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(IJEPC)**<https://gaexcellence.com/ijepe>**UNDERSTANDING SAVING BEHAVIOUR AMONG YOUNG
ADULTS: THE MEDIATING ROLE OF FINANCIAL
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Abstract:

Saving behaviour by young adults has becoming increasingly important concern, particularly in urban areas where rising living costs and financial pressures pose significant challenges to financial well-being. Current study aims to investigate the relationship between parental socialization, peer influence, self-control to saving behavior among young adults in Klang Valley, Malaysia, and the mediating role by financial literacy. A quantitative survey approach was employed, involving 300 respondents aged 18 to 26 years residing in Klang Valley. Current study utilises the online surveys to collect data, Hayes' PROCESS Macro and the Statistical Package for the Social Sciences (SPSS) used to analyse data. The results showed that parental socialization has significant positive relationship with saving behaviour. However, peer influence, financial literacy and self-control showed no relationship with saving behaviour. The mediation analysis indicates that financial literacy partially mediates the parental socialisation and saving behaviour. In addition, financial literacy completely mediates the relationship between peer influence and saving behavior. However, self-control and saving behaviour not mediated by financial literacy. The results highlight how crucial the financial literacy in promoting responsible saving practices among young adults. The

study also emphasizes how social and behavioral elements, alongside financial literacy, interact to influence financial behavior. The results of the research provide knowledge for policymakers, academicians and financial institutions in developing effective financial education programmes and interventions aimed at strengthening saving habits and enhancing financial resilience among young adults in highly urbanised areas.

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Keyword:

Financial Literacy, Parental Socialisation, Peer Influence, Saving Behaviour, Young Adults.



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Introduction

The financial concerns of contemporary young people are identified as the rising costs of living, easy access to credit and rapid digital consumption changes (Soong et al., 2024). Research shows that individuals below 30 have acquired debts of collectively roughly RM1.9 billion (Malay Mail, 2024). Financial troubles among the young are becoming increasingly evident in Malaysia. Financial literacy remains quite poor even with improved access to financial products and services, particularly in understanding key financial concepts, such as inflation, interest rates and risk diversification (Lusardi & Messy, 2023; TheEdge, 2024). Therefore, encouraging good saving practices in young adults is important as financial behaviours in early adulthood have a long-term impact on financial stability and resilience (Al-Khaled et al., 2025). According to Anthony et al., (2021) and Mad et al., (2024) this issue is particularly pertinent in Klang Valley, where young individuals face elevated urban living expenses, consumer-driven lifestyles, and insufficient formal financial education. Various psychosocial factors are found to influence saving behaviour significantly, including parental socialisation, peer influence and self-regulation (Hartono & Isbanah, 2022). Besides, an important role in determining financial attitudes and actions where financial views, budgeting methods and saving habits are transferred from parents to their children (Gudmunson & Danes, 2011; Bakar & Bakar, 2020). Studies have found that financially responsible parents improve their children confidence in their finances, savings goals, and financial decision-making skills (Jorgensen & Savla, 2010; Murugiah et al., 2023). Also, peer influence is important throughout adolescence and young adulthood as individuals are very sensitive to social comparisons and group expectations (Laursen & Veenstra, 2021). Peer groups may encourage frugal financial behavior as well as lavish spending depending on social norms and lifestyle aspirations (Duflo & Saez, 2003; Zulfaris et al., 2020).

Self-control is an important factor related to saving behaviour because people with higher self-regulation are usually better at controlling unplanned purchasing and focusing on long-term financial goals (Hartono & Isbanah, 2022). However, previous studies have shown that the effect of self-control on the financial behavior of Malaysian youths has been divided (Sabri et al., 2023). Moreover, financial literacy may also improve the relationship between these psychological factors and saving behaviour through improving individuals' ability to make good financial decisions (Mpaata et al., 2021). Considering the financial constraints experienced by the youth in the densely populated areas, the current study is framed in the context of Klang Valley to explore the saving behaviours of Malaysian adolescents. This study examines the relationship between parental socialisation, peer influence, self-control and saving behaviour and financial literacy play a role as mediator. It is anticipated that the results will offer insightful information to financial institutions, educators, and regulators in order to encourage young adults in Malaysia to adopt sound financial practices.

