

# Students' Saving Attitude: Does Parents' Background Matter?

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**Abstract**—Parents play important roles in educating their child to behave appropriately in all aspects of life including financial management. The aim of this paper is to identify the influence of parents' background on savings attitude among students in a Malaysian local university. The findings of the research provide useful information to parents as well as public on the importance of early financial planning exposure toward teenagers, in encouraging savings habit. 2146 questionnaires were distributed among USIM students came from various family background. Apart from bar charts, further analysis is conducted using cross tabulation. The results showed that the higher the levels of education background of parents, the lower the tendency for students to put aside their money for savings. Similarly, the higher the amount of respondents' household income, the lower is the tendency for students to put aside their money for savings. It seemed that higher level of parents' education background and higher household income does not contribute more effort for students in fund savings.

**Index Terms**—Cash management, financial planning, parents, students, students saving, university.

## I. INTRODUCTION

Malaysian Department of Insolvency had reported a total of 224,943 individual bankruptcy cases from 1990 to 2010 and this number keeps increasing from year to year. This is not a good sign for a developing country such as Malaysia, since it might adversely affects the economic performance of the country in the long term. Poor financial planning has been identified as the main contributor to this problem. Early exposure to financial planning is important for the younger generation because they have various obligations such as paying back the loans used to finance their university education even before they graduated.

Financial planning is an important aspect of our daily life involving cash flow and liability management. Some of the most important aspects include the maintenance and enhancement of personal cash flows through a multiplicity of channels including debt control and maintenance of lifestyle. Islam encourages the ummah to have proper financial planning. In the Holy Quranic verse 12:43-49, the God Almighty (*Allah*) says in this regard where Yusuf said: "You shall sow for seven years continuously, then what you reap leave it in its ear except a little of which you eat. Then there shall come after that seven years of hardship which shall eat away all that you have beforehand laid up in store for them, except a little of what you shall have preserved. Then there

will come after that a year in which people shall have rain and in which they shall press (grapes)" [1]. The lesson from this verse is not only to encourage Muslims to work hard in all their undertakings, save wisely and consume smartly without being lavish and wasteful but also, they are encouraged to have investment for future undertakings.

It is also an Islamic teaching to plan for future endeavors and to balance the pros and cons before embarking on them. Islam, in fact, discourages doing things at random. The Prophet pubh set excellent examples that showed the importance of planning before taking any action. This was obvious in the plan He puts in place for migrating from Makkah to Madinah, in His interest in the conflict between the two superpowers (Persia and Byzantium), in His sending messengers to the rulers of the world to call them to Islam, etc. This shows clearly that the Prophet with all the confidence He placed in the Almighty, was aware of the importance of systemized planning for future steps.

TABLE I: NUMBER OF BANKRUPTCY CASES

Year	No of Bankruptcy Cases	Percentage of increment (%)
2005	15,868	-
2006	13,590	-14.36
2007	13,238	-2.60
2008	13,855	+4.67
2009	16,228	+17.13
2010	18,119	+11.65
2011	17,650	-2.59

"*Failure to plan means you are planning to fail.*" It will not only affect the individual person per se, but generally, it will also affect the whole economic system. Table I shows the statistics from Bank Negara Malaysia (BNM) indicating bankruptcy cases keep increasing year after year. The statistics in 2006 and 2007 showing good improvement since the number of bankruptcy cases had decreased. However, for the next consecutive years (2008 to 2010) the number of cases increased reaching a peak by increment of 17.13% in 2009. Government efforts in educating public towards financial literacy show good result whereby in 2011 the number of cases slightly drops by 2.59% reaching 17,650 cases.

Almost 20% of the cases arose due to mismanagement of credit cards. The arrears on credit card debts reached RM 20 billion in 2006 and RM 21.6 billion in 2007. In the first three months of year 2009, statistics showed the amount increasing to RM 24.4 billion. In an October 2008 report, it was shown that 40% of about five million credit card holders had failed to settle their debt amounting RM 18.6 billion. This is a serious phenomenon as the number may increase any time if

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no drastic action is taken at an early stage. The report also disclose that 8% of 2005 cases were recorded among users aged 30 years old and below, which represent the group with high rate of financial debt and credit card use [2]. This age group is prone to financial difficulties and dissatisfaction [3].

