

Exploring The Factors Affecting the Financial Buffer Savings Behaviour Among University Students in Malaysia

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Abstract

Savings have been an important element in individuals' lives regardless of their ages. Hence, individuals need to have financial buffer saving behaviour so that they will be financially vigilant. This study aims to explore the factors affecting financial buffer saving behaviour among university students in Malaysia. This study will focus on four factors which are financial literacy, parental socialization, peer influence and self-control. These factors will be discussed based on the Theory of Planned Behaviour as the concept highlights human behaviour; in this case financial buffer saving behaviour. The researcher conducted an online survey among several undergraduate program students from different universities by applying the convenience sampling concept. The main finding of this paper is that financial literacy, parental socialization, peer influence and self-control have favourable effects on financial buffer savings behaviour among university students in Malaysia.

Keywords: Savings, Financial buffer saving behaviour, Theory of Planned Behaviour

1 Introduction

Savings are funds or other assets that are set aside for future use instead of being spent immediately. According to Omar, Mokhtar and Arshad (2019) [1], savings also serve as a source of individuals' wealth and a safety net during challenging times, enabling people to moderate their consumption. Due to the high cost of living, individuals were left with less money for saving. Not only that, but several do also not have proper financial assistance to help them when they are facing a financial crisis. On top of that, a lack of financial literacy was also one of the problems individuals encounter when they are financially strapped.

This is proven to be true when statistics from the RinggitPlus Malaysian Financial Literacy Survey (RMFLS) 2022 found that 70% of Malaysians are saving less than RM500 [2]. This implies that most individuals might not have enough financial buffer savings to get through emergencies or unforeseen circumstances. Hence, this study focused on university students in Malaysia to explore the factors affecting their financial buffer saving behaviour. The factors that were discussed consisted of financial literacy, parental socialization, peer influence and self-control. Besides that, to support the framework of this study, the Theory of Planned Behaviour was implemented since it is a theory that studies human behaviour. The theory of Planned Behaviour (TPB) has been adopted by past researchers like Said and Mohamed (2018) [3], Omar et al. (2019) [1] and Peiris (2021) [4] to investigate savings behaviour among pre-university students, employed individuals and individuals from various countries. The objectives of this study are to explore whether students save for financial buffer and to explore students' financial literacy, parental socialization, peer influence and self-control towards financial buffer saving behaviour.

Based on this matter, since students have to learn to be financially independent, they should have financial buffer saving behaviour to prepare themselves to brace for any financial difficulties in the future.

2 Literature review

2.1 Financial Buffer Saving Behaviour

Financial buffer savings is money you have set aside to cover unforeseen costs [5]. Other than that, Magendans, Gutteling and Zebel (2017) [6] mentioned that financial buffer saving is a financial cushion that protects you from financial setbacks like losing your job, incurring unexpected medical expenses, or having to make repairs to your house or car. According to Steve from Plum Fintech Limited, financial buffer savings acts like an emergency fund, enabling individuals to weather temporary financial volatility without resorting to high-interest payday loans and with a reduced chance of going into debt [7]. Hence, the success of financial buffer saving depends on how individuals employ their saving behaviour.

2.2 Financial Literacy and Financial Buffer Saving Behaviour

Financial literacy is understanding financial concepts and focusing on integrating and using financial knowledge, such as personal financial management, budgeting, and saving, effectively [8]. Previous studies conducted by Omar et al. (2019) [1], Yahaya, Zainol, Abidin and Ismail (2019) [9], Looi, Nguyen and Muthaiyah (2022) [10] and Ling (2022) [8] discussed financial literacy and relates it to saving behaviour. Omar et al. (2019) [1] mentioned that when it comes to the use and management of money and wealth, those who are financially literate can make wise judgments and decisions. Adding to that, educating Malaysian university students about money matters can encourage improved savings behaviours (Looi et al., 2022) [10]. Ling (2022) [8] from Xiamen University Malaysia found that financially literate students are more attentive to saving. On top of that, Naw, Sapai, Zulkefle, Yahaya and Ismail (2022) [11] discovered that people with poor financial literacy will not save on their own and will eventually run into financial difficulties. This indicates that financial literacy is relevant to act as one of the factors affecting financial buffer saving behaviour.

