Determinants of the Saving Behaviour of Saudi Households:

An Investigation of Saving Motives and Awareness

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Abstract: This paper aims to investigate the effect of saving motives and awareness on the saving behaviours of Saudi Arabian households. To this end, we collected primary data through a survey of 432 Saudi households. This study considered seven categories of saving motives (emergencies, retirement, children, necessities, home, holidays, and investment) and two measures of saving awareness (concept and importance). The results showed that emergencies, necessities, retirement, and investment were the most potent motives for demonstrating saving behaviours. In addition, there was also evidence that the saving awareness of Saudi households also positively influences their saving behaviours. The findings may inform policy makers and behavioural finance specialists in developing products and services to encourage household saving behaviours and improve saving awareness through financial education.

Keywords: Saving Motives- Household saving behaviour- Saving Awareness.

العوامل المؤثرة على سلوك الادخار للأسر في المملكة العربية السعودية:
دراسة دوافع الادخار والوعي

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المستخلص: هدفت هذه الدراسة إلى قياس مدى تأثير دوافع الادخار والوعي على سلوكيات الادخار للأسر في المملكة العربية السعودية. وتحقيقا لهذا الهدف، تم جمع البيانات الأولية من خلال دراسة استقصائية شملت 432 أسرة سعودية. وقد بحثت هذه الدراسة سبع فئات من دوافع الادخار (حالات الطوارئ، والتقاعد، والأطفال، والضروريات، والمنزل، والعطلات والاستثمار) ومقياسين للتوعية بالادخار (المفهوم والأهمية). وأظهرت النتائج أن حالات الطوارئ والضروريات والتقاعد والاستثمار هي أقوى الدوافع المؤثرة على سلوكيات الادخار. بالإضافة إلى ذلك، أثبتت النتائج أيضا أن الوعي بأهمية الادخار لدى الأسر السعودية يؤثر بشكل إيجابي على سلوكيات الادخار الخاصة بها. وقد يسترشد بالنتائج واضعي السياسات والأخصائيون في التمويل.

الكلمات المفتاحية: دوافع الادخار- سلوك الادخار المنزلي- الوعي الإداري.

1. Introduction.

The subject of household saving is a significant economic topic that has a specific emphasis on different motives influence saving behaviour. The importance of household savings at the national level, relates to consumption and private and governmental investment. Saving is an essential economic factor for both individuals and communities, and it has become a major source of financing for socioeconomic development (Al Ajlouni, 2015). Indeed, families and individuals remain one of the most important sources of financing.

The Life Cycle Hypothesis (Modigliani and Brumber, 1954; Modigliani, 1986) emphasizes that people save during their lifetime (Beckmann et al., 2013), and these savings are considered a primordial source of investment funds. Over recent decades, however, savings and investments have significantly declined in both developed and developing countries (Touny & Khder, 2013), and this phenomenon has caused a significant number of researchers to re-examine saving determinants.

This study is motivated by the importance of saving and the role it plays in providing financial capital to promote investment and economic growth in Saudi Arabia. The Saudi authorities have established a large allocation program with several components aimed at achieving the economic goals of Saudi Vision 2030, of which saving is one. This field is therefore an attractive one for researchers in Saudi Arabia, because it will help us to enhance our understanding of the saving behaviours of Saudi households.

This study aimed to investigate the effect of saving motives and awareness on the households saving behaviour, so a survey was conducted to collect relevant data, and a linear regression was applied for data analysis. The findings revealed the existence of significant positive relationships between the different saving variables, thus supporting this study's hypothesis that a household's saving motives and awareness affect its saving behaviour in Saudi Arabia. This research may therefore enhance policy makers' comprehension of household saving behaviour.

This paper is organized as follows: Section 2 conducts a review of the literature, while Section 3 introduces the conceptual framework and research hypotheses. Section 4 then describes the data and the applied methodology. The results of the study are then reported in Section 5. Finally, Section 6 provides a brief conclusion to the paper.

2. Literature Review:

Based on the life-cycle hypothesis of savings, Modigliani and Brumberg (1954) and Ando and Modigliani (1963) found that individuals rationally assess their future needs against current consumption (Amoateng, 2002). Households may therefore exhibit different type

s of saving behaviour depending on their needs and their attitudes towards saving, as well as their use of different services from financial institutions.

2.1 Saving Motives:

According to Nuttin et al. (1984), motives are concrete manifestations of perceived needs and thus reflect basic behavioural drives, and they affect the dynamic and directional aspects of concrete action (Esenvalde, 2011). Previous research into saving behaviour has focused mainly on economic factors (Browning and Lusardi, 1996). Economists have investigated factors like current income level, debts, mortgages, and investments to measure human saving habits (Keynes, 2018; Warneryd, 1999). Keynes (2018) explained the relationship of income with savings and consumption by suggesting that a marginal increase in income would cause marginal increases in savings and consumption. He described three categories of motives: a transaction motivation in order to pay for goods and services, a precautionary motivation in order to have funds available in cases of emergency and unforeseen needs, and a speculative motivation to make money. Based on Keynes (2018) classification, Katona (1975) suggested six motives for saving: (a) for emergencies, (b) to have funds for necessities, (c) for retirement, (d) for children's needs, (e) to buy a house or other permanent goods, and (f) to spend on holidays.