All these figures came out because most of the credit card holders do not have proper financial planning. Early exposure to effective financial planning is important as university students nowadays will be burdened with education loans and personal loan when they graduate. The knowledge and skills can be gained through their university courses and training, or by observing how their parents deal with financial issues. Regardless of their degree or family background, students usually have limited experience in handling their own money. As early as 18 years old, students face challenging environment when they enter a university. They must know how to manage cash especially for students who rely on their parents to manage their money during the school years. They may fail to budget their expenditure due to inadequate understanding of unexpected expenses.

Students should learn to live within their means. Expensive electronics, going out with friends and eating out multiple times a week are likely going to become a thing of the past. They have to meet all financial obligations before they start to spend on frivolous items that are not necessary for survival. Life in university is probably going to be a time of their life when very little money is earned. Thus, it is advisable better to prepare for some sacrifices. Debt must be avoided whenever possible, as it can quickly become overwhelming. Keep some savings on hand for emergencies for uncertain incidents and needs are absolutely important for survival in the university.

## II. LITERATURE REVIEW

Several studies have been done to relate financial literacy with financial behavior of college students. However, only few studies specifically analyzed the relationship between cash management and college students, focusing on parent's influence [4].

The term "cash management" means putting our money into a current or savings account. It means how we manage our cash and other liquid assets to meet our personal financial goals. Good cash management is important because it will help us earn more income to achieve our personal goal using our liquid assets. Cash management is one of the most important aspects of financial management [5] because it can significantly predict financial problem and financial satisfaction [6], [7]. Researches on cash management knowledge reveal that teenagers have limited knowledge about finances [8], [9]. Even if they have the knowledge, they are not practicing what they know [10]. Budgeting is the missing element in their financial management skill. As a result, most college students failed to budget effectively because they spent more than they earned [11].

Study on Swedish students saving behaviour shows that female students have a more positive attitude towards saving and are slightly more motivated to save while male have more positive attitude towards stocks [12]. In other words,

female are more risk averse than male. Younger people should have a bigger proportion of their savings in riskier assets such as stocks [13]. They have long saving horizons and many years of steady income to cover any potential losses. Income is not the only determinant of students' saving and consumption. They save because their parents want them to save or because of a reward or for a sense of pride [12]. Whereas their consumptions are mainly affected by how much their family, neighbours and friends consume [13]. Nowadays, the spending potential of most youngsters is driven by their desires rather than economic needs [14]. They spent almost 82% of their income on entertainment, clothing, cosmetics and transportation [15]. They only imitate their parents when it comes to buying personal clothing, toiletry articles, transportation, insurance policies, appliances and food [16]. This shows that they have different attitude compared to their parents.

The learning process is actually generated through daily exposure and proper communication and discussion between family members [17] followed by trial and error. Parents believe that the training should start as early as nine years old by giving them allowances [18]. Students that come from families which discuss financial issues [19] and providing more financial advices [20] have better money management skills. They only discuss the financial matters with families and not with close friends. Study on Malaysian students supports that parents and family have greatest impact on students' financial management [21] and savings [22] attitude.

Malaysian Government has intensively emphasized the need to equip Malaysian with ample financial knowledge and skills in order to make sound financial decisions. Bank Negara Malaysia (BNM) has embarked on the following approaches to enhance the financial capabilities:

- Developing and disseminating educational materials on financial products and services through booklets and websites;
- Promoting financial education to students in collaboration with the Ministry of Education and financial institutions; and
- Conducting financial educational outreach programme to various target groups, including university students, through strategic partnership with other organizations.

In April 2006, BNM set up an agency, Credit Counseling and Debt Management Agency, or commonly known as "Agensi Kaunseling dan Pengurusan Kredit" (AKPK), to help individuals take control of their financial situation and gain peace of mind that comes from the wise use of credit. AKPK adopted an approach to educate the public by providing three services which are: Financial Education, Counseling and Debt Management Programme (DMP).

