Financial Literacy, Demographic Characteristics, and Savings Behavior among Young Adults in Malaysia

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Abstract

The inability of the younger generation to save money is a complex issue that warrants further investigation. Factors such as low financial literacy and materialistic tendencies, often associated with youth, hinder their ability to save for the future. This study examines the relationship between financial literacy, demographic characteristics (such as gender, education, and income), and savings behavior among young adults in Malaysia. Primary data were collected through online questionnaires distributed to young adults in 2023. Descriptive, correlation, and regression analyses were conducted on data from 216 valid respondents. Overall, the findings indicate a strong relationship between financial literacy and gender with savings behavior, while education and income do not significantly impact youth savings behavior in Malaysia. This study provides valuable insights into how financial literacy and demographic factors influence young adults' savings behavior.

Keywords: Financial literacy; Demographic; Savings behavior

1. Introduction

Savings are crucial for economic growth at both individual and national levels where households, businesses, and government finances are interdependent, meaning that inadequate savings in one sector may give an impact to financial stability (Peiris, 2021). Households with insufficient savings face financial distress, anxiety, and even health issues due to the lack of emergency fund (Prawitz et al., 2006). On a larger scale, low savings rates reduce the availability of funds for public infrastructure and investments. Financial intermediaries rely on savings deposits to generate capital for productive investments and driving national economic growth. Tang (2010) emphasizes that a strong savings culture supports capital accumulation, enhances investment opportunities, and ultimately contributes to long-term economic progress.

Savings behavior involves financial decision-making, budgeting, and planning for future needs (Tezel, 2015). In this respect, proper money management allows individuals to achieve financial security, yet many struggle with financial disciplines. Young adults, particularly those transitioning from education to the workforce, face significant challenges in managing their finances. UNESCO (2016) defines youth as individuals aged 15 to 24, emphasizing this phase as a transition toward financial independence. However, many young individuals lack adequate financial literacy, which affects their ability to save and make informed financial decisions (Chinen & Endo, 2012). Many prioritize short-term wants over long-term financial security, often failing to establish consistent saving habits.

Given these challenges, understanding the savings behavior of Malaysian youth is crucial for securing their financial well-being. This study contributes to a deeper understanding of

the factors influencing savings behavior among young Malaysians, offering valuable insights for future studies and policy interventions.

Statement of the Problem

Young adults in Malaysia are increasingly facing budgetary challenges due to economic pressures, making it difficult for them to manage their expenses and saving effectively. This issue is particularly prevalent among individuals from lower socioeconomic backgrounds who struggle to afford even basic necessities such as food and groceries. Rising living costs, coupled with financial instability, highlight the severity of their financial difficulties and the urgent need for improved financial management skills. Despite various initiatives by the Malaysian government to encourage higher savings rates among its citizens, overall savings remain low. A major contributing factor is the fact that a significant portion of Malaysians earn inadequate income, with most of their disposable income allocated toward debt repayment. This situation raises concerns about their ability to save and may negatively impact the nation's economic growth in the long run (Shim et al., 2010).

Young adults in Malaysia often begin facing financial hurdles at an early stage due to poor financial management skills, which may be attributed to a lack of financial literacy, impulsive spending on non-essential items, and a desire to maintain a luxurious lifestyle. As a result, they often rely on borrowing through credit cards and personal loans to sustain their spending habits. Due to this concerning trend, the demand for financial and debt management programs offered by the Malaysian Credit Counselling and Debt Management Agency (AKPK) since its establishment in 20062 has increased. This indicates that despite the growing financial strain, many young adults continue to engage in excessive spending, exacerbating their financial instability (Kempson et al., 2006).

Several economic factors have further intensified financial stress among young adults. For instance, the depreciation of the Malaysian Ringgit in 2023 and the increase in the overnight policy rate to 3% as of November 2, 2023, have placed additional financial burdens on individuals attempting to save while managing their financial commitments. These economic fluctuations have led to a decline in financial well-being among young Malaysians, making it increasingly difficult for them to build a stable financial future (Wong, 2023). According to the Malaysian Department of Insolvency (MDI), between 2014 and 2023, a total of 31,410 individuals aged 35 and below were declared bankrupt, primarily due to poor financial planning and a lack of savings from as early age (Singh, 2023). This is alarming for a developing nation like Malaysia, as it could have long-term implications for the country's financial stability and economic sustainability. Furthermore, the rapid adoption of digital financial technologies, such as cashless payments and online banking, has made it easier for young individuals to obtain credit, leading to increase personal loans, credit card usage, and impulsive online purchases, further contributing to Malaysia's low saving rate (Bernama, 2018).

