Factors Affecting Individual Saving Behavior: A Review Of Literature

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ABSTRACT

Saving is a noble practice that needs to be nurtured in every individual. Exposure to the importance of saving should start from childhood to become ingrained in each individual until they grow up. Savings are significant to be used during emergencies, as savings for the future, and for achieving specific goals with financial implications. Ironically, individuals are constantly faced with the dilemma of whether to save the money or spend all the money they have, even in a situation where there is no urgency to spend. This implies that society is still confused in differentiating between needs and wants. Based on the Malaysian Financial Literacy Survey (2021), 44% of their respondents spend all their income, 50% of their respondents do not have much savings until they cannot survive for more than three months if they lose their jobs, and 21% of their respondents cannot save their money at all. The survey findings prove that saving is not the primary choice of some Malaysians. Even so, there are still a handful of people who practice it. Many factors certainly influence the saving attitude that is formed in the individual. Thus, this study was conducted to identify the factors that influence the attitude toward saving in individuals. This study uses qualitative methods and is based on the findings of previous studies. The findings of this study are expected to add to the existing literature on the factors that influence the saving behavior of an individual.

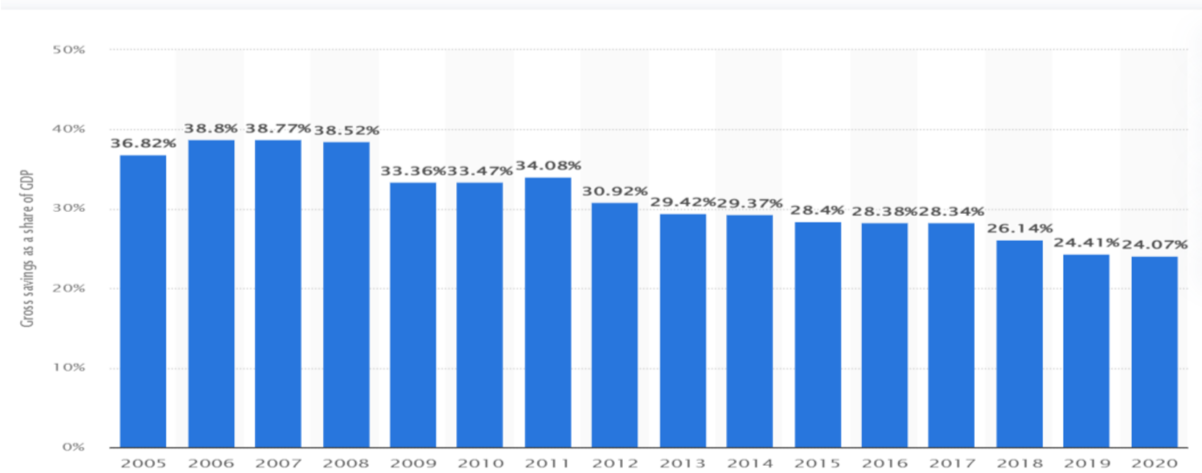
Keywords: Saving, Savings, Money

INTRODUCTION

A country's national savings refers to the total savings made by the private and public sectors, including individual savings (Rehman et al., 2011). Individual savings will benefit the households and the country (Abdul Jamal et al., 2016) since individual savings are part of the national savings (Gandelman, 2016). Individual saving refers to an individual's remaining amount of disposable income after deducting the consumption expenditures (Ismail et al., 2020). Since saving is a source of capital, a primary element of the production and one that drives labor productivity and growth, thus knowing individual savings is critical to understanding long-run economic development (Bodenhorn, 2018)

National saving is a crucial indicator of economic development for a country since it is used to fund domestic investment in order to achieve economic growth (Hashim et al., 2017). Nevertheless, it is noted that over the last decade, Malaysia's declining gross national savings have sparked fears that the country's savings would not be sufficient to fund future investments needed to boost the country's development (Lee Heng Guie, 2022).

Figure 1: Malaysia's Gross Savings as A Share of GDP from 2005 to 2020



Source: Extracted from Statista.com

Figure 1 above shows that Malaysia's gross national savings as a percentage of GDP for a period of 14 years is on a downward trend. Additionally, the Malaysian Financial Literacy Survey (2021) reported that some Malaysians spend all their income, do not have much savings until they cannot survive for more than three months if they lose their jobs, and cannot save their money at all.

