

An Analysis of the factors affecting the Saving Habits of University Preparatory Students

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ABSTRACT

Financial management, parental socialization, peer influence and self-control have been acknowledged as determinants of saving behaviour. The aim of this paper is to explore the saving behaviours among students who had just entered their pre-university studies. A stratified random sampling was adopted, and survey questionnaires were distributed to students at the Centre of Foundation studies, Universiti Teknologi MARA, Dengkil Campus. A total of 193 students returned the survey resulting in a response rate of 78.33%. The study reveals that all four determinants of saving behaviours have a significant relationship with saving behaviour where three determinants; financial management, parental socialization and peer influence demonstrated a positive relationship while self-control showed a negative relationship.

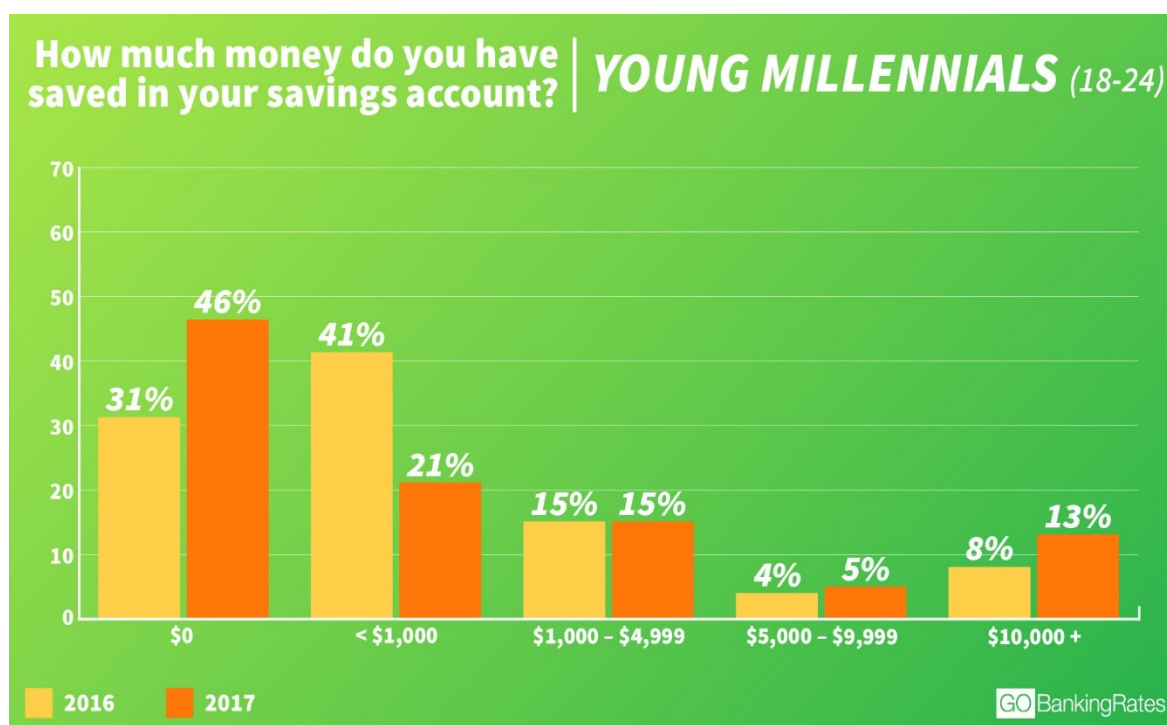
Key Words: Saving Behaviour; Financial Literacy; Parent Socialization; Peer Influence; Self-Control.

1. INTRODUCTION

Money is salient as an instrument in everyday life regardless of the ethnicity, age, gender, religion, educational background, race and *etcetera*. Money has always been a dominant tool in people's life and some people may use money without thinking of any repercussion brought

by it. Basically, people may spend their income to fulfil their various needs and desires. When they spend too much above their earning or income, saving decreases or also known as dissaving. A number of questions can be raised here since income, spending and savings are interrelated, for example: How does spending attitude influence people? How does spending behaviour affect saving?

