
Factors Influencing On Saving Behaviour Among University Students- With Special Reference to the Students of Faculty Of Commerce and Management, Eastern University, Sri Lanka

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ABSTRACT

Over the years, numerous researchers have studied on the determinants of personal saving behavior among the households and employees rather than young adults such as university students. Despite there are few studies focus on the financial behavior of university students, most of the studies were not drove by theory and merely focused on single factors. Therefore, this research is aims to investigate whether financial literacy and self-control have significant influence on the saving behavior of university students of the Faculty of Commerce and Management, Eastern University, Sri Lanka.

Primary data were collected using self-administered questionnaire. The samples comprised 55 students from faculty of commerce and management Eastern University Sri Lanka. Descriptive statistical analysis such as percentage, mean, standard deviation, Pearson Correlations and Multiple Regression Analysis were employed to identify whether the two factors have relationship with the saving behavior of university students.

The findings show that both financial literacy and self-control have positive relationship with saving behavior while financial literacy has the greatest impact on saving behavior among the both independent variables.

Key words: *saving behavior, financial literacy, self-control*

1. Introduction

The global economics rise in a fast growing trend in recent years. The financial management of the people varies around the world and the most common one is saving. Saving can be defined as the part of an individual's income that is not spent. Over the past decades, saving plays an important role in the process of economic growth and development. Moreover, Sri Lanka has managed to sustain a high level of saving rate. This is due to the frequent practice of saving behavior of Sri Lankans.

Saving behavior can be defined as the act or manner of an individual in reducing expenditures or deferring consumptions. Therefore, we came about to engage in the determinants of saving behavior among the university students attached to the Faculty of Commerce and Management, Eastern university of Sri Lanka for this research. Based on past researches, two determinants of saving behavior which is financial literacy and self-control were selected for this study. Moreover, university students as our target respondents were chosen due to their significant future contribution to the country. This is because one's saving behavior varies when he or

she has different level of financial knowledge. Self-control plays an important role for university students to practice saving. In this research, the implications of saving behavior and the determinants that can affect were discussed.

Thus, based on our research, readers can gain much knowledge on the factors affecting saving behavior and practice saving accordingly.

1.1 Background of the Study

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) 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. However, in Sri Lanka savings rate has declined in recent years, the national savings also dropped to 27.8 percent of GDP in 2015 from 29.5 percent of GDP in the previous year. (economynext.com/Sri_Lanka_savings_rate_drops_in_2016)

Other than lack of saving awareness, Sri Lankans also incurred substantial amount of debts due to overuse of credit, lack of budgeting, overspending, inadequate shopping and spending skills, low salary and lack of knowledge about money. Therefore, study on the financial behavior of university students became paramount important.

1.2 Problem Statement

Owing to the unfavorable reduction in Sri Lankan saving rate, study on the saving behavior of Sri Lankans has become great concern of many researchers, educators as well as the policy

makers. Domestic savings declined to 22.6% of GDP in 2015, from 24.0% of GDP in 2014. This, together with the deterioration of net primary income from the rest of the world, along with a reduction in earnings on investment and increased outflows, dampened national savings in 2015, although remittances increased marginally, in rupee terms. Accordingly, national savings declined to 27.8% of GDP in 2015 from 29.5% of GDP in the previous year. Meanwhile, as the decline in investments as a percentage of GDP was higher than the decline in national savings as a percentage of GDP, the savings-investment gap narrowed during 2015. (CB-Annual-Report-2015-presents-overview-of-Sri-Lankan-economy)

Due to the lack of financial literacy, university students are not likely to save upon they received their student loans and spent aggressively for non-academic purposes. As a result, many of them encountered financial problems. Skills and ability to manage financial resources are essential for daily life activities as they help people to deal with the day to day financial matters and make the right decisions (Kempson, Collard, & Moore, 2006).

According to Cohran, Aleksa, & Sanders (2008), impulsive and present-oriented individuals with little self-control are less likely to be influenced by perceived risks and future costs. In the absent of self-control, students are more likely to spend according to their preference and eventually lead to overspending and inability to save for a "rainy day". All these factors are crucial in determining students' saving behavior but most of the past researches only focus on single factor instead of a multiple factors that affecting students' behavior.