Although many young adults express an intention to save money for future use, various financial constraints hinder their ability to do so. Several studies have explored the factors influencing savings behavior among young adults specifically university students, with findings suggesting that financial literacy plays a significant role in determining an individual's ability to save (Delafrooz & Laily, 2011; Thung et al., 2012; Looi et al., 2022). In the aspect of demographic characteristics, gender plays a role in influencing savings behavior, but its impact varies, as Esquivias et al. (2021) find that females save more, while Looi et al.

(2022) find that male exhibit greater self-control and higher savings, indicating that gender's effect on savings behavior is influence by different factors. Additionally, previous studies have recommended that education influences savings behavior, as Ceritoğlu and Eren (2014) and Baidoo et al. (2018) find that secondary school graduates and higher education have highest saving tendency, suggesting that financial decision-making improves with education. Moreover, studies indicate that income levels are positively associated with savings behavior, as individuals with higher incomes tend to have greater financial stability and higher likelihood of saving (Petpairote, 2023; Basabose, 2020).

Despite these findings, there is a lack of study examining the determinants of savings behavior among young adults in Malaysia, particularly studies that integrate financial literacy and demographic factors. Given the rising financial challenges faced by young Malaysians and their long-term implications on financial stability, it is crucial to investigate the key factors influencing savings behavior. Understanding these determinants can provide valuable insights into how education and policy interventions can be tailored to improve financial literacy and promote better savings habits among young adults.

Therefore, this study aims to address this research gap by exploring the key factors influencing savings behavior among young Malaysian adults. Specifically, this study seeks to answer the following questions: (1) Does financial literacy influence the savings behavior of young adults in Malaysia? and (2) Do demographic characteristics such as gender, education, and income influence the savings behavior of young adults in Malaysia? By examining these factors, this study aims to contribute to a better understanding of financial decision-making among young adults and provide recommendations for enhancing financial well-being in Malaysia.

2. Literature Review

Financial Literacy and Savings Behavior

The savings behavior of young adults in Malaysia is the primary focus of this study. Thung et al. (2012) define saving as the practice of setting aside money or resources for future use rather than immediate consumption. This involves accumulating funds in secure financial instruments, such as bank accounts or investments, to meet various financial needs, including emergency funds, long-term goals, and major purchases. Mallick and Debasish (2017) emphasize that effective savings behavior is crucial for financial stability at both the individual and national levels, as it fosters responsible financial management and supports economic growth. However, young adults often struggle with financial discipline due to social influences, inadequate financial knowledge, and a tendency to prioritize short-term spending over long-term financial security.

Financial literacy plays a critical role in shaping financial behavior. Lusardi (2015) defines financial literacy as the ability to understand and apply financial concepts to make informed financial decisions. It encompasses the capacity to evaluate financial instruments, plan for the future, and manage debts and investments effectively (Lusardi, 2015; Mandell, 2007). As a key determinant of financial well-being, financial literacy influences individuals' attitudes toward financial planning and their ability to achieve long-term economic security. Shim et al. (2010) highlight that acquiring financial knowledge at a young age is essential for a smooth transition

into responsible adulthood, as it equips individuals with the necessary skills to make informed decisions about saving and spending.

Extensive research has examined the relationship between financial literacy and savings behavior, particularly among university students. Delafrooz and Paim (2011) find that individuals with lower financial literacy are less likely to engage in regular saving habits and are more susceptible to financial difficulties. Thung et al. (2012) demonstrate that financial literacy significantly enhances university students' ability to save effectively. Similarly, Jamal et al. (2016) find that students with higher financial literacy are more inclined toward long-term financial planning and retirement savings.

Morgan and Long (2020) and Looi et al. (2022) reaffirm that strong financial literacy is associated with better savings behavior. Their findings suggest that financial literacy influences both formal saving methods, such as bank deposits, and informal savings, such as personal savings. Collectively, these studies highlight the importance of education in fostering responsible savings behavior and mitigating financial vulnerability among young adults. Based on these discussions, the current study proposes the following hypothesis:

H1: Financial literacy significantly influences savings behavior among young adults in Malaysia.