In order to answer all these questions, saving behaviour studies should be approached differently as the implications of overspending and lack of knowledge about money can be seen more clearly in all aspects of life. According to the theory of consumption, consumption patterns may vary according to income levels of households. It is known that saving is a part of income which is not spend or consume. If an individual spends less of the income this would mean some saving happens since there is an inverse relationship between spending and saving.



According to Huddleston (2017) it was stated that the Millennial Generation who is also known as Generation Y between the age of 18 to 24 has less than \$1000 in their savings account. The same survey also reported that nearly half of young millennials have nothing saved at all. The similar scenario also occurs in Malaysia, where a survey done by Asian Institute of Finance (AIF) (2017) showed a majority of Gen Y relies on high cost borrowing by taking personal loans (38%) and engaged in credit card borrowing (47%). However, only 28% manage their finances positively. This shows that Gen Ys are accruing debt at an early age and lacking of financial planning. This situation evidently shows that young millennials should be educated

regarding financial prudence from an early age, especially when they are in universities and colleges.

In order to promote financial prudence, few initiatives have been undertaken by the higher authorities. One initiative by the government is to set up the savings scheme for higher education known as *Skim Simpanan Pendidikan Nasional* (SSPN) or also known as *National Education Savings Scheme*. This saving scheme is a pre-requisite for the school children aged between 7 to 12 years such that they will later qualify for *Perbadanan Tabung Pendidikan Tinggi Nasional* (PTPTN) loan application for higher education. Parents or guardians will get the benefit from this saving scheme in term of tax relief up to RM6000 per annum. This savings scheme is guaranteed by the Malaysian government. On the other hand, at a national level, the government provides other initiative in order to help the workforces which is establishing the *Employees Provident Fund* (EPF) that intends to help employees from a private sector to save a fraction of their salary as a retirement fund. Membership of the EPF is mandatory for Malaysian citizen in the private sector and voluntary for non-Malaysian citizen. Generally, the EPF intends to help employees save a fraction of their salary in a lifetime banking scheme to be used primarily as a retirement fund.

These initiatives aim to resolve common issue that arises among the Millennial Generation regarding saving habits. The right attitude towards saving should be inculcated at the young age such that saving becomes the inner core of their everyday life. It is known that any financial planning cannot start without the required input of savings. Therefore, a more thorough study needs to be conducted in order to find out the determinants of saving behaviour among pre-degree students. Hence, this paper intends to explore the saving behaviour of university preparatory students at the Centre of Foundation studies, Universiti Teknologi MARA, Dengkil Campus. More specifically, this study is interested to investigate the determinants by using regression analysis to determine the degree to which the independent variables influence the dependent variable that contribute to the saving behaviour of preparatory education students.

2. LITERATURE REVIEW

In recent days, a considerable body of studies has been conducted to find out the factors affecting the students saving habits (Syahrom, Nasrudin, Mohamad Yasin, Azlan & Manap, 2017; Shaliza, Irma & Mohamed, 2015) and the results have shown a variety of factors that led to it. Most researchers agreed that the influence of their parents played as a significant factor that influenced the student's saving habits. A study by Danny (2014) analysed the influence of family background toward students' saving behaviour. The result showed high correlation between parents' supports and parents' experience of saving towards students' saving

behaviour. Webley and Nyhus (2006) investigated the behaviour of influences on the economic behaviour of their children.

The results of this study showed parental behavioural and parental orientation which are conscientiousness and future orientation have a weak but clear impact on children's economic behaviour. This means, children are expected to have a good financial behaviour if they have a good relationship with their parents. On the other hand, Jorgensen and Savla (2010) in their study on the importance of parental influence on the financial literacy of young adults revealed that parental influence had a direct and reasonably important effect on financial attitude. They also pointed out that parental influence did not have an effect on financial knowledge and added that parental influence had moderately significant and an indirect influence on financial behaviour.

However, a few of them believed that there were several other factors that influenced the students saving behaviours. According to Villanueva (2017) most young adults have their first sense of financial independence during the college years and having no prior knowledge of experience may have adverse effects in the future. The study also showed conclusive evidence that the present of ethnic background is a strong determinant of certain spending patterns.