2.3 Parental socialisation and Financial Buffer Saving Behaviour

Parents play an important role in encouraging their children to save from young. Saving habits can be developed through parental education and socialisation since childhood [12]. According to Afsar et al. (2018) [12], the guidance provided by the parents and the discussion of financial matters with the children can impact their saving and borrowing behaviour. Their results also proved that parental socialisation has a strong positive influence on their children's saving behaviour where parents are the main source of financial control and encouragement in this matter. This is also supported by Lanz et al. (2020) [13] in their research which indicated that financial well-being is influenced by parental socialisation where parental financial socialisation can encourage higher saving potential and lower debt in adulthood. According to Angela and Pamungkas (2021) [14], parental socialisation is more effective in shaping the saving behaviour of the youth. Children will normally follow the behaviour of their parents. If the parents are good at managing and saving their money, their children will tend to behave the same as what their parents do [14].

2.4 Peer influence and Financial Buffer Saving Behaviour

Peers also influence students' saving behaviour. Based on previous studies, peers appear to have distinctive effects on the learning and decision-making processes of students, and they act as another social actor affecting their financial conduct [15]. Adding to that, it was also found that since most people spend time socialising and exchanging ideas about money management with their peers, peer influence still has an impact on their saving behaviours [11]. Kadir, Shoukat, Naghavi and Jamaluddin (2021) [16] mentioned that peer pressure may also affect a person's financial decisions and a student's capacity to save. Besides that, Mpaata, Koskei and Saina (2020) [17] stated that the influence of peers on an individual's saving behaviour continues, as evidenced by the relationship between spending activities during social occasions and peer discussions about money management issues. This indirectly implies that peers can influence students' financial buffer saving behaviour.

2.5 Self-control and Financial Buffer Saving Behaviour

Self-control is important as it will help individuals to control their behaviour. Angela and Pamungkas (2021) [14] mentioned that individuals with poor money management self-control will spend their money more frequently than they save, which causes their debt to rise. It has been demonstrated that self-control has a direct impact on saving behaviour [18]. Nawi et al. (2022) [11] stated that the psychological components of saving place an emphasis on the value of self-control and the ability to suppress desires as crucial skills for saving money. Kadir et al. (2021) [16] shared a similar perspective as they mentioned that individuals must practice restraint when controlling their desires and expenditures to increase savings. Looking at this matter, self-control can influence individuals' financial buffer saving behaviour.

Based on the discussion, this study suggests discovering the factors affecting the financial buffer savings behaviour among university students in Malaysia.

Figure 1 shows the proposed research framework for this study. Financial buffer saving behaviour was selected as the dependent variable. This study also suggested financial literacy, parental socialization, peer influence and self-control as the independent variable.

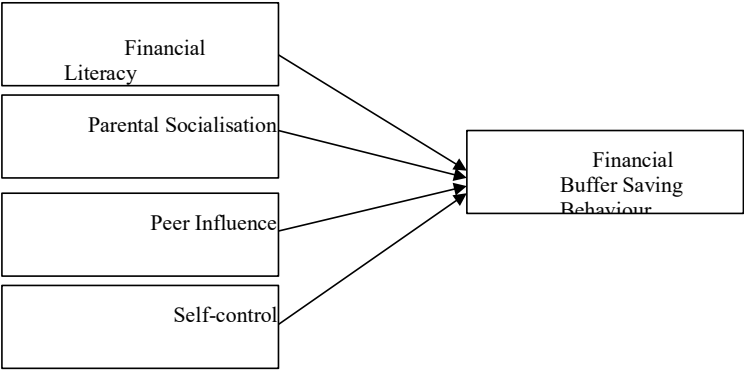


Figure 1: Research Model

3 Research Methodology

To further discuss factors affecting the financial buffer savings behaviour among university students in Malaysia, the researchers used convenience sampling to collect relevant information from the respondents. The questionnaire was distributed through Google Form as it will be convenient due to time constraints. A total of 123 students from various universities in Malaysia responded to the questionnaire.