Apart from AKPK, another agency that also organized training program for Malaysian in need is the Securities Industry Development Corporation (SIDC), which was established in 1994 then later incorporated in March 2007. SIDC is the leading capital markets education, training and information resource provider in ASEAN. SIDC flagship programme is *Bijak Mengurus Wang* or B.M.W., where

participants learn the importance of financial planning and wise investing, S.M.A.R.T. technique for managing money effectively, reasons for investing and how to invest wisely and identifying characteristics of illegal investment scams and how to avoid them. These financial literacy programmes are divided into different stages to cater for different categories of people such as for children, students and working adults. Cash@Campus programme caters specifically for university students on campuses across the country. SIDC conduct seminars to provide them with the foundation in financial planning and investing to set them on the path towards the financial future they desire [23].

### III. METHODOLOGY

Initially, to understand the behaviour of respondents, descriptive analyses were conducted and presented using tables and graphical methods, such as bar charts. Further analysis is conducted using crosstabulation. It shows whether one category is related to the other category(s) (which can be obtained by observing the p-value). The research was conducted by giving out 2146 questionnaires to students from six faculties ranging from business and non-business programs at USIM namely, Faculty of Economics and Muamalat (FEM), Faculty of Science and Technology (FST), Faculty of Leadership and Management (FKP), Faculty of Quranic and Sunnah Studies (FPQS), Faculty of Shari'ah and Law (FSU) and Faculty of Major Language Studies (FPBU).

The process of data collection took almost three months, due to the process of getting responses from the students. The data were collected through self-administered questionnaires distributed by hand to students at USIM. The structured questionnaire was divided into three main sections. Section A was on demographic profile of the respondents whom consists of USIM students. This section asked for background information of the respondents, which include personal items such as sex, age, academic qualification prior to USIM enrolment, faculty, hostel type, marital status and hometown. Section B concerned on the budgeting knowledge and related questions on the practice. Meanwhile, Section C queried on saving habits of the respondents.

### IV. RESULTS AND DISCUSSION

#### A. Section A: Demographic Profile

TABLE II: SUMMARY OF SAMPLE SELECTION

Faculties	Sex		Sample size	Percentage (%)
	Male	Female		
FEM	69	416	485	24
FST	75	263	338	17
FKP	116	222	338	17
FSU	82	245	336	16
FPQS	101	213	314	15
FPBU	45	181	226	11
Total	488	1549	2037	100

A total of 2146 questionnaires distributed, 2037 of them were usable (completed), yielding a response rate of 95%. TABLE II summarizes the number of questionnaires and its

distribution among female and male respondents from six faculties; FEM, FST, FKP, FPQS, FSU and FPBU.

Fig. 1 shows the entry background of the respondents. A total of 2037 respondents participated in this study. Nearly half (49.7%) of the respondents obtained Sijil Tinggi Agama Malaysia (Malaysia Higher Certificate of Religious Education) or STAM before entering USIM followed by Tamhidi/USIM matriculation (20.8%), MoHE matriculation (16.4%), Diploma (7.8%) and finally Sijil Tinggi Pelajaran Malaysia (Malaysia Higher Certificate of Education) or STPM (4%).

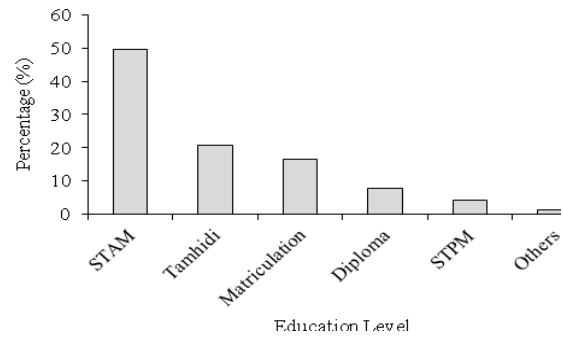


Fig. 1. Respondents' education entrance background

TABLE III: STUDENTS' INCOME

Items	Descriptions	Percentage (%)
Main source of income	Education loan	74.7
	Scholarship	12.9
	Parents	10.6
	Saving	0.7
	Others	1.1
Amount received every semester	Less than RM2001	13.2
	RM2001-RM3000	26.3
	RM3001-RM3500	46.5
	More than RM3500	14.0