On the other hand, Dahlia, Rabitah and Zuraidah (2009) observed the financial literacy of Malaysian degree students. The findings showed that a majority of students do not practice proper money management skills. This may arise due to the lack of knowledge on individual financial management. Another major study conducted by Mohamad and MacDonald (2010) demonstrated that students who had higher financial knowledge test score were more likely to report saving behaviour and also reported with fewer financial problems. According to Madhzan and Tabiani (2013) the level of financial literacy was significant and has a positive impact on individual saving. The authors have pointed out other factors that also influence saving which are saving regularity, gender, income and education level.

To look at the student's saving behaviour on another perspective, it would be beneficial to refer to this finely conducted research by Bursztyn, Ederer, Ferman and Yuchtman (2012). The authors aimed to understand peer effects in financial decisions and the result showed that two important channels of social influence in financial decision are social learning and social utility. Both channels have statically and economically significant effects on investment decision. Next, a study by Lieber and Skimmyhorn (2018) discovered that peer effects play an important role in complex financial decisions since lack of financial knowledge could be costly in making decision regarding retirement saving, life insurance purchase and donation.

Kim and Hanna (2017) conducted a study on the effects of self-control mechanisms of saving behaviour and the self-control mechanisms include saving goals, foreseeable expenses and saving rules. The result shows a positive effect of having one or more saving rules and weak effects of having retirement and family as saving goals. Cobb-Clark, Kasenboehmer and

Sinning (2016) studied the relationship between locus of control which is psychological concept and saving behaviour of household. The result showed that households with an internal reference person save more both in terms of level and as a percentage of the permanent income.

3. METHODOLOGY

This study adopts quantitative method using a self-administered questionnaire. The questionnaires were distributed to students pursuing their Foundation Studies at Universiti Teknologi Mara (UiTM) Selangor, Dengkil Campus. As there are four courses offered at the Dengkil Campus (Law, TESL, Science and Engineering), this study adopts stratified random sampling where students were selected from four different programmes offered by Centre of Foundation Studies. This study employed stratified random sampling in order to ensure the presence of the key subgroup within the sample. The population of students at Dengkil Campus is about 4000 people and about 300 questionnaires were distributed. However, only 193 questionnaires were deemed to be usable as the rest is incomplete. According to Israel (1992), for a population of 4000 respondents, the survey sample size that ideal is 194 respondents. A high response rate of 78.33% was achieved due to the appropriate timing of the data collection and the simplicity of the questionnaire designed. There are two sections of the questionnaire in which the first section comprises of the profile of the respondents while the second section consists of one dependent variable and four independent variables that describes the saving habits of the respondents. The data were analysed using Statistical Package of Social Sciences (SPSS) 24.0 using descriptive analysis, reliability analysis and inferential analysis.

4. RESULTS

4.1 Demographic Profile of Respondents

Table 1 presents the profile of respondents who took part in the study. The study found that 60.1% of the respondents were female students pursuing their pre-degree programmes at Universiti Teknologi MARA (UiTM) Selangor, Dengkil Campus while only 39.9% were male students. A majority of the students are from Engineering Foundation (25.9%) followed by TESL Foundation and Law Foundation with 24.9% respectively and Science Foundation with 24.4%. A total of 77.7% received allowances less than RM500 a month, 20.2% received allowances between RM501 to RM1,000, 1.6% received allowance less than RM1,500 and only 0.5% received allowance more than RM1,500 a month.

Table 1: 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 Reliability Analyses

The reliability of the survey questionnaire was tested using Cronbach's coefficient. The Cronbach's alpha for all the dimensions are above the minimum alpha value of 0.60 (Hair et al., 1998) as reported in Table 2. Hence, all the dimensions are deemed reliable and further analyses can be conducted.

