

Determinants of Household Savings

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ABSTRACT

The household savings growth in Malaysia has shown a great declining trend annually. The main causes of these deteriorating patterns could have been due to low-income levels, overspending, economic conditions as well as uncertainties that people are facing daily. In deliberating this issue further, this study has empirically examined factors affecting household savings in Malaysia. The analysis was based on time-series data gathered from World Bank Data and the Department of Statistics of Malaysia from 1970 until 2020. The time series regression analysis was used to examine the significant influence on the dependent variable, savings, by independent variables, which consist of income level, interest rate, and money supply. The findings from this study revealed that income level and money supply have significant positive influences on savings, while interest rate has an insignificant influence on savings. Through these findings, policymakers have to formulate a suitable policy that can cushion the impact of macroeconomic variables on the level of savings in the country.

Keywords: Income, Interest rate, Money supply, Inflation rate, Savings.

INTRODUCTION

The COVID-19 pandemic has disrupted the global economy, affecting people globally as their lives have dramatically changed (Rabbani et al., 2021). During the pandemic, businesses were forced to close, and movement was severely restricted, causing most revenue and profit to plunge and pressuring the labour market. The pandemic reportedly caused a steep decline of about 6.5% in the world's economic growth between 2019 and 2020. The three most severely affected sectors during the pandemic are global tourism, logistics, and financial industries (Onyia, 2021). In Malaysia, the Movement Control Orders (MCOs) affected the Malaysian economic sectors, causing many productive members to become unemployed, reducing salary and working hours, or involuntary separation schemes (Department of Statistics Malaysia,

2020). From here, it causes the total employment affected 14.88 million, increasing the unemployment rate to 5.1% in the second quarter of 2020 (Department of Statistics Malaysia, 2020).

The pandemic has revealed an enduring issue of insufficient savings, exacerbating Malaysians' lacking awareness of keeping long-term financial savings. This issue has become a topic of interest in the Malaysia National Strategy for Financial Literacy (2019-2023) (Financial Education Network, 2019), which reported that only 84% of Malaysians have savings for short-term emergencies, as opposed to long-term savings. Most Malaysians would use their funds during month-end to help with their daily expenses. Even though 76% of Malaysians practice budgeting, 40% cannot sustain their spending within their budget. Astoundingly, 20% of Malaysian working adults do not have enough savings for six months of use at the time of the study. As reported by Bank Negara Malaysia, a mere 6% of Malaysians have a 6-month worth of emergency savings (Abd Rahman, 2019). In 2019, gross national savings (GNS) dropped to 24.9% from 26.7% and 29.2% in 2018 and 2017, respectively (Bank Negara Malaysia, 2019). However, this decline is "inevitable", as the prolonged reliance on consumer spending has driven economic growth over the last few years. Still, this is a worrying situation, as it shows that Malaysians do not have enough coffers to sustain their living, forcing them to exhaust their savings. Based on these reports and the current situation, most Malaysians are severely underprepared for income shocks or emergencies.

The COVID-19 pandemic has highlighted the critical need to prepare sufficient savings during stable times for emergencies. Savings also promote long-term economic development (Jamal & Sultana, 2023; Chalimah et al., 2019). Based on the official reports, Malaysians' savings would last between one to four months during the outbreak (Department of Statistics, 2020). Nevertheless, Malaysians' saving habits are still unsatisfactory (Ying & Jamal, 2023; Credit Counseling and Management Agency, 2018). More alarmingly, the number of people under the age of 35 who were declared bankrupt rose annually. In this context, it is critically important to understand the reasons for stimulating the saving behavior of the younger generation in Malaysia to ensure the robustness of the national economy for future economic shocks.

Therefore, savings are crucial in all aspects of the economy. It is important for all levels, from the government to the individual. Savings promote and contribute to an individual's financial independence; hence they will have an impact on the country's economic stability. Previous research has also recommended that savings are closely related to retirement planning (Park & Martin, 2022). When someone reaches retirement age, they do not have to worry about their life because they have enough money for survival (Hu, Stauvermann, Nepal & Zhou, 2023). Savings have a major and positive impact on the development of the country as well. Saving will elucidate an individual's financial health. Malaysians' savings rate was 26.1% of GDP in 2020 and 26.3% in March 2022 (World Bank, 2021; 2022).