The questionnaire was adapted from Omar et.al (2019) [1] as the statements support the purpose of the study. A good comparison can be done as this study explores based on the perspective of different universities in Malaysia. The questionnaire consists of two parts whereby Part A describes the demographic of the respondents (6 items) and Part B describes the factors affecting financial buffer savings behaviour (Financial literacy.

4 items; Parental socialisation: 5 items; Peer influence: 5 items; Self-control: 5 items and Saving Behaviour: 5 items)

4 Results

4.1 Demographic

The respondents consisted of 68.3% female and 31.7% male. 71.5% of the respondents were aged 18 to 20 years old, whereas 28.5% were 21 to 23 years old. The respondents were from foundation programs (70.7%), degree programs (28.5%) and professional papers (0.8%) from universities like Multimedia University, University of Malaya, University of Putra Malaysia, University of Malaysia, Sarawak, International Medical University, University of Technology, Malaysia, University Tunku Abdul Rahman and University of South Wales.

4.2 Descriptive Analyses

Figure 2 illustrates the main sources of allowance that students obtained. The main source of allowance for the students to pay their fees and other expenses mostly comes from their parents (84.6%). While 18.7% of the students use education loans to settle their fees and expenses, 12.2% get scholarships for these purposes. Several (6.5%) may need to work a part-time job to pay for their allowance to cover their university costs, while others (4.9%) receive their allowance from other sources to help them pay for their education.

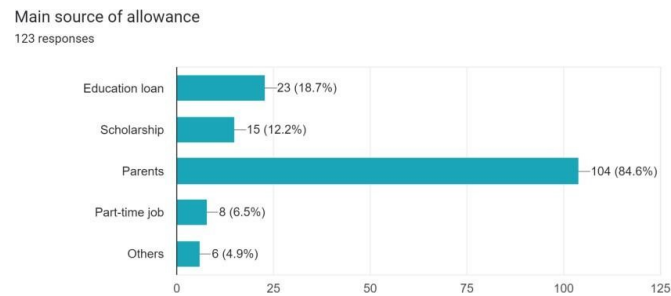


Figure 2: Main source of allowance

Besides that, Figure 3 shows the amount of allowances that students obtained. Most of the students (40.7%) declared that they have a monthly allowance between RM501 - RM1000, whereas 32.5% of the students have a monthly allowance below RM500. However, about 13% of the students who receive an allowance between RM1,001 - RM1,499 and 13.8% receive an allowance of more than RM1,500 a month.

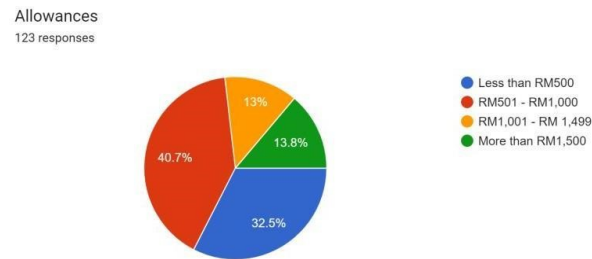


Figure 3: Amount of allowance

Table 1 shows the statements that are used to find the relationship between financial literacy and financial buffer saving behaviour. The data in Table 1 demonstrates that most students can manage their finances. Approximately 65.85% of students agreed that they have a good understanding of managing their credit and being able to create their own weekly or monthly budgets, 64.23% agreed that they are able to keep financial records for their expenses and 58.54% agreed that managing their money is not difficult for them.

		SA	A	N	D	SD
Financial Literacy	I have better understanding of how to manage my credit use	35	46	32	5	5
	I have the ability to maintain financial records for expenses	37	42	29	11	4
	I have little or no difficulty in managing my money	33	39	36	13	2
	I have the ability to prepare my own weekly/monthly budget	32	49	19	18	5

Table 1: Financial literacy

Table 2 shows the statements that are used to find the relationship between parental socialisation and financial buffer saving behaviour. 69.10% of the students thought that their parents are good role models for handling money whereas the majority of

students (63.41%) felt that their parents will be proud of them if they save money. Adding to that, 79.67% of the students felt that they should save their own money to buy things that they like but not their essential needs. Furthermore, since saving money was emphasized from a young age, 73.98% of the students routinely saved money.

