

“THE DETERMINANT OF HOUSEHOLD SAVING BEHAVIOUR AND THEIR  
INFLUENCE ON ECONOMIC DEVELOPMENT (1984-2013)”

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## ABSTRACT

Saving is the amount of money that the consumer did not use to for transaction and services. Individual in Malaysia is not really care about the saving in their account especially the rural people because the main thing to be fulfil is the necessity, so they just save when they have more money or a balance of money that did not use to purchase things in their pocket.

From the findings of this research it can be state that all the variables which are the gross domestic product, household expenditure, inflation rate and the interest rate is significant in explaining the relationship with the saving rate in Malaysia in the long run because the result of the data is less than 5% and 10%.

The Johansen Cointegration test shows that the variable's has significant relationship in long run because both the test under the Johansen has 1 cointegration meaning that we can reject the null hyophthese because there is a long run relationship among the variables.

Under the test of the causality, all the variables are unidirectional relationship in the variable which is the saving cause the expenditure which is it is significant at 5%. Meanwhile the saving cause inflation and the real interest rate causes saving are significant at 10%.

Using the VECM, each variable need to be corrected at least 2% by each year.

## 1. Introduction

National Saving consist of the household saving, business saving and also government saving. Household saving is defined as the difference between a household's disposable incomes minus with consumption. Household income include the mainly wages received, revenue of self-employed and also the net property income. Meanwhile the consumption includes the purchased of the goods and services.

Saving include putting money aside in for example a deposit account, a pension account and also an investment in term of fund or cash. The reduction in expenditures also involve saving. Saving refers to an activity that occurring over time, a flow variable, in which savings refers to something that exists at any one time, for example a stock variable. Which is, the part of a person's income that is spent on mortgage loan repayments is not spent on present consumption and is therefore saving by the above definition, even though people do not always think of repaying a loan as saving. According to Attanasio and szekely, (2000), over the long run, in the absence of insurance markets, saving is considered one of the main mechanisms of social mobility to make future spending possibilities.

Saving is closely related to the physical investment whereby it provides sources of fund for the latter. The income that the consumer did not used to buy goods and services it is possible for the resources to be invested by being used as factories and machineries. Saving can help a person to achieve their financial goals as well as people who save more will get what he or she want in the near future. By setting a financial goal in saving, for example a person wants to purchase a brand new car, by doing saving, he or she could reach the target on time. Making saving as a priority by setting why we do saving will leads us to save some money in the saving's schemes. For example retirement, car, college and dream vacation, by setting how much money does it cost then people could adjust their financial.

Saving behaviour also important for the children education in which a longitudinal study said that parents whose saved money for their children, it reduced the tendency for of acquiring student loans above \$10,000 upon attendance at four-years collages (Elliott & Nam, 2013).

Saving behaviour in Malaysia is still lack of awareness due to the fact that the level of income among Malaysian is different between rural and urban, especially the rural area, who