

## Determinants of saving behavior among under graduate and post graduate students of management stream

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### Abstract

The main purpose of this study is to explore the influencing factors of saving behavior among under and post graduate students of management stream in Butwal city. The types of data use is primary data which is obtained directly and specifically from university student through questionnaire survey. The data obtained were analyzed using SPSS which involves scale reliability, descriptive, Pearson Correlation Coefficient and multiple regression analysis. The quantitative method is adapted to this research. The purpose of quantitative methods is to provide a summary of data to support the generalization of research phenomena. There are only 1 dependent variable (saving behavior) and 4 independent variables (Financial literacy, Parent influence, Peer influence, Self control). Results of this study suggest that financial literacy have the strong effects on saving behavior and it has a significant relationship. However, the result suggest that peer influence, parent influence, self control has the negative significant relationship on saving behavior.

**Keywords:** Saving behavior, financial literacy, parent influence, peer influence, self control

### Introduction

It begins with the background of study and some general terms are provided and discussed. Then, the problem statement and the research objectives are defined, research questions are raised, and the significance of the research is discussed.

### Background of the Study

Savings behavior is a key need for people to acquire and practice good financial skills in their lives so that they can solve possible future spending decisions on their own. Saving is the most common way for people to manage their wealth. According to Katona (1974), the simplest definition of saving is reserving a portion of income for future use, thus can create lasting wealth. Generally speaking, the economic activities are manifested in a circular path of “Investment—Factor distribution—Formation of sector income—Consumption—Saving”, which indicates that saving is the final manifestation of surplus in an economic cycle (Qin, 2020).

Over the past decades, saving plays an important role in the process of economic growth and development. Logically, saving encourages investment that triggers the economic growth of one country. According to Harrod (1939)<sup>[8]</sup> and Domar (1946), the speed of economic growth is determined by the ability to save because high savings rate will drive up the rate of investment and consequently stimulate economic growth. Savings can help people protect themselves against risks so they don't get overwhelmed. In addition, having saving is more likely to help people achieve a better life whether now or in the future (Wright, 2020).

At present, most of the researches about influence factors of saving behavior are based on the macro level. Following are some macro determinants examples: income level, interest rate level, juvenile dependency ratio, old dependency ratio, inflation level and so on (Xu, 2020; Qin, 2020). Otto (2009) declared that adolescent saving behavior, such as targeting university students, has been an area of neglect. Young

people represent the future, while college students' saving behaviors are more influenced by micro factors, such as financial literacy, parent influence, peer influence and self control.

### Specific objectives

1. To examine the relationship between financial literacy and saving behavior among the under and post graduate students of management stream.
2. To analyze the relationship between parent influence and saving behavior among the under and post graduate students of management stream.
3. To investigate the relationship between peer influence and saving behavior among the under and post graduate students of management stream.
4. To determine the relationship of self-control and saving behavior among the the under and post graduate students of management stream.

### Specific Research Questions

1. Does financial literacy affects saving behavior of under and post graduate students of management stream?
2. Does parent influence affects saving behavior of under and post graduate students of management stream?
3. Does peer influence affects saving behavior of under and post graduate students of management stream?
4. Does self-control affects saving behavior of under and post graduate students of management stream?

### Significance of the Study

The main purpose of this study is to explore the influencing factors of saving behavior among under graduate and post graduate students of management stream. It also contribute to solving current saving problems from university students personal level, family level, society, and national level.

From the aspect of university students, this research can help them to know what factors influence their saving

behavior, which aspect of their lack. In this way, it is helpful for university students to cultivate their saving consciousness and form proper concepts of consumption and values. From the family perspectives, this study could help parents better understand the factors that influence their children's saving behavior, so they can develop strategies to educate and monitor them. As for the society and national aspects, young people often represent the future. Only when the young generation grows up healthily and has good values, can the society and the country develop better. This research can help universities and educators to design some programs and finance courses to help students manage their money, in order to avoid being in a personal debt dilemma. And as for some financial institutions, they can make more suitable marketing strategies aiming at young adults (Lim *et al.*, 2019).