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		SA	A	N	D	SD
Parental Socialisation	My parents are good example for me when it comes to money management	51	34	30	4	4
	My parents are proud of me for saving	33	45	35	7	3
	I appreciate it when my parents give me advice about what to do with my money	55	43	20	2	3
	I save money because I don't think my parents should pay for things, I don't really need but like	56	42	15	5	5
	Saving is something I do regularly because my parents wanted me to save when I was little	45	46	24	4	4

Table 2: Parental socialisation

Table 3 depicts the statements that are used to find the relationship between peer influence and financial buffer saving behaviour. According to the survey, only about 39.02% of students indicated they would discuss money management issues with their friends, and 43.09% stated they would not compare how much they save and spend with friends. In addition, 63.41% of the students agreed that they will spend their leisure time and will be involved in money spending activities with their friends (52.85%).

		SA	A	N	D	SD
Peer Influence	Some of my friends regularly do save with a saving account	20	57	32	12	2
	I always discuss about money management issue (saving) with my friends	14	34	39	26	10
	I always compare the amount of saving and spending with my friends	8	31	31	28	25
	I always spend my leisure time with friends	24	54	28	11	6

	I always involve in money spending activities with friends	25	40	32	20	6
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Table 3: Peer influence

Table 4 projects the statements that are used to find the relationship between self-control and financial buffer saving behaviour. The majority of students (74.80%) do not think saving money is too difficult for them whereas 65.85% of the students would not spend money on things that are not practical. When given money, 78.05% of students said they would not spend their money immediately, and 66.67% of the students discovered that they do not fall into the category of "I see it, I like it, I buy it". Other than that, 68.29% said they were able to control their spending.

		SA	A	N	D	SD
Self-Control	I don't save, because I think it's too hard	2	9	20	50	42
	I enjoy spending money on things that aren't practical	4	12	26	41	40
	When I get money, I always spend it immediately (within 1 or 2 days	5	6	16	30	66
	'I see it, I like it, I buy it' describes me.	8	9	24	31	51
	I always failed to control myself from spending money	7	12	20	42	42

Table 4: Self-control

Figure 4 illustrates the five perspectives of saving behaviours. Referring to that, before making a purchase, 31.7% of the students stated that they frequently compared costs and the same percentage of students stated that they would weigh the true need. 14.6% of students said they regularly set money aside for future purchases and in the case of an emergency, 13.8% of respondents said they have money on hand. However, only 8.2% would adhere to a strict monthly spending plan.

Saving Behaviour
123 responses



Figure 4: Saving behaviour

5 Conclusion

From the findings in this study, more than 50% of the students seem to have financial literacy in managing their money. They have a good understanding of credit management and do not find it difficult managing their money. Hence, it will be convenient for them to save for financial buffers since most of them also keep a record of their expenses by creating weekly or monthly budgets. Furthermore, most of the students were affected by their parents as they found that parents are role models and they know what is best for them. Looking at this, students will have the motivation to set aside money for financial buffers. This study also found that students were also influenced by their peers as they, being students, tend to spend more time with their peers. This implies that their financial buffer saving behaviour will be affected by the presence of their peers. Adding to that, in the aspect of self-control most of the students have self-control over their finances. This suggests that students with greater self-control will find it easier to save for financial buffers since they are more able to resist their urges and postpone having fun. In relation to the saving behaviours of the students, this study found that students put aside money regularly for the future and often compare prices before making any purchases. This demonstrates that students understand the value of saving and act prudently to build the necessary financial buffer that will enable them to prepare for any future financial crises. For future research, a bigger sample size is recommended across various states in Malaysia to gain more insights about financial buffer saving behaviour among students.

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