Factors Influencing University Students' Saving Behaviour in Zimbabwe- A Case Study of Bindura University of Science Education Faculty of Commerce Students

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Abstract

Prior research has been conducted on the saving behaviour of college students, but several researchers have examined the factors that influence personal saving dwelling much on financial literacy. There are many other factors that may be considered to affect the saving behaviour of students. The purpose of this study was to ascertain the factors which affect students' saving behaviours at Bindura University of Science Education, Faculty of Commerce, focusing on the effects of peer groups, family dynamics and financial literacy. A questionnaire that was self-administered was used to gather primary data from 344 students from the Faculty. Multiple regression analysis and Pearson correlations were used to determine whether there is a relationship between the three factors and university students' saving habits. The results demonstrated that financial literacy was positively correlated with saving behaviour, while peer groups and family dynamics had weak positive correlation with saving behaviour. Financial literacy was the largest effect on saving behaviour between the two independent variables than peer groups and family dynamics. The study recommended that universities and families should introduce financial literacy awareness programmes and campaigns in order to inculcate a spirit of saving within the students.

Keywords: Saving Behaviour, Financial Literacy, Peer groups, Family dynamics, Students

Introduction

Savings is a portion of income that individuals set aside to cover potential unforeseen costs as well as their future requirements. Savings allow people to amass assets for investing possibilities retirement purposes (Marheni, Rmadan and Kelvin, 2023). The act of setting money aside and making investments for the future is called saving behaviour (Hashim & Kamarudin, 2018). In Zimbabwe, like in many other economies, the financial habits and savings behaviours of university students play a crucial role in shaping their future financial stability and well-being (Kabonga, 2021). Amongst these behaviours, saving is paramount as it fosters financial resilience, enables goal attainment, and cultivates a culture of financial responsibility (Hrishkesh & Kaveri, 2024). Understanding the factors influencing saving behaviour among university students is thus imperative for policymakers, educators, and financial institutions aiming to promote financial literacy and economic empowerment. A growing body of research suggests that students' saving habits are influenced by a complex interplay of various factors at individual, familial, and institutional levels. At the individual level, elements like financial knowledge, forward-thinking attitudes, and self-discipline have been identified as significant drivers of savings behaviour (Chikoko, Le Roux, & Dzingirai, 2013). Those with better financial literacy and a focus on the future tend to save more diligently, while individuals with impulsive tendencies often struggle to prioritize saving (Mpofu & Chimucheka, 2019)

Family dynamics also exert a profound influence, with parental role modelling and intergenerational wealth transfers shaping students' financial behaviours. Students from families with a strong tradition of saving and higher socioeconomic status are more inclined to adopt positive saving habits (Mufudza, 2019). Conversely, those from lower-income backgrounds may face greater financial constraints, leading to lower savings due to immediate consumption needs (Mufudza, 2019). Institutional factors, such as the availability of savings products and financial education initiatives, also impact students' saving behaviour. Access to affordable savings options and the incorporation of financial literacy education within higher education curricula are critical factors influencing savings patterns among students (Mpofu & Chimucheka, 2019). Students with better access to savings opportunities and financial knowledge are more likely to prioritize saving and exhibit responsible financial behaviour (Mpofu & Chimucheka, 2019).

Zvoushe and Ndofirepi (2020) conducted a study highlighting the multifaceted determinants of savings among university students in Zimbabwe. At the individual level, factors such as financial literacy and knowledge, future orientation, and self-control were identified as positive influencers of saving behaviour. Moreover, familial aspects, including parental saving habits, household income, and intergenerational wealth transfers, were found to significantly impact students' saving practices. Institutional factors, such as the availability of savings products and access to financial education initiatives, were also deemed crucial in shaping the saving behaviour of university students in Zimbabwe (Zoushe & Ndofirepi, 2020). Zimbabwe’s economic landscape has been characterized by volatility and uncertainty in recent decades, resulting in significant financial challenges for its citizens (Bank, 2022). Against this backdrop, the importance of effective financial management skills, including saving behaviour, cannot be overstated. However, research focusing on the saving behaviour of university students, particularly within the Zimbabwean context, remains limited.

