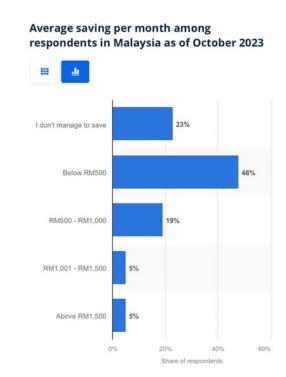# HOUSEHOLDS SAVING IN MALAYSIA

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Section 2

INTRODUCTION

Household saving is the main domestic sources of funds to finance capital investment, a major impetus for long-term economic growth. It also can be defined as the difference between a household's disposable income which is salaries income from business and incomes either from investment or net capital gain and its expenses on goods and services. Household savings are important because they act as an emergency cushion from any expected events and it also vital for long term future planning. Saving will provide a positive effect on economic growth, health and development, both at the household and domestic levels. However, Malaysian have fallen out of teh saving habits.

ANALYSIS

Average saving per month among respondents in Malaysia as of October 2023

According to a survey on financial literacy conducted in Malaysia, as of October 2023, the majority or 48 percent of respondents said they could manage to save below 500 Malaysian ringgit each month. Meanwhile, 23 percent of respondents said they could not save any amount of money.

FACTORS

• The prevailing economic conditions.

During periods of economic uncertainty, households tend to adopt a precautionary approach, increasing their savings as s financial buffer against unforeseen events such as job loss or economic downturns.

It also shape saving behavior. Cultural norms, societal expectations and personal values all influence whether individuals prioritize immediate consumption or delayed gratifications through saving. Additionally, financial literacy and awareness of long-term benefits associates with saving can impact individual decisions to set aside money for the future.

• Individual attitudes and preferences

• Demographic factors

Such as age and family structure also contribute to saving patterns. Younger individuals may focus on saving for major life events, like buying a house, while older individuals may prioritize retirements savings. Family size and composition also influence saving decisions as households with dependents may have different saving priorities than those without.

IMPACT

• Limiting the ability to cope with unexpected expenses.

On an individual level. limiting the ability to cope with unexpected expenses such as emergencies and retire comfortably. This may lead to increased stress and a decreased quality of life for individuals who find themselves ill equipped to navigate financial challenges.

a decline in savings can impact investment which is a critical driver of economic growth. Insufficient savings may limit the availability of funds for businesses to invest in research, development and expansion, hindering innovation and productivity improvements. In turns, this can results in slower economic growth, fewer job opportunities and less dynamic and competitive marketplace.

• A decline in savings can impact investment.

CONCLUSION

In conclusion, the decline in household savings among Malaysians poses significant challenges at both individual and economic levels. The reduction in savings has a broader economic consequence, affecting investment and hindering overall growth. As savings decline, the availability of funds for business developments diminishes, potentially stifling innovation and productivity. This, in turn can lead to slower economic growth, fewer job opportunities and less competitive marketplace. Addressing these issues requires a multifaceted approach, including financial education, policy interventions and cultural shift towards prioritizing long-term financial well-being.

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