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The savings behavior of the iGeneration

El comportamiento de ahorro de la iGeneración

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ABSTRACT

The primary objective of this study was to look at the factors influencing the savings behavior of the iGeneration/Gen Z or post-millennials in Cantilan, Surigao del Sur, Philippines. Factors include financial literacy, parental socialization, peer influence, and self-control. The descriptive survey method was used in the study. A researcher-made questionnaire was used as the main instrument for data collection. Interviews were also conducted to answer clarifications, verify the answers of the respondents, and to solicit additional information. Findings revealed that as to financial literacy, they strongly agree that they know the importance of saving money and they have a better understanding of how to manage their finances or allowance through budgeting. As to how peer influence affects the savings behavior of the iGeneration or post-millennials, they agree that some of their friends regularly do save money in a savings account and they discuss money management issues, particularly savings. IGeneration has a sense of responsibility. They have the vision of helping the global economy sustainable through helping create jobs or owning a small business. Among the factors that affect savings behavior, parental socialization is the most influential. The post-millennials see their parents as financial role models. Parental teachings on managing money help increase financial awareness. Clearly, if parents could educate their children on personal finance, children would develop good savings habits. In the long run, this will enable them to be financially responsible.

Keywords: Savings, Savings Behavior, iGeneration, Factors, Influencing.

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RESUMEN

El objetivo principal de este estudio fue observar los factores que influyen en el comportamiento de ahorro de iGeneration / Gen Z o post-milenarios en Cantilan, Surigao del Sur, Filipinas. Los factores incluyen la educación financiera, la socialización de los padres, la influencia de los compañeros y el autocontrol. El método de encuesta descriptiva se utilizó en el estudio. Se utilizó un cuestionario realizado por el investigador como instrumento principal para la recopilación de datos. También se realizaron entrevistas para responder aclaraciones, verificar las respuestas de los encuestados y solicitar información adicional. Los resultados revelaron que en cuanto a la educación financiera, están totalmente de acuerdo en que saben la importancia de ahorrar dinero y tienen una mejor comprensión de cómo administrar sus finanzas o asignaciones a través del presupuesto. En cuanto a cómo la influencia de los compañeros afecta el comportamiento de ahorro de iGeneration o post-millennials, acuerdan que algunos de sus amigos regularmente ahorran dinero en una cuenta de ahorro y discuten temas de administración de dinero, particularmente ahorros. IGeneration tiene un sentido de responsabilidad. Tienen la visión de ayudar a la economía global a ser sostenible mediante la creación de empleos o la posesión de una pequeña empresa. Entre los factores que afectan el comportamiento de ahorro, la socialización de los padres es la más influyente. Los post-milenarios ven a sus padres como modelos financieros a seguir. Las enseñanzas de los padres sobre el manejo del dinero ayudan a aumentar la conciencia financiera. Claramente, si los padres pudieran educar a sus hijos sobre finanzas personales, los niños desarrollarían buenos hábitos de ahorro. A la larga, esto les permitirá ser financieramente responsables.

Palabras clave: ahorro, comportamiento de ahorro, generación electrónica, factores, influencia.

Introduction

Saving money is important. In economics, saving is a process of setting aside a portion of income for future purposes, or the flow of resources accumulated in this way over a given period of time. Saving maybe in the form of increased bank deposits or increased cash holdings. Saving money will help us become financially secure in the future. There are many reasons why an individual should save money. The extent to which an individual save is influenced by their preferences for their future over their present consumption.

Money should be set aside for emergencies to avoid debt in paying for your necessities. If one intend to retire in the near future, he or she probably needs to save money and make investments to take the place of the income.

Over the past years, savings plays a key role in the process of economic growth and development of our country. Savings has long been considered as an engine for economic growth. It boosts investment resulting to an increase in the economic development. Countries with sustained accumulation of fixed capital are able to attain higher and sustained economic growth and development. Through savings, the accumulation of fixed capital is possible. (Chow,1993)

Savings speed up the productivity of labor resulting to increased gross domestic product. Moreover, savings leads to fuller utilization of available scarce resources in an efficient way, increase in the size of national output, income and employment. Thus, problems on inflation, unemployment and balance of payment, poverty, inequality are solved. (Jagadeesh,2015)

Generation Z/Gen Z or the iGeneration are those born from 1995 or later. They belonged to the generation born after the millennials. They made up 25% of the U.S. population, making them a larger group than the baby boomers or millennials. https://en.wikipedia.org/wiki/Generation_Z

An article written by Gina Ragusa (2010)“Does Gen Z Think About Money Differently Than Millennials?”, states that Gen Z or the iGeneration puts a high priority on saving money, with 21% in the Center for Generational Kinetics study saying they have had a savings account before age 10. Other research finds that 89% of Gen Z respondents said they were particularly optimistic about their financial future — compared with 83% of millennials and Gen Xers and 78% of baby boomers, in addition to having more time until retirement, younger savers are stashing cash more fastidiously than older generations. Moreover, while Gen Z seems to emulate how their parents spend and save, they have different set of experience than older Americans. They move and work faster using technology, but they cling to money-saving habits reminiscent of this borne of the great depression.

