2026- DETERMINANTS OF SAVING BEHAVIOR DURING THE COVID- 19 PANDEMIC IN MALAYSIA: A PRELIMINARY STUDY

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ABSTRACT

The Coronavirus Disease (COVID-19) pandemic has brought historic disruption to the economy, social, and health sectors around the globe. The closure and shutdown of some businesses have caused consumption in many industries to decline. The trends that stem from the crisis have also affected household consumption and saving decisions. Thus, the purpose of this paper is to shed light and explore the determinants of saving behavior during the Covid-19 pandemic. The study will utilize secondary data and previous literature to obtain relevant data. The findings of this study show that individuals would dramatically change their saving behavior as some of them lost their source of income during the COVID-19 pandemic. Financial attitude and financial literacy are the main factors of saving behavior. These findings might be useful as a valuable inspiration for policymakers who are concerned about crisis management and economic recovery after this pandemic disaster.

Keywords*: Covid-19 Pandemic, Personal Saving, Saving Behavior, Financial Attitude, Financial Knowledge*

INTRODUCTION

The coronavirus disease (COVID-19) was first detected in Wuhan, China in December 2019. It began spreading around the world tremendously in early 2020 and the World Health Organization (WHO) has declared it as a pandemic. The COVID-19 pandemic has caused severe and long-lasting damage not only to the health and economic sector but also to the households (Al Nawayseh, 2020).

Some of them have lost their job and sources of income, thus the saving behavior will also change during and after the pandemic (Zhang et al., 2021). In both, the United States (US) and the euro area private consumption decreased tremendously while the saving rate rose. Despite the various impact of the Covid-19 pandemic, Italy and Spain recorded the sharpest increase in saving by more than 20%, which remained significant until the end of 2021, while a sudden drop in consumption by 10% (Guglielminetti & Rondinelli, 2021; Ercolani et al., 2021). Several factors can be a responsible reason for the consumption and saving patterns as mentioned before. First, the decrease in income due to the impact of the COVID-19 pandemic may induce individuals to cut their spending but at the same time increase savings. Secondly, they have to increase their savings as a safeguard against any unfavorable and uncertain economic situation. Some people, for instance, a low-income group would become more risk-averse and inclined to save more as contingencies, uncertain future income, and precautionary action for the future (Zhang et al., 2021).

Indonesia was reported to have a relatively low saving rate as they were spending more before the pandemic as compared to its Southeast Asian countries. Surprisingly, the pandemic triggered an increase in savings by 10.2% in April 2020 (Poan et al., 2021). A Plethora of previous studies agreed that saving behavior has become a priority and may increase to better deal with any unforeseen risks and emergencies in the economy (Jin et al., 2021). However, in the San Francisco Bay Area, the poverty rate recorded an increase of approximately from 17.1% to 25.9%. thus, indicates that their saving has declined due to the pandemic and they survive with their existing saving (Nga et al., 2021)**.**

In Malaysia, household income has dropped by 55% due to job losses and cut spending for precautionary purposes, thus lowering the saving rate (BNM, 2022). A survey on the Effects of COVID-19 on the Economy and Individual (Round 2) revealed that 93.6% of the respondents has to change and adopt a new lifestyle (Department of Statistic Malaysia, 2020). In addition, some of the employers were unable to pay full salaries and decided to cut around 10% to 20% of it during the pandemic (M. K. Ismail et al., 2021; Monticone & Dawson, 2022), thus may affect saving behavior (Ercolani et al., 2021; Monticone & Dawson, 2022). Saving has tremendous benefits to equip people to face any uncertainties or emergencies.

However, a survey by the Department of Statistics Malaysia (DOSM) found that most of the respondents have minimal or insufficient savings. The savings of more than two-thirds (71.4%) of self-employed only could sustain for less than a month, while private employees (82.7%) have sufficient savings of up to two months (The Edge Malaysia, 2023). Malaysia, Cambodia, and Indonesia have reported experiencing the largest impact of the pandemic Covid-19 particularly in low saving rates due to loss or reduction of employment salary/income (Monticone & Dawson, 2022).