University students represent a unique demographic group undergoing a critical transition from dependence to independence. During this phase, they are likely to encounter various financial pressures, including tuition fees, living expenses, and social activities (Mpofu & Chimucheka, 2019). How students navigate these financial demands and allocate their resources towards saving is influenced by a myriad of factors, including socio-economic background, financial knowledge, attitudes, and peer influences. Saving behaviour of Zimbabweans has generally been declining for the past years from 2019 to 2022 it has declined from 13% to 5% (Finscope Consumer Survey Data, 2022). In Zimbabwe, the challenge of unemployment among recent graduates is a pressing concern that stems from various economic and structural factors (Bhebhe & Sifile, 2015). Despite obtaining degrees and qualifications, many graduates struggle to secure employment opportunities due to a combination of factors such as limited job creation in the formal sector, mismatched skills between graduates and available job openings, and the broader economic challenges facing the country, including currency instability and a sluggish economy (Steven & Precious, 2016).

Without the prospect of immediate employment income upon graduation, students' ability to save and build financial resilience during their time at the university becomes paramount. The lack of post-graduation employment means that students will need to rely heavily on their pre-existing savings and any financial support from their families to navigate the transition from university to the workforce. This heightens the importance of cultivating sound saving habits while still in the academic environment. Factors such as financial literacy, future orientation, and self-control, as identified by Zvoushe and Ndofirepi (2020) may play an even more significant role in shaping the saving behaviour of university students in this context. With limited income streams after graduation, students who have developed a stronger savings mentality and disciplined financial practices during their studies will be better positioned to weather the uncertainty and financial challenges that may arise. Furthermore, the influence of familial factors, such as parental savings behaviour and household income, could be amplified. Students from more financially stable backgrounds may have a greater ability to save proactively, whereas those from lower-income families may face more constraints and pressure to save for their immediate post-graduation needs. In this context, a study focused on university students' saving behaviour prior to graduation could yield valuable insights into the strategies and interventions needed to promote financial preparedness and resilience among this population, even in the absence of immediate post-graduation employment opportunities.

While studies on university students' personal finances and saving habits have been done in a variety of settings, there is a noticeable research vacuum concerning the variables impacting university students saving habits in Zimbabwe in particular. Previous research has typically concentrated on saving practices within industrialized nations or wider communities, with limited empirical data catering to the distinct socio-economic, cultural, and educational backdrop of university students in Zimbabwe. Chikoko and Mtanda (2020) indicate the need for further research on factors influencing saving behaviour among university students in Zimbabwe, stating that there is a paucity of research on the saving behaviour of university students in Zimbabwe, particularly within the specific university context.

Research Objectives

The study aims to:

- Examine the relationship between financial literacy and saving behaviour among the university students.
- Determine the relationship between peer groups and saving behaviour among the university students.
- Explain the relationship between family dynamics and saving behaviour among the university students.

Research Questions

1. Does financial literacy affect the saving behaviour of university students?
2. What is the effect of peer groups on the saving behaviour of university students?
3. How do family dynamics affect saving behaviour of university students?

Literature Review

Financial Literacy

Financial literacy is the ability to process economic information and make informed decisions about personal finance (Lusardi and Mitchell, 2018). In this study the authors emphasize the role of financial literacy in enabling individuals to understand and navigate financial markets, products, and decisions. Globally, it is understood that financial literacy is an essential part of human capital that affects both financial stability and economic progress. According to (Hilgert, Hogarth, & Beverly, 2003) ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.

H_1: There is high correlation between financial literacy and saving behaviour on students who are financially literate compared to those are not financially literate.

Peer groups

Peer groups are social structures consisting of individuals of similar age, background, and interests who interact and influence each other's attitudes, behaviours, and beliefs (Jones, 2017). Peer groups can include individuals who share common characteristics, such as being enrolled in the same class, friends, teammates, or members of social clubs or organizations (Johnson, 2019). Brown (2020) explores how peer groups serve as important contexts for socialization, experimentation, and normalization of substance use behaviour among adolescents.

