



Exploring Saving Behaviour of Pre-Degree Students: A Study of Universiti Teknologi MARA Selangor Dengkil Campus

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ABSTRACT

The purpose of this paper is to explore the saving behaviour of pre-degree students. The determinants adopted in this study are financial literacy, parental socialization, peer evaluation and self-control using Theory of Planned Behaviour (TPB). This study uses quantitative approach where survey questionnaire was distributed using stratified random sampling to pre-degree students studying at Centre of Foundation Studies, Universiti Teknologi MARA, Dengkil Campus. A total of 300 questionnaires were distributed and only 193 were deemed to be usable. The study reveals that the pre-degree students have good saving behaviour as many of the tested variables such as financial literacy, parental socialization, peer evaluation and self-control were all positive especially for parental socialization. The study provides some insights on the saving behaviour of pre-degree students and factors that influence and encourage them to save.

Key Words: Saving Behaviour, Financial Literacy, Parent Socialization, Peer Evaluation and Self Control.

1. INTRODUCTION

Saving behaviour is one of a crucial aspect that determines the growth and development of a country. Generally, an economy with high saving ratio can lead to high economic growth. Savings can be defined as income received or generated that is not consumed immediately and is therefore available for future use. Savings also provide a source of household wealth and a buffer against uncertain times allowing people to smooth out their

consumption when times are tough. Households may experience negative saving when their spending is more than income received.

According to International Monetary Fund statistics (2018), the gross domestic savings as a percentage of gross domestic products for Malaysia as demonstrated in Table 1 shown a downward trend from 37.90% in 2007 to 27.53% in 2017.

Table 1: Gross Domestic Saving (% Gross Domestic Product)

Year	Percentage (%)
2017	27.53
2016	28.02
2015	28.03
2014	29.29
2013	29.42
2012	30.92
2011	34.08
2010	33.47
2009	33.97
2008	37.64
2007	37.90

Source: International Monetary Fund statistics (2018)

Khazanah Research Institute (2016) reported the ratio of household debt to GDP remains high at 89.1% in 2016 and most of the household debt was undertaken for home financing. This study also found that Malaysian are among one of the lowest saving rates in the world at 1.4% of adjusted disposable income in 2013. The average Malaysian household saving rates was averaging at 1.6% between 2006 and 2013. Hence, savings must be considered as a necessity for Malaysian to ensure they are not in the debt trap.

Although saving behaviour is very popular in the field of economics, many of these researches have been largely confined on a particular group of people for example employees (Ismail, Khairuddin, Alias, Loon-Koe, & Othman, 2018; Yong, Yew & Wee, 2018), households (Ahmad, Simun, & Masuod, 2014; Jonubi, & Abad, 2013) as well as university students (Albeerdy, & Gharleghi, 2015; Jamal, Ramlan, Karim & Osman, 2015; Sabri & MacDonald, 2010; Alwi, Amir Hashim, & Ali, 2015). However, to the knowledge of the researcher, none of these studies has looked into pre-university students. Alekam, Salleh & Mokhtar (2018) reported younger generations in Malaysia are seen to be spending recklessly due to the improved Malaysian standard of living where they have more freedom in spending and consumption. Lim (2019) reported 100,610 Malaysians has been declared bankrupt between 2013 to 2017 where majority were between the age range of 18 to 44 years old. According to

Alekam, Salleh & Mokhtar (2018), students are considered as part of younger generation groups.

In Malaysia, students are required to complete both primary and secondary school before they can proceed to higher level of education. Students who completed their secondary school will then qualify to continue their studies at university preparatory education (Sijil Tinggi Pelajaran Malaysia (STPM), Matriculation or Foundation Studies) before pursuing the diploma or degree level. For most of these university preparatory students, this is their first exposure to financial independence without parents' supervision. Hence, this study intends to explore the saving behaviour of university preparatory students particularly those enrolled in Foundation Studies at Universiti Teknologi MARA, Dengkil Campus. More specifically, this study aims to investigate the determinants (financial literacy, parental socialization, peer evaluation and self-control) that contribute to the saving behaviour of pre-degree students by applying the Theory of Planned Behaviour (TPB). The relatively sparse research on saving behaviour among pre-degree students has left room for further research. To add further, Fazli and MacDonald (2010) claimed students are more likely to have a good saving behaviour compared to working people.