## **Literature Review**

The definitions of terms are explained and the relationships between every independent variable and dependent variable are disclosed by reviewing published literatures. In addition, it also includes, hypotheses, conceptual framework.

### **1. Review of the Literature**

#### **1.1 Dependent Variable – Saving Behavior**

The term "saving" has a wide range of applications and multiple definitions. Savings are referred to as the remaining income in economic situations following the deduction of current consumption during a specific time period (Walteryd, 1999; Browning & Lusardi, 1996). In contrast, investing in psychological context, the act of refraining from purchasing something to be used in the upcoming period (Warneryd, 1999). In addition in other words, saving activity combines perceptions of future needs, both a saving choice and a saving move. On the other hand, individuals are probably investing, funding a bank account and speculating are some examples of how to define saving as well as mortgage repayment (Warneryd, 1999).

#### **1.2 1st Independent Variable – Financial Literacy**

Financial literacy is the ability to manage one's finances effectively information and vocabulary for effective personal financial management (Garman & Forgue, 1997). Financial literacy, according to Anthes (2004), is the capacity to read, assess, organise, and share personal information financial circumstances that have an impact on material well-being. Additionally, Sabri and MacDonald's (2010) study shows that financial literacy significantly and favourably affected college students' saving habits. 350 students randomly chosen from each of the targeted universities were given questionnaires. They had 3850 students from 11 universities in Malaysia. The findings of this study imply that individuals who are more knowledgeable about personal finance have a tendency to save money in a productive way.

#### **1.3 2nd Independent Variable – Parent influence**

In a prior study, Webley and Nyhus (2005) looked at the idea of how parental behavior affects how their kids behave financially. The findings demonstrate that parental behaviors and orientation have a modest but discernible

influence on their offspring's and adult offspring's economic behavior. The study involved 690 Dutch participants from the Netherlands, including 191 spouses, 191 wives, and 308 kids between the ages of 16 and 21. The DNB Household Survey (DHS), which contains thorough data on financial behavior and numerous psychological concepts of the parents and kids, was used in this study.

There is empirical support, according to Otto (2009), that parents can help their kids develop abilities that are crucial for saving. The goal of the study is to examine how parents affect their kids' competency and ability to save money when they enter adolescence. In total, 446 students from Devon, England, between the ages of 13 and 14, were used in this study. The kids received a questionnaire about money management during a regular school class.

#### **1.4 3rd Independent Variable - Peer Influence**

Erskine, Kier, Leung, and Sproule (2005) conducted a study to look into other determinants for young people's saving activity. A total of 1806 young Canadians between the ages of 12 and 24 took part in the survey, which was performed in Toronto, Canada. The groups would be more patient and more likely to save money if they are placed high on the adult or academic-oriented dimension, while the groups that are placed high on the peer-oriented dimension were expected to be less patient and less likely to save money, according to the economic theory of time preference and psychological theories about adolescent crowds. As a result, the finding suggests that peer pressure affects people's saving habits.