Earlier research on financial conduct among Malaysian adolescents still have numerous holes to be filled. The present study often considers parental socialisation, peer influence, self-control and financial literacy individually resulting to disjointed knowledge of their joint effect on saving behaviour by (Bakar & Bakar, 2020; Hartono & Isbanah, 2022, Zulfaris et al., 2020). Moreover, according to Lusardi et al., 2014; Sabri et al. (2010), Although financial literacy has been repeatedly shown to be a significant predictor of saving behaviour, limited about how financial literacy interacts with other behavioral and social factors. Research usually looks at peer impact, self-control, and parental socialization separately (Bakar & Bakar, 2020; Aprilia & Nur, 2023; Zulfaris et al., 2020), leading to inconsistent results. Few studies (Hartono & Isbanah, 2022; Munikrishnan et al., 2023) conceptualize these variables collectively under a single behavioral model, which limits knowledge of whether their impacts on saving behavior function independently or through interrelated pathways. As a result, there is a theoretical gap in understanding how these factors influence real saving outcomes. Besides, according to Anthony et al., 2021; Chun et al., 2021 that there were limited studies on young adults in Klang Valley, most of the focus on university cohort but overlook the young adults which has a distinctive socio-economic environment of high cost of living, strong consumerism and increasing financial challenges. This study aims to evaluate the effect of parental socialisation, peer pressure and self-control on young adults saving behaviour in Klang Valley with financial literacy as the mediating variable.

Literature Review

Saving Behaviour

According to Lewis et al. (1995) and Wärneryd (1999) saving behaviour is the extent to which individuals set money aside for future use and long-term financial security. Saving is often defined from an economic point of view as a consumption that is postponed and leads to the accumulation of wealth, both personal and economic growth (Mallick & Debasish, 2017; Mori, 2019). Saving behaviour is associated with self-regulation, financial discipline, and the ability to defer immediate gratification for future financial goals in terms of behaviour and psychology (Tang, 2010). According to Bernheim et al. (2001), Shefrin and Thaler (2011) beyond the rational financial planning, savings behaviour is affected by behavioural and social factors, such as impulse control, social norms and financial confidence. Saving practices can include the use of savings accounts, retirement funds, investments, or emergency financial reserves

(Mori, 2019). Previous studies also emphasised the important benefits of saving behaviour, such as financial security in emergencies, wealth accumulation, retirement planning, and better financial stability (Faridi and Bashir, 2010; Suppakitjarak and Krishnamra, 2014). Moreover, socio-economic factors such as income level, access to financial services and early financial socialisation have strong impact on the saving behaviour and financial attitudes of the individuals (Nguyen and Rozsa, 2019; Kumar and Pradhan, 2024). The family and peer environment are also important in the development of financial behaviour and saving practices that are often carried into adulthood (Dangol and Maharjan, 2018). Therefore, saving behaviour can be regarded as a multidimensional construct that is affected by economic, psychological and social factors that combine to influence individuals' financial decision-making and resource management.

Parental Socialisation

Parental socialisation is a process by which intergeneration transmission of money attitude, behaviour and knowledge to their children through observation, conversation and advice. Children and adolescents learn about money primarily from their parents. Besides, Gudmunson & Danes (2011) showed that financial communication between parents and children strongly influenced adult financial conduct. Young adults open to excellent parental financial practices are more likely to establish disciplined saving habits in general. Social Cognitive Theory suggests that people learn behaviour by seeing and imitating role models. Parents have a significant effect in forming financial commitment and saving behaviour from an early age. Similarly, the Theory of Planned Behaviour (TPB) implies that family influence is part of subjective standards that impact financial decision-making. Prior studies continually showed that parental guidance, communications regarding finances, and parents' financial conduct positively influence young adults' financial literacy and saving behaviors. The impact of parents was revealed to be an important factor in children's future financial orientation and saving habits (Webley & Nyhus, 2005). Similarly, Jorgensen and Savla (2010) found that parental financial education seriously influenced financial knowledge and responsible financial conduct of young adults. Dangol and Maharjan (2018) similarly found parental influence as a major foreseer of saving behaviour among youths.