2. LITERATURE REVIEW

2.1 Saving Behaviour

The word 'saving' carries abundant meanings and explanations. Saving can be defined as whatever is not consumed out of disposable income. Saving can also be interpreted as any portion of an individual income's that is not expended (Tharanika & Andrew, 2017). According to Browning and Lusardi (1996), saving can be explained as the residual income after deducting current consumption over a certain period of time. The accomplishment of saving relates on how some individual exercises his or her saving behaviour. When someone is saving, it involves the act of reducing consumption or expenditure. Ahmad, Yunus, Baharudin, Johari & Ripain (2015) described saving as an act where individual put aside some amount of money either on monthly basis or daily basis.

2.2 Financial Literacy

It is undeniable that financial literacy is an area that has received a lot of attention in many years. However, there is no standard definition on financial literacy. According to Delafrooz and Laily (2011), financial literacy is one of the factors that have an influence towards saving behaviour. Some studies stated that financial literacy is the knowledge that individuals need to master, as it is a vital component in achieving successful adult life (Shim, Barber, Card, Xiao & Serido, 2010). On the other hand, Garman and Fogue (1997) believed that financial literacy as enough knowledge of personal finance facts and terms for successful

personal financial management. Study conducted by Gale and Levine (2010) found that people with financial literacy can make informed judgement and effective decision regarding the use and management of money and wealth. Financial literacy does not only evolve from merely being knowledgeable on financial matters but it goes beyond the ability to make daily financial decision (Huston, 2010). Isomidinova and Jugindar (2017) revealed that financial education has the highest influence on financial literacy of students of Uzbekistan.

2.3 Parental Socialization

A study by Homan (2016) found the influence of parental financial teaching on saving and borrowing behaviour showed that parental financial teaching leads to more saving and less borrowing. In addition, the study also showed that the teaching most affects saving behaviour when parents provide it through childhood period. Conversely, Salikin, Ab Wahab, Zakaria, Masruki, & Nordin (2012) who conducted a study on students' saving attitude with parents' background presented different findings. Their finding showed that the higher the parents' level of education, the lower the tendency for students to put aside their money for savings. It was also found that, the higher the amount of household income the lower the tendency for the students to save. As mentioned by Naradin, Ismail, Harun, & Khamis (2017) parents are seen as having the biggest role in influencing behaviour of a student and study by Batty, Collins, and Odders-White (2015) also discovered parental socialization influences particular financial behaviour of their children.

2.4 Peer Evaluation

By far, it can be assessed that very little relevant literature is done on peer evaluation or peer influence on saving behaviour. It can be said that, more attention should be given to this area. This is due to the reason that most of the past studies that have been conducted focused on how social influence give impact on an individuals' spending and investment. A study conducted by Montandon (2014) elucidated that young adults are strongly influenced by their peers in various characteristics namely spending and investments. On the other hand, a research conducted by Erskine, Kier, Leung and Sproule (2005) examined predictors of young people's saving behaviour. The result revealed that the financial saving behaviour of young Canadians depends on peer group influence. Jamal, Ramlan, Karim, and Osman (2015) discovered student's savings ability is very much influenced by their peers'. This is supported by Alwi, Amir Hashim, and Ali (2015) where the findings found many decisions made by Generation Y is influenced by peer force.

2.5 Self-Control

A lot of research has been conducted in this area. Most of the studies concentrated on the self-control on individual saving behaviour. Rha, Montalto and Hanna (2006) studied the effect of self-control mechanism on household saving behaviour. The results of this study provided some fascinating insights where the author mentioned that household saving behaviour was strongly affected by mechanism that helps household practice self-control. Households that had saving rules were much more likely to spend less of the income than those that did not have saving rules. Next, a study by Stromback, Linda, Skagerlund, Vastfjall and Tinghog (2017) analyzed whether self-control predicts financial behaviour and financial well-being of Swedish population. The study applies behavioural lifecycle hypothesis and found that people with good self-control are more likely to save money from their income. The finding also elucidates that they have better general financial behavioural, less worried about financial matters and feel more confident in their present and prospect financial state.

Figure 1 shows the research model used for this study. The dependent variable for this study is saving behaviour while it is discovered that the independent variables can be grouped into four major categories which are financial literacy, parental socialization, peer influence and self-control.

