

Students' Saving Behaviour: Do Demographic Profile, Parents' Background and Financial Literacy Matter? An Empirical Study in Private Universities in Selangor

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Abstract--- Nowadays, most of the university students are already accumulating substantial debts from higher education fee loans, personal bank loans or overused of credit cards. The saving behaviour among students is significantly important as they are easily exposed to be blacklisted borrowers. Therefore, this study examines the factors that influence students' saving behaviour. Six variables are included namely; education level, programme, gender, race, family background and financial literacy. The study used a survey questionnaire to private universities in Selangor. In total, the study receives 235 returned questionnaires. The results of regression analysis indicate that education programme and sound financial literacy lead to positive saving behavior. Besides, parents who practices money saving are more likely to influence their children's saving habit. However, the study finds that education level, gender and race have no relationship with saving behavior. The result indicates that it is important for parents to educate their children to save money as they are the role model of the family. Besides, educators and regulators may organize more finance management workshop to students and parents in order to enhance their knowledge on the importance of money saving.

Keywords--- Race, Gender, Education Level, Education Programme.

I. INTRODUCTION

Saving behaviour is referred to the way people put aside their money for future used (Mohamad Fazli & MacDonald, 2010). People who are able to save-more, they have less financial stress and able to have good quality of life. Most people who have practiced saving money during complacent and hard time are more likely to survive in the future.

Nevertheless, a survey by Bank Negara Malaysia indicates that the level of financial literacy among Malaysian is lacking. The statistical shows that 75% of the respondents have trouble raising RM 1,000 emergency cash. It indicates a worrying sign of saving practices among Malaysian citizens. Studies in the United States and other countries indicate that university students had plenty to spend and less saving. A similar situation exists in Malaysia. Nowadays, university students are already accumulating substantial debts from higher education fee loans that are

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provided by the Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN), Majlis Amanah MARA, or other agencies. According to PTPTN, Deputy Chief Executive Officer, Mastura Mohd Khalid, as of 29th February 2016, PTPTN was due to collect RM15.8 billion, but have only received RM7.9 billion. This means there was still RM7.9 billion in arrears. There are about 600,000 PTPTN borrowers who are yet to make their repayments (Joifin, 2016).

If the scenario keeps remaining, it will give negative impact to the country's economy and citizens. The cases of individual bankruptcy, bank debt and debt from other moneylender will increase due to mismanage of cashflow.

Therefore, it is important to examine the determinants of saving behaviour among university students. There are few studies that have been conducted on students saving behavior in Malaysia (Syahrom, Nasrudin, Yasin, Azlan and Manap, 2017; Nurul Shahnaz & Saleh, 2013). Previous studies have focused on family background, financial literacy and gender, yet few studies have included the students' education programme attribute (Bona, 2018). Thus, the study examines the influence of education level, gender, race, family background, education programme and financial literacy on students' saving behaviour.

The paper is organized as follows. In the following section, the predictions on the determinant of students' saving behavior are presented. The third section presents the research methodology followed by the research findings in the fourth section. Finally, the discussion and conclusion of the study is presented in the last section.

II. LITERATURE REVIEW

2.1 Saving Behavior

Saving is an important activity of individual and business organization. In developing country such as Malaysia, saving plays an important role as a catalyst for economic growth and development. Saving encourages investment to trigger further growth of a country economy. Saving rate is most-widely indicator as a source of economic growth such as in a recent finding by Dasmin & Fauzi (2016). In a related study on savings behaviour among Malaysians, Yiing (2016) indicated that low and seasonal income earners tend not to live within their means. The findings highlight the importance of saving. Saving is the balance out of income which is not spent on current consumption. No one is able to anticipate what would take place in the future. Therefore, some money needs to be put aside for emergencies. Without saving, it may lead to large financial burdens during unexpected events.

2.2 Education Level

Education level has influence on the attitude of saving money. This is because education or extensive knowledge about the importance of saving money for the future has been found through education and experience.

Students with high level of education are more likely to keep their behavior in money consumption and save money as a result of knowledge in education (Mandell & Klein, 2009). Meanwhile, Wagner (2015) finds that education is very important in raising the level of self-awareness to inculcate savings behavior.

With regards to higher education programmes, most of the universities and university colleges offer diploma, bachelor's degrees, master's degrees and PhDs. Therefore, this study proposes that education level has influence on students saving behaviour.