Meanwhile, the gross savings of Malaysians will be RM397.36 billion in 2021, slightly increasing from RM388.86 billion in 2017. The reported savings rate includes mandatory savings in EPF intended for retirement savings. Henceforth, without retirement savings, Malaysia's savings rate is moderately low. Synchronously, a survey by Statista Research Department (2019) supports the statement of Malaysia's low savings. It indicates that 21 per cent of the respondents do not have savings. On the other hand, 35% save less than RM500 per month.

While the percentage of respondents that save between RM501 – 1000 is 23%. Of the remaining respondents, 13% and 9% saved RM1001-2000 and above RM2001, respectively. A longitudinal study by Capital Market Development Fund and Universiti Putra Malaysia (2020) revealed that one-third of Malaysians have more debts than assets. In addition, slightly more than half (52%) of Malaysians have insufficient income to fulfil their basic needs.

This report indicates that only a small percentage of Malaysians have savings for their future. There are many factors affecting savings among Malaysians. These include a lack of awareness of savings, high debts and commitments, high costs of living expenses, and low salaries, and they tend to adopt a luxurious lifestyle (Surendran, 2018). Low savings is one of the major problems faced by households in Malaysia. The savings are below the optimum level and insufficient to survive if unforeseen circumstances, such as a financial crisis, happen. To overcome this problem, the government has to promote awareness programs, such as providing a good understanding of the future savings drivers at the micro-level. The program has to work to give savings awareness to Malaysians.

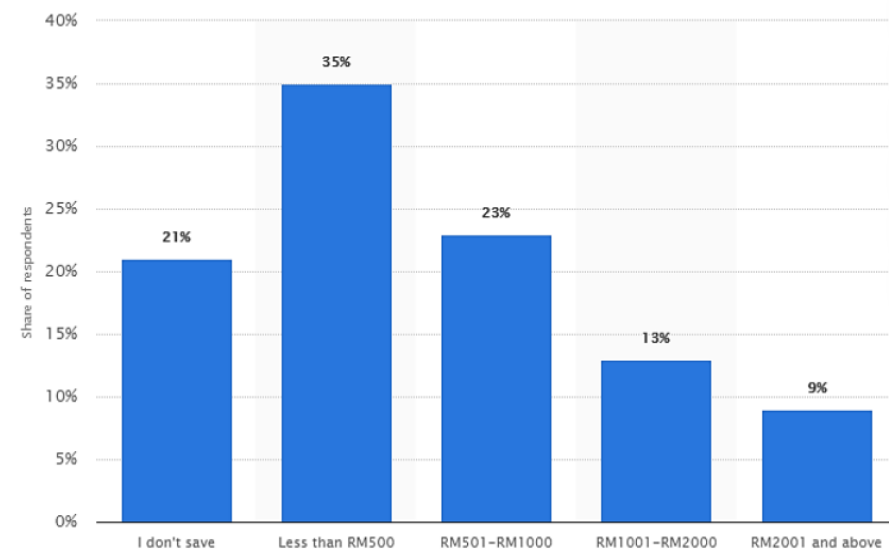


Figure 1: Average savings per month of the respondents in Malaysia as of October 2019

Source: Statista Research Department, Oct 2019

Additionally, they must pay for their daily expenses to support their life due to the increase in consumer goods prices. Hence, they also cannot save for their retirement. If the government does not create awareness and take initial steps to promote savings, this situation will be worse. Many awareness programs must be done and implemented to overcome this problem. Having high debt is another influencing factor that affects savings behavior. Moreover, lower income is another factor that affects savings behavior. Due to their low income, they have to commit themselves to short-term or long-term debt. Debt eventually will reduce their income, and they may not be able to pay their debts.

Another survey conducted by the Department of Statistics Malaysia in 2020 reveals that nearly three-quarters of private sector respondents only have savings of less than one month if anything happens to them. For instance, they are being terminated from their current job.

