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Determinants of Saving Behavior: An Empirical Study among  
Private Universities Students in Selangor

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## Research Highlights

The study proposes six hypotheses and 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.

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## Research Objectives

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.

On the ground of determination of core problems, educators and regulators are able to develop appropriate programs and design relevant financial courses to help students in managing personal money and avoid the debt tracks. Furthermore, retail banks can therefore develop more appropriate marketing strategies to tap and penetrate young savers in Malaysia (Lim, Sia & Gan, 2012). By doing this, the profitability and competitiveness of retail banks can be improved.





## Methodology

The study covers nine private universities in Selangor. A total of 235 students responded to the survey. 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).

## Results

The result indicates that 76 male and 159 female students participated in the study. Most of the respondents are Malay with 181 (77%). The Chinese respondents consist only 6 (2.6%) out of the total respondents. The result shows that 133 (56.6%) respondents are in the range of 21 to 25 years old and it represents the highest frequencies compared to other range of ages. The highest respondent is from Business/Accountancy programme with 120 respondents (51.1%).

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 results of regression analysis shows that education programme and sound financial literacy leads to effective financial management and inculcate 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.





## Findings

The education programme has impact on students' saving behavior. Students with finance or accounting background are more likely to have financial knowledge (Lim, Heckman, Letkiewicz & Montalto, 2014) and its lead to their saving practices. Besides, the result demonstrates that family background does influence students' saving behavior. The result is similar to Firmansyah (2014) and Syahrom et al. (2017). Parents who have practice money saving are more likely to influence their children's saving habit. With regards to financial literacy, it plays an essential role in explaining the attitudes of saving (Bona, 2018; Tharanika & Andrew, 2017; Mohamad Fazli & McDonald, 2010). The knowledge in finance enable them to understand on how importance of money saving. Besides, they are able to understand the mechanisms to make the money grow.

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