Therefore, this research aims to include two factors in order to be more accurate in

determining the saving behavior of university students.

1.3 Research Questions

1. Whether financial literacy affects saving behavior of university students?
2. Whether self-control affects saving behavior of university students?

1.4 Research Objectives

1. To identify the relationship between financial literacy and saving behavior among the university students.
2. To identify the relationship of self-control and saving behavior among the university students.

1.5 Significance of the Study

This research is conducted to identify the factors affecting the saving behavior of Undergraduate degree students, with the purpose to create financial awareness among them towards saving. On the grounds of determination of core problems, educators and regulators are able to develop appropriate programs and design relevant financial courses to help students in managing personal money and avoid the debt tracks. By doing this, the profitability and competitiveness of retail banks can be improved. Additionally, as university student is the group of concern and there is lack of researchers' attention on the saving behavior of university students, this study can be an inspiration for other researchers to continuously exploring on this topic. It also helps the parents to define what the factors that affecting their children saving behavior, thus they can effectively monitor their children and ensure them on the right track of money management.

2: Review of the Literature

2.1 Saving Behavior

The word "saving" contained broad-based meaning and numerous explanations. In economic contexts, saving is defined as the residual income after deducting current consumption over a certain period of time (Browning & Lusardi, 1996; Warneryd, 1999). Conversely, saving in psychological context is referred to the process of not spending money for current period in order to be used in future (Warneryd, 1999). In other word, saving behavior is the combination of perceptions of future needs, a saving decision and a saving action. On the other hand, people are likely to define saving as investing, putting money in a bank account, speculating and paying off mortgages (Warneryd, 1999).

2.2.1 Financial Literacy

The research of Sabri & MacDonald (2010) also demonstrates that financial literacy had a positive and significant effect on college students' savings behavior. In general, financial literacy means a blend of knowledge, skill, attitude and behavior required to make sound financial decisions and eventually realize individual financial security. It has been used to refer to knowledge of financial products (e.g. what is a saving account, fixed deposit; the difference between fixed and floating interest rates), knowledge of financial concepts (inflation, compounding, diversification, credit ratings) and mathematical skills required for effective financial decision making.

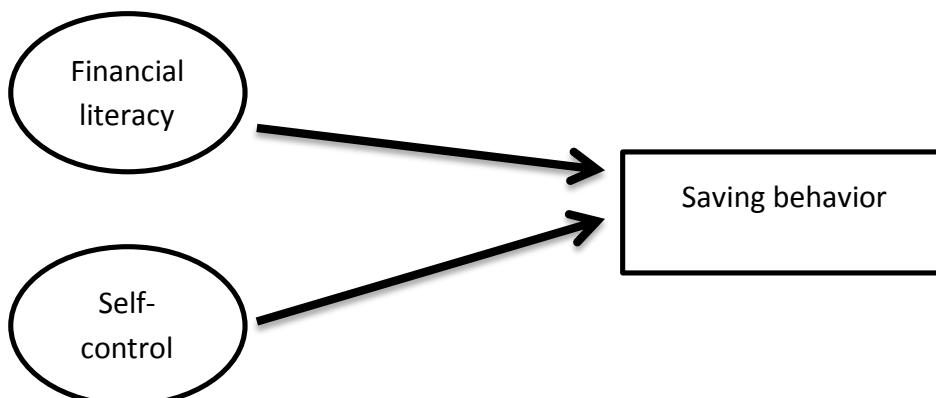
Financial literacy is defined as sufficient knowledge of personal finance facts and terms for successful personal financial management (Garman & Fogue, 2006). Meanwhile, Anthes (2004) defines financial literacy as the ability to read, analyze, manage and communicate about

the personal financial conditions that affect the material well-being.