Meanwhile, the survey result also shows that 78.9% of government-linked companies (GLC) employees and 75.2% of multinational companies (MNC) have savings of up to four months for their future. However, 82.7% of the private sector workers have a bit higher percentage of one-month additional savings than those in the private sector. It can be summarized that the savings rate is lower during the pandemic, especially for those with irregular income.

On the other hand, the government will use the saving rate as an economic indicator to measure financial stability as well as the financial health of the country. The government also has to emphasize savings habits by the individual. Savings habits need to be imparted and drilled by every individual from an early stage and young age, particularly in primary school, to ensure financial independence (Coky & Sharifah Norzehan, 2022).

LITERATURE REVIEW

Theoretical Background

Among the most renowned neoclassical theories of savings are the life-cycle theory (LCT) explained by Ando and Modigliani (1963), Modigliani (1998) as well as Modigliani (1970), with the inclusion of the permanent income hypothesis (PIH) (Friedman, 1957). Life-cycle theory (LCT) portrays people's savings and spending habits. While earning a high income, individuals tend to save and alternatively decide to borrow when their income is low to enable smooth consumption throughout their lifetime. Life-Cycle Theory (LCT) recommends that savings and consumption patterns follow a person's life cycle. When an individual is still young, energetic, productive, and has a steady and stable income, he tends to spend and save his income for the future. Unfortunately, when he gets older, he has fine-tuned their spending pattern as they do not have a steady income (Kyoung Tae, Sherman & Samuel Cheng-Chung, 2014; Jean, 2008; Hassan & Lawrence, 2007).

Meanwhile, savings decisions and consumption among individuals are not based solely on their current flow of income. According to Friedman (1957), the Permanent Income Hypothesis (PIH) explains that the estimated stream of future income during their lifetime would affect their savings and consumption. The Permanent Income Hypothesis (PIH) postulates that changes in permanent income have a greater impact on household consumption patterns than changes in temporary income. If permanent income rises, the level of consumption will rise as well. The PIH will also influence the savings habits of households, particularly if the permanent income increases; they will save more (Friedman, 1957). In their expectation to receive higher income in the future, their consumption and savings would be higher. In this study, the authors take income level as one of the variables influencing savings habits. It is suggested that income level will have a positive relationship with savings. It indicates that if the income level increases, the savings amount by that individual will increase as well.

Savings

Saving is a process of not spending money for the current period to use it in the future. According to Denton, Finnie, and Spencer (2011), saving can be defined as the excess of income over all expenditures. The 2016 HSBC annual report stated that 70% of Malaysians have concerns about their finances, while 40 % are expected to retire with a poor standard of living. Saving has a critical role in a country's financial and economic development (Asfaw, Belete, Nigatu & Habtie, 2023; Hammad & Hussin, 2010). For households, savings ensure future retirement and investment and protect a household if they are subject to any adverse shocks

like the global pandemic (Carmichael, 2023; Kapounek et al., 2016). Savings are also essential to inculcate good spending habits among the younger generation. For instance, if savings are started early, it would serve a greater chance to reap the benefits of compound interest (Furnham, 1999). Moreover, saving early is better for unexpected shocks, as seen in the recent COVID-19 crisis that started as a public health issue but quickly permeated to a global threat at a micro and macro level. It not only severely impacts the global economy, but it has also caused significant economic losses to businesses, which in turn has caused workers to lose their jobs and regular income (Fairlie, 2020; International Labour Organization, 2020).

Savings are critical to building an economic connection between the past, present, and future. Higher savings will boost the country's economic growth, encouraging bigger funds for investment (Hammad & Hussin, 2010). According to Nuraisya and Juliana (2019), domestic savings are critical in developing countries. Local entrepreneurs should learn to accept product innovation as new technology is adopted. The domestic savings can supply investment planning, allowing the country to rely less on foreign capital and providing a good opportunity for local investors to invest in the country. Foreign savings and domestic investments are related in some countries. Hence, they have the potential to develop their technologies. Although savings are trivial in boosting the country's economic development and growth, it also relates to investment (Adelakun, 2015; Hashmi & Sedai, 2016). According to Imran et al. (2017), Gross Domestic Savings (GDS) contributes to improving the economy through investment and capital creation. Examples of GDS are household savings as well as private and public savings. The percentage of GDP can express it.

