

Determinants of Saving Behaviour: An Article Review

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ABSTRACT

The attitude of overspending will lead to financial difficulties that may end with bankruptcy. As of 14 March 2018, Agensi Kaunseling dan Pengurusan Kredit (AKPK) reported that 300,958 people were declared bankrupt. Therefore, this is a serious matter and people are encouraged to put aside some of their money as savings and have healthy financial position. For those who have savings, their positions are much more secure in the case of emergency. Our government and regulator are always motivating nations on the importance of savings. Thus, this paper aims to review previous articles on the determinants of saving behaviour. Several articles were extracted from various online resources such as emerald insight and google search engine to identify the factors. According to the previous studies, financial innovation, services quality, religious belief, knowledge, social environment and income influence the saving behaviour.

Keywords: Saving, Saving Behaviour, Article Review

INTRODUCTION

Consistency in savings behavior is an attitude that must be embedded in each of the person wellbeing at any ages; child, teenagers or adult. It becomes a must for every people to ensure that they can face with any event that is uncertainty to be happened in the near future like death of the breadwinner, meet with an accident or to take any advantage of investment opportunity. The medical cost is also one of the reasons why people should put aside some money as savings. It is very crucial for us to make sure that we have money in the case of hospitalization as we know that the cost incur is expected to be too expensive.

Information on the important of savings should be disseminated starting from home, school, and workplace and even in the whole society. Our government through the appointment of Agensi Kaunseling dan Pengurusan Kredit (AKPK) plays a very active role in educating nations regarding the importance of financial management. The AKPK with the theme “Make Prudent Financial Management a Way of Life” is an agency set up by Bank Negara Malaysia to give an assistance for every individuals to manage their financial situation and gain peace of mind that comes from the wise. The AKPK provides three major financial services to those who are in needs. The services are 1) Financial education; assist individual on the proper use of credit and basic money management as well as tips on how to use credit responsibly, 2) Financial counselling; offers counselling and advice on managing finances wisely – from budgeting, money management and credit related issues and 3) Debt Management Programme. Another effort taken by Bank Negara Malaysia (BNM) to stimulate saving behavior among child, teenagers and adult is by introducing Pocket Money Book

(*Buku Saku Wang*) for young children and teenagers while Planning and Household Account Book for adult. It is aimed to help young children and teenagers to create their own spending plan by recording money inflows, expenses and savings and to help adults manage their personal household income, expenses, savings and investments consecutively. As we can see, the government through Bank Negara Malaysia (BNM) and AKPK has played their role and put efforts to ensure that Malaysian will be knowledgeable and has good financial knowledge.

Besides lack of financial management knowledge, the rise in inflation rate and the cost of living become a nightmare for household to allocate some of their salaries even in small percentage of money as their savings. According to a research conducted by Bank Negara Malaysia (BNM) reported that 75% of Malaysian unable to provide RM1,000 in the event of emergency (Bisnes Sinar, 23 June 2019) while Financial expert, Shamsuddin Kadir reported in Utusan online dated 16 December 2017 that nine out of ten people in Malaysia was unable to save their money even though in average they earned almost RM10,000 of salary in a month. The age is between 20 to 60 years old and has critical saving behavior. Farizan Kamaluddin (KWSP, 2018) reported that, household mostly spend their money more on housing, water bill, electricity bill, gas and fuel (24 percent), food and non-alcohol beverages (18 percent) and transportation (13.7 percent). Hence, this cost becomes a burden to the household that finally discourage them from savings. Thus, this research aims to review previous articles on the determinants of saving behavior.

ARTICLE REVIEW

Savings can be defined as what an individual will have after subtracted income with all the expenses incurred throughout the months. While the Keynesian economics explain savings as what a person has left over when the cost of his or her consumer expenditure is subtracted from the amount of disposable income earned in a given period of time. Savings behavior is the consistent attitude by an individual that may contribute to the personal wealth in future. In any religion and specifically in Islam, people are encouraged to manage wealth prudently and avoid any wastage. By doing this as a routine, they will be able to manage their money, spending and savings behaviour.