2.3 Education Programme

Education programme is very important as it is one of the tools to success in life. Education programme is written by the institution which determines the learning progress of each subject in all the stages of formal education. Many educational programmes in the world are created to improve the economy of the countries. There are many education programs in Malaysia such as Industry Management, Human Resource, Finance, Accounting, Engineering, Art and Design, Computer Science, Medical, Biotechnology, Education, Communication and many more. Education programmes shall determine someone's future profession. The education curriculum gives impact to someone's adulthood (Bermheim, Garret, and Maki, 2001). Students who have accounting or finance background are more likely to have better financial knowledge (Lim, Heckman, Letkiewicz & Montalto, 2014) and sound saving behavior (McCullough, 2017). This is because accounting students tends to understand more on financial management. The education program affects students to adopt a thrifty way of spending. Based on the above argument, this study proposes that education programme has influence on students saving behaviour.

2.4 Gender

A number of studies have shown that the economic well-being and financial behavior of men and women differ significantly. Women hold lower levels of wealth and have significantly lower earnings than men. However, women spend as many as five more years than men in retirement as a result of having longer life expectancies (Patti, 2008). Researchers have reported that women tend to invest their financial resources (Falahati & Paim, 2012) and they are more risk averse than men (Faff, Mulino, & Chai, 2008). In other dimension, researchers have also found that women have lower rates of participation in retirement plans compared to men (Masud, Haron, & Gikonyo, 2008).

As a result, they tend to have less saving. Therefore, it is important to identify the influence of gender on savings behavior among university students.

2.5 Race

The demographics of Malaysia are represented by the multiple ethnic groups. Malaysian population is growing at a rate of 1.37% per annum as of 2017. Population projections in 2018 show that the Bumiputera which consists of Malays and indigenous peoples including Orang Asli, Dayak and Anak Negeri represents 61.7%, Chinese 20.8%, and the Indians 6.2% of the total population (Department of Statistics Malaysia). Majority of Malaysian consumers (32%) plan to save between 1-10% of their income in the next six months. The three main categories for their savings are retirement (59%), investments (38%) and buying property (29%) (Keynes, 2010). Saving behavior has been studied in its association with race (Delafrooz and Paim, 2011; Mohamad Fazli & MacDonald, 2010). Chinese has significantly influence on saving behaviour (Mohamad Fazli & MacDonald, 2010).

Chinese is always associated with business, wealth and money. Due to that, they are able to save more. This study proposes that race has influence on saving behaviour

2.6 Family Background

Family is the first environment of every human. They also become the first teacher for the children. The more family members, there are more sources for the children to learn (Cronqvist & Siegel, 2010).

The higher education the parents have, the more likely they can teach the children towards the pressures and stresses of life, because the parents have at least the experience of being in the same position. In similar manner, parents with high educational background are supposedly tend to teach and advice the children about the importance of saving and the pressure of financial problems (Bona, 2018). Syahrom, Nasrudin, Yasin, Azlan and Manap (2017) found that family background influences students' saving behaviour. There is a high correlation between parents' support and experience of saving toward students' saving behavior. It shows that parent is one of the major actors in the family that influence saving behaviour. For that reason, this study proposes that family background has influence on students saving behaviour.

2.7 Financial Literacy

Previous studies have incorporated financial literacy as one of the components in saving behaviour studies (Bona, 2018; Firmansyah, 2014; Delafrooz & Paim, 2011). Mouna and Anis (2017), Nurul Shahnaz and Saleh (2013) and Mandell and Klein (2009) found that by having good knowledge on financial education, a person is more likely to be more savings-oriented. Those who have better financial literacy and savings behaviour are negatively related to financial problems (Mohamad Fazli & Mac Donald, 2010). They understand the mechanisms to save money and the consequences of not having any savings. They are less likely to spend on unnecessary items. Thus, the study proposes that financial literacy has influence on students saving behaviour.

III. RESEARCH METHODOLOGY

This research employs a quantitative approach via the use of questionnaire to get better understanding on the determinants of saving behaviour among students in private universities in Selangor. The study covers nine private universities in Selangor and has the required sample size of 235 as recommended by Kreje and Morgan (1970).

A 5-point Likert scale ranging from 1 (hardly save money) to 5 (make effort to save money every month) is used for saving behaviour measurement. For the purpose of education level analysis, the various levels are coded as follows: foundation = 1, diploma = 2; degree = 3; Master/PhD = 4. Meanwhile, the education programmes are coded as Mathematical/ Statistics = 1; Information Technology = 2; Education = 3; Engineering = 4; Communication = 5, Art & Design = 6; Life Sciences/ Biotechnology = 7; Business/Accountancy = 8.