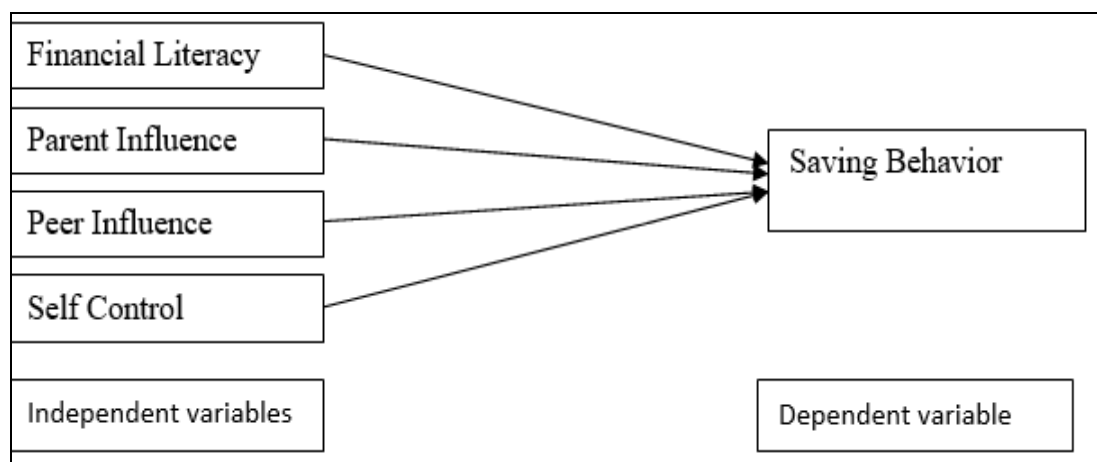
Peer effects are significant factors in retirement savings decisions, according to Duflo and Saez's study from 2001. A large institution in the United States with 12,172 personnel separated into 358 departments was used for the survey's individual data sources. The study's goal was to investigate the interplay between social interaction and the decision to choose a retirement plan. These results revealed that group members interact in a similar setting, which might have an impact on their behaviors. People that share similar preferences are more likely to be grouped together. These two variables cause a link between individual and group conduct, which in turn influences people's saving habits.

#### **1.5 4th Independent Variable - Self-control**

Esenvalde's (2010) research has offered empirical proof that self-control was positively related to saving behavior. According to the author, self-control is a very consistent and reliable component used to explain saving conduct. In this study, the snowball sampling method was used, and survey forms were mailed to the intended respondents. 272 American workers with regular earnings provided the primary source of the data.

Self-control has a significant impact on saving behavior, according to Lim, Sia, and Gan (2011). In this study, conducted in Malaysia with 500 survey participants over the age of 21, the researchers found that an individual's ability to maintain self-control for saving depends on the strength of two opposing forces known as desire and willpower. The results show that people are more likely to save if they feel like they have control over their spending.

## 2. Conceptual Framework



**H1:** There is a significant relationship between financial literacy and saving behavior of under graduate and post graduate students of management stream.

**H2:** There is a significant relationship between parent influence and saving behavior of under graduate and post graduate students of management stream.

**H3:** There is a significant relationship between peer influence and saving behavior of under graduate and post graduate students of management stream.

**H4:** There is a significant relationship between self-control and saving behavior of under graduate and post graduate students of management stream.

### Research methodology

It aims to highlight the design and methodology used to obtain required data. It explains thoroughly about the research design, data collection methods, sampling design, research instrument, data processing and methods of data analysis.

### 1. Research Design

#### 1.1 Exploratory Research

This research is classified as an exploratory research. Because there is no clearly defined of influence factors of saving behavior of university students of Nepal. In addition, compared with other types, exploratory research methods are more flexible.

#### 1.2 Quantitative Method

The quantitative method is adapted to this research. The purpose of quantitative methods is to provide a summary of data to support the generalization of research phenomena. In order to do this, quantitative research usually involves fewer variables and more cases, and prescriptive procedures are used to ensure validity and reliability. There are only 1 dependent variable (saving behavior) and 4 independent variables (Financial literacy, Parent influence, Peer influence, Self control).

### 2. Population and Sample Size

The population for this study constitutes individuals from age 18 to above 25 who are studying in under and post

graduate level in management stream. The population for this study is known. So, the sample size for the study included 635 students. The study used quota and convenience sampling techniques to determine the sample. A structured questionnaire was distributed among the respondents.

### 3. Nature and Sources of data

The information was collected by using primary method of data collection. Structured questionnaire was distributed for collecting the required information which include saving behavior, financial literacy, parent influence, peer influence and self control. The study mainly uses Likert scale measurement for all the variables constructed in the proposed theoretical framework. The primary data of this research comes from questionnaire. This questionnaire has 2 main section, section A aims at collecting the demographic data, and section B focuses on the influence of each variable.