While studies on the impact of the pandemic Covid-19 on saving behavior in Malaysia are underway, the majority of these studies are focusing more on economic implications. Thus, based on a wide set of previous findings and statistics on the positive and negative impact of the pandemic Covid-19 on saving behavior, this paper aims to explore the major determinants of saving behavior during the pandemic Covid-19. The main contribution of this study is to provide meaningful insight and understanding of important components in saving to face any uncertainties and unexpected events in the future.

METHODOLOGY

This study is preliminary and used the literature survey method that involved searching for literature deemed relevant, assessing their sources, and identifying key debates and themes.

LITERATURE REVIEW

Savings

Saving is an important behavior that promotes long-run economic growth, particularly at the individual level. An adequate level of saving will provide more financial freedom and the ability to meet any uncertainties. Indisputably, saving is crucial to finance upcoming needs and that is why we should understand and be good at saving (Brounen et al., 2016). In addition, sufficient saving is also important as it will affect emergency reserves and the ability to achieve financial goals (Satsios & Hadjidakis, 2018).

The pandemic Covid- 19 is a highly unusual event and some people experience financial difficulties due to insufficient savings. There is no room for saving if an individual spends more than set aside a certain percentage of money, thus leading them to bankruptcy (S. Ismail et al., 2020; Aqilah Nadiah Md. Sahiq et al., 2021). Therefore, adequate saving can prepare for the diverse needs of an individual, protect the value of currency from inflation risk, and remain sustainable during the pandemic (Perangin-Engin et al., 2022; Malaysia Institute of Strategic & International Studies, 2022). It is undeniable that individual saving behavior has changed as a result of the pressure from the pandemic Covid-19. They tend to save more than before the pandemic Covid-19 took place (Ellmeier et al., 2023a).

Financial Management Practice

Financial management is the skill to handle important elements in daily financial resources. Financial management can be defined as a skill to plan, organize, direct, and monitor financial resources (Fazli Sabri et al., 2020). Adapting the previous study by Lee et al., (2000) and Poan et al., (2021), financial management practices consist of the ability to do a budget, financial planning, monitoring all financial resources, managing saving, and all debts.

Financial management practices are one of the crucial drivers that might stimulate the financial performance of an individual particularly in saving. A Plethora of researchers reported that an individual who possesses and practices strong skills in managing their financial resources will save more money for the future (Lee et al., 2000; Poan et al., 2021; Fazli Sabri & Tze Juen, 2014). A similar study by S. Ismail et al., (2020) revealed that an individual feels more self-assurance in their capability to save more money if they consistently practice financial management in daily life. They have an active saving management that helps them to face any uncertainties or unexpected events over their life span (Brounen et al., 2016).

Financial Literacy

Financial literacy can be defined as the skills or ability possessed by an individual to manage and be knowledgeable in financial aspects. Financially literate people are usually able to efficiently manage their savings, investments, and expenses. It is undeniable that financial literacy may either directly or indirectly affect saving behavior (Widjaja et al., 2020). Numbers of prior studies indicate that financial literacy positively influences people's saving behavior. Studies by Afsar et al. (2018), Jamal et al. (2016) and Ling (2021) conducted empirical studies to investigate the factors that influence saving behavior among university students. Consistent results emerged from the studies regarding the relationship between financial literacy and student saving behavior. Saving attitudes among students are predominantly influenced by their level of financial literacy. A student who possesses financial knowledge is more likely to allocate a greater portion of their income towards savings compared to those who lack such knowledge.

In addition, Nguyen & Doan (2020) and Ismail et al. (2020) reported a similar finding that financial literacy positively affects saving behavior. Nguyen & Doan,(2020) conducted studies that involved 692 respondents from a 63-province survey in Vietnam. The study also revealed that, instead of financial literacy, other elements such as married status, financial attitudes, and advanced financial behavior also contribute significantly to saving attitudes. Furthermore, Ismail et al. (2020) claimed that besides financial literacy, financial self-efficacy has become the best predictor and important factor that influences saving behavior. Nevertheless, this contradicts the findings disclosed by Perangin-angin et al. (2022). The study was conducted to analyze the effect of financial literacy, financial inclusion, and financial attitude on saving behavior with self-control as moderation. The results disclosed insignificant effects of financial literacy on financial saving behavior. Although previous studies disclosed mixed findings on the effects of financial literacy on saving behaviors, most of the empirical studies revealed that financial literacy is one of the significant factors that affect a person's saving behavior. The summary of the previous literature on the influence of financial literacy on saving behavior is shown in Table 1.