H_2: There is high correlation between savings behaviour and peer groups. The savings behaviour of students will be influenced by their peer groups

Family Dynamics

The patterns of interaction, communication, and relationships within a family system constitute family dynamics, focusing on how family members interact with one another and their functions within the family group.

H_3: There is high correlation between savings behaviour and family dynamics. Family dynamics will positively influence savings behaviour of students.

Saving Behaviour

According to Ismail (2013) as cited by Towo, Jonasi and Chitombo (2023), saving behaviour involves anticipating expenses, saving income before consumption, calculating future needs, avoiding wasteful purchases, and saving consistently. Previous studies measured saving behaviour using the following constructs savings rates, savings goals, financial attitudes and beliefs, financial constraints etc. Saving rates according to (Poterba, 1994) is the percentage of disposable income that households choose to save over spend on goods and services. It is a crucial sign of the stability and financial health of a home. Savings goals is a specific financial target set by an individual or household to accumulate funds for a particular purpose.

Theoretical Review

The study is grounded on three theories namely the Human Capital theory, Social Learning theory and Family Systems theory.

Human Capital Theory

An individual's productivity and economic results are influenced by their knowledge, skills, and education, or human capital. (Becker & Schultz, 1964). The Human Capital Theory views education as an investment in a person human capital. Education improves a person capacity to amass wealth and make wise financial decisions (Bernheim, Garrett, & Maki, 2001). According to the human capital theory, people who possess greater levels of human capital, including financial knowledge and skills, are more productive and have better economic results. According to Lusardi and Mitchell (2007) financial literacy has a favourable impact on people's ability to make financial decisions and prepare for retirement, which is in line with the ideas of human capital theory.

Social Learning Theory

Albert Bandura's Social Learning Theory offers a framework for comprehending how people pick up new behaviour through interaction and observation in their social surroundings. The theory highlights how peers have a significant impact on forming people's attitudes, beliefs, and behaviour when it comes to peer groups. Brechwald & Prinstein (2000) indicated that an individual conduct can be greatly impacted by the activities of their peers, including but not limited to academic performance, taking risks, and substance abuse. This theory provides valuable insights into the influence of peer groups on individuals; attitudes and behaviour. Peers serve as powerful models for behaviour, and observational learning within peer groups can shape individuals' actions.

Family Systems Theory

This theory offers a thorough framework for comprehending the dynamics and operation of families. It sees the family as a networked system in which each family member actions both influence and are influenced by those of the others. The main ideas of Family Systems Theory are examined in this theoretical review in order to better understand family dynamics and interactions. Family roles and patterns have a significant influence in determining how the family system functions, according to family systems theory. Every member of the family assumes a position in the system, and these responsibilities support the stability and general equilibrium of the family (Minuchin, 1974). This theory provides important insights for fostering better relationships, communication, and general family well-being by looking at family dynamics from a systems perspective.

Empirical Review

Relationship between Financial Literacy and Savings Behaviour

In their study of the effects of financial and business literacy on young entrepreneurs in Bosnia and Herzegovina, discovered that while entrepreneurs with above-average and below-average financial literacy have invested in their businesses and kept their personal and business accounts separate, only those with above-average financial literacy at baseline reported an increase in sales and profits (Lopus et al, 2019). Additionally, they discovered that business owners with high levels of financial literacy see an increase in sales as a result of the training program. Okicic, Jukan, and Henric, (2021) found that among business administration students at the KNUST School of Business, there was a favourable correlation between financial awareness and financial behaviour (such saving, investing, and purchasing insurance).

Relationship between Peer Groups and Savings Behaviour

Duflo and Saez (2022) discovered that peer pressure is a significant factor when it comes to retirement savings decisions. Utilizing individual data from workers at a sizable institution with 12,172 employees split among 358 departments, the study was carried out in the United States. The study's goal was to investigate how social interaction and information role in retirement plan selection. According to these results, people who belong to the same group may have common environments that affect how they behave. People who share similar tastes are more likely to be members of the same group. These two elements produce a relationship between collective behaviour and individual behaviour, which in turn influences their ability to save.