The study conducted by Sabri and McDonald (2008) revealed that due to lack of financial literacy, Malasian university students are not likely to save upon they receive their student loans and instead spent aggressively for non-academic purposes. In addition, as a result, Kempson, Collard, & Moore (2006) in their study disclosed that

many college students encountered financial problems. Their skills and ability to manage financial resources are important for daily life activities as they help people deal with day to day financial decisions.

Based on the study of Otto (2009), there is an empirical evidence that parents can promote the development of skills to their children that are important for saving. On the other hand, Duflo and Seaz (2001) in their study found that peer effects play an important role in retirement saving decisions. Their findings suggests that members of the same group share a common environment, which may influence their behavior. The reason is people with similar preferences tend to belong to the same group.

In the study conducted by Lim, Sia, and Gan (2011), it was found that one's ability to maintain self-control for saving depends on the strength of desire and power. Findings also revealed that people are more likely to save if they are able to control their spending and instead follow sound budgeting.

The aim of the study is to look at the major factors that determine the savings habits among students as Gen Z at the university in terms of financial literacy, parental socialization, peer influence and self-control. College students' in rural areas play an important role in the local economy. Based on the article written by Jonas Elmerraji (2010), "How Savings Are Saving The Economy", states that, on the personal and national level, maintaining a solid savings rate is one of the best cures for economic misery. This would mean that we will have to live within our means in order for us to survive against the battle of economic downturns in the future.

Methodology

This study used the descriptive survey method. A researcher-made questionnaire was used as the main instrument for data collection. The questionnaire was composed of two parts. The first part covered the profile of the respondents as to age, gender, and status. The second part was an assessment on the factors determining the savings habit of the respondents in terms of financial literacy, parental socialization, peer influence, and self-control. Interviews were also conducted to answer clarifications, verify the answers of the respondents, and to solicit additional information. After the questionnaires were formulated and verified, it was submitted to the panel during the proposal hearing for review and improvement. A dry-run was done to test the validity. It was answered by people who are not part of the official list of respondents. The respondents of this study were the college students of Surigao del State University Cantilan Campus. The data gathered from the questionnaire were tallied, tabulated and presented in tables. The data were recorded according to the frequencies and corresponding percentages.

Results and Discussion

Findings revealed that most of the respondents were aged 18-20 years old and were female. The largest number in the students' population was female. As to marital status, majority of the respondents were single.

Table 1. Profile of Respondents

Items		%
Age	18-20 years old	66
	21 years old and above	34
Gender	Male	18
	Female	82
Status	Single	98
	Married	2

Table 2 showed how financial literacy affects the savings behavior of the Generation Z or the iGen and post-millennials. Most items were rated with agree resulting to its grand mean of 3.24. This means that respondents agree that financial literacy have an impact on how the respondents act on savings. They strongly agree that they know the importance of saving money and they have a better understanding on how to manage their finances or allowance through budgeting. In addition, they strongly agree that they have a clear idea of their needs and wants. Mohamad Fazli Sabri and Macdonald 2010 in their study, "The Role of Financial Literacy in Malaysia," said that financial literacy had a positive, significant effect on savings behavior. This indicates that students who have better

knowledge on personal finance are more inclined to savings.

Studies revealed that lack of financial knowledge and skills resulted to students' in financial distress. Lusardi and Mitchell 2007 in their study, "The Importance of Financial Literacy: Evidence and Implications for Financial Education Program," mentioned how financial illiteracy is linked to economic behavior. They found that those who are more financially knowledgeable are more likely to plan for retirement. This is essential because lack of planning is equivalent to lack of saving. Indeed, financial education is necessary to all the youth in building a better economy.

Table 2. Financial Literacy

Items	μ	Descriptive Rating
I know the importance of to investing/saving my money.	3.60	Strongly Agree
I know the importance of to investing/saving my money.	3.60	Strongly Agree
I have better understanding on how to manage my money/allowance through budgeting.	3.40	Strongly Agree
I have a very clear idea of my needs and my wants.	3.49	Agree
I have the attitude to maintain a record for my income and expenses.	2.89	Agree
I have little or no difficulty in managing my money.	2.88	Agree
I understand financial concepts such as money management, investment and budgeting.	3.20	Agree
Factor Average	3.24	Agree

Table 3 showed that parental socialization is a prime factor in the savings behavior of Generation Z or the iGen. Most items were rated with strongly agree resulting to its grand mean of 3.59. Generation Z or the post-millennials see their parents as financial role models. According to Webly and Nyhus 2006, the savings attitude of children are related to the savings attitude of their parents. Their parents teach them the value of saving money and how to make good decisions of their own. The importance of saving money were instilled to them when they were still young. This is supported by the fact that whenever they have extra coins it will be put in a piggy bank. Parental teachings on how to manage money which mainly focused on their pocket allowance help increase financial awareness and financial literacy of a child as mentioned by the Center for Financial Security 2012 in the article, "Youth, Financial Literacy and Learning: The Role of In-School Financial Education in Building Financial Literacy". In an article written by Otto 2009, parents can boost the savings ability of their children. Clearly, if parents could educate their children on personal finance, children would develop good saving habit. They will be able to handle their own financial responsibilities in the long run.