Past studies had point out the determinants of savings behavior. They have identified several reasons that can encourage or motivate individual to be a better saver. The first determinant is related to services quality. Services quality here means how a bank or any financial institution can provide or serve friendliness services to the customer. It could be of how long the queuing time for each customer to make deposit or how friendly the front liners staff to entertain the customer. Ismail, S et al (2018) found that services quality and savings behavior have a positive relationship.

Allah said in Al-Quran, "He (Yusuf) said: You shall sow for seven years continuously, then what you reap leave it in its ear except a little of which you eat. Then, there shall come after that seven years of hardship which shall eat away all that you have beforehand laid in store for them, except a little of what you shall have preserved. Then, there will come after that a year in which people shall have rain and in which they shall press (grapes)" (Yusuf: 47 – 49). This verse teaches us to make a very well planning to face with the certainty of a crucial event and to avoid hardship in the future (FPAM and IBFIM, 2000). It indicates that religion educates human beings to be a prudent person in managing life including financial matters and also encourages their followers to save money and do not waste money (Ismail, S et al, 2018).

Nowadays in the era of Information and Communication Technology (ICT), the ability of getting or searching knowledge is just at our fingertips as the information spread easily throughout the social media like television, Facebook and any online search engines. The knowledge comes from the formal education like financial talks or programmes by the responsible agencies or institutions or also from the informal education that we can absorb from our family life style and the society (Ismail, S et al, 2018). Awareness programmes must be continuously scheduled by the responsible agencies like AKPK or other financial institutions with the aim to spread knowledge on savings starting from the early age to adult.

Banking and financial institutions must be always proactive in promoting and encouraging customers to save or invest money in their organization. To be competitive and to enhance the market scale of customer depositor or investment, these institutions must update the innovation in their services and follow the technological changes in their fields or otherwise they will be left behind in the industry. In this era, we can see that many people prefer to go for online transaction. Because of the hectic work life, people do not prefer to go for conventional banking services anymore which they have to wait for quite a long time to make a transaction. So, innovation on savings, investment or other services should be done by any financial institutions to cater the market needs. Azimova et al (2017) in the study found that higher financial innovation leads to higher savings and domestic savings.

Income or salary is the reward that people will earn after making a certain job done. Basically, individual that have good salary has high tendency to put aside some amount as their saving compared to those who only receive small amount of salary. Niwanthika (2016) conducted a literature study to identify the determinants of personal savings and to examine the pattern of personal savings behavior. He found that saving and income are positively related, with saving increasing with income. However, we can argue that if people only have good income but very poor in managing their income it will lead to personal financial problem too. Therefore, education or knowledge on financial management again plays an important role.

Last but not least, the social environment is identified as one of the determinants to the savings behavior. As what we have discussed before, service quality and product offered by any banking and financial institutions play an important role in stimulating or to persuade customer to become loyal to their previous transaction. These institutions must maintain and take good care of their brand name in order to retain customer loyalty. Any poor services and image will spread negative perception among customers either among family members or colleagues. Matthias (2015) in his research found that satisfaction with, trust and commitment to the savings institution and relationship quality – exert a significant influence on the savings attitudes of perceived anxiety and perceived importance, which in turn significantly affect long-term savings.

DISCUSSION AND CONCLUSION

Saving behavior is an attitude that everyone must have in facing any uncertainty event in life such as death which certain to be happened but uncertain when the time comes for everyone, especially if we are the breadwinner of the family. We must ensure that when we die, we leave our family in a good financial condition. Savings behavior can help us to always be prepared if any emergency situation comes. Not only for precautionary and emergency action, people who have savings tend to grab the opportunity to make more investment in any assets (real or financial assets) if the asset prices drop at that time. People who have high salaries do not guaranteed to have positive net worth if they do not have knowledge on financial planning. The government or any related agencies must actively spread the information on financial management either through social media or meet directly face to

face with the target group (such as students, housewife or workers). Innovations on services become a must for any banking and financial institutions. As practiced, any good or bad services received by the customers, it will quickly spread among the societies and this will affect the reputation of the service provider. So, banking and financial institutions are encouraged to give good and efficient services to retain the customers' loyalty. With all of this effort we hope that many people will be aware on the importance of having good saving behavior and have interest to save money.

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