Interest Rate and Savings

Studies by Khan, Bashir and Abbas (2014), Moussavou (2017) as well as Muhammad Hariz and Sahibzada (2017) discovered that interest rate and savings have a significant positive relationship, whereby if interest rate increases, savings will also increase (Oyewole, Adeniyi, Lawal, Ajayi & Adekunle, 2023). Higher interest rates may motivate people to save more and spend less. Moreover, the interest rate has a significant impact on savings behavior. Interest rate is also known as the borrower's cost but is a reward to the lender for the money. Hence, the interest rate will become an important factor that greatly impacts the economies of scale to inspire investment and consumption. Besides that, it also encourages consumers to save more (Aizenman, Cheung & Ito, 2017).

Khan, Teng, Khan, Jadoon, and Rehan (2017) have analyzed the savings patterns of the population from seven Asian countries. The study focused on the difference in connection or relationship between the interest rate and savings rate between countries. These countries, including Taiwan, India, and Malaysia, have indicated an optimistic relationship between savings and interest rates. However, the influence of interest rates is not significant.

Another study by Romero (2020) discovered that interest rates and savings have a negative relationship where a one percent decrease in interest rates will increase the savings rate by 0.2 percent. Hence, it seems to reveal another factor affecting savings rate as well. Additionally, Palenzuela and Force (2016) confirmed that changes in fiscal policy would increase household savings even when the interest rate is low. In contrast, in their study, Yanjun et al. (n.d.) point out that interest rates and savings are insignificant due to the substitution effect. People will

spend more and save less when the interest rate is lower. Therefore, the interest rate is controlled.

Hafizah Hammad and Hussin (2010) show that real interest rates and national savings have positive significance. A sample of fourteen Asian developing countries between 1961 and 1983 are employed. On the other hand, Giovannini (1983) collected samples from the same countries but in different years, revealing that the real interest rate elasticity on the savings rate was negatively significantly. With this deliberation, this study has postulated the following hypothesis:

- H1: The interest rate is negatively related to savings.

Income Level and Savings

According to the Keynesian model, disposable income is one of the factors affecting savings. Alvarez-Cuadrado and El-Attar Vilalta (2012) as well as Vadalía, Vashistha, and Gohil (2023) conducted their research and concluded that there is a factor that influences savings, namely income inequality, as it leads to inequality in the savings rate. Another study by Ismail and Tendot (2012) discovered that spending and savings are extremely interrelated with income level. They used gross domestic savings measured by household savings as a dependent variable. Meanwhile, they employed interest rate, age dependency ratio, final consumption expenditure, consumer price index, and adjusted net capital income per capita as the independent variables.

On the other hand, according to Khan et al. (2017), income level is measured by all of the country's resources divided by the country's total population. The life-cycle hypothesis has been used to describe the positive relationship between income level and savings. Income can generate savings; therefore, the higher the income level, the higher the savings will be. Pandey and Preecha (2012) analyzed the factors influencing household savings in Australia in their study. They discovered that there is a strong relationship between income and savings. Other significant factors are age, education, gender, and marital status.

Cheng and Li (2008) found that the determinants of Malaysian savings are based on the Life-Cycle Hypothesis. This cycle has been used to study the independent variables: deposit rate of savings account, income per capita, inflation rate, and supply of money. The result showed that income level, real interest rate, and inflation positively correlate with savings. Therefore, this study has postulated the following hypothesis:

- H2: Income level is positively related to savings.