For the purpose of gender analysis, it is coded as Female = 1; Male = 0. With regards to race, it is coded as Malay = 1; Indian = 2; Chinese = 3; others = 4. In measuring the influence of parent background towards saving behavior, a scale of 1 (strongly disagree) to 5 (strongly agree) is used. Higher scores indicate high influence of parent on students' saving behavior. Meanwhile, financial literacy is measured through ten (10) statements adopted from Syahrom, Nasrudin, Yasin, Azlan and Manap (2017). Each statement is given true or false answer. For the purpose of analysis, the total correct answers are calculated for each respondent.

IV. DATA ANALYSIS

4.1 Respondents' Profile

Table 1 summarizes the respondents' profile who participated in the study. The result indicates that 76 (32%) of the respondent are male, while 159 (68%) of the respondent are female. As for race, the highest respondents are

Malay with 181 (77%). Meanwhile, as for education level, the highest respondents are currently pursuing degree programme with 117 (49.8%). With regards to education programme, the highest respondent is from Business/Accountancy programme with 120 respondents (51.1%). As for financial literacy, only 4 respondents (1.7%) score full marks. The data shows that 184 respondents score between 60 and 90 marks. It indicates that most of the students have sound financial literacy. Out of 235, only 7 respondents (3%) score 40%.

Table 1: Profile of Respondents

Profile	Frequency	Percentage (%)
<i>Gender:</i>		
Female	159	68
Male	76	32
<i>Race:</i>		
Malay	181	77
Indian	32	13.6
Chinese	6	2.6
Others	16	6.8
<i>Education level:</i>		
Foundation	31	13.2
Diploma	82	34.9
Degree	117	49.8
Master/PhD	5	2.1
<i>Education Programme:</i>		
Math/Science	3	1.3
Information Technology (IT)	1	0.4
Education	79	33.6
Engineering	7	3
Communication	4	1.7
Art & Design	2	0.9
Life/Science	19	8.1
Business/ Accountancy	120	51.1

4.2 Assessment of Reliability Analysis

In assessing the reliability of the questionnaire, Cronbach's Alpha coefficient is utilized. The result shown in Table 2 reveals that the all questionnaire is above 0.60. The results indicate that the questionnaire is reliable in measuring the targeted variables in this study.

Table 2: Reliability Test Analysis

Construct	Cronbach's Alpha
Saving Behavior	0.82
Parent Background	0.65

4.3 Multiple Regression Analysis

The research hypotheses are tested using a multiple regression analysis. The result indicates that saving behaviour is influenced by education programme ($B=0.133$, $t=2.036$, $p<0.05$), family background ($B=0.147$, $t=2.302$, $p<0.05$) and financial literacy ($B=0.164$, $t=2.540$, $p<0.05$). The result also demonstrates that the level of education, gender and race are not significantly related to saving behaviour. The reported measures of variation, R^2 is indicating that 7.1% of the total variation exists in the students' saving behaviour is being explained by the education programme, family background and financial literacy. The low value indicates there are many other

factors that may contribute to saving behaviour. The low adjusted R square is similar to other studies on saving behaviour (Mohamad Fazli & MacDonald, 2010). The multiple regression result and significant coefficients are shown in Table 3.

Table 3: Regression Model Summary Statistic of Students' Saving Behaviour (N=235)

<i>Variable</i>	<i>Acronym</i>	<i>Beta (t statistics)</i>
Level of Education	LOE	0.084 (1.309)
Programme	PROG	0.133 (2.036) **
Gender	GEN	0.024 (0.380)
Race	RACE	0.031 (0.474)
Financial Literacy	LTRC	0.164 (2.540) **
Family Background	FB	0.147 (2.302) **
R square		0.095
Adjusted R square		0.071
Durbin Watson		1.668

***, **, * indicates the correlation is statistically significant at 1%, 5%, 10% respectively

V. DISCUSSION AND CONCLUSION

This study finds that education programme, financial literacy and family background influence students' saving behaviour. The result illustrates that students from Business or Accountancy programme have influenced on students' saving habit. Besides, it shows that parents have a significant role in inculcating their children saving habit. The result also demonstrates that students with sound financial literacy are more likely to save their money.

The findings of the study imply that to enhance the students' saving behaviour, more effort should be exerted especially by the educators, government and local authorities. They may enhance their roles in organizing more campaigns on the awareness of saving and financial management workshop. Such activities, may enhance the students and parents' knowledge on the importance of money saving. For parents, their roles in educating their children to save money should be emphasized as the study shows that parents do have significant influence in inculcating the culture of saving.

Given the evidence presented in the study, a number of avenues are available for future research. It would be interesting to include parent's household income and location of university as the moderating variables.

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