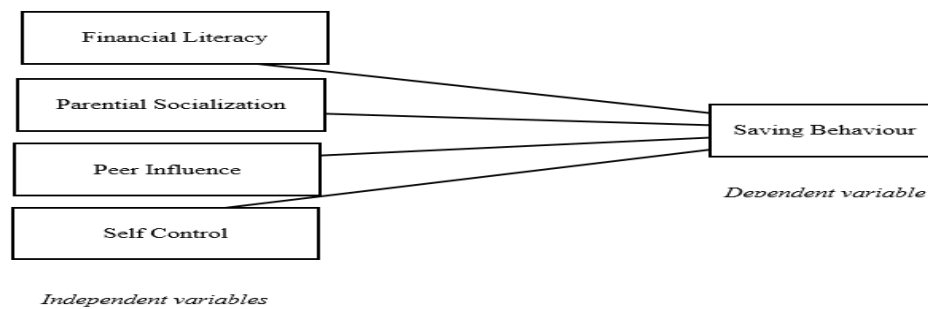


Figure 1: Research Model

3. METHODOLOGY

A quantitative method using survey questionnaires was adopted to collect data for this study. As the focus of the study is pre-university students, the students of Universiti Teknologi Mara (UiTM) Selangor, Dengkil Campus were chosen. The Dengkil Campus is the Centre of Foundation Studies of UiTM that prepares students to pursue degree programmes in UiTM as well as other public Institutions of Higher Learning (IPTA). The academic pre-degree programmes offered by the Centre of Foundation Studies are foundation in Law, TESL, Science and Engineering. The sampling method used was stratified random sampling whereby the students were grouped accordingly to the programmes offered at the Centre of Foundation

Studies. Stratified random sampling was used as the researcher wants to highlight a specific subgroup within the population and to ensure the presence of the key subgroup within the sample. A total of 300 questionnaires were distributed to the students and only 235 were returned. From the responses returned, only 193 were deemed to be usable as some of the responses were incomplete resulted into 78.33% response rate. The high response rate achieved most probably due to the appropriate timing of the data collection and the simplicity of the questionnaire designed.

The data collection process took almost two months and was collected through self-administered questionnaires that were distributed to the students with the help of the lecturers teaching these Foundation programmes. There are two sections of the questionnaire. First section comprises of the respondent's profile while the second section consists of one dependent variable and four independent variables that describes the saving habits of the respondents. The data was analyzed using Statistical Package of Social Sciences (SPSS) 24.0 using descriptive analysis and reliability analysis.

4. RESULTS

4.1 Demographic Profile of Respondents

The profile of respondents who took part in the study is presented in Table 2. The findings of the study indicate that majority of the students who are pursuing their pre-degree programmes at Universiti Teknologi MARA (UiTM) Selangor, Dengkil Campus are female with 60.1% while 39.9% are male. There are four academic pre-degree programmes offered at Universiti Teknologi MARA (UiTM) Selangor, Dengkil Campus which are Law Foundation, Engineering Foundation, TESL Foundation and Science Foundation. The highest responses were from Engineering Foundation students with 25.9% followed by TESL Foundation and Law Foundation with 24.9% each and Science Foundation with 24.4%. Majority of them got allowances less than RM500 a month with 77.7% while 20.2% received allowances between RM501 to RM1000 and 1.6% received allowance less than RM1500. Only 0.5% of the students have allowance above RM1500 a month.

Table 2: Respondents Profile

Demographic Factor		Frequency	Percentage
Gender	Male	77	39.9
	Female	116	60.1
Programs	TESL Foundation	48	24.9
	LAW Foundation	48	24.9
	SCIENCE Foundation	47	24.4
	Engineering Foundation	50	25.9
Main Source of Allowances	Education Loan	30	15.5

	Scholarships	67	34.7
	Parents	88	45.6
	Others	8	4.2
Allowances	Less than RM500	150	77.7
	RM501-RM1000	39	20.2
	RM1001-RM1499	3	1.6
	More than RM1500	1	0.5