Money Supply and Savings

According to Nuraisya and Juliana (2019), money supply and savings have an insignificant negative relationship. Another study found that, when the amount of money supply increases in the market, it can affect savings because people are encouraged to increase their investments compared to savings (Munir, 2023). If the money supply rises, it can cause a lower interest rate. It can discourage people from saving. Unfortunately, the findings by Onwuasoeze and Kirori (2016) and Abasimi and Martin (2018) contradicted the results. The money supply has a significant positive relationship with savings. It indicates that when the money supply is high, people will spend more on goods and services and take advantage of the lower interest rate. As a precaution, the government makes a tight monetary policy that can reduce the money supply

economy. Hence, a higher level in interest rate can improve savings and maintain low inflation, consequently strengthening the financial market.

Gatawa, Abdulgafar, and Olarinde (2017) analyse Nigeria's time series data from 1973 until 2013. They want to know the relationship between money supply, interest rate, and inflation by employing the VAR Model and Granger Causality Test. Finally, they found a positive relationship between the broad money supply and the development of Nigeria in the long run. Conversely, they discovered that interest rates and inflation have a negative relationship with development.

- H3: Money supply is positively related to savings.

Inflation Rate and Savings

Based on the work of Fredriksson and Staal (2021), inflation causes deviations between actual and expected real incomes, but people are imperfectly informed about prices. Individuals do not save this unexpected increase or decrease in income, so an unexpected change in income should positively affect the saving rate. However, even if people correctly predict changes in real income, the savings rate will rise with inflation (Prati, 2023). Individuals can substitute more expensive products and add avoided spending to their savings. This unexpected inflationary effect is projected to be positive. Finally, the delayed saving rate approximates the preferred rate under the correct price information. This reflects the idea that consumers regularly update their pricing information. The impact on ongoing savings is also expected to be positive. Moreover, most empirical studies on the relationship between general inflation and saving suggest that households and governments respond to rising price levels of goods and services by curbing general consumption and borrowing, thereby increasing the population's overall savings. Therefore, if the positive relationship between inflation and savings due to COVID-19 and economic shocks no longer holds, general price level inflation is no guarantee of higher average household or government savings rates in the future. This development could undermine economic growth progress in a single country or decentralized entity, as declining general savings delay future financing for investment and capital infrastructure development in developing countries. However, traditional economic theory suggests that inflation does not significantly affect average savings, except under certain macroeconomic conditions that induce a rebalancing of some elements of household wealth. Theoretical evidence for the impact of inflation on aggregate savings in developing countries is mixed and inconclusive (Mose, Naftaly and Thomi, John, 2022)

- H4: The interest rate is positively related to savings.

Conceptual framework

The following hypotheses are developed from the above studies concerning savings factors. It indicates that there are significant effects of income level, money supply and interest rate on savings made by Malaysians. The conceptual framework for this study is displayed in Figure 2.

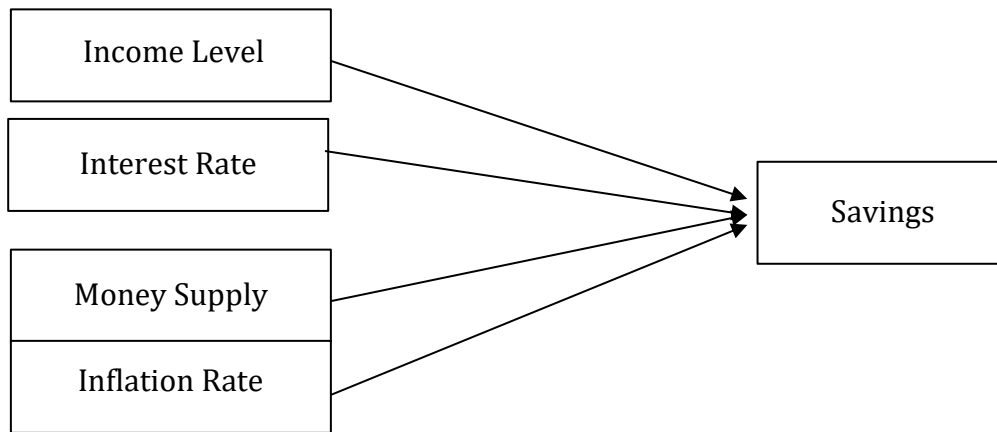


Figure 2: Conceptual Framework

METHODOLOGY

All the data for this current study were gathered from the World Bank Data and the Department of Statistics of Malaysia (DOSM) website. The data from 1970 until 2020 was collected annually, resulting in 30 years of time series data. Table 1 below shows the dependent and independent variables together with the proxies.