### 4. Proposed Data Analysis

#### 4.1 Descriptive Analysis

Describing, displaying, or summarizing data in a meaningful way is a simple explanation of descriptive analysis. Researchers can convert data summaries into charts through graphical processing of data, so as to have a more intuitive understanding of the distribution of data. And they can also analyze the data, such as mean, median, mode, standard deviation and variance, to understand the concentration and dispersion of observations within each variable (Saunders, Lewis & Thorn hill, 2009).

#### 4.2 Reliability Analysis

To ensure that the measurement is not biased so as to gain a consistent result, in reliability test, the Cronbach Alpha Coefficient need to be found and compared with standard. Following table shows the relationships between Cronbach Alpha Coefficient and strength of association:

Alpha Coefficient Range	Strength of Association
Less than 0.60	Poor
0.60 to less than 0.70	Moderate
0.70 to less than 0.80	Good
0.80 to less than 0.90	Very good
0.90 and above	Excellent

### 4.3 Inferential Analysis

How to infer popular quantitative characteristics from sample data is what inferential analysis does. In this study, inferential analysis is needed to test if the hypotheses are valid. Correlation and regression analysis are two common methods which fall into the category of inferential analysis (Saunders *et al.*, 2009).

### 4. Data analysis

The software used in this research is SPSS 25.0. There are 4 methods are used to analyse, descriptive analysis, reliability analysis, correlation analysis and multiple regression analysis.

#### 1. Descriptive analysis

##### 1.1 Respondent Demographic Profile

Table 1

Gender Group	N	Percent	Cumulative Percent
Male	260	44.9	40.9
Female	375	59.1	100
Age Group			
18 and below	0	0	0
19-21	61	9.6	9.6
22-24	286	45	54.6
25 and above	288	45.4	100
Marital status			
Single	348	54.8	54.8
Married	287	45.2	100
Major study			
MBA	68	10.7	10.7
MBS	181	28.5	39.2
BBA	141	22.2	61.4
BBM	91	14.3	75.7
BBS	154	24.3	100
Pocket money			
0 to Rs. 200	29	4.6	4.6
Rs.201toRs. 500	93	14.6	19.2
Rs.501 toRs.800	114	18	37.2
Rs.801toRs.1000	185	29.1	66.3
MorethanRs.1000	214	33.7	100
Part time job			
Yes	207	32.6	32.6
No	428	67.4	100

Note: N refers to number of respondents

### Central Tendencies Measurement of Constructs

Table 2

Items	Mean	Std. Deviation	Minimum	Maximum
FL1	5.12	1.768	1	7
FL2	5.07	1.634	1	7
FL3	4.69	1.799	1	7
FL4	5.02	1.565	1	7
FL5	4.75	1.779	1	7
FL6	5.03	1.736	1	7
Prnt1	2.85	1.74	1	7
Prnt2	2.86	1.6	1	7
Prnt3	3.29	1.79	1	7
Prnt4	2.89	1.53	1	7
Prnt5	3.21	1.78	1	7
PI1	3.37	1.97	1	7
PI2	3.75	1.94	1	7
PI3	3.68	2.04	1	7
PI4	4.09	1.94	1	7
PI5	3.82	1.99	1	7
SC1	4.43	1.93	1	7
SC2	4.84	1.85	1	7
SC3	4.31	1.86	1	7
SC4	4.19	1.97	1	7
SC5	3.37	1.97	1	7
SC6	3.2	2.1	1	7
SB1	5.63	1.45	1	7
SB2	5.11	1.71	1	7