H1: Parental socialisation significantly influences saving behaviour among young adults in Klang Valley.

Peer Influence

Peer influence stated that the influence of friends and social groups on an individual's attitudes and behaviours. Peers Are More Influential in Young Adulthood Social connection and group conformity enhance peer influence in young adulthood. Peer groups can either encourage excessive spending habits or sensible financial behaviour, depending on the financial standards practised within the social milieu. Social media exposure and urban consumption culture reinforce peer influence among young adults. The TPB postulates that behavioural intentions and financial decisions are affected by subjective standards such as peer expectations and social approbation (Ajzen, 1991). Social Cognitive Theory also proposes that people acquire behaviour by observation and imitation of their social surroundings (Bandura, 1986). Thus, peer groups have a key influence in influencing financial attitudes and saving activity among themselves. Dangol and Maharjan (2018) discovered that peer groups had a substantial influence on the saving behaviour of youths through social contact and behavioural conformity.

Similarly, Tomé et al (2012) stated that peer contexts are powerful in shaping behavioural decisions among adolescents and young adults. Alshebami and Aldhyani (2022) also recognised peer influence as a strong predictor of financial conduct through financial awareness and social learning. Anthony et al. (2021) also noted that social influence could play a key role in shaping young adults' financial management habits and financial susceptibility. H2: Peer influence significantly influences saving behaviour among young adults in Klang Valley.

Self-Control

Self-control is the ability to suppress urges, postpone immediate gratification and to put long-term goals above short-term desires (Baumeister, 2002 and Moffitt et al, 2011). Self-control is of a great importance in financial context as it influences financial behaviour, in particular budgeting, expenditure management and saving habits (Biljanovska & Palligkinis, 2016; Strömbäck et al., 2017). A person with excellent self-control are more likely to stick to disciplined financial behaviours and execute long-term financial strategies (Bai, 2023). Behavioural economists also explain self-control through the planner-doer model that describes the internal tension between long-term financial objectives and short-term spending impulses (Shefrin & Thaler, 2011). Previous research has shown that planning, monitoring and behavioural discipline are important components of effective self-control in financial decision-making (Strömbäck et al., 2017).

H3: Self-control significantly influences saving behaviour among young adults in Klang Valley.

Financial Literacy

Financial literacy is the capacity to understand and use financial principles in making financial decisions on a daily basis. It covers budgeting, saving, debt management, investing knowledge and financial planning. Financially knowledgeable persons are often better at controlling expenses, preparing for emergency savings and avoiding excessive debt, which leads to higher saving behaviour (Lusardi & Mitchell, 2014). The TPB suggests that financial literacy increases individuals perceived behavioural control through boosted confidence and financial management capability. Social Cognitive Theory suggests that financial knowledge improves individuals' cognitive ability to make responsible financial decisions (Bandura, 1986). Empirical studies have consistently found a beneficial association between financial literacy and saving behaviour among young adults. Young adults with higher financial literacy exhibited better saving practices and financial planning behaviour (Jorgensen and Savla, 2010). Similarly, Potrich et al. (2022) stated that the higher levels of financial literacy influence more responsible financial management and saving practices. Besides, according to Chun et al. (2021) showed that financial literacy is one of the strong predictors of financial planning and saving behaviour among young adults. It is also having a direct effect on saving conduct and acts as a mediator factor between parental socialisation, peer influence, self-control and saving behaviour. Family contact, peer learning and self-regulation may support individuals in acquiring financial information that enhances their capacity to engage in responsible financial behaviour (Jorgensen & Savla, 2010; Laursen & Veenstra, 2021; Mpaata et al., 2021).

H4: Financial literacy significantly influences saving behaviour among young adults in Klang Valley.

H5: Financial literacy significantly mediates between parental socialisation and saving behaviour.

H6: Financial literacy significantly mediates between peer influence and saving behaviour.

H7: Financial literacy significantly mediates between self-control and saving behaviour.