Gender and Savings Behavior

Gender, as defined by the World Health Organization (2023), refers to socially constructed roles, norms, and behaviors associated with being male or female. These constructs vary across cultures and evolve over time. While gender discussions often focus on identity and transition known as transgender, this study specifically examines the savings behavior of young adults who identify as men or women.

Existing literature presents mixed findings on the relationship between gender and savings behavior. Esquivias et al. (2021) conclude that women are more likely to hold savings accounts and participate in informal finance than men. In contrast, Looi et al. (2022) find that male students exhibiting greater self-control and higher savings than their female counterparts. Similarly, Filipiak and Walle (2015) find that men are more inclined toward retirement planning and risk-taking, while Lusardi and Tufano (2015) report that women generally exhibit lower financial literacy and confidence in financial decision-making, leading to lower savings. Women struggle with fundamental financial concepts such as interest compounding, inflation, and diversification, further influencing their saving habits. However, Kassim et al. (2020) discover that gender does not significantly impact savings behavior.

Consequently, it is hypothesized that gender might influence savings behavior among young adults in Malaysia. Based on these findings, the present study formulates the following hypothesis:

H2: Gender significantly influences savings behavior among young adults in Malaysia.

Education and Savings Behavior

Education plays a fundamental role in shaping individuals' financial decision-making, including their savings behavior where schools and universities provide knowledge and skills that enhance cognitive abilities, financial awareness, and long-term planning. Al-Attas (1980) highlights the importance of defining education as both a process and content that shapes individuals' understanding and behaviors.

Empirical studies suggest a strong correlation between education and savings behavior. Adeyemo and Bamire (2005) find that cooperative farmers with higher education levels exhibit greater financial literacy and better saving habits, demonstrating how education enhances individuals' ability to evaluate financial information and explore saving alternatives. Similarly, Karaaslan et al. (2022) and Ceritoğlu and Eren (2014) confirm that higher educational attainment increases the tendency to save among households, with secondary school graduates displaying the highest saving rates. Their findings also highlight the role of financial literacy in bridging education and saving habits.

Further supporting this link, Barbić et al. (2016) establishes that financial literacy improves as educational achievement increases, reinforcing the connection between education, financial knowledge, and savings behavior. Baidoo et al. (2018) similarly observe that individuals with higher education levels are more likely to save larger amounts, indicating that education enhances financial awareness and promotes disciplined saving habits. Thus, this study proposes the following hypothesis:

H3: Education significantly influences savings behavior among young adults in Malaysia.

Income and Savings Behavior

Empirical studies consistently establish a positive relationship between income and savings behavior. Petpairote (2023) examines saving habits and finds that income directly influences savings, with individuals setting aside between 5% and 15% of their monthly income, primarily for retirement. Similarly, Basabose (2020) utilizes data from Pakistan's Household Integrated Income and Consumption Survey (HIICS) (2015–2016) and confirms that higher household income leads to increased savings. These findings highlight that as income grows, households tend to allocate more funds toward savings.

Adetunji and David-West (2019) further explore this relationship, analyzing data from 22,000 respondents. Their findings indicate that income significantly affects savings behaviors in both formal and informal financial institutions. Households with higher earnings demonstrate greater financial awareness and a structured approach to savings, as they are better equipped to distinguish between essential expenditures and discretionary income that can be saved.

Additional studies from Filipiak and Walle (2015) show that individuals with higher incomes tend to have a deeper understanding of saving and investment strategies, leading to increased financial security. Similarly, Klapper et al. (2012) find that high-income earners are more likely to possess bank accounts, allowing for greater allocation of funds toward savings. Conversely, Jariwala (2013) identifies that lower-income individuals often have limited financial knowledge, which negatively impacts their motivation and ability to save. Based on the above discussions, the present study develops the following hypothesis:

H4: Income significantly influences savings behavior among young adults in Malaysia.

