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Factors Affecting the Behavior of Young Professionalstowards Savings and Investment

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ABSTRACT :*People's decisions and financial management vary; these are affected by different factors such as socio-demographic, economic, and psychological. Young adults, an essential group of people who will be future leaders, can make significant contributions to the development process. It influences the country's inclusive growth in the long run; therefore, it is necessary to know and understand the factors affecting young professionals' saving and investment behavior. This study used chi-square and regression analysis tools to analyze the data gathered. The findings indicate that age, gender, and educational attainment, as socio-demographic factors, affect young professionals' savings and investment behavior. While economic factors such as income level only influence the saving behavior of young professionals. The findings further reveal that financial literacy influences young professionals' saving and investment behavior. However, this does not affect saving and investment behavior on peer influence. As a result, young professionals behave differently regarding investing and saving. Saving and investment improve a person's quality of life and standard of living. Thus, young professionals should consider establishing savings and making investments not to worry about their finances.*

KEYWORDS-*Economic, Investment and Savings Behavior, Psychological, Socio-demographic, Young Professionals*

I. INTRODUCTION

Every country's economic progress is contingent upon a well-organized financial structure. The financial sector is a broader term encompassing the financial markets and the financial institutions that underpin the system. The system's primary purpose is to mobilize savings in money and monetary assets and deploy them productively. It promotes saving and investment, contributing to a country's economic prosperity.Savings and investment are considered the two primary types of financial instruments. Savings are the amount of money set aside for future use by restricting spending today. Most individuals consider saving as investing, depositing funds in a bank account, speculating, and repaying mortgages. On the other hand, investment is defined as the current commitment of money or other resources in hopes of future rewards.

An individual's saving objective fluctuates during their life. This movement is influenced by the investors' age, employment, and income level. However, their saving objectives frequently justify the investing strategy that family savers select to attain theirgoals. According to FinancialMentor.com's Todd Tresidder, the savings rate is one of the two most critical factors determining our financial destiny. In the early stages of the savings rate, young professionals and fresh graduates focus on maximizing their savings rate as a proportion of spending.

As a young professional, Camilo Maldonado, one of The Finance Twins, noted that the most important thing to do is keep track ofexpenses. It will entail developing a more conscious awareness of how, where, and what you spend your money on. This capability enables one to construct a budget and allocate funds for future expenses. Financial discipline is a muscle that must be trained and exercised. It will be a way to save and invest.

(Ansari and Moid, 2013), mentioned that a firm needs a grasp of financial and human nature to get the most out of savings and investments. Additionally, investors must have a good outlook, foresight, tenacity, and desire. Investors' investing behavior is differentiated by socioeconomic status, parental guidance, educational attainment level, age, race, and sex. The primary concern of investors is making sound financial decisions. Furthermore, an individual investor's investing behavior displays how he allocates his surplus financial resources among the different accessible investment products. Why do they want to invest, how much of their disposable income do they want to spend, how long do they want to invest, and whatdo they want to invest in?

The study's findings will shed light on the challenges young professionals face when managing their finances and why most of them avoid engaging in diverse financial activities. Financial institutions that serve the participants can use the study as a research and strategic planning tool. This enables them to provide superior service to their customers. They will be more adept at persuading young professionals to purchase their goods

and services. The study's influence on young professionals could affect the country's long-term inclusive growth. The results from this study could be of great relevance to the savings and investment of young professionals for their wealth management, policymakers, investment agencies, and future research.

Savings and investments contribute to an individual's physical quality of life and style of living. However, financial management and human decision-making are diverse. Numerous people and families lack the information and skills necessary to manage financial decisions such as asset acquisition, short-term saving, retirement saving, borrowing, and consumption. This prompted the researchers to undertake this study to ascertain and comprehend the factors influencing young professionals' behavior about savings and investing.

This research aims to provide an overview of the savings and behavior of young professionals in Calapan City, Oriental Mindoro,with the parameters of the young professionals' attitudes regarding savings and investment. Three aspects will be considered: socioeconomic, including age, gender, marital status, and educational attainment; economic, which provides for income level; and psychological, including parental financial education, Financial Literacy, and peer impact.

II. LITERATURE REVIEW

2.1 Socio-Demographic

Rapid growth in the Gross Domestic Product (GDP) results in increased household income and savings rates. For the individual household, saving is undertaken to meet particular short- and long-term objectives, most notably financial security. Based on Dr. S.N. Geethaa and Dr. K.Vimala's (2014) study, understanding household savings and investment are the primary sources of investment financing for both the public and private sectors. Establishing an administration in a particular field has resulted in a shift away from regulation toward liberalization in the investment environment and integration of domestic financial markets with international markets. As a result, a diverse array of financial instruments has been developed to meet the specific expectations of investors.

