



Do they intend to save? Saving behaviour intention among urban dwellers from low-income households

Mohd Nazir Rabun¹, Nur Nabilah Ahmad Marzuki¹, Nursalam Abd Mutalib¹, Muhammad Hanif Othman^{2*}

*Corresponding Author

¹ Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA Cawangan Kedah, Kampus Sungai Petani, Kedah Malaysia

² Faculty of Business and Management, Universiti Teknologi MARA Cawangan Kedah, Kampus Sungai Petani, Kedah Malaysia

nazir2623@uitm.edu.my, nabilahmrzki99@gmail.com, nursalamabdmatalib@gmail.com, hanifothman@uitm.edu.my
Tel: +604562188

Abstract

This study examines the level of saving behaviour intention among the households. Motivated by Ajzen's Theory of Planned Behaviour framework, this study also examines the main factor affecting the households' saving behaviour intention. A total of 148 questionnaires were distributed, and the data collected was analyzed using a descriptive and inferential statistics to meet the objectives of the study. The results suggest a low level of saving behaviour intention among the low-income households. The results also indicate that financial literacy was found to be the main factor influencing saving behaviour intention among the households.

Keywords: savings behaviour intention; attitude towards saving; subjective norm, perceived behavioural control;

eISSN: 2398-4287 © 2023. The Authors. Published for AMER and cE-Bs by e-International Publishing House, Ltd., UK. This is an open-access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>). Peer-review under the responsibility of AMER (Association of Malaysian Environment-Behaviour Researchers), and cE-Bs (Centre for Environment-Behaviour Studies), College of Built Environment, Universiti Teknologi MARA, Malaysia
DOI: <https://doi.org/10.21834/e-bpj.v8iSI15.5102>

1.0 Introduction

Saving is an important behaviour for individuals to adopt today. It provides financial security to the saver as well as for households. Studies found that household savings ratios slowly began to fall across all major economies post-global financial crisis in 2008 – 2009 (Ventura, 2021). In order to encourage households to start saving and be more involved in managing their own personal finance, governments around the globe have been advocating on the importance of the households' ability to take off their financial responsibility and save for their future needs (Brounen et al. 2016). The term "household savings" refers to the portion of discretionary income that is not spent on durable and consumer goods and services (Celcer, 2020). It serves as the primary domestic source of money for capital projects, which is a significant driver of long-term economic development (OECD, 2021). On a macroeconomic level, the rate of savings reflects the country's present condition of economic development, while a low rate of savings indicates an economy's susceptibility to foreign capital (Hussein et al. 2017). In simpler terms, knowing whether a country is doing well or not can be observed through the level of savings and investment in the country (Widjaja et al. 2020). For instance, one of the countries with the highest saving rate is Macau, with a Gross Domestic Saving rate of 64.3 in 2019 (The World Bank, 2019).

Meanwhile, on the micro level, savings are vital to ensure the financial stability of a household and act as a preparation for circumstances that require emergency funds. By promoting household savings, states and the people of the states will be better prepared for unforeseen circumstances such as pandemics, price or currency fluctuations, trade disputes, or financial crises (Ventura, 2021). Household savings will also enable individuals to fund their living once they reach retirement age, and the more savings available, one can live in a safer and more comfortable condition. Based on observation, saving rates has a positive relationship with income, in which the rates increase substantially as income increases (Brounen et al. 2016). The United States Bureau of Labor Statistics (BLS) conducted Consumer Expenditure Survey (CES), which collected data on who is doing the savings. Consumers with higher incomes save a more significant percentage of their income than those with lower incomes, according to CES data (Barua, 2019). The gap

between the average savings rates of the top 20% of earners and the bottom 20% of earners in the United States has narrowed recently but remains significant.

Savings among households were encouraged as governments around the globe have been advocating on the importance of the households' ability to take off their financial responsibility and save for their future needs (Brounen et al. 2016). Data by Bank Negara Malaysia (BNM) indicated slow savings growth in 2017 compared to prior years. In 2012, savings deposits increased 6.74 percent to RM116.46 billion but fell 3.98 percent to RM140.47 billion in 2017, indicating a significant savings gap for Malaysians that year. (*The Edge Financial Daily*, October 22, 2018). Therefore, based on the above situations, the declining savings rate indicates longer-term trends, which is cause for concern, and financial literacy must be strengthened to have a thorough understanding of saving behaviour. In addition, studies have shown that some with poor financial literacy may be unable to handle their financial affairs (Ismail et al., 2020). As a consequence, most of them ran into financial difficulties. An article on Malaysian Financial Literacy in 2020 found that 64% of respondents are financially illiterate, over 26% cannot survive beyond one month, and 60% cannot live beyond three months (Ringgit Plus, 2020).