The survey findings prove that saving is not the primary choice of some Malaysians. Unfortunately, failure to instill savings habits could lead an individual to bankruptcy (Syahrom et al., 2017). The number of individuals declared bankrupt each year is at an alarming rate. The Malaysian Department of Insolvency reported that the number of bankruptcy cases administered until December 2021 is 289,766 cases (Bankruptcy Statistic, 2021).

Based on the issues highlighted above, thus the objective of this study is to identify the factors that influence individual saving behavior. This study employs qualitative methods by reviewing the discussion and findings of the previous studies. The discoveries are predicted to enhance the current literature on the factors that influence the saving behavior of an individual.

LITERATURE REVIEW

One of the most reliable indicators of individual achievement and economic progress is savings (Chowa & Ansong, 2010). The individual savings rate is the clearest indicator of a person's financial health. Everyone should be conscious of the need to maintain their financial condition in order to achieve financial well-being, which begins with better saving habits (Azman, 2021).

Savings habit is a crucial need for individuals to obtain and practice in order to solve their future spending decisions (Saber, 2022). Saving and knowing how to spend wisely help individuals acquire control over their spending patterns (Ariffin et al., 2017). Individuals who conserve money during complacent and challenging times have a better chance of surviving in the future (Kassim et al., 2019).

Understanding the elements that impact saving behavior is essential to promoting positive saving behaviors and anticipating financial issues (Dowling et al., 2009). Since managing money is more complex than making or earning money, money management is vital for everyone. Each individual must know how to handle their finances, mainly saving and investing (Ismail et al., 2020).

Previous literature has recognized numerous significant influencers for individual savings behavior. Among others are self-dominance**,** parental socialization, peer influence and financial literacy (Alwi et al., 2015), sociodemographic factors including education, income, and gender (Pasaribu et al., 2022), family background, attitude, financial literacy, and locality (Kassim et al., 2019), financial self-efficacy, financial management practice, and financial knowledge (Ismail et al., 2020), and financial self-efficacy and attitude toward saving (Saber, 2022).

METHODOLOGY

This study employs a qualitative method of research. Twelve (12) previous studies on the determinants of individual savings are reviewed to identify the significant and insignificant contributing factors. Since the previous findings were based on historical data gathered by previous researchers, this study does not require access to the respondents or participants. This study reviews the findings of those previous studies based on a predetermined theme for discussion.

DISCUSSION

The following is a discussion of the past studies that this study has emphasized. The discussion focused not only on individuals' savings behavior in Malaysia but also on savings behavior in other countries. The details are presented in Table 1.

Table 1: Findings from the previous studies

Authors	Method	Respondents	Objective	Findings
Alwi, Amir Hashim, and Ali (2015)	Question-naire survey	70 bachelor's degree students at Taylor's University	Identified the significant factors influencing savings attitude among Millennials in Malaysia	Self-dominance is the main factor influencing savings habits among the students, followed by parental socialization, peer influence, and financial literacy.
Abdul Jamal, Kamal Ramlan, Mohidin and Osman (2016)	Question-naire survey	1728 undergraduate students studying at higher learning institutions across major cities in Sabah	Investigated factors that influence savings behavior amongst university and college students	The findings revealed that family involvement, peer influence, self-control, and financial literacy all foster students' savings behavior. Furthermore, financially literate students are believed to have a more favorable financial attitude.