Additionally, the research examines how demographic variables affect investment decisions and how information technology has had a significant impact on how financial markets operate. Individual investors' perceptions of various channels have also shifted due to the altered environment. The study is substantiated by N. Geetha and Dr. M. Ramesh's (2012) study, which found a substantial correlation between investment avenues and gender, age groups, educational attainment, and occupational level. According to the survey, investors' investment behavior is influenced by demographic factors such as socioeconomic status, educational attainment level, age, race, and sex. The conclusion indicates that the investing activity of young individual investors is income-dependent. Thus, income levels affect their investment behavior, and it can be argued that investment frequency differs by age group. Investment behavior is crucial to an individual's future success, and it is subject to a variety of variables. But, the result from the study by Ansari and Moid (2013) revealed that investment decisions made by young investors are not influenced by their age, income, or gender.

2.2 Economic

Economic models have been predicated on the premise that individuals have consistent preferences that follow the expected utility maximization principle (Wilkinson, 2008). Behavioral economics aims to model 'real man' behavior by incorporating behavioral and socio-psychological mechanisms that underpin economic behavior. According to the study conducted by Maital (1986), behavioral economics is the study of the aspect of human behavior that is economical. Economic behavior encompasses all behaviors that entail economic decisions and presents intriguing study difficulties for psychologists. Economic psychology studies human behavior within the constraints of the perceived economic environment (Van Raaij, 1981). This notion is grounded in the Kurt Lewin's behavior equation "B = f(P, E)," which states that an individual's behavior (B) is a function (f) of the person (P), including their history, personality and motivation, and their environmental (economic) variables (E), which includes both their physical and social surroundings.The Life-cycle Hypothesis was first proposed by Modigliani and Brumsberg (1954). It is one of the most influential economic theories as it describes how individuals spend and save their money throughout their lives. According to the life-cycle theory, individuals attempt to maintain constant spending while accounting for future income, anticipating that debt incurred at a young age would be repaid with future income. They then save during their middle years to maintain their current standard of living when they retire. Thus, the life-cycle hypothesis asserts that older individuals should pay more while younger individuals should borrow more.LCH supplanted the economist John Maynard Keynes' theory. According to Keynes, an increase in savings occurs due tothe rise in income. It is predicated on the notion that savingsare possible only if one has sufficient funds to meet one's fundamental necessities. After paying for essentials, a person can save just what is left over. Keynes' premise corroborates LCH's assumption that higher-paid individuals are better equipped to save and manage their money than those with lower incomes. Low-income households are more likely to have credit card debt and less discretionary money than higher-income households. In other words, individuals are expected to spend prudently throughout their lives. However, the life-cycle hypothesis is not without problems. Although the theory anticipates changes

in saving behavior over life, numerous studies have failed to confirm the predicted savings behaviors of individuals or households at various stages of life.

2.3 Psychological

Psychology has a role in how individuals make financial decisions or invest in financial assets. According to behavioral finance theory, people are irrational, and their emotions and biases influence their financial decisions. This is frequently the case for people seeking to invest and save. They may make decisions out of fear, overconfidence, gut instinct, or based on others are doing. Behavioral finance is based on real-world experience and asserts that investors have biases, are illogical, and those emotions influence the type of investment made. In behavioral finance, one of the elements affecting an investor is social influence, backed by Social Exchange Theory, which claims that social interaction may influence financial decisions because people receive and process information through their interactions with others.

Numerous researches have shown that humans are irrational in their decision-making. The behavioral finance theory postulates that young professionals have distinct behaviors about investing and saving. Specific individuals rely on their gut instincts and act following their feelings. Furthermore,Karunaanithy, Karunanithy, and Santhirasekaram (2017) studied the factors that impact youth saving behavior in Sri Lanka's war-torn north and east. Parental socialization, peer influence, financial Literacy, and self-control influenced saving behavior psychologically. The study is confirmed by Dangol and Maharjan's (2018) research. The authors surveyed the effect of parental educational background, parental financial education, and peer influence on saving behavior. The Nepalese young's primary motivations for savings were emergency savings, travel, and meeting everyday necessities. The findings show that parental financial education and peer influence have a beneficial effect on saving behavior. Receiving financial education increases a person's willingness to save, overall savings, and ability to save. Nepalese adolescents are more likely to keep solid saving habits if their parents encourage them, as parents facilitate and promote saving behavior. Participating in financial affairs with peers improves the Nepalese youth's saving behavior. The researchers found that Nepalese adolescents value their parents' and peers' engagement in financial decisions and conduct. According to Webley and Nyhus (2006), parental training about finances and encouragement affected young adults' future orientation.