Table 1: Dependent and Independent Variables.

Variables	Indicator
Savings	Gross Domestic Savings (GDS)
Income Level	Gross Domestic Product (GDP)
Interest Rate	Deposit Interest Rate (DIR)
Money Supply	Broad Money
Inflation Rate	Consumer Price Index (CPI)

The analysis started with descriptive statistics. Then, it is pursued by the variance inflation factor test (VIF). VIF is performed to identify the presence of multicollinearity. It is also analysing the relationship between one variable and another variable. Subsequently, autocorrelation and corrected analysis for autocorrelation problems were conducted.

Subsequently, the ordinary least square (OLS) regression analysis has been performed to analyse the effects of the independent variables on the dependent variable, savings. This study has used the time series analysis as it has a series of time across one cross-section. The projected regression equation for this study is as follows:

$$SVG_t = \alpha + \beta_1 INCOME_t + \beta_2 INTRATE_t + \beta_3 MONEYSS_t + \beta_4 INFLATION_t + \varepsilon_t$$

Where,

1. SVG_t is the dependent variable (savings) with T time-series of the observations
2. α is the intercept
3. $INCOME_t, INTRATE_t, MONEYSS_t, INFLATION_t$ are the independent variables with T time-series of the observations
4. ε_t is error term with mean zero and variance σ^2 .

RESULTS

Descriptive Analysis

Descriptive statistics analysis summarizes the data set, enabling others to understand the data comprehensively. This analysis discussed mean, minimum and maximum values, standard deviation, skewness, kurtosis, and the Jarque-Bera test. These are presented in Table 2 below.

The skewness value of income level, money supply and inflation rate demonstrate a negative value of -0.2343, -1.3213 and -2.9041, respectively. It indicates that the data distribution is in a negative direction of curve frequency for mode, median, and mean. The results of the kurtosis value for income level, interest rate, money supply and inflation rate are -1.1302, -1.1600, 0.6992 and 15.8947, respectively. Hence, the kurtosis values for all independent variables are between -1 and 1, while the kurtosis value for the interest rate variable is above 1. The kurtosis values close to zero are related to mesokurtic distribution, which is normal distribution data.

Furthermore, the results for the Jarque-Bera test for savings, income level, interest rate, money supply and inflation rate are 3.1814, 3.0074, 15.8775 and 608.5505, respectively. It is a goodness-of-fit test to determine whether the skewness and kurtosis of the data match a normal distribution. The results of the Jarque-Bera test show that the p-values are more than 0.10 except for savings, money supply and inflation rate. The conclusions that can be made from these results are that savings, money supply and inflation rate data are normally distributed due to the significant result.

Table 2: Descriptive statistics

Analysis	Savings	IL	IR	MS	INF
Mean	1.5430	3.6984	0.6548	2.0128	0.5712
Median	1.5498	3.7579	0.6895	2.0883	0.6035
Minimum	1.3048	3.2425	0.2911	1.6118	-1.2126
Maximum	1.6873	4.0575	0.9890	2.1485	1.2679
Standard Deviation	0.0881	0.2343	0.1897	0.1489	0.3344
Skewness	-0.7227	-0.2343	0.1319	-1.3213	-2.9041
Kurtosis	0.3902	-1.1302	-1.1600	0.6992	15.8947
Observation	51	51	51	51	51
Jarque-Bera	4.7625	3.1814	3.0074	15.8775	608.5505
P-value	0.0924*	0.2038	0.2223	0.0004***	0.0000***

Note: All variables are measured by raw data; the Number of samples for each variable is 51 observations.

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Stationary Analysis

This research uses time series data; therefore, it is crucial to test the unit root for each data. Testing for a unit root in time series data is important because it helps determine whether a series is stationary or non-stationary. A unit root indicates a lack of stationarity, which means that the statistical properties of the time series, such as mean and variance, do not remain constant over time. Non-stationary time series can make it challenging to analyze and model the data accurately.