Regarding the assertions as mentioned earlier, this study aims to examine some variables and their influence on predicting saving behaviour intention. The current study uses the Theory of Planned Behaviour (TPB) in analyzing the determinants of low-income households' saving behaviour intentions (B40 group) in Flat Bandar Baru Perda, Teluk Kumbar, Penang. The rest of the paper is structured as follows. The subsequent section includes the literature review, followed by research methodology, findings, and discussion. Lastly, this paper will end with a brief conclusion and recommendation.

2.0 Literature Review

2.1 Saving Behaviour Intention

The term "saving" has a broad definition and multiple interpretations. In economics, savings have been defined as the residual income remaining after removing current spending over a specified period (Dhamaratna & Kumari, 2021). In contrast, saving in a psychological context refers to refraining from spending money during the present time to save funds for future usage (Tharanika & Andrew, 2017). As a result, an interdisciplinarity study is required to realize that saving is an economical choice made within an existing social framework, influenced by life cycle needs and the saver's psychological features. On the other hand, according to Ahmad et al. (2015), saving is a critical practice that may contribute to long-term economic development, especially at the individual and family levels. Indeed, a sufficient quantity of savings allows for more financial flexibility, investment options, and future financial planning. Besides, it is supported by Mensahklo et al. (2017), which stated that saving is the act of setting money away for future use. It contends that saving occurs due to prudent management of income and spending and keeping something available for future use.

2.2 Previous Studies on Saving Behaviour

A study by Ismail et al. (2020) titled "Saving Behaviour Determinants in Malaysia: An Empirical Investigation" examines the factors that influence saving behavior among government employees, with a particular emphasis on financial knowledge, financial attitude, financial self-efficacy, and financial management practice. In the research, 150 questionnaires were handed to 150 respondents, who were then asked to complete the surveys. Based on the findings, the previous research established a significant association between financial knowledge, financial self-efficacy, and financial management practice with saving behavior. Besides, another research made by Ismail et al. (2018) titled "An Empirical Analysis of Saving Behaviour among Malaysian Employees" aims to investigate the elements that influence saving behavior. The research focuses on private sector workers and collects data using a mix of methodologies. A questionnaire survey was conducted, as well as in-depth interviews, to verify the quantitative results. Based on the findings, it indicates that the quality of services, religious beliefs, and knowledge all have an effect on saving behaviour.

As per Stuart and Sherman's (2015) statement in the title "Individual and Institutional Factors Related to Low-Income Household Saving Behaviour," indicates that saving is typically seen as a prudent financial practice that results in favorable family outcomes. This study aims to get a better understanding of the effect of non-economic individual and institutional factors on low-income families' saving behaviour. This research included datasets from the Survey of Consumer Finances (SCF) for the survey years, and each survey year included about 1,000 low-income families in the United States. Additionally, the sample includes only households earning up to 300 percent of the federal poverty line as determined by the United States Census Bureau. In the study, the previous research found that collaborating with financial specialists and having the motivation to save may assist in improving low-income families' saving behavior. On the other hand, according to Widjaja et al. (2020), "The Effects of financial literacy and subjective norms on saving behavior" aims to study the effect of financial literacy on saving behavior that is enhanced through the storage of intentions and attitudes toward saving. The data was collected online by distributing questionnaires via Google Docs, and 469 young workers respondents from the DKI Jakarta were included. The findings of this study found that financial literacy has a direct and indirect effect on saving behavior through the factors of saving intention and attitude toward saving mediation.

A study by Kusairi et al. (2019) on "Financial Households' Efficacy, Risk Preference, and Saving Behaviour: Lesson from lower-income Households in Malaysia," stated that Malaysian households are experiencing financial difficulties, which are a result of poor saving decisions made against a backdrop of low income and a poor choice of saving tools. The study aimed to investigate household financial efficacy via psychometric tests, financial literacy, risk preferences, and demographic factors associated with saving decision behaviour. The respondents in this study are B40 families from urban and rural regions of Malaysia's Peninsular, representing various ethnic groups, most notably Malay, Chinese, and Indian. Questionnaires, observations, and interviews were used to gather data, and

the questionnaire was sent to all chosen B40 families. Based on the findings, a household's financial efficacy significantly impacts its saving behavior and tool selection. Financial literacy, race, education, dependence ratio, and home geography (rural or urban) affect the savings methods used. More specifically, families with a higher level of financial efficacy are more likely to save via bank-based or other low-risk mechanisms than families with a lower level of financial efficacy.