Conceptual Framework
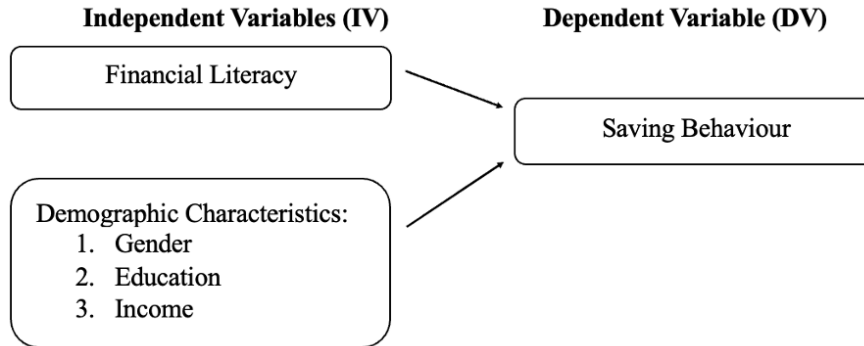
Figure 1: Research framework

3. Methodology and Data Collection

This study adopts a quantitative research design using a survey method, allowing for numerical analysis and empirical assessment. It is a cross-sectional study, with data collected within three months through online survey using Google Forms.

The target population consists of Malaysian youth aged 18 to 35 years old. To determine the appropriate sample size, the Raosoft calculator was used, which recommended a sample of 385 young adults. For data collection, the study employed a non-probability convenience sampling method, where questionnaires were randomly distributed until the required sample size was reached. However, due to time constraints, only 216 responses were collected.

A self-administered questionnaire is employed to collect data and is divided into three sections: Part A, Part B, and Part C. Part A and Part B are dedicated to assessing the dependent and independent variables, namely savings behavior (Table 1) and financial literacy (Table 2) respectively. Part C (Table 3) focuses on demographic information including gender, marital status, age, race, education level, employment, and individual monthly income. Part A in this questionnaire study comprises 13 questions where the items were adapted from Potrich et al. (2015), Lown (2011), and Xiao and Dew (2011) to measure savings behaviour. Part B in this questionnaire study comprises 13 questions where the items were adapted from Potrich et al. (2016), Potrich et al. (2015), and Hira and Loibl (2005) to measure financial literacy. These instruments were modified to ensure that they are applicable to this study.

Table 1: Part A question on savings behavior

No.	Question
SB1	I have my own savings account. (Yes or No Question)
SB2	I have a spending/budget plan.
SB3	I make notes and control my personal spending (e.g. monthly spreadsheet of income and expenses).
SB4	I save a part of my income every month.
SB5	I start saving more when I get a pay rise.
SB6	In the last 6 months, I have been able to save money.
SB7	I save money regularly to achieve long-term financial goals (e.g. my children's education or purchasing

	a home)
SB8	I have an emergency savings fund
SB9	I allocate money for retirement
SB10	I worry about running out of money in retirement. Hence, I keep saving every month.
SB11	I am finding it difficult to stick to my budget when unexpected expenses come up.
SB12	When unexpected expenses occur, I usually have to use my saving.
SB13	How much do you save every month? (Range) No Saving RM1 – RM100 RM101 – RM500 RM501 – RM1,000 RM1,001 – RM3,000 Others

Table 2: Part B question on financial literacy

No.	Question
FL1	I know about managing my personal finance
FL2	I know where to invest my money
FL3	I have better understanding of a financial instrument (e.g. bonds, stocks, future contract, option and etc.)
FL4	I know about interest rates charged by bank, borrowing rates charged by financial institution
FL5	I know that buying certificate of deposit or bonds can earn higher returns than on savings account.
FL6	I know with compound interest, I can earn interest on interest as well as on my principal
FL7	I know fixed deposit is a low-risk investment
FL8	I like to buy things because it makes me feel good
FL9	I believe the way I spend my money will affect my future habit
FL10	I think it is more satisfying to spend money than save in for the future
FL11	I set a goal to guide my financial and saving decisions.
FL12	I have better understanding of how to save my money
FL13	I am satisfied with the way I control my finances.