SB3	5.05	1.77	1	7
SB4	5.11	1.83	1	7
SB5	5.58	1.47	1	7
SB6	4.77	1.69	1	7

Table 2 shows the items for Financial literacy (FL), Parent influence (Prnt), Peer influence (PI), Self control (SC) and saving behavior (S). Questions are asked on 7-point Likert scale. From strongly disagree (1) to strongly agree (7), the higher the marks, the higher the financial literacy of the interviewees, and vice versa. The means of financial literacy are in the range of 4.69-5.12, FL1 has the highest mean while FL3 is the lowest. For standard deviation, FL3 has the highest score of 1.799; while 1.565 is the lowest value scored by FL4. Therefore, FL3 has the highest degree of dispersion as compared to others. The means of parent influence fall in the range of 2.85-3.29. Prnt3 and Prnt5 has the highest mean while Prnt1 has the lowest mean. In terms of standard deviation, Prnt3 has the highest score of 1.79; whereas 1.53 is the lowest value scored by Prnt4. Therefore, Prnt3 has the highest degree of dispersion compared to others. The range of peer influence's mean is from 3.37 to 4.09. PI4 is the highest on 4.09 while PI1 has the lowest mean on 3.37. About standard deviation, PI3 has the highest value of 2.04; whereas 1.94 is the lowest value scored by PI2 and PI4. Therefore, PI3 has the highest degree of

dispersion compared to others. The range of self control's mean is from 3.20 to 4.84. SC2 is the highest on 4.84 while SC6 has the lowest mean on 3.20. About standard deviation, SC6 has the highest value of 2.10 whereas 1.85 is the lowest value scored by SC2 and SC3. Therefore, SC6 has the highest degree of dispersion compared to others. The scope of saving behavior's mean is from 4.77 to 5.63. SB1 is the highest while SB6 is the lowest. Regarding of standard deviation, SB4 has the highest value of 1.83; whereas 1.45 is the lowest value scored by SB1. Therefore, SB4 has the highest degree of dispersion compared to others.

### Reliability Analysis

Cronach's coefficient is the tool to test reliability. If Cronbach's alpha is below 0.6, the questionnaire should be repared, more than 0.6 is acceptable and the higher alpha indicates the more reliable. As Table 7 shows, all variables' Cronbach's alphas are more than 0.9, and one of them is more than 0.8. Therefore, the constructions of measurements are regarded as reliable, and no item need to be excluded.

**Table 3: Summary of Reliability Statistics**

Construct	Cronbach's Alpha	Number of Items
Financialliteracy	0.908	6
Parentinfluence	0.868	5
Peerinfluence	0.924	5
Selfcontrol	0.907	6
Savingbehaviour	0.908	6

### Pearson Correlation Analysis

**Table 4: Summary of Pearson Correlation Analysis**

		Savingbehaviour
Financialliteracy	Pearson Correlation	.588**
	Sig. (2-tailed)	0.000
Parentinfluence	Pearson Correlation	-.638**
	Sig. (2-tailed)	0.000
Peerinfluence	Pearson Correlation	-.372**
	Sig. (2-tailed)	0.000
Selfcontrol	Pearson Correlation	-.305**
	Sig. (2-tailed)	0.000
Savingbehavior	Pearson Correlation	1
	Sig. (2-tailed)	

\*\*, Correlation is significant at the 0.01 level (2-tailed).

Table 4 shows the Pearson correlation analysis results. Here all the independent variables are significant. Hence, Financial Literacy has a positive and significant relationship with saving behavior. While, Parent Influence, Peer Influence and Self Control has a negative and significant relationship with Saving Behavior. Therefore, in these 4 independent variables, the Financial Literacy has the strongest relationship with saving behavior ( $r=0.588$ ) while other independent variables has the weakest one. Additionally, all hypotheses could be accepted due to all p-values of this study are less than 0.05 even 0.01, which

indicates that relationships are significant at the 0.01 level and 0.05 level.

Table 5 shows the Pearson correlation analysis results. All independent variables have significant relationships with saving behavior. Therefore, in these 4 independent variables, the Financial Literay has the strongest relationship with saving behavior while other independent variables has the weakest one. Additionally, all hypotheses could be accepted due to all p-values of this study are less than 0.05 even 0.01, which indicates that relationships are significant at the 0.01 level and 0.05 level.