On the other hand, the research made by Delafrooz and Paim (2015) in title of "Personal Saving Behaviour among Malaysian Employees: Socio-Demographic Comparison" this research aims to investigate the connections between selected demographic characteristics such as gender, ethnic origin, age, education, income, financial literacy and saving behavior among Malaysian workers. In this study, a total of 2246 respondents participated in the survey, with 1122 from the public sector and 1124 from the private sector. Based on the findings, it shows that there are substantial variations in financial behavior by age, education, income, and financial literacy. Additionally, financial knowledge, income, and marital status were identified as the strongest predictive factors of saving behavior. Nevertheless, based on past studies, savings intentions can be influenced by many factors and determinants. Some of the factors that influence saving behaviour intention are financial literacy, financial attitude, race, education, income, marital status, education as well as lack of information (Widjaja et al. 2020; Ismail et al. 2020; Delafrooz & Paim, 2015). On the other hand, as stated by Kusairi et al. (2019), a household's location (rural or urban) also influences saving behaviour intention, as people who live in urban areas are more financially literate than those who live in rural areas. However, this present study uses the extended theory of planned behavior by utilizing four factors: attitudes, subjective norms, perceived behavioral control, and financial literacy.

3.0 Methodology

This paper is quantitative and cross-sectional in nature. This study aimed to examine the level of low-income families' saving behaviour and the main factors affecting their saving behaviour. In this study, the sample of the study focuses on the low-cost housing in Flat Bandar Baru Perda, Teluk Kumbar in Penang, and the sample frame for this research is drawn from the data collected from the residents of Flat Bandar Baru Perda, Teluk Kumbar in Penang. This study employed a questionnaire and a probability cluster sampling approach to acquire data. This research uses convenience sampling to choose respondents from the B40 households of Flat Bandar Baru Perda, Teluk Kumbar, Penang.

On the other hand, the population of this study is 400 houses from Flat Bandar Baru Perda, Teluk Kumbar, Penang. However, only three blocks, Block A, B, and C, were picked for the research due to the cluster sampling procedure. The convenience sampling approach was used to pick the households, and the sample size was adapted from Krecjie and Morgan (1970). Additionally, a series of questionnaires based on past studies were prepared and given to the respondents to gather data. The survey is subjective since it relies on respondents' impressions. Five sections in the questionnaires are socio-demographic factors, saving behaviour intention, attitude towards saving, subjective norm, perceived behavioural control, and financial literacy. The data were run and analyzed using IBM SPSS version 24. To ensure the goodness of measure, the Cronbach's alpha value was assessed to ensure the internal reliability of measuring instruments. All values of Cronbach's alpha ranged between 0.641 and 0.845. In addition, the normality assessment for the present study was conducted by measuring the value skewness and kurtosis for each variable. Considering the estimation, the skewness was between 0.106 to -0.538, and kurtosis was between -0.049 and 1.682. The skewness value should be in the range of -2.0 to +2.0 and -7.0 to +7.0 of the kurtosis values should be achieved to indicate the normal distribution, as mentioned by (Bryne, 2010) was fulfilled. It proved that the data followed a normal distribution.

4.0 Findings and Discussion

This study utilized descriptive statistics to assess the level of low-income households' saving intentions. As a result, as shown in Table 1, low-income households in Flat Bandar Baru Perda, Teluk Kumbar, Penang, had a low level of saving intention. This is because the mean value is 2.74 and its standard deviation of 4.38. In this case study, the low-income households do save. Previous studies sufficiently validate the current study finding. In a study by Lown et al. (2015), the locus of the study is the middle and lower-income households in the US during the post-global financial crisis. The finding indicates that there was a low saving intention among the respondents. However, this is given that the country is recovering from the economic fallout from the global financial crisis before the data were collected in 2010. This shows that the level of income influences a household's intention to save, and the middle and lower-income groups were more affected by the financial crisis hence the low saving intention among the households. As this study took place after the global financial crisis, the most probable explanation is that the result showed a low level of intention to save because the majority of the respondents' incomes may have been dedicated to meeting their immediate and basic needs and to setting aside money for savings are impossible during that time. To further support this finding, a study by West et al. (2017) stated that insufficient income as a barrier to saving is more prominent for low-income families. Hence, the question is not whether they want to save or not, but instead that the low-income households cannot do so due to insufficient income.