Table 1: Summary of the previous literature on the influence of financial literacy on saving behavior

No.	Authors	Objectives	Methodology	Findings
1	Widjaja et al., 2020	To examine the relationship between financial literacy and subjective norms and their impact on savings behavior that is mediated by saving intention and attitude towards saving	Primary data from 469 young workers who worked in the DKI Jakarta area in 2018. Data were collected online by distributing questionnaires using Google Docs. Analyse using SEM-PLS.	The research findings prove that financial literacy affects saving behavior, both directly and indirectly through the variables of saving intention and attitude to saving mediation.
2	Afsar et al., 2018	Explanatory study on the impact of financial literacy and parental socialization on the saving behavior of university-level students.	Using the primary data collection method, 400 questionnaires were distributed to the students of universities across Pakistan. Analyzed based on Pearson correlation and	Results demonstrate that financial literacy and parental socialization positively influence the saving behavior of students. Findings revealed that the students who have financial literacy exhibit more saving

			multiple regression analysis are employed by using SPSS.	behavior as compared to others who do not have financial knowledge.
3	Nguyen & Doan, 2020	This study investigated factors impacting personal saving behavior in Vietnam.	Involved 692 respondents from a 63-province survey. Analysis based on the binary regression	Results showed that financial literacy, a finance major, married status, financial attitudes, and advanced financial behavior were factors positively and significantly influencing individual saving behavior while gender, student, and basic financial behavior were factors negatively and significantly impacting saving behavior.
4	Perangin-angin et al., 2022	The purpose of this study was to determine and analyze the effect of financial literacy, financial inclusion, and financial attitude on saving behavior with self-control as moderation.	Primary data was obtained directly from 90 respondents. The sampling method used is probability sampling, with a sampling technique that is Simple Random Sampling. Instrument: Questionnaires. Data Analysis: smart-PLS	The results of this study indicate that financial literacy has an insignificant effect on saving behavior, financial inclusion has no significant effect on saving behavior, financial attitude has a positive and significant effect on saving behavior and self-control is not significant as a moderator of the relationship between financial literacy, financial inclusion and financial attitude towards saving behavior.
5	Irdawati et al., 2022	This research aims to examine the direct and indirect effects of financial literacy on saving behavior through financial technology as a mediating variable.	This research uses a quantitative approach with path analysis. This research picked millennial workers in Kendari City, Southeast Sulawesi, as a sample of the research.	The results revealed that financial literacy directly has a significant effect on financial technology and saving behavior. However, financial technology is not able to mediate the relationship between financial literacy and saving behavior significantly. This indicates that financial technology has not provided good facilitation for millennials, especially in helping them look for the appropriate savings products they need.
6	S. Ismail et al., 2020	The study investigates the determinants of saving behavior among government servants. The study focused on financial knowledge, financial self-efficacy, financial attitude, and financial	The respondents were government servants in Kuala Lumpur, Malaysia. Convenience sampling was used for this study. 150 questionnaires were distributed to 150	The result indicates that financial self-efficacy becomes an important factor that influences saving behavior. Financial self-efficacy is the best predictor as most government servants are