Likewise, De Castro et al. (2020)assessed the Financial Literacy, attitude, and behavior of young financial professionals in the Philippines. The study sought to measure financial Literacy among young professionals in the Philippines from a behavioral approach. This survey found a lack of financial Literacy. Only 35% of respondents are aware of economic health, which leads to poor financial management practices that significantly impact individuals; consequently, financial education is critical to guide their financial behavior. Also, it was shown that financial attitude alleviates the influence of financial knowledge on behavior, implying that young professionals must have a favorable attitude to benefit from financial education. Therefore, the findings suggest that financial education should be included in the curricula of schools, colleges, and universities. In addition, parents are responsible for serving as positive role models for their children's financial conduct during their formative years.

Based on the previous discussion and literature review, the related variables in this study can be formulated into a conceptual framework as follows:

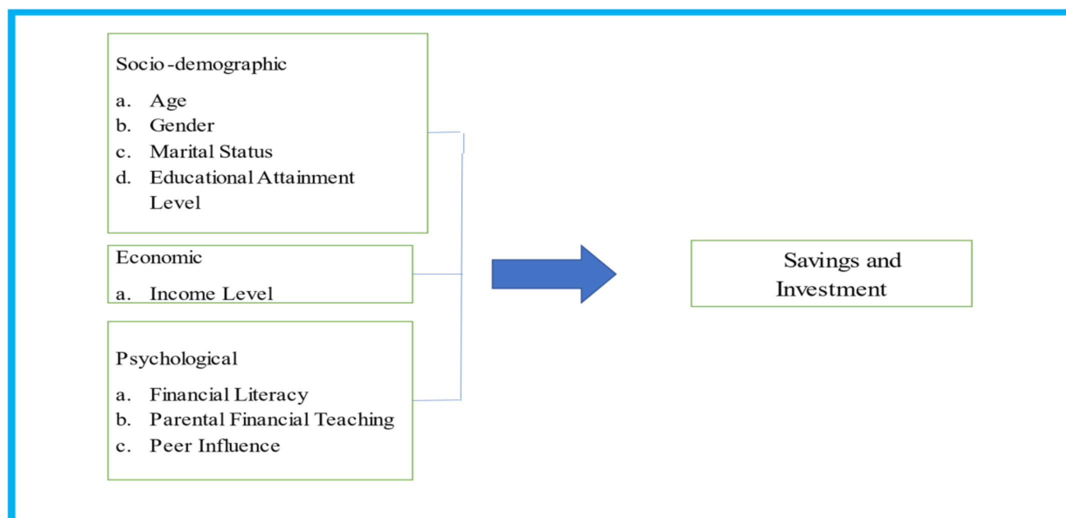

Fig. 1 Hypothesized effects among the behavioral factors and the saving and investment of Young Professional

Statement of the Problem

Both were saving and investing improves one's physical quality of life and standard of living. On the other hand, financial management is not associated with individual decisions. Many people and families lack the required knowledge and abilities to make sound financial decisions about asset purchases, short-term savings, retirement savings, borrowing, and spending. As a result, the researchers decided to conduct this study to ascertain the factors that affect young professionals' savings and investing decisions.

Specifically, this study seeks to answer the following questions:

1. What is the extent of the effect of the following sub-factors of socio-demographic in the savings and investment behavior of young professionals in terms of:
   1.1. age;
   1.2. gender;
   1.3. marital status;
   1.4. Educational attainment level
2. What is the influence of the following economic factors on young professionals' savings and investment behavior in terms of income level?
3. What is the influence of the following psychological factors on the savings and investment behavior of young professionals in terms of:
   3.1. financial Literacy;
   3.2. parental financial teaching;
   3.3. Peer influence?
4. Is there a significant relationship between the factors affecting young professionals' savings and investment behavior?

Hypothesis

Ha: Behavioral factors have no significant effect on young professionals' savings and investment behavior.

III. METHOD

The study employed a quantitative research approach, which entails collecting data to quantify and analyze information (Creswell, 2003). Quantitative research designs generate objective facts that can be presented effectively using statistics and numbers. It accomplishes this by providing accurate and pertinent statistics and information.The data was gathered primarily through Likert-type questionnaires issued through Google Forms and distributed to various young professionals in Calapan City, Oriental Mindoro. According to Ansari and Moid (2013), the age range of young professionals considered in their study was 25-35 years. The researchers then obtained data on the age population mentioned earlier bracket residing in Calapan City, Oriental Mindoro, from the Philippine Statistics Authority's office.A total of one hundred thirty-four (134) respondents were chosen at random from the 20,581-total population of 25-34 years old for this study. The sample size was determined using the G-power analysis with an effect size of 0.3, an alpha of 0.05, and a power of 0.95. Permission was obtained from the firms and government organizations' heads, managers, and human resource offices. The respondents were asked whether the following factors influenced their savings and investment behavior: socio-demographic, economic, and psychological.The questionnaires were tested for validity and reliability before being distributed. To analyse the reliability of the data using Cronbach's Alpha to determine internal consistency, yielding a reliability score of 0.805. The researchers maintained the confidentiality of the data acquired and the respondents' identities.