Fisher and Anong's (2012) study looked at the relationship between saving motives and habits based on Katona's (1975) psychological classification of saving motivations. They suggested two types of saving, namely discretionary and residual. Their results showed that the regular and irregular savers are more concerned about precautionary and retirement-based motives.

Motivations for saving differ according to various factors, such as cultural, social, demographic, and economic ones. Xiao and Fan (2002) found that Chinese workers were more likely to save to pay for daily expenses, emergencies, children, and investments, whereas American workers had different motivations in terms of saving for major purchases and retirement. The difference between these two countries can be explained by cultural differences and their different stages of economic growth. The authors indicated that motivations for saving also vary between households according to their different demographic and socioeconomic characteristics.

Haider et al. (2018), meanwhile, connected saving motives with Maslow's hierarchy of needs. Households have different characteristics and needs, so they save due to varying motives. When the characteristics of a household change, there is a movement in Maslow's hierarchy. The authors found that the characteristics of households in Pakistan depend upon their level of income, with low-income households being motivated by necessities, while higher-income households save for investment purposes.

Minibas-Poussard et al. (2018) studied households' saving behaviours in Turkey and found a positive relationship between a high income and the existence of saving behaviours. Samuel et al. (2012), meanwhile, demonstrated that investment and retirement motives positively affect individual saving behaviours in Ghana. In addition, different demographic and economic characteristics had a highly significant effect on determining the motives for saving. Iregui-Bohórquez et al. (2018) investigated the

most important factors determining the individual savings of low- and middle-income households in urban and rural areas of Colombia. They found that savings rise in line with income, education, possession of homes, and labour force participation.

Finally, Al Ajlouni, (2019) found that most individuals saved to fund necessary expenses, with females preferring to save for future needs, while males saved to fund more immediate spending.

2.2 Saving Awareness:

It is widely accepted that raising people's level of financial knowledge from childhood will help them to avoid financial problems. Başal and Derman (2016) conducted structured interviews with 945 families with preschool children and found that most children had money boxes but few had a savings account in a bank. The educational level of families was found to have an impact on owning a money box, while social status had an impact on having a savings account. Most families reported that they engaged in financial activities to educate their children about dealing with money. Financial literacy increases the likelihood of using financial services.

Lusardi (2008) found that workers who rely on financial and economic experts and consultants also planned to save and invest, while nearly half of older workers in the United States had no plans for retirement, and they were unaware of their social security rights due to the widespread financial illiteracy among them. Pieńkowska-Kamieniecka and Walczak (2016) suggest that increasing the awareness of importance and benefits of savings and investments will automatically increase people's willingness to save and invest, because it will generate returns and lead to a better quality of life.

Roa et al. (2018) took a survey coordinated by the CAF-Development Bank of Latin America to study the role of cognitive characteristics, personality traits, and financial education in making decisions about savings and credit in Bolivia, Colombia, Ecuador, and Peru. Their results revealed that diligent individuals with greater numeracy skills were more likely to participate in formal credit and saving markets and show a greater tendency to save. Costa-Font et al. (2018), meanwhile, examined the cultural aspect of savings behaviours and concluded that saving rates varied across different nations due to divergences in incomes and standards of living, as well as the various social norms embedded within society. Based on gender distinction, Adami, (2018) argued that Asian women with a higher level of education and a cultural background of saving tend to save more than those who lack both these aspects. Moreno-Herrero et al. (2018), meanwhile, demonstrated the importance of age and parental engagement in increased savings. Financial literacy tends be effective when achieved at an early age, so people are better able to smooth out their consumption levels throughout their lives. Discussing money matters with parents helps to enrich the knowledge of financial instruments and saving behaviours. Indeed, Beck and Chira (2017) highlighted the influence of financial knowledge on saving behaviours, with their findings revealing a very strong relationship.

3. Conceptual Framework and Research Hypotheses.

Katona (1975) and Fisher and Anong, (2012) classified saving motives into six categories: (a) for emergencies, (b) to have funds for necessities, (c) for retirement, (d) for children's needs, (e) to buy a house or other permanent goods, and (f) for holidays. Based on the previous research, and considering the fact that no studies have studied the saving motivations of families in Saudi Arabia, we proposed the first hypothesis:

H_1: There is a significant relationship between a household's saving motives and the likelihood of it demonstrating saving behaviour in Saudi Arabia.

Raising awareness about the importance of saving with financial institutions increases the odds of a household saving with such institutions (Zeleke and Endris, 2019). Lusardi (2008) found that formally publishing financial information is an essential element in raising financial awareness and that workers who rely on financial and economic experts and consultants made plans to save and invest. Based on the previous research, we developed our second hypothesis:

H_2: There is a significant relationship between a household's saving awareness and the likelihood of it demonstrating saving behaviour in Saudi Arabia.