Table 1. The level of saving behaviour intention among low-income households (B40 groups)

Variable	Mean	Std. Deviation
Saving Behaviour Intention	2.74	4.38

The current study has carried out a regression analysis to examine the main factor affecting the saving behaviour intention among low-income households. Among the independent variables tested, financial literacy has been identified as the major factor that influences saving behaviour intention. This result indicates that the respondents acquired financial literacy, and greater financial literacy encourages them to save more. This finding is aligned with previous studies, which have been discussed beforehand. Many recent studies investigated the link between financial literacy or financial knowledge and financial behaviour, including both saving behaviour and the intention to save. The findings of these studies suggested financial literacy as one of the strongest factors that influence one's decision to save money. Peiris (2021) quoted findings from Bayar et al. (2017) that illustrate financial literacy as one of the significant determinants of personal savings behaviour. Lusardi and Mitchell (2015) also found that financial literacy is a major factor influencing the financial behaviour of people in the Netherlands; the study indicates that the ability to answer one additional financial question translates to a higher probability of excellent financial planning. This is further supported by the finding by Mottola (2013), which suggested that groups with lower financial literacy encountered more financial problems, such as costly credit card behaviour and high amount of debt. These findings support the current finding that financial literacy plays a significant role in influencing the saving behaviour intention of the residents of Flat Bandar Baru Perda.

Apart from financial literacy, the subjective norm is the second in order of factors that affect the saving behaviour intention among low-income households. Subjective norm acting as one of the major factors determining the saving intention is aligned with studies that stated a strong influence of the variable towards financial behaviour intention. For instance, Choi and Park's (2020) findings suggested that family and peers played a large part in assuring one's behavioral intention. The third factor that is proven to affect the saving behaviour intention is the attitude towards saving, and the only variable that is non-significant to influence saving behaviour intention is perceived behavioural control.

Table 2. Summary of Regression Analysis

Variables	Std. Beta	P-value	Decision
Attitudes	0.199	0.016	Significant
Subjective norm	0.233	0.003	Significant
Perceived behaviour control	0.134	0.114	Non-significant
Financial literacy	0.278	0.001	Significant
R ²	0.471		
F-value	31.585		
P-value	0.000		

5.0 Conclusion and Recommendation

This study has scrutinized the influential determinants which impact the level of saving behaviour among low-income households in Malaysia. Finding indicate t the low-income households do save for the short term as they receive government assistance but at a low rate. The results revealed that financial literacy significantly influenced the saving behaviour intention of the low-income households of Flat Bandar Baru Perda, Teluk Kumbar, Penang. However, perceived behavioral control environmental was found to have insignificantly impacted saving behaviour intention. In a nutshell, this study shed light on the effectiveness of each of the identified factors in predicting saving behaviour among low-income households in Malaysia. Saving behaviour intention is crucial for individuals to practice better financial management and wiser financial decisions. This study, like all others, has its own set of study's limitations. The sample size of the current study is limited to 148 respondents from Flat Bandar Baru Perda only, and the result might differ for larger populations in other states. In addition, it is possible that the respondents may be biased and that the data is erroneous. This is due to the possibility that responders would provide a random response. Hence, a more sophisticated method should be employed in future studies. Furthermore, this study is based on few selected variables. So, more variables should be looked at, such as social values or norms or other social cultural aspects and other demographic factors that could affect saving behaviour. Therefore, a future study might gain new perspectives by exploring the effects of the mentioned factors. Despite the study's limitations, it is hoped that the results will provide information on the B40 group's intention to save and assist policymakers in developing policies and programs to inculcate saving behaviour among the group. Government policies should be designed to encourage savings because it influences economic development. Too many people requesting subsidies will make it difficult for the government to concentrate on the nation's economic growth.

Acknowledgments

The registration fee is funded by Geran Government 2022, Grant No: 100-TNCPI/GOV 16/6/2 (058/2022).

Paper Contribution to Related Field of Study

This paper may contribute to public sector economics and household savings, especially the vulnerable group in Malaysia.