Karunaanithy, Karunaanithy and Santhirasekaram (2017)	Question-naire survey	257 university students	Examined the psychological factors that influence saving behavior of undergraduates of Northern and Eastern part of Sri Lanka	Financial literacy, parental socialization, and peer influence have a positive and significant relationship with saving behavior. On the other hand, the variable self-control has no significant effect on saving behavior. This might be related to the fact that students are subjected to external influences on their behavior.
Syahrom, Nasrudin, Mohamad Yasin and Manap (2017)	Question-naire survey	344 undergraduate students of UiTM Negeri Sembilan, Kampus Seremban	Investigated the saving habit determinants among undergraduate students	Financial management has a substantial favorable effect on saving habits and is the most influential component. It implies that students with excellent financial management skills are more likely to participate in saving habits. The study also found a significant relationship between parental socialization and saving behavior. Meanwhile, self-control had no significant impact on the saving behavior of the respondents.
Kamarudin and Helmi Hashim (2018)	Question-naire survey	200 students of TAJ International College in Ipoh, Perak	Examined the saving behavior among college students	The study found that financial literacy, parental socialization, and peer influence

				have a positive relationship with saving behavior. Financial literacy has the significant and strongest relationship with saving behavior, followed by the parental socialization. Unfortunately, the positive effect of peer influence on saving behavior is found to be insignificant in the study.
Choden, Wangdi, Tenzin et. al., (2021)	Question-naire survey	318 final year students of four colleges under Royal University of Bhutan	Analyzed the impact of financial literacy, including financial knowledge, financial attitude, and financial management skills, on saving behavior	The study revealed that all components of financial literacy, including financial knowledge, financial attitude, and financial management skills possessed by the students have a significant impact on their saving behavior.
Riana (2022)	Question-naire survey	100 students of Universitas Tridinanti Palembang	Identified the saving behavior determinants among university students	Financial literacy, peer influence, personal income, and risk tolerance have a positive and significant relationship with saving behavior.
Pasaribu, Madeta, Farsa and Margaretha (2022)	Question-naire survey	60 respondents who are working in the Jabodetabe	Examined whether sociodemographic factors, including age, gender, income, and education level, significantly	Sociodemographic factors, including education, income, and gender, significantly affect saving behavior. However, age does not significantly

			affect saving behavior.	affect saving behavior, according to the sample of the study.
Md Kassim, Mohamed, Jahari and Mohd Zain (2019)	Question-naire survey	531 Muslim employees	Assessed the factors that influence saving behavior among Muslim employees	According to the study, family background, attitude, financial literacy, and locality significantly impact saving behavior. However, religiosity, household income, age, and education levels had no significant impact on saving behavior.
Ismail, Koe, Mahphoth, Abu Karim, Yusof and Ismail (2020)	Question-naire survey	150 government servants in Kuala Lumpur, Malaysia	Investigated the determinants of saving behavior among government servants	The findings show financial self-efficacy as the most significant factor influencing saving behavior. Financial management and financial knowledge also showed a significant relationship with saving behavior. Meanwhile, the financial attitude has no significant relationship with saving behavior.
Saber (2022)	Question-naire survey	397 SMEs employees in Saudi Arabia	Examined the variables that affect saving behavior among government workers in SMEs	Saving attitudes and financial self-efficiency toward saving behavior are linked in a positive and significant relationship. Furthermore, the findings show that social influence and financial literacy do not affect employee saving behavior.

Mori (2019)	2017 national baseline survey data	8,959 observations from all over Tanzania	Individual variables such as gender, marital status, age, education level, and financial education were studied in connection to saving behavior.	Gender and marital status were shown to be adversely connected with saving behavior, but age and educational level were vital criteria that indicated a positive saving culture among Tanzanians. Financial education, surprisingly, had no significant effect on saving behavior.

CONCLUSION

Based on the above discussion, this study discovered that numerous factors influence individuals' decisions to save money. The findings of these previous studies remarked that the most significant factors affecting the saving behavior of an individual are financial literacy, financial self-efficacy, financial management skills, parental socialization, self-dominance, and family background.

Accordingly, in all efforts to inculcate a saving attitude among individuals, it is suggested that the above factors should all be considered. In addition, other factors that have also been identified as contributing to saving habits, including peer influence, family influence, financial attitude, self-control, personal income, risk tolerance, attitude toward saving, and sociodemographic factor, should not be left behind.

Even though this study is conceptual, summarizing past studies' findings certainly adds valuable information to the body of knowledge, specifically in the area of individual savings. Hopefully, this study can be used to guide future researchers who wish to continue this study empirically. It is also hoped that this study can assist relevant parties in measures taken to inculcate saving habits among individuals.

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