As per the Standard & Poor's 2014 global financial literacy survey, Sri Lanka has a higher financial literacy rate compared to its South Asian peers. This is not a surprising factor since Sri Lanka has one of the highest adult print literacy rates in the region. However, it is noteworthy, the gap between print literacy and financial literacy. Sri Lanka has the highest gap between print literacy and financial literacy in the region. This indicates that there is more scope to promote financial literacy among Sri Lankans. As per the survey on average, 65% of adults in the major advanced economies are financially literate. South Asia records the lowest percentage of financial literacy. This implies that financial literacy among citizens could propel the nation's economic growth. Source: Standard & Poor's 2014 global financial literacy survey, CIA The world fact book. (Financial-literacy-in-Sri-Lanka--its-impact-on-personal-finance-and-national-economy)

2.2.2 Self-control

2.3 Proposed Conceptual Framework/ Research Model



The above framework is adapted from the framework developed by Lim et al. (2011) and serve as the foundation of this study. The

Self-control is the ability to identify and regulate one's emotions and desires. It is characterized by the exertion of will, self-discipline, and ability to delay gratification (Baumeister, 2002). In research of Esenvalde (2010) has provided empirical evidence that self-control was positively associated with saving behavior. The author claimed that self-control is a very solidly and uniformly factor used to explain saving behavior.

In the study of Otto (2009) which is aimed to investigate the measures that enhance our understanding and predict saving during adolescence. Yet, the paper also studied on whether the adolescent likes spending a lot or finds it difficult to resist temptation. From the research, it was found that conscientiousness was associated with positive saving attitudes (Nyhus, 2002) and financial self-control (Warneryd, 1996). In addition, it was found that psychological variables relevant to adult saving yet highlights that self-control and ability to delay gratification are important skills for saving when young.

framework is formulated to explain the relationship of the independent variables

(financial literacy and self-control) and dependent variable (saving behavior)

3: METHODOLOGY

3.1 Introduction

This Section 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, constructs measurement, data processing and methods of data analysis.

3.2 Research Design

This is an explanatory study on the determinants of saving behavior among students of the faculty of commerce and management Eastern University Sri Lanka. Quantitative method is employed by the researchers as the empirical assessments consist of numerical measurement and analysis.

3.3 Data Collection Methods

The method of data collection used is determined by the type of data needed and pre-set research design. The two types of data are primary data and secondary data. In this research, primary data collection method is used to obtain information and opinions directly and specifically from the students of the faculty of commerce and management Eastern University Sri Lanka on determinants of saving behavior.

3.3.1 Primary Data

In the research, the primary data is collected via survey questionnaire technique which required less skill and sensitivity. To increase the response rate, the researchers distribute and collect the questionnaires to and from the target respondents after they answered the questionnaires.

3.4 Sampling Design

Sampling design is a process to select an appropriate amount of units from the population of interest to provide accurate information about the entire population.

3.4.1 Target Population

The target population for the research is all students from the faculty of commerce and management Eastern University Sri Lanka.

3.4.2 Sampling Technique

Random sampling technique is employed in the research as it ensures good estimates of the population characteristics. The questionnaires will be distributed to the students of the faculty of commerce and management Eastern University haphazardly to the amount equal to the sample size.

3.4.3 Sampling Size

The sample size of 55 students is considered to be representative

3.5 Research Instrument

Questionnaire method has been used to obtain data. The study adapts the questionnaires from various past studies related to this topic and mainly uses Likert scale measurement for all the variables constructed in the proposed theoretical framework. Those are

1) Strongly disagree, (2) = disagree (3) = neutral (4) = agree (5) = strongly agree

3.6 Construct measurement

3.6.1 Demographic variables

Both ordinal and nominal scales are used to measure the demographic profile of respondents in Section A. Nominal scale is suitable for variables that can be distinguished by a simple naming system. Thus, gender, ethnic, course of study, study of year and part-time engagement are measured in nominal scale. In contrast, ordinal scale is used to measure the attitude, opinion and measurement on the object whether it has more or less of a characteristic in the study. Therefore, ordinal scale is applied for age and allowance received from parents per month that contain “less than” and “greater than” judgments from respondents.

3.6.2 Independent variables

Interval scale measurement is employed to measure the independent variables

3.6.2.1 Financial literacy

Seven questions are designed to obtain the agreement level of respondents on the extent to which the financial literacy they possessed.