Table 3: Part C question on demographic characteristics

Item	Detail
Gender	Male Female
Marital Status	Single Married Divorced
Age	18 – 25 years old 26 – 30 years old 31 – 35 years old
Race	Malay Chinese Indian Other
Education Level	SPM STPM/Matric/Foundation Diploma Degree Master
Employment	Own business Government sector Private sector Full-time student Unemployed

Individual Income (Monthly)	No income
	<RM1,500
	RM1,501 – RM2,208
	RM2,209 – RM2,500
	RM2,501 – RM3,170
	RM3,171 – RM3,970
	RM3,971 – RM4,850
	RM4,851 – RM5,880
	RM5,881 – RM7,100
	RM7,101 – RM8,700
	RM8,701 – RM10,970

A five-point Likert scale was used, where "5" represented strongly agree, "4" agree, "3" neutral, "2" disagree, and "1" strongly disagree. All collected data was treated with confidentiality and used exclusively for the purpose of this study. The collected data was then analyzed using IBM Statistical Package for Social Science (SPSS) software. This study employed SPSS version 26 for data analysis, focusing on assessing central tendencies, variability, reliability, and hypothesis testing. Four primary analyses were conducted: descriptive analysis, reliability analysis, correlation analysis, and regression analysis.

A pilot test was conducted to assess the reliability of the research instrument and ensure respondent comprehension. Hill (1998) suggests that 10 to 20 responses suffice for a pilot test, while Cronbach's alpha is used to measure reliability, with a value of 0.7 or higher considered acceptable. For this study, 33 respondents who had completed the initial online questionnaire participated in the pilot test (Table 4). Data was analyzed using SPSS version 26, yielding a Cronbach's alpha above 0.8, indicating strong internal consistency and reliability. These results confirm the questionnaire's suitability for this study. Correlation analysis was utilized to determine both the strength and direction of the linear relationship between the dependent and independent variables while regression analysis used in this study to measure how the two or more variables affect each other.

Table 4: Cronbach's alpha for pilot test (n = 33)

Variables	Items	Cronbach Alpha Value
Savings Behavior	SB2, SB3, SB4, SB5, SB6, SB7, SB8, SB9, SB10, SB11, SB12	0.838
Financial Literacy	FL1, FL2, FL3, FL4, FL5, FL6, FL7. FL8, FL9, FL10, FL11, FL12, FL13	0.920

4. Results

Descriptive Analysis

The study surveyed 216 respondents, analyzing key demographic characteristics such as gender, marital status, age, race, education level, employment status, and individual monthly income. Additionally, savings-related information was included. The results were presented in terms of frequency and percentage as per Table 5 to provide a comprehensive overview of the participants' profiles. The demographic profile of the study consists of 216 respondents, with a majority being male (66.2%), while female respondents constitute 33.8%. The data suggests a notable gender disparity, with young adults predominantly represented by males.

In terms of marital status, nearly half of the respondents are married (49.5%), followed closely by single individuals (48.6%), while a small percentage (1.9%) are divorced.

Regarding age distribution, the largest proportion of respondents falls within the 26–30 age group (49.1%), followed by those aged 31–35 (32.4%) and 18–25 (18.5%). This indicates that young adults in the late twenties represent the highest participation in this study. In terms of race or ethnicity, the majority of respondents are Malay (73.6%), while the remaining participants comprise Chinese (11.1%), Indian (7.9%), and individuals from other racial backgrounds (7.4%). The educational background of the respondents reveals that the largest proportion holds a Bachelor's degree (38.4%), followed by those with an SPM qualification (36.6%). Additionally, 13.9% possess a Diploma, 7.4% hold a Master's degree, and 3.7% have completed STPM, Matriculation, or Foundation studies. These figures suggest that the majority of young adults surveyed have attained at least tertiary education.

In terms of employment status, the highest representation is from the government sector, comprising 53.2% of respondents. This is followed by individuals working in the private sector (38.9%), while smaller proportions include self-employed individuals (3.3%), full-time students (2.3%), and unemployed individuals (2.3%). The respondents' individual monthly income varies across different brackets, with the highest proportion earning between RM1,501 and RM2,208 (23.1%). Other significant income ranges include RM3,171–RM3,970 (16.2%) and RM2,501–RM3,170 (16.2%). Notably, the majority of respondents fall within the B40 income group in Malaysia, indicating financial constraints among young adults. Furthermore, the study explores respondents' savings behavior, revealing that 94.9% have a savings account, while only 5.1% do not. In terms of monthly savings habits, the most common saving range is RM101–RM500 (41.7%), followed by RM501–RM1,000 (24.1%). A smaller percentage of respondents (4.2%) reported having no monthly savings. These findings suggest that while young adults actively save, financial commitments and rising living costs may limit their ability to accumulate significant savings.