4. Data and Methodology.

The data were collected by distributing an electronic questionnaire survey to a sample of 432 households in the city of Jeddah in Saudi Arabia. The questionnaire comprised six sections with 50 questions in total. The first section included eight questions related to demographic data such as gender, age, education qualification, marital status, job status, household size, monthly income, and home ownership status (Esenvalde, I., 2011). The second section was related to motivations for saving and included 19 questions aimed at investigating the reasons behind households' savings (Haider et al., 2018). These motives included emergencies, retirements, children's needs, necessities, home ownerships, holidays (Fisher and Anong, 2012), and investment. The third section was aimed at determining the households' saving awareness and the extent to which the head of the household was aware of the concept of saving and its individual and economic importance (Mori, 2019; Kapounek et al., 2016). Household saving awareness was divided into two main factors, namely awareness about the concept of saving and the awareness of its importance.

In the current research, we treated household saving behaviour as a dependent variable. The first hypothesis relates to the dependent variable's relationships with the seven independent variables mentioned above. For the second hypothesis, we tested the impact of the two variables for saving awareness on the dependent variable. Saving motives, awareness, and saving behaviours were measured according to a five-point Likert scale. We tested the hypotheses using a linear regression to reveal the relationships among the main variables.

5. Results and Discussion.

Table 1 shows the descriptive statistics for the participants' saving motives and awareness, with the mean and standard deviation being included to convey the relative importance of each motives for the respondents. The results of Panel A indicate that the significance of household saving motives can be ordered as follows: necessities, emergencies, retirement, investment, children, and holidays. Most households reported that they consider saving as a means to meet contractual obligations, such as buying a house or furniture, repaying debt, or paying insurance, taxes, or bills, but also for meeting unexpected needs or dealing with emergencies. This can be explained by the nature of household life in Saudi Arabia, which is characterised by short-term saving horizons, with savings often being consumed over a year and not achieving the desired benefit of saving. In terms of retirement savings, most people in Saudi Arabia decide to save in order to maintain similar living standards. It also seems that people are more eager to save for investment than they are to buy a house. This indicates a high level of investment awareness in Saudi society, something that aligns with the Saudi Vision 2030 goals.

Table (1) Descriptive statistics for saving motives

Variables	Mean	Standard Deviation
Panel A		
Necessities	3.07	1.07
Emergencies	3.05	1.12
Retirement	2.78	1.38
Investment	2.69	1.38
Children's needs	2.68	1.25
Buying a house	2.65	1.21
Holidays	2.46	1.01
Panel B		
Awareness of concept	3.81	0.70
Awareness of importance	3.82	0.79

The descriptive statistics for the households' saving awareness are presented in Panel B. These show that a significant portion of the Saudi households are aware of the concept of saving and its importance. Table 2 summarizes the significance levels and correlation coefficients for the two hypotheses. Based on the highly significant association (p value=0.00 < 0.01) between household saving motivations and the likelihood of demonstrating saving behaviours, the first hypothesis was accepted. In addition, the relationship between saving awareness and the likelihood of saving was highly significant (p value=0.00 < 0.01), so the second hypothesis was also accepted.

Table (2) Hypothesis testing results

Hypothesis	P value	Relationship r	Accepted?
H1	0.0 (HS)**	0.405	Accepted
H2	0.0 (HS)**	0.164	Accepted

Note: HS = highly significant (**$p = <0.01$), SS = statistically significant (*$p = <0.05$), NS = Not significant ($p > 0.05$).

This study's findings show that what motivates households to save the most is retirement and investment. Households pay great attention to retirement in order to maintain their current level of consumption, and this is also a significant indicator for achieving good economic growth. This is consistent with the results of Shahnaz and Mahdzan (2010).

The results of this study confirm that the motives for saving relate to the demographic characteristics of households, with the most important ones being income, gender, and job status. This current study noted that when the head of a household was a male with a well-paid job, his motives were more related towards saving and planning for retirement, and this motive can be classified as a higher need according to Maslow's hierarchy of needs, which is consistent with the study of Haider et al. (2018). Regarding the level of savings awareness in households and its effect on their savings behaviour, the most interesting result was found with a high level of awareness about the importance of saving.

6. Conclusion

Household savings represent a large part of the nation's savings, so they greatly affect the national saving rate, which is the main source for financing state investments, both locally and internationally. This study aimed to determine the effect of households' saving motives and awareness on their saving behaviours. We used an electronic questionnaire to collect data from 432 households in the city of Jeddah in Saudi Arabia.

The results reveal the existence of a significant relationship between household saving motives and the likelihood of demonstrating saving behaviour. In addition, a significant relationship was found to exist between households' saving awareness and their likelihood of demonstrating saving behaviour in Saudi Arabia.

This study may help achieve the Saudi Vision 2030 aim of increasing saving awareness, and it may also inform financial policymakers and banks when developing various savings products, so they will match with households' motives for saving. In addition, educational and commercial organisations may want to focus on developing programmes and activities to increase the awareness of the importance of saving. To extend this research, social and other behavioural aspects could be considered in future studies to help better understand households' saving behaviours.

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