3.6.2.2 Self-control

Another 5 questions have been set up to measure the impulsivity of the respondents.

3.6.3 Dependent variables

The respondents were asked to rate on the six statements that describe their saving behavior.

3.7 Data Processing

55 sets of questionnaire distributed are returned from the respondents and the data is processed via SPSS version 22. The purpose is to ensure the data are in the standard of quality.

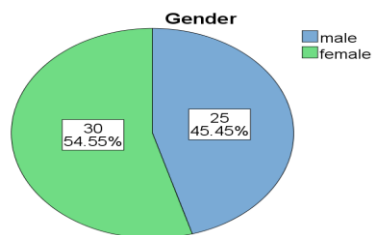
4: Data Analysis and Data Presentation

The processed data are further analyzed in SPSS version 22. The objectives of data analysis include measuring central of tendency and variability, testing reliability of this study.

4.1 Personal information analysis

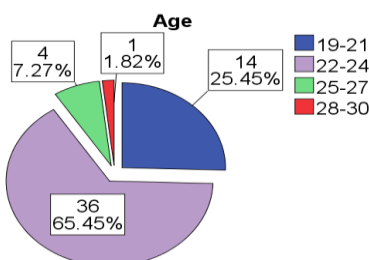
4.1.1 Gender of respondents

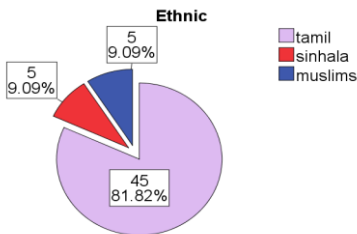
The majority of the respondents are female (54.55%) while male (45.55%) represents the minority.



4.1.2 Age of respondents.

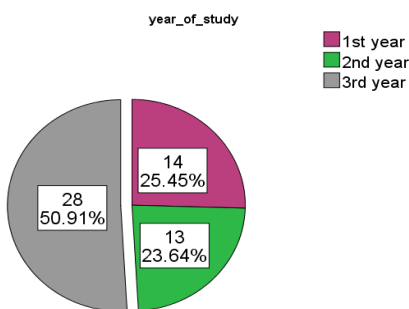
Age distribution was categorized into four classes. Among the total respondents 65.45% of respondents were founded in between 22-24 years old. 25.45% of respondents were founded in between 19-21 years old. Other 5 respondents are founded between 25-30 years old its 9.1%.





4.1.3 Ethnic group of respondents

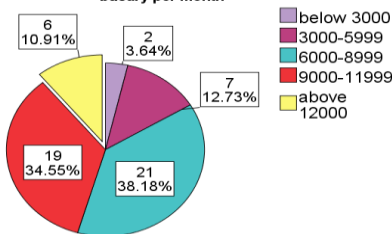
The majority of the respondents are Tamil. (81.82%) other minority respondents are equal % Sinhala and muslims.



4.1.5 Year of study

50.91% respondents are studied in a 3rd year. Other 25.45% and 23.64% respondents are studied in a 1st and 2nd year respectively.

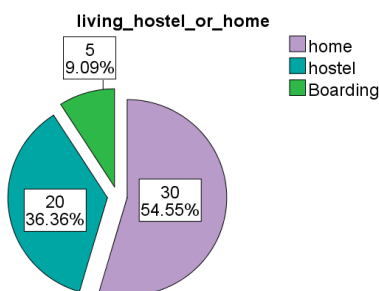
How much of money you get from your parents, and mahapola or busary per month



4.1.6 How much money getting pre month

Most of the respondents are get money between 3000-5999 and 6000-8999 from their parents and mahapola or bursary. The respectively (n21 38.18%, n19, 34.55%) 12.73% Of respondents are get money below 3000. 10.91% respondents are receive money between 10.91%. only 2 respondents are get money above 12000, which is 3.64%.

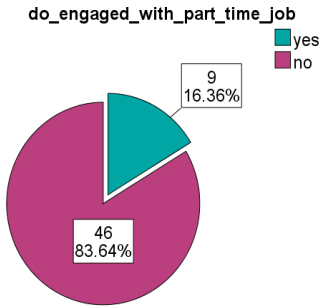
4.1.7 From where came to university



Most of the respondents are came to university from their home, which is 54.55%. 36.36% of respondents are came from university hostel. The balance 9.09% respondents are boarding the outside of the university.

