such an increase in R² in Model 2 was still significant,

and the model was regarded as fit (F = 50.114, p = 0.000). Thus, all three variables in Model 2 were considered as valid in predicting the saving behaviour of a student.

Table 1: The fitness of model

Model	Variable	R	R ²	Adjusted R ²	R ² Change	F	Sig F
1	Socialisation agent influence	0.489	0.239	0.234	0.239	44.498	0.000
	Financial knowledge						
2	Socialisation agent influence	0.590	0.348	0.341	0.108	50.114	0.000
	Financial knowledge						
	Personal behaviour						

Table 2 shows the regression results of all the variables used in this study. There was

no multicollinearity problem in the data as the tolerance value was less than 1 and the Variance Inflation Factor (VIF) was below 10.

Table 2: Regression results

Variables	Beta	t	Sig	Collinearity Statistics	
				Tolerance	VIF
Socialisation agent influence	0.145	2.541	0.012	0.714	1.400
Financial knowledge	0.106	1.720	0.087	0.613	1.630
Personal behaviour	0.431	6.849	0.000	0.584	1.714

Table 2 also shows that all three variables had a positive relationship with saving behaviour. Only two variables were significantly related; socialisation agent (t = 2.541, p = 0.012) and personal behaviour (t = 6.849, p < 0.001). Among these two variables, personal behaviour had the highest factor on saving behaviour with a beta value of 0.431 (t = 6.849, p < 0.001), which indicates a positive effect towards the saving behaviour of an undergraduate student.

Socialisation agent showed a significant positive effect on the saving behaviour of an undergraduate student (t = 2.541, p = 0.012) with a beta value of 0.145. This shows that the influence of an individual's surroundings contributed to the saving behaviour of the young generation. Among the mean values (result not shown) of the item in the socialisation agent factor, the most influential agent on saving

behaviour were family members, followed by teachers. From the results, financial knowledge was not a significant factor, although the beta value was positive. Even though undergraduate students have financial knowledge through formal or non-formal education, they need to be influenced by a third party.

From this study, socialisation agent and personal behaviour played an important role in shaping the saving behaviour of an undergraduate student. The effect between socialisation agent and saving behaviour was found to be positive. Furthermore, university students were easily influenced by the surrounding environment with the most influential agent being parents. The findings are consistent with previous studies by Webly and Nyhus (2006), who concluded that a strong family binding and influence from parents were key in shaping children's future

orientation positively. Parent socialisation was reported to have a significant relationship with money management (Zulfaris *et al.*, 2020) and parental financial behaviours affect the behaviour of their children in terms of savings (Shim *et al.*, 2010). This shows that parents play a vital role in ensuring their children have good money management practices. Parents should discuss financial matters with family members and encourage their children to save at a young age. Since the children are young, the parents should display positive financial behaviour and become a role model for their children. This study also found that peers and friends have an important role in steering a student's saving behaviour. Although positive behaviour can be shaped and cultivated from actions or the upbringing culture of a family, strong peer socialisation can also influence children's saving behaviour. A student's saving behaviour can also be affected when they are involved in a discussion of financial management issues with their peers during leisure time. Personal behaviour was found to be positively significant in saving behaviour. Students are encouraged to improve their financial literacy because what they learn early in their life will affect their ability to become a financially independent adult. Students can be a good financial consumer if they practise good personal finance management by applying their abilities to improve the economy and prosperity of a country effectively.

Conclusion

Saving behaviour is essential for the long-term development and economic growth of a nation. In addition, savings can act as a contingency plan for individuals and countries in any potential event of economic downturns and financial crisis. Good financial planning usually helps to promote saving behaviour for future wealth and prudent spending. Without saving behaviour, an individual may encounter unexpected events in the future and it can lead to a major financial crisis. A person with good saving behaviour will be financially secure and face less financial stress, and have adequate funds during retirement.

Thus, saving behaviour should be developed at a young age. This study examined key drivers that contributed to the saving behaviour of undergraduate students from UMT. From this study, the main driver of the saving behaviour of an undergraduate student were personal behaviour, followed by socialisation agent. Both factors showed a positive relationship with the saving behaviour of undergraduate students from UMT. Furthermore, saving behaviour required a boost from internal factors, together with a good role model, and practices from family and friends. Financial knowledge did not drive a person to save money. Students may learn financial management or personal finance at university, but they might not practice what they have learnt in real life.

This study is not free from limitations. Firstly, the sample of this study only included undergraduate students from UMT. The study can be expanded to other universities in Malaysia. Secondly, only three variables were used in this study, and the R^2 was only 34.8%. Therefore, other important variables should be considered in future studies.

To educate undergraduate students in managing their money effectively, one of the practical implications to be considered by universities is to offer a series of elective courses related to financial management and behavioural finance. Regardless of social science or pure science backgrounds, knowledge of saving is very important to university, especially once they are employed or self-employed and when they need to manage their money independently. Apart from that, the most important socialisation agent, especially parents, should encourage their children to save money in a secure fund that could benefit them with high returns in the future, i.e SSPN and unit trust.

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