TABLE III represents the main source of respondents' income and amount received in every semester since they registered with USIM. A total of 71% of the respondents depended on education loans provided either by Perbadanan Tabung Pengajian Tinggi Nasional (PTPTN), states fund or other private institutions; followed by scholarship (13%) and parents (10%). Respondents are also obligated to pay lodging fees regardless of whether they are staying in the university's accommodation or renting a house. Analyzing further, there is a possibility that respondents might be facing financial difficulties if they do not receive any subsistence from education loan such as the PTPTN.

The amount received in every semester depends on the source of income. 45% of the respondents received RM3001-RM3500 whereas a quarter of them received RM2001-RM3000. Merely 17% received RM3501 and above. The lowest amount being earned is less than RM2001 (13%).

#### B. Parents Influence on Saving

Section B explored the background of respondents' parent and how it influence students' attitude toward savings, including education background and household income.

Fig. 2 reveals respondents' parents' education background. Generally, it can be clearly seen that most of the respondents came from lower educated family. Nearly 45% of respondents' mother completed their study after the SPM, as compared to respondents' father which is only 38%. On the contrary more respondents' father pursue for higher education level (Bachelor Degree and Postgraduate Study), totaling 24% while only 14% of respondents' mother pursuing their study. Percentage for both parents with STPM/STAM and Diploma are almost equivalent which are 21% and 19% for respondents' mother and father respectively.

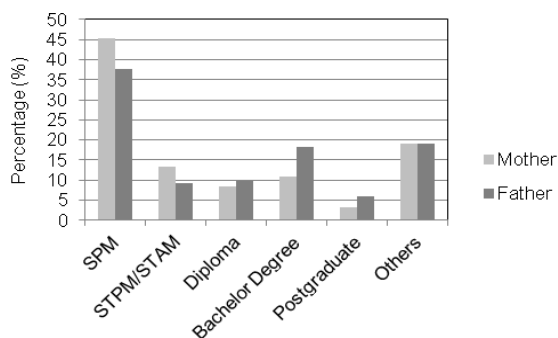


Fig. 2. Parent's education background

Household income of respondents' family is summarized in Table IV. Parallel with parents' education background, almost 60% of the respondents came from lower income family gaining household income less than RM 3,000 per month. It is followed by household income between RM 3,001 to RM 5,000 (29%) and 7% gaining household income between RM 5,001 to RM 7,000. Only 3% gain more than RM 7,000.

TABLE IV: HOUSEHOLD INCOME

Items	Descriptions	Percentage (%)
Household Income	Less than RM3001	60.2
	RM3001-RM5000	29.3
	RM5001-RM7000	7.4
	More than RM7000	3.1

Results in Table V indicate that parents/family is the main source of information on cash management, contributing 58% of total respondents. Both friends/relatives and media/internet (14%) and courses/workshops on financial planning organized by the faculty and university (12%) do not give much impact on students financial management. Worst thing goes to exhibition. It fails to deliver the information to USIM's students. May be due to USIM's location which is situated on the outskirts of the city and most of the exhibitions are organized in the city center.

TABLE V: SOURCE OF FINANCIAL MANAGEMENT INFORMATION

Items	Descriptions	Percentage (%)
Source of information on financial management	Parents/Family	58
	Friends/Relatives	14
	Media/Internet	14
	Courses/Workshops	12
	Exhibitions	2

Financial difficulties due to lower household income and lower level of education background make parents eager to share their experiences and give more advices to their family members. It explains why students gain more financial knowledge from their parents and family members.