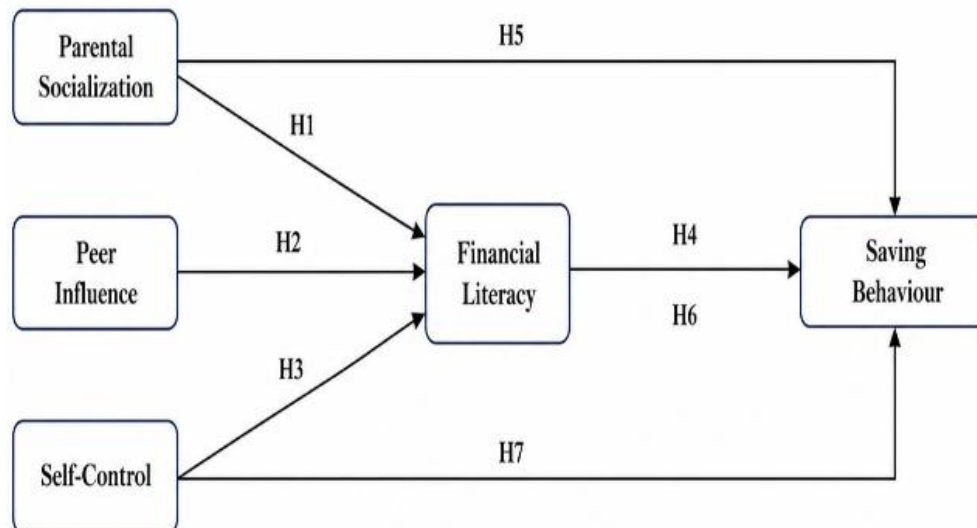


Figure 1: Conceptual Framework

Research Methodology

Sampling and Data Collection

The study used a quantitative cross-sectional research methodology to evaluate factors impacting saving habit among young adults in Klang Valley. The target population for current study are people from age between 18 to 26 years old living or working in Klang Valley. Respondents were recruited via convenience sampling via social media platforms, university forums and online communities. Study data collected using a standardised questionnaire derived from prior research and 300 valid responses were obtained. All questionnaire items were measure on a 5-point Likert scale.

Data Analysis

Data were examined using the Statistical Package for the Social Sciences version 20.0 (SPSS). A series of descriptive statistics, reliability analyses, correlation analyses, multiple regression analyses, and mediation analyses were performed. Mediation analyses using Hayes' PROCESS macro were performed to assess the relationships of financial literacy, parental socialization, peer influence, self-control, and saving behavior. Pilot research was conducted among 30 respondents to test the reliability of the measurement device before the main data collection. The Cronbach's Alpha values varied from .73 to .91, suggesting acceptable to outstanding internal consistency of all the variables (Taber, 2017).

Table 1: Pilot Test Results

Variables	Items	Cronbach's Alpha
Saving Behaviour	5	0.81
Financial Literacy	5	0.77
Parental Socialization	5	0.74
Peer Influence	5	0.66
Self-control	5	0.9

Findings

Respondent Profile

This survey got a total of 300 valid replies. As shown in Table 2, the majority of the sample were Female respondents with 62.3% (n = 187) and male respondents were 37.7% (n = 113). The largest ethnic group was Chinese respondents (63.0%, n = 189), followed by Indian respondents (21.0%, n = 63), Malay respondents (13.3%, n = 40) and other ethnic groupings (2.7%, n = 8). Majority of respondents had a bachelor's degree qualification (74.0%, n = 222) followed by master's holders (8.7%, n = 26), certificate holders (7.7%, n = 23), high school graduates (6.3%, n = 19) and PhD holders (3.3%, n = 10) in terms of educational level.

Table 1: Respondent Profile

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	113	37.7
	Female	187	62.3
Ethnicity	Malay	40	13.3
	Chinese	189	63
	Indian	63	21
	Others	8	2.7
Education Level	High School	19	6.3
	Diploma	23	7.7
	Bachelor's Degree	222	74
	Master's Degree	26	8.7
	PhD	10	3.3
Total Respondents		300	100

A reliability test was undertaken to test the internal consistency of the measuring instruments in this investigation. As shown in Table 2, all the variables had acceptable to outstanding reliability that 0.73 to 0.91 the Cronbach's Alpha value. Self-control had the highest dependability value ($\alpha = 0.91$), followed by parental socialisation ($\alpha = 0.88$), saving behaviour ($\alpha = 0.86$), financial literacy ($\alpha = 0.78$) and peer influence ($\alpha = 0.73$). These results provide evidence that all measurement scales in this study were reliable for additional statistical analysis (Taber, 2017).