References

- Ahmad, N. W., Yunus, M. M., Baharudin, N. A., Johari, N., & Ripain, N. (2015, May). Determinant of Saving Behavior among Staff in International Islamic University College Selangor. In International Conference on Economics and Banking (ice-15). Atlantis Press
- Byrne, B. (2006). Structural equation modeling with EQS: Basic concepts, applications, and programming. Mahwah, NJ: Erlbaum
- Brounen, D., Koedijk, K. G., & Pownall, R. A. (2016). Household financial planning and savings behavior. *Journal of International Money and Finance*, 69, 95-107.
- Celcer, S. (2020, October 29). World Savings Day: Gross household saving rate in Slovenia is higher than the euro area average for the third consecutive year. Retrieved from <https://www.stat.si/StatWeb/pr/News/Index/9111>
- Delafröoz, N., & Paim, L. (2015). Personal Saving Behavior among Malaysian Employees: Socio-Demographic Comparison Ministry of Women, Family, and Community Development, (2011). National Policy for Older Persons, 2011.
- Dharmarathna W.M.K.T. & Kumari D.A.T. (2021) Factors Affecting Young Customers' Saving Intention: An Integrative Review in Sri Lankan Context Asian J. Interdiscip. Res. 1 -14 Volume 4, Issue 2, Year 2021, DOI: 10.34256/ajir2121 https://www.researchgate.net/publication/350821540_Factors_Affecting_Young_Customers'_Saving_Intention_An_Integrative_Review_in_Sri_Lankan_Context
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). Multivariate Data Analysis (7th Edition). NJ: Prentice Hall.
- Hussein, K., Mohieldin, M., & Rostom, A. (2017). Savings, financial development, and economic growth in the Arab Republic of Egypt revisited. The World Bank
- Ismail, S., Khairuddin, N. S., Alias, N. E., Loon-Koe, W., & Othman, R. (2018). An Empirical Analysis of Saving Behavior among Malaysian Employees. *International Journal of Academic Research in business and Social Sciences*, 8(10), 1070–1080 https://www.researchgate.net/publication/334253650_An_Empirical_Analysis_of_Saving_Behavior_among_Malaysian_Employees [accessed May 27 2023].
- Ismail, S., Koe, W. L., Mahphoth, M. H., Karim, R. A., Yusof, N., & Ismail, S. (2020). Saving Behavior Determinants in Malaysia: An Empirical Investigation. *KnE Social Sciences*, 731-743.
- Kusairi, S., Sanusi, N. A., Muhamad, S., Shukri, M., & Zamri, N. (2019). Financial Households' Efficacy, Risk Preference, And Saving Behaviour: Lessons From Lower-Income Households In Malaysia. *Economics & Sociology*, 12(2), 301-318
- Mensahklo, E., Kornu, D. D., & Dom, B. (2017). An Empirical Analysis of the Determinants of Saving Behaviour by Households in Ho, Ghana: A Case Study of Ho Municipality, An Individual Level Analysis. Retrieved from <https://core.ac.uk/download/pdf/234647814.pdf>
- OECD (2021), Household savings (indicator). doi: 10.1787/cfc6f499-en (Accessed on 11 May 2021)
- Ringgit Plus. (2020). Malaysian Financial Literacy Survey 2020. Retrieved from <https://www.fenetwork.my/wp-content/uploads/2020/11/RinggitPlus-Financial-Literacy-Survey-Full-Report.pdf>
- Stuart. H. & Sherman D. H., (2015) Individual and Institutional Factors Related to Low-Income Household Saving Behavior. *Journal of Financial Counseling and Planning*, Vol. 26, No. 2, 2015, Available at SSRN: <https://ssrn.com/abstract=2589976>
- Tharanika K. & Andrew. A., (2017) Factors Influencing On Saving Behaviour Among University Students- With Special Reference to the Students of Faculty Of Commerce and Management, Eastern University, Sri Lanka International, *Journal of Research* Available at <https://edupediapublications.org/journals> Volume 04 Issue 14 November 2017
- The World Bank. (2019). Gross domestic savings (% of GDP) - Macao SAR, China. <https://data.worldbank.org>
- Ventura, L. (2021, January 25). Household Saving Rates 2021. Retrieved from <https://www.gfmag.com/global-data/economic-data/916lqg-household-saving-rates>
- Widjaja, I., Arifin, A., & Setini, M. (2020). The effects of financial literacy and subjective norms on saving behavior. *Management Science Letters*, 10(15), 3635-3642