**Table 5:** Summary of Pearson Correlation Analysis

	Financialliteracy	Parentinfluence	Peerinfluence	Selfcontrol	Savingbehaviour
Financialliteracy	1				
Parentinfluence	-.843**	1			
Peerinfluence	-.320**	.320**	1		
Selfcontrol	-.344**	.322**	.854**	1	
Savingbehavior	.588**	-.638**	-.372*	-.305**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## Multiple Regression Analysis

**Table 6:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.672	.452	.449	1.02340
a. Predictors: (Constant), Selfcontrol, Parentinfluence, Financialliteracy, Peerinfluence				
b. Dependent Variable: Savingbehaviour				

Table 6, Model summary shows the relationship between the model and saving behavior. R indicates that there is a 0.672 strength linear relationship between the observational and model-forecasted values of the saving behavior. R<sup>2</sup> for

this model is 0.452 which indicates 45.2% of the variation in dependent variable can be explained by independent variables.

**Table 7:** Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	544.538	4	136.135	129.980	0.000
Residual	659.829	630	1.047		
Total	1204.367	634			

a. Dependent Variable: Savingbehaviour

b. Predictors: (Constant), Selfcontrol, Parentinfluence, Financialliteracy, Peerinfluence

Table 7, The ANOVA table shows the acceptability of the model from a statistical perspective. The row of Regression interprets information about the variation constituted by this model, and the Residual row shows it that is not constituted by this model. Therefore, there is 45.2% [(544.538/1204.367) \* 100%=45.2%] variation in proportion of influenced saving behavior can be interpreted by this

model, which is as same as the R Square's meaning. the F-value of 129.980 is significant at the 0.01 level. This indicates that the overall regression model with these four independent variables (financial literacy, parent influence, peer influence and self control) can well explain the variation of the dependent variable (Saving behavior).

**Table 8:** Summary of Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.182	0.438		14.127	0.000
	Financialliteracy	0.155	0.054	0.160	2.893	0.004
	Parentinfluence	-0.458	0.055	-0.456	-8.272	0.000
	Peerinfluence	-0.210	0.037	-0.321	-5.640	0.000
	Selfcontrol	0.146	0.049	0.171	2.991	0.003

a. Dependent Variable: Savingbehaviour

An equation is formed based on Table 8 to determine the statistical significance of each independent variable on the dependent variable.

The table shows that Financial Literacy and Self Control have significant positive relationship with saving behavior, ( $p < 0.05$ ). While Parent Influence and Peer Influence have a negative significant with saving behavior. According to the results, Self Control ( $\beta = 0.171$ ) has the greatest impact on saving behavior. This can be explained as every unit increase in Self Control will result an increase of 0.171 units in saving behavior, holding other variables constant. Subsequently, Financial Literacy ( $\beta = 0.160$ ) has the second strongest impact. In contrast, peer influence ( $\beta = -0.321$ ) has the most negative significant impact on saving behavior

## Conclusion

### 1. Overview of the Study

Generally speaking, the goals of this study are to examine Nepalese savers' behaviors. university students at the micro level and to identify the variables, such as financial literacy, parental impact, peer influence, and self-control, that affect their saving activity. The general research, too the issue is: What are the elements that affect university students saving behavior in Nepal? As a result, 1 dependent variable and 4 independent variables are established after examining pertinent literature. In addition, four hypotheses are proposed, presuming that saving behavior and four independent factors (financial literacy, parental influence, peer influence, and self-control) are related. Students at universities are the intended audience for this study. This study employs primary data obtained via a questionnaire for

data collecting. Non-probability sampling technique is employed in this study as the population characteristics may be accurately estimated using it. Using the quota and convenience sampling approach, all questionnaires are delivered directly and particularly to university students since it is the easiest non-probability sampling methodology.

## 2. Conclusion

The purpose of this study is to investigate the issue with respect to the factors that affecting the saving behavior. For the purpose, this study is aimed at identifying factors that contribute on saving behavior. Results of this study suggest that financial literacy and self control has the strong effects on saving behavior, followed however, the result suggest that peer influence and parent influence has the weak effect on saving behavior. Financial Literacy is viewed as important and the most influential factor in the formation of saving behavior towards the students. Therefore, every individuals should know about the knowledge of finance and money so, that they can utilize there funds in well productive sectors.

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