Relationship between Family dynamics and Savings Behaviour

Webley and Nyhus (2016) have investigated the concept in respect of parents' behaviour in influencing the economic behaviour of their children. The results show that parental behaviour and parental orientation have a weak but clear impact on the economic behaviour of their children and in adulthood. The research was conducted in Netherlands with 690 Dutch participants who are 191 husbands, 191 wives, and 308 children aged from 16 to 21. DNB Household Survey (DHS) was used in this research which includes detailed information on financial behaviour and various psychological notions of children and parents. According to (Otto, 2009) there is empirical support for the idea that parents can help their kids develop life-saving skills. Furnham (1999) discovered that most of the children and adolescents' saving behaviour was caused by parental requests and requirements after he carried out an investigation on saving and spending habits of young people. A total amount of 158 males and 122 females' British children and adolescent from South East of England participated in the research.

Conceptual Framework

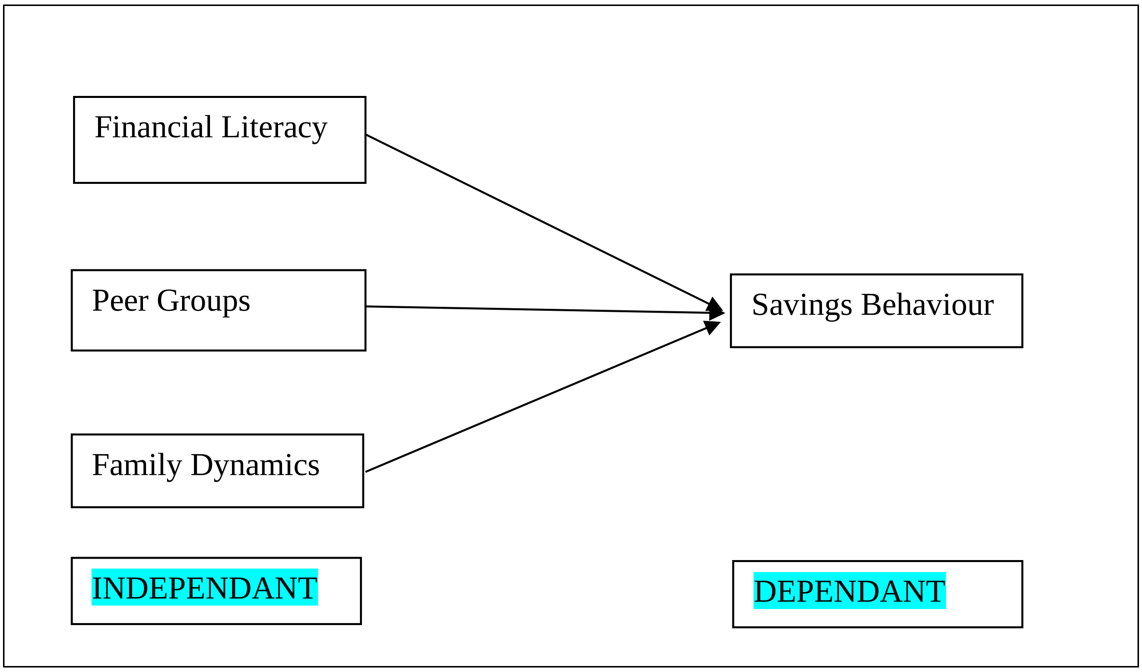

Fig 2.1: Conceptual Framework

Source: Researchers' own

Research Methodology

This study sought to analyse the factors affecting saving behaviour among the students in the faculty of commerce. Quantitative methods were employed by the researchers as the empirical assessments consist of numerical measurement and analysis. The study employed primary data which was gathered through self-administered questionnaires. The target population for the research was 3200 first year to final year students from the Faculty of Commerce at Bindura University. The minimum sample size for this research was calculated using Raosoft Sample Size Calculator. Given a population of 3200, a margin of error of 5%, 95% confidence level and a response distribution of 50%, the minimum recommended sample size was 344.