4.1.8 Engaged with part time job

83.64% of the respondents did not engage in part time whereas 16.36% reported that they engaged in part-time



4.2 Analysis and presentation of dependent and independent variable

In this section presents mean and standard deviation for the dependent and independent variables. Mean values have been on Likert's scale of between 1-5 which represent strongly disagree to strongly agree. Meanwhile mean values criteria range from low level to high level the following table.

Table 4.1 Evaluation criteria for mean value

Evaluation criteria for mean value	
$1 \leq X \leq 2.5$	Low level
$2.5 < X \leq 3.5$	Moderate level
$3.5 < X \leq 5$	High level

4.2.1 Mean and standard deviation for the independent variable of financial literacy

Based on table the mean values for financial literacy was more than 3.5, which fall under the evaluate category of high level (Table 4.2). There is high level financial literacy in the selected respondents.

Table 4.2 Mean and standard deviation for financial literacy

Descriptive Statistics			
	N	Mean	Std. Deviation
Financial literacy	55	3.8130	.39543

(Source: Survey data)

4.2.2 Mean and standard deviation for the independent variable of self-control

Based on table the mean values for self-control was more than 2.5, which fall under the evaluate category of moderate level (Table 4.3). There is moderate level self-control in the selected respondents.

Table 4.3 Mean and standard deviation for self-control

Descriptive Statistics			
	N	Mean	Std. Deviation
Self-control	55	3.0909	.43855

(Source: Survey data)

4.2.3 Mean and standard deviation for the dependent variable of saving behavior

Based on table the mean values for saving behavior was more than 3.5, which fall under the evaluate category of high level (Table 4.4). There is high level saving behavior in the selected respondents.

Table 4.4 Mean and standard deviation for saving behavior

Descriptive Statistics			
	N	Mean	Std. Deviation
Saving behavior	55	3.9636	.39374

(Source: Survey data)

4.3 Correlation analysis

Table 4.5 Decision criteria for correlation analysis

Range	Decision attributes
$r=0.5$ to 1.0	Strong positive relationship
$r=0.3$ to 0.49	Moderate positive relationship
$r=0.1$ to 0.29	Weak positive relationship
$r=-0.1$ to -0.29	Strong negative relationship
$r=-0.3$ to -0.49	Moderate negative relationship
$r=-0.5$ to -1.0	Weak negative relationship

Correlation values were found to determine relationship between independent variable (financial literacy and self-control) and dependent variable (saving behavior).

According to Table 4.6, at the 0.01 significance level, all the independent variables have positive association with the dependent variable. Financial literacy has the moderate positive relationship with saving behavior ($r=0.420$) on the other hand self-control has the weakest correlation with saving behavior ($r=0.147$)

Table 4.6 Relationship between independent variable and dependent variable

Correlations			
		Financial literacy	Self-control
Saving behavior	Pearson Correlation	.420**	.198
	Sig. (2-tailed)	.001	.147

	N	55	55
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source: Survey data)

4.4 Multiple regression analysis

Table 4.7 Multiple regression analysis

Model Summary		
Model	R	R Square
1	.435 ^a	.189
Predictors: (Constant), financial literacy, self-control		

(Source: Survey data)

R² for this model is 0.189 which indicates 18.9% of the variation in the saving behavior (dependent variable) can be explained by financial literacy and self-control (independent variables)

4.5 Identify most significance variable

Table 4.8 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.141	.540		3.969	.000
Self-control	.103	.115	.115	.902	.371
Financial literacy	.394	.127	.396	3.099	.003

a. Dependent Variable: saving behavior (Source: Survey data)

Financial literacy has significant positive relationship with saving behavior. ($p < 0.05$)

CONCLUSION

Based on the study find both financial literacy and self-control have positive relationship with Saving behavior while financial literacy has the greatest impact on Saving behavior among the both independent variables. 18.9% of the

variation in the saving behavior can be explained by financial literacy and self-control.

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