Table 5: Descriptive analysis on demographic characteristics and savings question

Variables	Frequency (N = 216)	Percentage (%)
Gender:		
Male	143	66.2
Female	73	33.8
Total	**216**	**100**
Marital Status:		
Single	105	48.6
Married	107	49.5
Divorced	4	1.9
Total	**216**	**100**
Age:		
18 - 25 years old	40	18.5
26 - 30 years old	106	49.1
31 - 35 years old	70	32.4
Total	**216**	**100**
Race:		
Malay	159	73.6
Chinese	24	11.1
Indian	17	7.9
Others	16	7.4
Total	**216**	**100**
Education Level:		
SPM	79	36.6

STPM/Matric/Foundation	8	3.7
Diploma	30	13.9
Degree	83	38.4
Master	16	7.4
Total	**216**	**100**
Employment:		
Own Business	7	3.3
Government Sector	115	53.2
Private Sector	84	38.9
Full-time Student	5	2.3
Unemployed	5	2.3
Total	**216**	**100**
Individual Income (Monthly):		
No Income	5	2.3
<RM1,500	9	4.2
RM1,501 – RM2,208	50	23.1
RM2,209 – RM2,500	20	9.3
RM2,501 – RM3,170	35	16.2
RM3,171 – RM3,970	35	16.2
RM3,971 – RM4,850	30	13.9
RM4,851 – RM5,880	11	5.1
RM5,881 – RM7,100	14	6.5
RM7,101 – RM8,700	5	2.3
RM8,701 – RM10,970	2	0.9
Total	**216**	**100**
Additional Question on Savings		
I have my own savings account:		
Yes	205	94.9
No	11	5.1
Total	**216**	**100**
How much do you save every month?:		
No Saving	9	4.2
RM1 – RM100	42	19.4
RM101 – RM500	90	41.7
RM501 – RM1,000	52	24.1
RM1,001 – RM3,000	23	10.6
Total	**216**	**100**

Reliability Analysis

The findings presented in Table 6 indicate that the Cronbach's Alpha values for each variable range from 0.909 to 0.920. According to Hair et al. (2006), a Cronbach's Alpha exceeding 0.7 is generally considered reliable in exploratory study. Therefore, the high alpha values observed in this study confirm the reliability of the measurement scales. Specifically, the analysis reveals that young adults' savings behavior consists of 11 items, yielding an alpha value of 0.909, while young adults' financial literacy comprises 13 items with a Cronbach's Alpha of 0.920. The results indicate that the reliability coefficients for these variables are 0.906 and above, signifying a strong internal consistency. In conclusion, the results suggest that the measurement scales employed to assess young adults' savings behavior and financial literacy are highly reliable, ensuring the robustness of the study's findings.

Table 6: Reliability analysis

Variables	Items	Cronbach Alpha Value
Savings behavior	**SB2, SB3, SB4, SB5, SB6, SB7, SB8, SB9, SB10, SB11, SB12**	0.909
Financial Literacy	**FL1, FL2, FL3, FL4, FL5, FL6, FL7. FL8, FL9, FL10, FL11, FL12, FL13**	0.920

Correlation Analysis

The correlation analysis results presented in Table 7 indicate a strong and positive relationship between financial literacy and savings behavior ($r = 0.733$, $p < 0.001$), as well as a weaker but still significant positive correlation between education and savings behavior ($r = 0.190$, $p < 0.001$). Conversely, gender exhibits a negative but non-significant correlation with savings behavior ($r = -0.054$, $p > 0.005$). Additionally, income demonstrates a significant negative correlation with savings behavior ($r = -0.144$, $p < 0.005$). Furthermore, the correlation matrix confirms that multicollinearity is not a concern in this study, as the highest observed correlation is 73.3% between financial literacy and savings behavior, which remains within an acceptable range for statistical analysis.

Table 7: Correlation analysis

	Savings behavior	Financial Literacy	Gender	Education	Income
Savings behavior	1				
Financial Literacy	0.733 ** 0.000	1			
Gender	- 0.054 0.432	0.120 0.078	1		
Education	0.190 ** 0.005	0.209 ** 0.002	- 0.287 ** 0.000	1	
Income	- 0.144 * 0.034	- 0.188 ** 0.006	- 0.133 0.052	- 0.236 ** 0.000	1

**, and * represent significance at 1% and 5% level, respectively.

Regression Analysis

The hypothesis testing in Table 8 examines whether financial literacy significantly impacts savings behavior among young adults in Malaysia. To test **H1**, savings behavior was regressed on financial literacy, and the results indicate that financial literacy is a significant predictor of savings behavior ($\beta = 0.750$, $p < 0.001$). This finding suggests that financial literacy plays a crucial role in shaping savings behavior, thereby supporting **H1**.