Variables Measurement

1) Strongly disagree (2) = disagree (3) = neutral (4) = agree (5) = strongly agree

All the constructs were measured on a scale of 3 items. To measure the independent variables respondents were tasked to rate their responses on a Likert scale. For the dependant variable which is saving behaviour the respondents were asked to rate on the three statements that describe their saving behaviour. The research employed a quantitative approach to measure and analyse the relationship between the given constructs. Of all 344 questionnaires distributed 275 questionnaires were returned giving a response rate of 80% and the results were generated using SPSS V21.

Results and discussion

Model Fit

Table 4.1 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.910a	.828	.826	.34263

a. Predictors: (Constant), Financial Dynamics, Financial Literacy, Peer Group

Source: SPSS Output

The R Square for this model is 0.828 which indicates that 82.8% of the variation in the saving behaviour (dependent variable) can be explained by financial literacy, peer groups and family dynamics (independent variables).

Correlation Analysis

Table 4.2 Correlation Analysis

Correlations

		Saving Behaviour	Financial Literacy	Peer Group	Financial Dynamics
Saving Behaviour	Pearson Correlation	1	.884**	.901**	.813**
	Sig. (2-tailed)		.000	.000	.000
	N	275	275	275	275

Source: SPSS Output

Correlation values were discovered to ascertain the connection between the independent variables, all the independent variables have positive association with the dependent variable. Financial literacy has the moderate strong positive relationship with saving behaviour (r=0.884), Peer Groups have a strongest positive correlation(r=0.901) and lastly family dynamics also has the strong positive correlation(r=0.813) with saving behaviour.

Regression Coefficients

Table 4.3 Regression Coefficients

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.755	.107		-7.051	.000
	Financial Literacy	.416	.086	.347	4.858	.000
	Peer Group	.604	.112	.473	5.387	.000
	Financial Dynamics	.138	.062	.117	2.216	.028

a. Dependent Variable: Saving Behaviour

Source: SPSS Output

$\boldsymbol{SB} = B_0 + B_1\, FL + B_2\, PG + B_3 FD + e$

SB = Savings Behaviour
B = Constant (Intercept)
FL= Financial Literacy
PG= Peer Group
FD = Financial Dynamics
e = Error term
$\mathbf{B_1}$**,** $\mathbf{B_2}$**,** and $\mathbf{B_3}$ indicate the direction and strength of the relationship between each independent variable and the dependent variable

The results in Table 4.3 above indicated that there was positive significant influence of financial literacy (0.00) on saving behaviour ($p<0.05$), hypothesizing that *there is high correlation between financial literacy and saving behaviour on students who are financially literate compared to those are not financially literate.* These results were in line with what Okicic et al (2021) discovered in their study that there was a favourable correlation between financial awareness and financial behaviour. Peer group (0.00) has a positive significant influence, and we hypothesized that *there is high correlation between savings behaviour and peer groups. The savings behaviour of students will be influenced by their peer groups.* According to (Duflo & Saez, 2002) people who belong to the same group may have common environments that affect how they behave. Family dynamics (0.028) have a positive influence on saving behaviour ($p < 0.05$) and we had hypothesized that *there is high correlation between savings behaviour and family dynamics. Family dynamics will positively influence savings behaviour of students.*

In this study of the factors affecting university students saving behaviour, the results showed that financial literacy, peer groups and family dynamics had a significant influence on saving behaviour of students in the faculty of commerce at Bindura University. In summary the findings are in line with the discoveries of other researchers. The findings of this study were supported by Furnham (1999) who discovered that most of the children and adolescents' saving behaviour was caused by parental requests and requirements after he carried out an investigation on saving and spending habits of young people. Damaranthna and Kumari (2021) also found that peer groups and family dimensions had an effect on students' intentions to save.

Conclusion and recommendations

In conclusion, the findings showed that financial literacy, peer groups and family dynamics had an influence on saving behaviour. Promoting a good saving behaviour and attitude towards money from home and early childhood was imperative for the success of saving behaviours. There was need for universities to introduce financial literacy awareness campaigns for all new students so as to inculcate a culture of saving. There were still many factors to be considered that affect saving behaviour among university students including the ones mentioned in this research. Future research could study the effect of demographic factors on saving behaviour of university students throughout Zimbabwe.

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