This study performed two types of unit root tests, that are, Augmented Dickey-Fuller (ADF) and Philipp Peron (PP) unit root tests. Based on the table below, all variables are not stationary at level except for MS and INF at both ADF and PP unit root tests. Meanwhile, all variables are stationary at a 1% level at the first difference. The mixed evidence of stationarity is common for time series data. Based on this outcome, we have confirmed that all variables are suitable for time series analysis.

Table 3: Testing ADF and PP Unit Root.

Level I(0)	ADF Unit Root		PP Unit Root	
	Intercept	Intercept and Trend	Intercept	Intercept and Trend
Saving Level (SL)	-2.339 (0)	-0.984 (2)	-2.223 (3)	-0.947 (3)
Income Level (IL)	-2.300 (0)	-2.039 (0)	-2.229 (1)	-2.123 (2)
Interest Rate (IR)	-1.400 (0)	-2.737 (0)	-1.265 (5)	-2.626 (5)
Money Supply (MS)	-2.7545 (0) *	-2.9722 (0)	-2.937 (5) **	-2.881 (3)
Inflation (INF)	-2.692 (0) *	-3.634 (0) **	-2.690 (1) *	-3.643 (1) **
First difference I(1)	ADF Unit Root		PP Unit Root	
	Intercept	Intercept and Trend	Intercept	Intercept and Trend
Saving Level (SL)	-8.162 (0) ***	-8.930 (0) ***	-8.3722 (2) ***	-10.758 (5) ***
Income Level (IL)	-5.400 (0) ***	-5.731 (0) ***	-5.395 (1) ***	-5.731 (0) ***
Interest Rate (IR)	-5.630 (0) ***	-5.617 (0) ***	-5.806 (12) ***	-6.181 (13) ***
Money Supply (MS)	-6.833 (0) ***	-6.950 (0) ***	-6.864 (3) ***	-7.538 (6) ***
Inflation (INF)	-7.871 (0) ***	-7.985 (0) ***	-7.926 (3) ***	-8.025 (2) ***

Multicollinearity Analysis

The variance inflation factor (VIF) senses the multicollinearity among independent variables in the analysis. The results in Table 4 show that VIF values for all variables are less than five (VIF<5).

Hence it specifies that there is absence of multicollinearity among the variables. It may lead to more reliable probabilities regarding the effect of the independent variables in the savings determinant model. Therefore, further steps can be taken.

Table 4: Variance inflation factor (VIF).

Variable	VIF	1/VIF
Income Level	4.24	0.2356
Interest Rate	2.09	0.4775
Money Supply	3.18	0.3145
Inflation Rate	1.40	0.7166
Mean VIF	2.73	

Autocorrelation Analysis

Table 5 below displays the result of the Breusch-Godfrey LM test. This test is meant for autocorrelation. In this case, the null hypothesis has no serial correlation. Since the value of chi2 from the table above is less than 1% and significant, the researcher rejected the null hypothesis. This shows a serial correlation between the residuals in the model. Therefore, further analysis to correct the autocorrelation problem is needed.

Table 5: Breusch-Godfrey LM test for autocorrelation.

lags(p)	chi2	df	Prob > chi2
1	18.806	1	0.0000

Regression Analysis

The validity of the regression model is established using the F-statistic. Looking at the F-test, it is significant at the 1% level. Hence, the overall results in the regression model show a fitting model with the data. Thus, this gives support for a valid model. It indicates that the independent variables highly influence savings behavior in Malaysia. The R-squared value of 0.5776 expresses that the independent variables explain 57.76 percent changes in the savings. Other factors determine the balance of 42.24 percent of the variances. The R-squared measures the proportion of total variation of the dependent variable as explained by the independent variables. Based on the regression analysis results enumerated in Table 6, the coefficient for the money supply (MS) shows a significant positive association between money supply and savings ($B = 0.4857$) at the 1% significance level. It can be explained that the savings will change about 0.4857 percent for every one percent change in the money supply. The inflation rate (INF) is positively significant ($B = 0.0991$), influencing savings behavior at a 1% significance level. It shows that for every one percent change in the inflation rate, savings will change about 0.0991percent. Thus, savings will be more affected by the money supply as compared to the inflation rate.