Table 3: Reliability Analysis

Variable	Number of Items	Cronbach's Alpha (α)
Saving Behaviour	5	0.86
Financial Literacy	5	0.78
Parental Socialisation	5	0.88
Peer Influence	5	0.73
Self-Control	5	0.91

The relationship that financial literacy, parental socialization, peer influence, self-control, and savings habits have was analyzed through correlation. As seen in Table 4, financial literacy was most positively associated with saving behaviour, followed by parental socialisation. Peer influence had a small positive link with saving behaviour and self-control had a very weak positive relationship. The data indicate that among young adults in Klang Valley, financial knowledge and parental socialization are likely to have a stronger positive relationship with saving behavior.

Table 4: Correlation Analysis

Variables	1	2	3	4	5
Saving Behaviour	1				
Financial Literacy	.538**	1			
Parental Socialisation	.488**	...	1		
Peer Influence	.281**	...	...	1	
Self-Control	0.076	...	...	...	1

Note: $p < 0.01$

This study employs multiple regression analysis in an attempt to understand the predictors of the saving behavior of young adults aged 18 to 40 residing in Klang Valley. Financial literacy, parental socialization, peer influence, and self-control are among the constructs studied. The results indicated that financial literacy and parental socialisation strongly influenced saving behaviour, providing support for H1 and H4. Saving conduct was most strongly predicted by financial literacy, suggesting that those with greater financial understanding and financial management skills were more likely to exhibit disciplined saving activity. Peer influence and

self-control, however, did not show significant associations with saving behaviour. Thus, H2 and H3 were not supported. The findings imply that financial knowledge and parental financial guidance are more essential in influencing saving behaviour than peer influence and self-control among young people in Klang Valley.

Table 5: Multiple Regression

Hypothesis	Relationship	Beta (β)	Sig. (p)	Result
H1	Parental Socialisation → Saving Behaviour	0.39	0	Supported
H2	Peer Influence → Saving Behaviour	0.26	0	Not Supported
H3	Self-Control → Saving Behaviour	0.04	0.52	Not Supported
H4	Financial Literacy → Saving Behaviour	-0.01	0.76	Not Supported

Table 6: Mediation Analysis Using Hayes PROCESS Model 4

Hypothesis	Mediation Relationship	Indirect Effect	Boot LLCI	Boot ULCI	Result
H5	Parental Socialisation → Financial Literacy → Saving Behaviour	0.118	0.061	0.184	Supported
H6	Peer Influence → Financial Literacy → Saving Behaviour	0.072	0.018	0.131	Supported
H7	Self-Control → Financial Literacy → Saving Behaviour	0.009	-0.015	0.038	Not Supported

Mediation Analysis

The mediation effect of financial literacy on the relationships between peer influence, parental socialisation, self-control, and saving behaviour was evaluated using Hayes' PROCESS Macro Model 4. The findings supported H5 by demonstrating that financial literacy acted as a powerful mediator between parental socialisation and saving behaviour. This implies that parents' influence increases young adults' saving behaviour by enhancing their financial literacy and money management abilities.

Additionally, financial expertise reduced the effect of peer influence on saving behavior. This supports H6. From the results, peer influence can possibly create the learning and financial awareness that can influence the saving habits. However, the relationship between self-control and saving behaviour wasn't significantly affected by financial knowledge. H7 was therefore not supported. The results suggest that among young adults in the Klang Valley, self-control may not always have an impact on saving behaviour through financial knowledge.