The results imply that individuals with higher financial literacy tend to save more. This finding aligns with Morgan and Long (2020), where financial literacy has a major influence on the savings habits of the Asian community where higher levels of financial literacy are more likely to save in both formal and informal ways. Similarly, Looi et al. (2022) report that financial literacy determines the university students' savings behavior in Malaysia, reinforcing the importance of financial knowledge in promoting financial well-being.

In addition, the study tests whether gender significantly influences savings behavior among young adults in Malaysia (**H2**). The regression analysis shows that gender has a

significant and negative relationship with the savings behavior (β = -0.153, p < 0.001), confirming that gender differences play a role in shaping financial habits. These findings indicate that males tend to save less compared to females, which is consistent with Esquivias et al. (2021), who examine savings behaviors in Vietnam, Indonesia, and the Philippines (VIP). Their study, utilizing the World Bank's Global Findex Dataset (2017), finds that females in the VIP region are more likely to own savings accounts and participate in informal finance than males.

Furthermore, the study examines whether education and income significantly impact savings behavior (**H3** and **H4**). The regression analysis reveals that neither education (β = -0.017, p > 0.005) nor income (β = -0.028, p > 0.001) significantly predicts savings behavior. Therefore, **H3** and **H4** are not supported. These results suggest that, in the Malaysian context, factors such as financial literacy and gender may have a stronger influence on savings behavior than education and income levels.

Table 8: Regression analysis

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	Significant (p-value)
(Constant)	1.225	0.209		0.000***
Financial Literacy	0.753	0.048	0.750	0.000 ***
Gender	- 0.229	0.074	- 0.153	0.002 ***
Education	- 0.025	0.074	- 0.017	0.733
Income	- 0.055	0.097	- 0.028	0.588

***, and ** represent significance at 1% and 5% level, respectively.

5. Conclusions

This study highlights the significant role of financial literacy in shaping savings behavior among young adults in Malaysia. A positive and significant coefficient confirms that financial literacy significantly predicts savings behavior. These findings align with previous studies (Thung et al., 2012; Looi et al., 2022), which emphasize that individuals with higher financial literacy are more likely to engage in responsible saving habits.

This study also confirms that gender is a significant demographic factor influencing savings behavior, indicating that males save less than females. This aligns with Esquivias et al. (2021), who find that females in Vietnam, Indonesia, and the Philippines (VIP) have higher financial inclusion and savings rates.

This study makes significant contributions to the literature by demonstrating how financial literacy and demographic characteristics influence and contribute to the development of savings behavior. The findings provide valuable insights for both policymakers and retail banks, offering practical applications for improving financial engagement and literacy among youth.

Future study may also explore additional factors influencing savings behavior, such as cultural influences, financial goals, and the role of digital financial tools. Investigating how cultural norms shape financial habits, how personal financial objectives drive savings behavior, or how technology impacts financial decision-making could provide deeper insights into the financial behaviors of young adults in Malaysia.

For policymakers, the study highlights the importance of youth savings behavior in strengthening the economy. By understanding the key factors influencing savings,

policymakers can design and implement effective financial education programs at various educational levels, from primary and secondary schools to higher education institutions. Initiatives such as financial literacy seminars, interactive workshops, and training programs can equip students with essential financial knowledge and skills, fostering responsible savings habits from an early age. Additionally, organizing financial discussion forums for youth can further enhance their interest in financial planning and promote ethical financial practices, encouraging long-term commitment to savings behavior.

Retail banks can also benefit from the findings by gaining a deeper understanding of the financial habits and preferences of Malaysian youth. By recognizing youth as a valuable customer segment, banks can tailor financial services and savings products to better meet their expectations. This could involve designing youth-friendly savings accounts, offering incentives for regular savings, or developing engaging financial programs that encourage active participation in saving. By aligning their services with youth preferences, retail banks can foster stronger relationships with young customers and enhance financial inclusion.

Footnotes

[1]https://ringgitplus.com/en/blog/ringgitplus/rmfls-survey-reveals-unexpected-financial-resilience-among-malaysians.html : RinggitPlus.com website

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