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Investigating the Factors Influencing the Personal Saving's Behaviour

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Abstract
This study aimed to investigate the factors influencing personal savings behavior, focusing on the independent variables of financial literacy, economic conditions, and cultural factors. The research employed a snowball sampling method, with a sample size of 200 participants through structured questionnaire. The Correlation and regression analyses were conducted to examine the relationships between the independent variables and the dependent variable, personal savings behavior. Positive correlations and significant regression coefficients were found in the data, suggesting that increasing personal savings behavior was correlated with both good economic conditions and better levels of financial literacy. Notably, financial literacy exhibited a stronger influence on personal savings behavior compared to economic conditions. However, the impact of cultural factors on personal savings behavior was relatively weaker. The findings underscore the importance of financial education and stable economic environments in promoting positive savings habits among individuals. Furthermore, the study highlights the potential benefits of tailoring interventions and policies to address cultural norms and attitudes that may hinder or promote personal savings behavior. Notwithstanding the drawbacks of the snowball sampling method, the study offers insightful information about the intricate interactions among variables influencing people's inclination to save. To further our understanding of this important component of financial well-being, future research may look at more variables, use bigger and more representative samples, and examine possible interactions among the independent variables.

Keywords: Personal Savings Behavior, Financial Literacy, Economic Conditions, Cultural Factors

Introduction

Personal savings behavior refers to the patterns and practices individuals adopt when setting aside a portion of their earnings toward upcoming needs, contingencies, or long-term goals like retirement. It encompasses dimensions such as the amount saved, frequency of saving, choice of savings vehicles, and motivations behind saving. Individual saving habits are a crucial component of financial well-being, providing a buffer against unexpected expenses, enabling investment opportunities, and contributing to financial

independence. Important elements that could have an impact personal savings behavior include financial literacy levels, encompassing knowledge of financial concepts to make informed saving and investing decisions; economic conditions like income, employment status, interest rates, and overall economic stability; also cultural norms, family traditions, and societal attitudes towards saving versus spending. Understanding the interplay of these independent variables on personal savings behavior is crucial for developing effective policies, educational initiatives, and strategies to promote positive savings habits and financial resilience.

Objectives

- To identify and analyze the important elements that influence an individual's savings behavior.
- To understand the importance of various factors for determining an individual's propensity to save and invest.
- To Create a predictive model that can calculate a person's potential savings rate in relation to a range of socioeconomic and personal factors.
- To provide observations and suggestions for financial institutions, legislators, and individuals to promote and encourage savings habits.

Review of Literature

Lunt, P. K., & Livingstone, S. M. (1991). The study aimed to distinguish savers from non-savers and predict recurrent and total savings using economic, demographic, and psychological variables from surveys of 279 people. Discriminant analysis found psychological factors differentiated regular savers. Regressions showed economic variables predicted recurrent and total savings, while psychological factors predicted recurrent saving and demographics predicted total savings, highlighting psychology's role in saving behavior.

Lusardi, A., & Mitchell, O. S. (2011).According to the report, people must make educated financial decisions in the volatile, worldwide economy, but recent international research reveals that financial illiteracy is pervasive in both developed and developing nations. It states that those who are less educated, women, young people, and senior people all have a tendency to be less financially savvy. Importantly, research indicates that those who are financially literate are more likely to have retirement plans, and that the impact of literacy on retirement planning is underappreciated. In general, it highlights the importance of financial knowledge for global retirement security.

Ismail, S., Kamis, R., Hashim, N., Harun, H., & Khairuddin, N. S. (2013).The study highlights the importance of personal financial planning for financial success and the need to identify savings behavior as people tend to spend more than save. It mentions a lack of research on determinants affecting attitudes towards saving behavior. The study aimed to identify factors influencing saving behavior, considering five determinants: service quality, religious belief, knowledge, social influences, and media advertisement. Using stratified random sampling with 150 respondents, data analyzed through SPSS showed social influence as the strongest determinant, except for media advertisement. The study contributes to saving behavior literature, with findings relevant for money management and long-term financial independence.

Farrell, L., Fry, T. R., &Risse, L. (2016). The study notes that managing personal finances requires self-belief or self-efficacy, beyond just Understanding financesand literacy. It examined the significance of financial self-efficacy, using a psychometric instrument and a 2013 Australian women survey. Higher financial self-efficacy strongly predicted holding more investment/savings products and fewer debt products, even after accounting for education, risk preferences, age, and income.

Paule-Paludkiewicz, H., Fuchs-Schündeln, N., & Masella, P. (2016). They analyzed whether culture affects household saving behavior by studying how second-generation immigrants' saving rates relate to attitudes and beliefs in their countries of origin, using German and UK data. They discovered that cultural norms like thrift and wealth accumulation significantly influenced saving rates, with evidence of intergenerational transmission of these attitudes from parents to children. Future-orientation also impacted saving through language transmission rather than direct attitude transmission.

Research Methodology

Research Design: The study aims to at observe and describe relationships between variables, understanding how various demographic groups react to a certain service, gather information about the sample's preferences for decision-making, we used this design on the research.

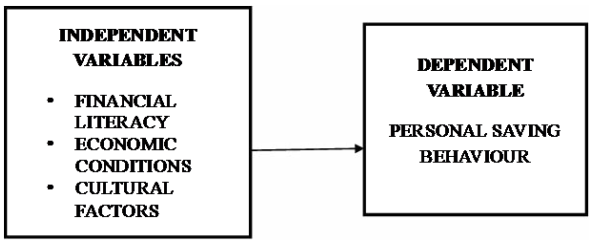
Non-Probability Method: We used this method of sampling as it can be used for quantitative research, where the population of responses are infinite.