Discussion

The results demonstrated that parental socialisation has a considerable effect on saving habit of young people in Klang Valley. This shows that parents' financial supervision, communication and financial role modelling is favourably associated with individuals' saving behaviours and financial decision-making. Young individuals who were exposed to healthy financial habits in the family context were more likely to exhibit prudent saving behaviour. The findings are in line with the studies of Webley and Nyhus (2005), Jorgensen and Savla (2010) and Dangol and Maharjan (2018) that highlighted the role of parental influence in moulding financial views and saving activity among young. The results also corroborate the Social Cognitive Theory, which states that behaviour is learned through observation and social interaction in the environment. Peer Influence and Saving Behaviour.

The findings indicated that peer influence did not significantly influence saving behaviour among young adults in Klang Valley. Although peers may influence lifestyle preferences and spending patterns, the findings suggest that peer interaction does not directly determine individuals' saving practices. One possible explanation is that young adults may place greater importance on personal financial goals and financial knowledge rather than peer expectations when making saving decisions. The findings contradict studies by Dangol and Maharjan (2018) and Alshebami and Aldhyani (2022), which reported significant relationships between peer influence and financial behaviour. However, the current findings suggest that peer influence may operate indirectly through financial literacy rather than directly influencing saving behaviour.

Self-control was also found to have no significant influence on saving behaviour among young adults in Klang Valley. This finding implies that self-regulation alone may not necessarily translate into disciplined saving behaviour without sufficient financial knowledge and financial management capability. Although individuals may possess self-discipline, external financial pressures such as rising living costs and urban consumption patterns may reduce the direct influence of self-control on saving behaviour. Strömbäck et al. (2017) and Mpaata et al. (2021) both suggested that self-control predicts financial behavior and financial well-being.

The results showed that financial literacy strongly influenced saving behaviour among young adults in Klang Valley and it was the greatest predictor among the factors studied. This indicates that those with sound financial literacy and financial management abilities are more likely to exhibit disciplined savings behaviour and make wise financial choices. Generally, financially savvy people are better at planning, managing expenditures and preparing emergency savings. These results corroborate with the works of Jorgensen and Savla (2010), Potrich et al. (2022) and Chun et al. (2021) who found that financial literacy had a favourable impact on financial planning and saving behaviours among young adults. The findings provide additional evidence for the Theory of Planned activity, suggesting that those with higher perceived behavioural control are more capable of successful management of their financial activity.

Mediation study utilising Hayes' PROCESS Model 4 identified financial literacy as a strong mediator in the interaction between parental socialisation, peer influence, and saving behaviour. Financial literacy presented as a principal component in the mediation of social and behavioural constructs of financial responsibility and saving. Financially knowledgeable

parents may increase individuals' financial knowledge and financial decision-making, which consequently influences saving behaviour. Similarly, social interaction can lead to financial awareness and financial learning processes that indirectly affect saving patterns through financial literacy. These findings are in line with the findings of Salim and Pamungkas (2022), Lopez et al. (2022) and Sari et al. (2021) who underlined the role of financial literacy in explaining financial behavioural outcome. Self-control was significantly associated with saving activities, but, not through financial literacy. The study indicates that financial education does not affect saving behaviour through self-control among young adults in Klang Valley. The overall findings indicate the crucial role of financial literacy as a direct predictor and mediation mechanism that affects saving behaviour among young adults.

Conclusion

This study examined the factors that affect young adults in the Klang Valley to save money, with a focus on parental socialisation, peer pressure, self-control, and financial literacy. The findings showed that whereas peer pressure and self-control were not substantially correlated with saving activity, parental socialisation and financial literacy had a significant impact on saving conduct. Furthermore, it was discovered that financial literacy significantly mediated the relationships between peer influence, parental socialisation, and saving behaviour. The study emphasises how important parental influence and financial literacy are in improving young adults' saving habits. By integrating social, behavioural, and economic concerns into a single research paradigm, this study also adds to the body of existing work. It is advised that future studies examine additional geographic regions and other factors in order to have a deeper understanding of Malaysians' saving habits. This study has some limitations. Findings are not easy to generalize beyond the use of cross-sectional design and convenient sampling. In addition, the use of self-reported data may be of social desirability factor. The non-significant mediation effect between self-control and saving behaviour also suggests that other behavioural or socioeconomic factors should be explored in future studies. Future research should include larger samples, more diverse variables, along with time-based approaches, to broaden understanding of saving behaviours of Malaysian young adults.

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