		management practice about saving behavior.	respondents to answer the questionnaires.	managed to make progress towards financial goals.
7	Qaiser Danish et al., 2021	This research aims to thoroughly analyze the primary determinants for saving behavior in the presence of saving intentions in Pakistan's service sector.	The data were collected from 269 respondents' employees in the service sector in Lahore. The non-probability, convenience sampling technique. Data collection method: a questionnaire was used Data analysis: AMOS version 23 and SPSS version 22.	The study shows that the key determinants of saving behavior, such as financial literacy, attitude towards saving, subjective norms, and future orientation have a significant association with saving intentions.
8	Jamal et al., 2016	The research, therefore, intends to (i) investigate factors that influence savings behavior amongst university and college students; and (ii) examine the role of financial attitudes in mediating the relationship between financial literacy and savings behavior.	Structured questionnaires were distributed to 1728 undergraduate students studying at higher learning institutions across major cities in Sabah using a convenient sampling technique. Structural equation modeling was applied using the SMART-PLS software v.2.0 to execute the analyses.	Results revealed that family involvement, peer influence, self-control, and financial literacy play an important role in nurturing students' savings behavior. In addition, students are said to have a more favorable financial attitude when they are financially literate. Financial attitude, however, does not have a mediation effect on the relationship between financial literacy and savings behavior.
9	Ling, 2021	Therefore, this research aims to investigate whether financial literacy (FL), parent influence (PaI), peer influence (PeI), and self-restraint (SR) have a significant influence on the saving behavior (SB) of university students in Guangdong province	404 samples comprised students from 16 different cities in Guangdong. Data analysis: Correlations and Multiple Regression	The results show that all the FL, PaI, PeI, and SR have a positive relationship with SB while FL has the greatest impact on SB among the four independent variables.

Financial Attitudes

The COVID-19 pandemic had a significant impact on personal saving behavior as individuals and households adjusted their financial habits and priorities in response to the economic, social, and health uncertainties brought about by the crisis. Money management is crucial for financial stability which involves making decisions about how you earn, spend, save, and invest the money. Financial attitudes play a significant role in influencing saving behavior during the Covid-19 pandemic. It can be defined as an individual's or group's perceptions, beliefs, and feelings related to money. These attitudes can be positive and negative and can be influenced by a variety of factors. Meanwhile, a poor financial attitude may have negative impacts on an individual's financial well-being. Poor financial attitudes are caused by wrong financial management and wasteful consumptive lifestyles. The financial attitude will form the way people use their money, saving behavior, and misspend their money (S. Ismail et al., 2020).

A negative financial attitude will result in lower financial vulnerability, whereas a good financial attitude empowers individuals to succeed in financial status. Financial vulnerability is defined as "low" if it shows good financial behaviors and positive financial attitudes that engage in good saving habits (Magli et al., 2020). (Sugiyanto et al., 2019) their research found that financial attitudes among young pioneering business entrepreneurs have a significant towards the saving behavior of their business start-ups. This is also supported by Pohan et al., (2021) in their research that financial attitudes also have a positive effect on financial behavior because the positive attitude of the individual is an indicator of managing their money wisely. Positive money attitudes will help people to become more aware and responsible in managing their expenditures.

Financial Knowledge

Financial knowledge is another crucial component that might contribute to good saving behavior. The ability of an individual to read, analyze, recognize, and interpret financial information and fundamentals is referred to as financial knowledge (Poan et al., 2021). A previous study has shown that a lack of financial knowledge will increase financial burden and ultimately influence their saving behavior.

Poor financial knowledge contributes to a relatively low saving rate (Azlan et al., 2016). Similar studies by Poan et al., (2021) and Kathiarayan, (2023), reported that the level of financial knowledge has a strong positive correlation and significantly influences saving behavior. A high level of financial knowledge will eventually increase saving behavior. It is not easy for an individual to nurture saving behavior if they do not have clear financial knowledge (Aqilah Nadiah Md. Sahiq et al., 2021; Poan et al., 2021). On another note, suggested that individuals should have a high level of financial knowledge as it significantly contributes to their level of saving (Poan et al., 2021).

CONCLUSION

This paper aims to explore the determinants of saving behavior during the pandemic Covid-19. Based on previous literature and findings, three factors determine the saving behavior among individuals during the pandemic Covid-19. These studies found that financial management practice, financial literacy, financial attitudes, and financial knowledge have proven to have a significant influence and determine the saving behavior among individuals. We also find that saving individuals' saving decisions vary as compared to prior pandemic Covid-19. Most individuals can save more during the pandemic while others are not capable of saving more due to joblessness and loss of income (Ellmeier et al., 2023b). However, in another situation, there is a group of individuals who only started to save during the pandemic as a response to COVID-19 pressure and shock. The findings suggest that each individual should be aware, realize, and understand the importance of saving behavior for the future.

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