Table 6: Regression result.

Variables	OLS Regression
Constant	0.5322*** (0.2038)
Income Level (IL)	-0.0051 (0.0742)
Interest Rate (IR)	-0.0073 (0.0644)
Money Supply (MS)	0.4857*** (0.1012)
Inflation Rate (INF)	0.0991***

	(0.0298)
R ²	0.5776
Adj. R ²	0.5409
F-statistic	15.73 (0.0000***)

DISCUSSIONS

The positive coefficient of money supply suggests that an increase in money supply is associated with the activity of increased savings. It indicates that when the money supply is high, people will spend more on goods and services and take advantage of the lower interest rate. With the intervention by the government, it makes a tight monetary policy that can reduce the money supply in the economy. Consequently, the interest rate will be higher, improving savings and maintaining low inflation. Hence, strengthening the financial market. The finding is consistent with Onwuasoeze and Kirori (2016) and Abasimi and Martin (2018).

On the other hand, the inflation rate also has a significant positive relationship with savings. It indicates that the higher the inflation rate, the higher will be the savings made by the individual. Individuals can substitute more expensive products and add avoided spending to their savings. This unexpected inflationary effect is projected to be positive. Additionally, the delayed saving rate approximates the preferred saving rate under the correct price information. This reflects the idea that consumers regularly update their pricing information. The impact on ongoing savings is also expected to be positive. Moreover, most empirical studies on the relationship between general inflation and saving suggest that households and governments respond to rising price levels of goods and services by curbing general consumption and borrowing, thereby increasing the population's overall savings. Therefore, if the positive relationship between inflation and savings due to COVID-19 and economic shocks no longer holds, general price level inflation is no guarantee of higher average household or government savings rates in the future. This finding is parallel with the findings of Fredriksson and Staal (2021).

In conclusion, savings is determined by the money supply. This is consistent with the findings of Onwuasoeze and Kirori (2016) and Abasimi and Martin (2018). Another conclusion that can be made here is that the inflation rate also becomes one factor that affects savings, coherent with Fredriksson and Staal (2021). It shows that the higher the money supply and inflation rate, therefore, the higher amount of savings made by the public in the economy. This will motivate people to save more money and contribute to higher savings. The findings suggest that money supply and inflation rate are important factors affecting savings decisions.

From the result, this study proposed a regression model as follows:

$$\hat{SVG} = 0.5322 - 0.0051 INC - 0.0073 INTRATE + 0.4857 MONEYSP + 0.0991 INFRATE$$

Where $\hat{SVG}$ is the expected savings, INC is the income level, $INTRATE$ is the interest rate, $MONEYSP$ is the money supply, and $INFRATE$ is the inflation rate.

CONCLUSION

In summary, this study has endeavored to examine the factors influencing savings in Malaysia. This study concludes that money supply and inflation rate positively affect savings. Hypothetically, the higher the money supply in the market, the higher the household savings

will be (Onwuasoeze & Kirori, 2016; Abasimi & Martin, 2018). On the other hand, the higher interest rate will also increase savings behavior in Malaysia (Fredriksson & Staal, 2021). Financial educators and counselors could emphasize behavioral coaching models to motivate positive financial attitudes and behaviors, namely, spending less, saving more, and planning for the future. This would benefit the households in terms of their consumption in the long run and achieving financial goals.

Life-cycle theory (LCT) portrays those habits of savings and spending by people. When people earn a high income, individuals tend to save more. Alternatively, decide to borrow when their income is low. This will enable smooth consumption throughout their lifetime. Life-Cycle Theory (LCT) recommends that savings and consumption patterns follow a person's life cycle. However, in this case, income level seems to be an insignificant variable in determining savings habits.

Future research could focus on other significant factors found in previous research, mainly on demographic factors regarding age, education, gender, income and marital status. Expanding the sample size may be one of the options to study the influential factors on household savings behavior. These results could be compared to the current study to seek consistency.

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