Generation Z or the iGeneration are the children of generation X, but they also have parents who are millennials. Based on the article written by the Public Relations Society of America, the great recession has taught the iGeneration to be independent, and has led to entrepreneurial desire, after seeing their parents and older siblings struggle in the workforce. https://en.wikipedia.org/wiki/Generation_Z

Table 3. Parental Socialization

Items	μ	Descriptive Rating
I see my parents as financial role models.	3.68	Strongly Agree
My parents teach me the value of money.	3.73	Strongly Agree
My parents put emphasis on the importance of saving money.	3.69	Strongly Agree
My parents teach me how to make good decisions of my own	3.66	Strongly Agree
I am trained by my parents to live a simple life.	3.77	Strongly Agree
When I was young, my parents encourage me to put my extra coins in a piggy bank.	3.21	Agree
My parents practiced me to budget money.	3.69	Strongly Agree
We always talk about our finances at home.	3.27	Strongly Agree
Factor Average	3.59	Strongly Agree

As to how peer influence affects the savings behavior of the iGen or post-millennials, most items were rated with agree resulting to its grand mean of 2.59. Post-millennials agree that some of their friends regularly do save money in a savings account and they discuss money management issue particularly savings. This is supported by their involvement in money savings activities.

Table 4. Self-control

Items	μ	Descriptive Rating
I do not spend money on things that is not included in the budget.	3.06	Agree
I always follow my monthly budget.	2.82	Agree
I prepare a list of required items ahead of time before buying.	2.80	Agree
I purchased item which are at reasonable price.	3.06	Agree
I do not spend on items which I do not need.	3.12	Agree
I save money as much I could.	3.45	Strongly Agree
I allocate money for emergency purposes.	3.36	Strongly Agree
I save to achieve financial freedom.	3.23	Agree

	I save money in my savings deposit in the bank.	2.63	Agree
	I started saving for my future.	2.75	Agree
	I'm not easily attracted by material things.	3.05	Agree
	I always failed to control myself from spending money.	2.63	Agree
	When I set saving goals for myself, I rarely achieved them	2.83	Agree
	I am more concerned with what happens to me in the long run than short run.	3.29	Strongly Agree
	Factor Average	3.00	Agree

In terms of how self-control affects the savings behavior of iGen or post-millennials, the grand mean is 3.00 with a descriptive rating of agree. On the basis of self-control, post-millennials agree that they do not spend on things that is not included in the budget. It is because they always follow their monthly budget. Their budget is supported with the list of items they are going to purchase. They do not spend on items that they do not need. They only purchased items which are at reasonable price. They concur that they save money to achieve financial freedom.

Findings of Esenvalde (2010) and Lim et al. (2011), proved that self-control was positively associated with saving behaviour. Also, the study conducted by Nyhusand Warneryd (1996) states that conscientiousness and financial self-control were also related to positive saving attitudes. This proves that the self-control of an individual plays an important role towards the behavior of saving.

Moreover, the post-millennials strongly agree that they save money as much as they could and allocate it for emergency purposes. They are more concerned with what happens to them in the long run rather than in the short run. This is the reason why they started saving at an early age for their future. The early savings will help them save for their retirement. They save money in their savings account at the banks found in their locality.

Recommendations and Conclusion

The study provides useful findings on the factors that influence the savings behavior among the iGen. It indicates that parental socialization is the major factor that influence savings behavior. Parents should teach their children how to save money at an early stage and continue it until adolescence. Children should know how to budget as soon as they start receiving their allowance. This will help them better understand the importance of spending less than what they earn before they get old.

The positive influence of financial literacy confirms that financial knowledge promotes better financial management. It is imperative for policy makers to design an effective education programs that would increase the level of financial literacy. That is, education programs on improving the students' basic financial knowledge and skill. Giving financial education could lessen the effects of bad financial habits that were acquired before college. The study recommends that the university should take into account of offering workshops and classes on financial management to help students equipped themselves especially those non-business majors better understand financial concepts such as money management, investment and budgeting.

On the other hand, the study revealed that peer influence is the weakest factor. Based on the article written by Jeffry Pilcher, iGen or Generation Z at an early age were financially independent from their parents. Money is a tool that enables them and gives them freedom and independence.

The researcher believes that this study can also give practical implication to banks and other financial institutions. This study will help banks to establish new opportunities for acquiring this group of iGeneration as one of their valued customers. It will help them innovate financial products or services based on the needs and preferences of the iGen.

To avoid financial problems in the future, savings behavior should be practiced. Truly, savings plays a vital role in the process of economic growth and development of our country.

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