Snowball Sampling: We have taken this sampling method as it can be used in quantitative research and it is a respondent-driven sampling. The study is based on the sample participants and other individual who are potential to participate in the research.

Data Collection

Primary Data: For the research, surveying 200 people collected through structured questionnaire. Simple questions data was gathered and kept up to date based on the company's performance and the questions posed.

Research Model



Correlation

Hypothesis

Null Hypothesis (H_0): There is no relationship between the factors of Personal Saving's Behaviour and Financial literacy.

Alternate Hypothesis (H_1): There is a relationship between factors of Personal Saving's Behaviourand Financial literacy.

Correlations

		Personal savings behavior	Financial Literacy	Economic Conditions	Cultural Factors
Personal savings behaviour	Person Correlation	1	.736**	.760**	.650**
	Sig. (2-tailed)		<.001	<.001	<.001
	N	200	200	200	200

Financial Literacy	Pearson Correlation	.736**	1	.695**	.695**
	Sig.(2-tailed)	<.001		<.001	<.001
	N	200	200	200	200
Economic Conditions	Pearson Correlation	.760**	.695**	1	.751**
	Sig.(2-tailed)	<.001	<.001		<.001
	N	200	200	200	200
Cultural Factors	Pearson Correlation	.650**	.695**	.751**	1
	Sig.(2-tailed)	<.001	<.001	<.001	
	N	200	200	200	200
**.Correlation is significant at the 0.01 level (2-tailed).					

Interpretation

Here p-value is less than 0.05, we accept alternate hypothesis that there is a relationship between the factors of Personal Saving's Behaviour. As there is a relationship, we should check for the type of correlation. As the signs are positive here, hence there is positive correlation between the factors of Personal Saving's Behaviour.

Regression Analysis

Hypothesis

Null Hypothesis (H_0): There is no influence of Financial literacy, Economic conditions, Cultural Factors on personal saving's behaviour.

Alternate Hypothesis (H_1): There is influence of Financial literacy, Economic conditions, Cultural Factors on personal saving's behaviour.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.661	.655	2.46347
a. Predictors: (Constant), Cultural Factors, Financial Literacy, Economic conditions				

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2315.931	3	771.977	127.206	<.001[b]
	Residual	1189.464	196	6.069		
	Total	3505.395	199			
a. Dependent Variable: Personal Saving behaviour						
b. Predictors: (Constant), Cultural Factors, Financial Literacy, Economic conditions						

Coefficients[a]

Model		Understandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.572	.793		4.502	<.001
	Financial Literacy	.449	.071	.392	6.317	<.001
	Economic Conditions	.565	.082	.466	6.887	<.001
	Cultural Factors	.033	.079	0.28	.413	.680
a. Dependent Variable: Personal Saving Behaviour						

Interpretation

p-value in the coefficient table indicates that there is an positive influence of Financial Literacy and Economic Conditions on Personal Saving's behaviour. F- value in the anova table is 127.206 which is greater than 1.96 which means that influence of Financial Literacy and Economic Conditions on Personal Saving's behaviour is more. Influence Financial Literacy on Personal Saving's behaviour is 44.9% stronger while influence of Economic Conditions on Personal Saving's behaviour is 56.5% stronger. But The influence of cultural factors is 3.3% on Personal Saving's Behaviour.

Summary of Findings

Positive Influence: The p-value in the coefficient table states that there is a positive influence of Financial Literacy and Economic Conditions on Personal Savings Behavior. This indicates that increasing personal savings behavior is related to both positive economic conditions and higher levels of financial literacy.

Significant Influence: The F-value in the ANOVA table is 127.206, which is greater than 1.96, suggesting that the influence of Financial Literacy and Economic Conditions on Personal Savings Behavior is statistically significant and substantial.

Relative Strength of Influence: Financial Literacy has a 44.9% stronger influence on Personal Savings Behavior compared to Economic Conditions, which has a 56.5% stronger influence. However, the influence of Cultural Factors on Personal Savings Behavior is relatively weaker at 3.3%.

Positive Correlation: As the p-value is less than 0.05, the alternate hypothesis is accepted, indicating a significant relationship between the factors (Financial Literacy, Economic Conditions, and Cultural Factors) and Personal Savings Behavior. Furthermore, the positive signs suggest a positive correlation, meaning that an increase in the independent variables (Financial Literacy, Economic Conditions, and Cultural Factors) is associated with an increase in Personal Savings Behavior.

Conclusion

As a result, this study clarifies the important roles that economic factors and financial knowledge play in shaping individuals' saving habits. The regression coefficients and positive correlations emphasize how crucial it is to support stable economic conditions and financial education in order to help people develop good saving habits. The results indicate that financial literacy is a more significant predictor than economic situations. However, the impact of cultural determinants is comparatively weaker, indicating the need for focused initiatives and policies to address cultural norms and attitudes that may either facilitate or impede personal savings. Notwithstanding the drawbacks of the snowball sampling technique, the study provides insightful information about the intricate interactions between variables influencing people's inclination to save. In order to deepen our understanding of this important component of financial well-being, future study might go deeper by taking into account other variables, using bigger and more representative samples, and investigating potential interactions among the independent variables.

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