Table 2: Reliability Analysis

Variables	Items	Cronbach's Alpha
Financial Literacy (FL)	7	0.805
Parental Socialization (PS)	8	0.771
Peer Influence (PI)	5	0.678
Self- Control (SC)	10	0.872
Saving Behaviour (SB)	8	0.803

4.3 Inferential Analysis

Table 3 depicts the correlation analysis between saving behaviour and its determinants. It is shown that the Pearson correlation between all the four determinants and saving behaviour is significant. There is positive relationship between financial literacy, parental socialization and peer influence with saving behaviour. However, self-control was found to have negative relationship with saving behaviour. Although the determinants of saving behaviour showed a positive relationship, the relationship was found to be moderate at 0.349 for parental socialization, 0.311 for self-control, 0.285 for financial literacy and 0.191 for peer influence at 0.191.

Table 3: Correlation Analysis

	Saving Behaviour
Financial Literacy	0.285**
Parental Socialization	0.349**
Peer Influence	0.191**
Self- Control	-0.311**

**, Correlation is significant at the 0.01 level (2-tailed)

A multiple regression analysis was done to investigate the relationships between saving behaviour and its determinants. The results of multiple regression analysis are depicted in Table 4 and Table 5. The R value is 0.503 which indicates a moderate degree of correlation. The R² value of 0.453 indicates 45.3% of variance in saving behaviour has been significantly explained by all the four determinants of saving behaviour. The remaining portion of 49.7 % of variation is explained by other variables.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square
Saving Behaviour	0.503	0.453	0.497

a. Predictors: (Constant), financial literacy; parent socialization; peer influence; self-control.

Table 5 depicts the results of multiple linear regressions on the determinants of saving behaviour of pre-university students. The equation to determine statistical significance of each independent variable on dependent variable is as follows:

$$\text{Saving Behaviour} = 2.458 + 0.151 \text{ FL} + 0.246 \text{ PS} + 0.104 \text{ PI} - 0.251 \text{ SC}$$

The results shown in Table 5 indicate financial literacy, parental socialization and peer influence have positive relationship towards saving behaviour. Only self-control has negative relationship with saving behaviour. Parental socialization has the greatest impact on saving behaviour where every increase in parental socialization will result an increase of 0.246 in saving behaviour provided other independent variables remain constant. This result consistent with a study by Danny (2014) that stressed on the high correlation between parents' experience and parents' supports of saving towards the students' saving habits. This is followed by an increase in financial literacy will result an increase of 0.151 in saving. Madhzan and Tabiani (2013) found out that financial literacy has a significant impact in influencing saving behaviour of individual. Next, it was found that an increase in the peer influence will result an increase of 0.104 in saving behaviour. The result of this study is similar to Lieber and Skimmyhorn (2018) where peer effect is important in financial decision. This indicates that any increase in the above independent variables will cause an increase in saving behaviour. However, a negative correlation was detected for self-control. For every unit increase in self-control will cause a decrease of 0.251 in saving behaviour provided other variables remain constant. The finding is inconsistent with our expectation since it is expected to have a positive correlation. This result contradicts with other findings such as by Kim and Hanna (2017) where their finding showed high self-control will result in more saving.

Table 5: Multiple Regressions

Model	Unstandardized Coefficients B	t	Sig.
(Constant)	2.458	7.751	.000
Financial Literacy	.151	2.602	.010
Parental Socialization	.246	3.785	.000

Peer Influence	.104	1.784	.000
Self- Control	-.251	-4.454	.076

a. Dependent Variable: Saving Behaviour (DV)

5. CONCLUSION

The aim of this study is to investigate the determinants of saving behaviour among pre-university students. The results of the study found that all the four determinants contributed to savings behaviour of the students. However, three determinants of saving behaviour; financial literacy, parental socialization and peer influence showed positive relationship towards saving behaviour while self-control demonstrated negative relationship. This study has provided some insights on the saving behaviour of pre-university students. The study is also expected to assist these younger generations on the importance of having a good saving behaviour while they are still young. As these students are growing up more money is needed. Thus, by having a good saving habit at an early age showed they are concerned about their future. Hence, it is essential for future researchers to conduct a further study on these group of respondents since the saving behaviour among these young generations is considered an important issue to ensure high saving generation. As this study only confined to pre-university students, future research is recommended from matriculation centre to generate a more accurate data on saving behaviour of pre-university students. A mediating factor can also be included in future study by future researcher to explain further the relationship between both independent and dependent variables.

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