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Personal Saving Behavior among Malaysian Employees: Socio Demographic Comparison

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Abstract—**The purpose of this study are to identify the relationships of selected demographic variables, (i.e., gender, ethnic, age, education, income and financial literacy) with saving behavior and to determine factors affecting saving behavior among Malaysian's employees. Results of the study indicated significant differences of financial behavior according to age, education, income and financial literacy. Furthermore financial literacy, income, and marital status were found to be the most influential predictors of saving behavior.**

Keywords-component; Saving Behavior, Financial Literacy, and Socio Demographic

I. INTRODUCTION

Although the personal saving rate declined over time, consumers expressed concerned about the adequacy of their savings. The Pew Research Center (2007) reported that 77% of Americans always try to save; however, 63% responded they do not save enough. In another study, Hurd and Zissimopoulos [1] reported that 73% of respondents saved too little within the past 20 to 30 years. Sixty-eight percent of workers evaluated their saving rate as too low [2].

Inadequate savings not only negatively affects financial management. Individuals are increasingly in charge of their own financial security after retirement. With the declining employment opportunities, income instability and eroded purchasing power of Malaysian households, workers have to decide not only how much to save for retirement but also how to allocate their pension wealth. As stated by Prawitz *et al*. [3], millions people struggle financially, and many of those near retirement lack the funds needed for a comfortable life. Nowadays economically life is tougher, workers face higher food prices, energy costs, and health care expenses. Deficient emergency savings increased anxiety among moderate- and low-income households [4]. This often leads to health problems, such as lack of sleep, especially among low-income households. How well-equipped are individuals to make saving decisions? Do they possess adequate financial literacy? Are they informed about the most important components of saving plans?

Experts also generally agree that financial knowledge appears to be directly correlated with financial behavior [5]. Moreover, demographic characteristics cannot be ignored in this research. Many empirical studies reported a relationship between demographic factors and savings.

II. LITRETURE REVIEW

A. *Financial Literacy Affecting Saving Behavior*

Financial illiteracy and lack of information affect the ability to save and to secure a comfortable retirement. Financial literacy will enhance the ability to handle day to day financial matters and will reduce the negative consequences of poor financial decisions that otherwise might take years to overcome. A number of individuals rely on the help of financial advisors, and ignorance about basic financial concepts can be linked to lack of retirement planning and lack of wealth. There is research that shows that many households are not preparing adequately for retirement and will have to cut back spending when they stop working. This situation is worrisome because, more than ever before, individuals are in charge of their own financial security after retirement.

B. *Demographic Factors Affecting Saving Behavior*

Demographic characteristics cannot be ignored in this research. Many empirical studies reported a relationship between demographic factors and savings. A positive relationship between age and saving has been reported in many studies [6]. Rha, Montalto, and Hanna [7] found that households with a college degree (or an advanced degree) were significantly less likely to save than otherwise similar households where the head had a high school diploma. Rha *et al.* [7] found that households with a White respondent were more likely to save than those with Black or Hispanic respondents. They also found that Black households were significantly less likely to save than White households. Household income or lifetime earnings are positively associated with increases in household savings [6, 7]. Perry and Morris [8] found that people with higher incomes were more likely to engage in responsible financial management behaviors, such as saving money. Homeowners are more likely to save than renters [7]. However, the effect of property value on savings has produced mixed results [6].

III. METHODOLOGY

A total of 2246 respondents, in which 1122 from public sectors and 1124 from private sectors participated in the study. Samples were selected using multistage sampling technique. Instrument for the study was adopted from an instrument developed by Joo and Garman in 1998. Data was coded and analyzed using SPSS. Nineteen questions on saving behavior were asked with scale from one to three concerning for example plan on traveling, reduce eating, reduce frequency of going to the shop, but under promotion, reduce expenses, buy low cost food, recycle product, saving on water and electricity. A saving behavior score was computed by summing the average scores for all nineteen statements. Financial literacy was measured with "True" and "False" choices on 16 questions concerning time value for money, financial records, credit, savings, investment, insurance, retirement, wills, and general knowledge on personal finance. Analysis to the test for differences in saving behavior included T-tests and ANOVA for demographic characteristics and financial literacy (see Table 1). Multiple regressions were obtained to determine which predictors had significant effects on saving behavior (see Table 2).

IV. RESULT

A. *Descriptive of demographic Characteristics, financial literacy and saving behavior*

Of the 2000 employees analyzed in the survey, 50.0% were male and 50.0% were female. Majority of the respondents were Malay (93.0%). The mean age was 32 years old with a standard deviation of 8.9 years. Majority of the respondents had their own house (64.0%). The mean monthly income of the respondents was MYR 2,400.00 (US$727.00). The average score for saving behavior was 44.95 in the range between 21 and 136. Generally, more than half of the respondents had a lower level of saving behavior. Possible total scores for financial literacy ranged from as low as zero to as high as twenty. The average score was 11.75, with standard deviation of 3.68. Most of the respondents had a lower level of financial literacy.

B. *RESULT of t-test and ANOVA*

Table 1 shows age greater than 40 years old, those who had high school, those family incomes less than MYR 5,000.00 ($635.24), and had lowest financial literacy were associated with greater saving behavior.

TABLE I. SUMMARY OF T-TEST AND ANOVA

Variables	Saving Behavior
Gender	t= -1.66 ,df= 2242, p=.09
Ethnicity	F=1.184, p=.314
Age	>40 years old, mean=41.82, F=3.36, df= 3, p=.018
Education Level	High School, mean=42.47, F=2.519, df=9, p=.007
Income	<MYR 5000, mean=41.87, F=3.48, df=4, p=.008
Financial Literacy	low, mean= , t=4.46, df=2242 p=.000

Note: **1USD=MYR3.15, **Highest mean are shown (for comparison)*

C. *Multiple Regression Results*

As result of Multi Regression in Table 2 showed significant predictors of saving behavior were marital status, income, and financial literacy, and financial literacy was the most influential predictor for saving behavior.

TABLE II. REGRESSION RESULTS FOR SAVING BEHAVIOR

Variables	Saving Behavior
Gender	.029
Marital Status	-.021
Ethnicity	.012
Age	-.041
Education	-.017
Income	.053*
Homeowner	-.028
Family size	.018
Financial literacy	-.121***
R^2 Adjusted R^2 F value	.36 .22 11.040***

Note: **P<.05, **P<.01, ***P<.001*

V. CONCLUSION AND IMPLICATION

Financial literacy was found to play an important role in explaining attitudes toward saving. Even after accounting for many demographic characteristics, including education, marital status, family size, income, race, and sex. Table 2 shows that financial literacy continues to be an important determinant of planning. Recognizing that individuals possess low financial literacy and do not plan for retirement brings inevitably to the issue of mistakes. It may be important to target these groups and devise programs that are better tailored to their needs and barriers to saving. There is some evidence that existing targeted programs have had some success in increasing saving among the poor [9]. Further, household income has a positive effect on the probability of saving. Households should also be educated to identify saving rules that are appropriate for their situation, such as saving a certain portion of a second earner's income or a certain amount of household income to achieve certain saving goals. Personal involvement in identifying and implementing saving rules increases the likelihood that saving rules will be realistic and successful in increasing household saving.

Findings from this research have important implication with respect to the need for workplace financial education. Further research could focus on the components of financial literacy and determine which are the most and least critical to saving. More extensive research examining broader population and also different workplace is needed to generalize the results of this study.

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