4.2 Descriptive Analyses

Table 3 summarizes the descriptive analyses for all the items that describe financial literacy, parental socialization, peer influence, self-control and saving behaviour of the respondents. Mean and standard deviation for all respondents have been conducted to obtain the finest statement of the survey. For financial literacy, the highest mean is 'I have better understanding of how to manage my credit use' (M=3.47) followed with 'I have the ability to prepare my own weekly' (monthly) budget (M=3.46). The lowest mean is found in 'I have the ability to maintain financial records for expenses' and 'I have little or no difficulty in managing my money' with mean values of 3.26 and 3.30 respectively. For Parental Socialization, the recorded mean values are within the range of 3.70 and 4.22. The statement 'My parents are good example for me when it comes to money management' has the highest mean score of M=4.22 followed by 'I appreciate it when my parents give me advice about what to do with my money' with mean value of 4.17. The lowest mean value for parental socialization is 'My parents are proud of me for saving' (M=3.70) and 'Saving is something I do regularly because my parents wanted me to save when I was little' (M=3.70) respectively.

In terms of Peer Influence, the study found that the mean ranging between 2.89 to 3.48. Statement 'I always spend my leisure time with friends' has the highest mean (M=3.48) while the lowest mean is 'I always compare the amount of saving and spending with my friends' (M=2.89). Construct for self-control on the other hand have the mean values of 1.86 to 2.07. Statement 'I don't save, because I think it's too hard' has a mean value of 2.07 while 'I always failed to control myself from spending money' mean value is 1.86. The mean values for Saving Behaviour construct ranging between 3.39 to 3.98. The highest mean is for statement 'I often compare prices before I make a purchase' (M=3.98) followed by 'I often consider whether the real necessity before I make a purchase' (M=3.87). The lowest mean is 'I put money aside on a regular basis for the future' (M=3.39).

Table 3: Descriptive Analyses for Associate Items

Construct/ Items	Mean	Std. Deviation
Financial Literacy		
I have better understanding of how to manage my credit use	3.47	0.842
I have the ability to maintain financial records for expenses	3.26	0.872
I have little or no difficulty in managing my money	3.30	0.874
I have the ability to prepare my own weekly/monthly budget.	3.46	0.973
Parental Socialization		
My parents are good example for me when it comes to money management	4.22	0.787
My parents are proud of me for saving	3.70	0.941
I appreciate it when my parents give me advice about what to do with my money.	4.17	0.793
I save money because I don't think my parents should pay for things I don't really need but like	4.11	0.915
Saving is something I do regularly because my parents wanted me to save when I was little.	3.70	0.856
Peer Influence		
Some of my friends regularly do save with a saving account.	3.44	0.870
I always discuss about money management issue (saving) with my friends.	3.05	0.993
I always compare the amount of saving and spending with my friends	2.89	1.134
I always spend my leisure time with friends	3.48	0.930
I always involve in money spending activities with friends	2.94	0.936
Self-Control		
I don't save, because I think it's too hard	2.07	0.888
I enjoy spending money on things that aren't practical	2.03	0.972
When I get money, I always spend it immediately (within 1 or 2 days)	2.00	0.876
'I see it, I like it, I buy it' describes me.	1.98	1.021
I always failed to control myself from spending money	1.86	0.965
Saving Behaviour		
I put money aside on a regular basis for the future	3.39	0.797
I often compare prices before I make a purchase	3.98	0.823
I often consider whether the real necessity before I make a purchase	3.87	0.824

I always follow a careful monthly budget	3.52	0.811
I always have money available in the event of emergency	3.78	0.934

5. CONCLUSION

In conclusion, this paper intends to explore the saving behaviour of pre-degree students at Centre of Foundation Studies, Universiti Teknologi MARA, Dengkil Campus. The study focuses on students' financial literacy, parental socialization, peer evaluation and self-control by applying the Theory of Planned Behaviour (TPB). The study identifies the students agreed that their parents are a good example for them when it comes to money management as it has the highest mean (M=4.17) followed with students' appreciate advises from their parents advises about what to do with their money (M=4.11). This study also discovered that these pre-degree students has a very good control of not spending money unnecessarily with the lowest mean (M=1.86) and 'I see it, I like it, I buy it' describes me. (M=1.98). Hence, this study provides some insights on the saving behavior of students. This study showed that younger generations are aware on the importance of having a good saving behavior. It is recommended for future researchers to study on the spending behavior of the pre-university students throughout Malaysia.

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