TABLE VI: CROSSTABULATION OF PARENTS' EDUCATION BACKGROUND WITH PERCENTAGE OF STUDENTS' SAVING

	Percentage					
	1%-0%	11%-20%	21%-30%	31%-40%	41%-50%	>50%
<b>Mother</b>						
SPM	33.19	8.42	2.51	1.39	0.00	0.07
STPM/STAM	9.19	1.88	1.11	0.00	0.00	0.56
Diploma	5.22	2.44	0.56	0.42	0.49	0.35
First Degree	6.26	1.88	0.84	0.56	0.00	0.56
Master	1.32	0.35	0.21	0.00	0.00	0.00
Others	15.03	3.06	1.60	0.21	0.00	0.35
<b>Father</b>						
SPM	26.79	7.65	2.37	0.97	0.00	0.21
STPM/STAM	7.93	1.18	0.07	0.21	0.00	0.56
Diploma	5.85	1.74	0.84	0.21	0.49	0.00
First Degree	10.37	3.27	1.60	0.97	0.00	0.56
Master	2.57	0.84	0.77	0.00	0.00	0.35
Others	16.70	3.34	1.18	0.21	0.00	0.21

TABLE VII: CROSSTABULATION OF PARENTS' EDUCATION BACKGROUND WITH PURPOSE OF STUDENTS' SAVING

	Purpose				
	Profits	Future needs	Emergency	Investment	Transit
<b>Mother</b>					
SPM	8.98	19.55	13.99	1.67	1.39
STPM/STAM	1.18	6.47	4.11	0.21	0.77
Diploma	0.63	5.78	2.44	0.28	0.00
First Degree	1.04	5.78	2.71	0.14	0.21
Master	0.21	0.70	0.00	0.49	0.00
Others	1.74	12.11	5.50	0.42	0.00
<b>Father</b>					
SPM	6.75	16.35	11.48	1.46	1.95
STPM/STAM	1.81	4.94	3.20	0.00	0.00
Diploma	1.04	4.31	3.48	0.07	0.21
First Degree	1.67	9.88	3.41	0.77	0.21
Master	0.70	2.30	0.84	0.49	0.00
Others	1.81	12.60	6.33	0.42	0.00

Table VI and Table VII show the cross-tabulation between parents' education background with its respective percentage and purposes of savings. The results showed that the higher the levels of education background of parents, the lower the tendency for students to put aside their money for savings. Most of the respondents chose to save approximately 1% to 10% from their income. It can be seen that the mother is the main factor who influence respondents to save part of their income. Perhaps, the close relationship between respondents and their mothers makes it easier for mothers to remind respondents frequently about the advantages of saving at a young age. As compared to fathers, their responsibilities are more outside the home environment circle which affects the

number of reminders given to the respondents about advantages of savings.

About half of the respondents agreed that they keep their money in the account for future use in case if they have specific need or interest. This specific act describes that they realized the importance of building financial future security. These findings represent an initial indication in tackling personal finance issues in young people's futures particularly when they start to utilize credit cards, make larger purchases like homes and real estates, while still managing their finances responsibly.

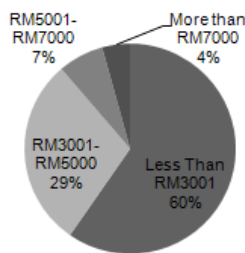


Fig. 3. Students saving and household income

The study also reveals in Fig. 3 that the lower the household income, the higher tendency for students to put aside their money for savings. Almost 60% of the respondents that choose to save are from lower income family with household income of below RM3001. Around half of this percentage (29%) is from the middle income family gaining household income between RM3001 to RM5000. On the contrary, only 7% (between RM5001 and RM7000) and 4% (above RM7001) respondents from the higher earned family contribute some of their fund for savings. Perhaps, the ability of respondents' parents to put aside savings for their children was high due to their high income level. It can also be interpreted that students from a wealthier family may not have proper future financial planning. They believe that they can rely on their parents.

## V. CONCLUSION

From the results of this study, parents' background influences the students' saving behavior. The importance to save grows especially for a student who is still financially dependent on his family for educational purposes. The current behavior will affect their potential for developing positive attitudes towards cash management such as having a good personal financial planning especially when dealing with expenses and investment to guarantee their future. As Malaysia is on its way to become a high income economy in year 2020, education in financial planning is important for graduates. It should be recognized as one of life's skills since it encourages self discipline and ensures good personal financial management which is a crucial training for graduates today who are leaders of tomorrow. The researchers planned to extend this research to other public and private higher education institutions in order to generalize the findings on this matter.

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