The study included both descriptive and inferential statistics. These are the methods used in the survey: Weighted Mean, Chi-Square Test, and Regression Analysis. Calculations, tabulations, and interpretations of all data were performed. The Weighted Mean was utilized to get the average of a set of data. This will also be used to calculate the mean of the responses of young professionals to each factor. The Chi-Square Test examined the relationship between socioeconomic and demographic characteristics and savings and investing behavior. The chi-square analysis assesses the truth or falsity and quantifies the observed and predicted frequency divergence.

Additionally, regression analysis was used to determine the influence of psychological variables on young professionals' saving and investment behavior. Regression interprets what is physically possible; there must be a physical mechanism via which the independent variable may impact the dependent variable. Lastly, conclusions and recommendations were drawn according to the study results. Studies, literature, and other sources were acknowledged, properly cited, and credited in the reference list

IV. RESULT AND DISCUSSION

Table 1.Chi-Square Test on the Significant Effect of the Socio-demographic and Economic Factors on the Savings and Investment Behavior of Young Professionals

Factors Affecting the Behavior	Young Professional Behavior							
	Savings Behavior				Investment Behavior			
1. Socio-Demographic	**DF**	**X^2comp**	**X^2crit**	**Decision**	**DF**	**X^2comp**	**X^2crit**	**Decision**
1.1. Age	27	44.69	40.11	Reject the Null Hypothesis	27	40.20	40.11	Reject the Null Hypothesis
1.2. Gender	3	29.68	7.82	Reject the Null Hypothesis	3	12.98	7.82	Reject the Null Hypothesis
1.3. Marital Status	6	7.58	12.59	Accept the Null Hypothesis	6	15.93	12.59	Reject the Null Hypothesis
1.4. Educational Attainment	6	14.52	12.59	Reject the Null Hypothesis	6	15.02	12.59	Reject the Null Hypothesis
2. Economic	**DF**	**X^2comp**	**X^2crit**	**Decision**	**DF**	**X^2comp**	**X^2crit**	**Decision**
2.1. Income Level	72	93.24	92.81	Reject the Null Hypothesis	72	82.69	92.81	Accept the Null Hypothesis

Level of significance = 5%

The table illustrates the significant effects of the various factors (socio-demographic and economic factors) onyoung professionals' savings and investment behavior. The table shows thatmost socio-demographic factors significantly impact young professionals' savings and investment behavior. The analysis revealed that the calculated Chi-Square value (X2comp) exceeds the critical value. As a result, the null hypothesis is ruled out. However, with 7.58 degrees of freedom (DF), married status does not affect saving behavior, and the Chi-Square calculated value of 7.58 is less than the critical value of 12.59. The study of Grossbard and Pereira (2010) supports the finding that marital status has little effect on the consumption value of earnings. It is also stated that an agent who believes marriage to be an expensive proposition due to marriage's diseconomies would save more throughout their youth prior to marriage since they anticipated a drain on earnings after marriage. However, once married and facing the drain on profits, these individuals will have fewer savings than a comparable single.

Moreover, the income level results indicate a significant effect on saving behavior, with 72 degrees of freedom and a Chi-square value of 93.21 beyond the critical importance of 92.81. Conversely, income level has no significant effect on investing behavior since the Chi-square value computed is less than the crucial value of 82.69.

Table2. Regression Analysis on the Significant Effect of the Psychological Factors on the Savings and Investment Behavior of Young Professionals

Psychological Factors Affecting the Behavior	Young Professional Behavior			
	Savings Behavior		Investment Behavior	
	P-value	Result	P-value	Result
Financial Literacy	7.94E-09	Significant	1.76-E13	Significant
Parental Financial Teaching	0.002	Significant	0.151	Not Significant
Peer Influence	0.349	Not Significant	0.390	Not Significant

Degrees of freedom = 132
Level of significance = 5%

Table 2 presents the significant effect of the psychological factors on savings and investment behavior of young professionals.As observed in the table, it can be gleaned that there is a considerable effect on the extent of the young professional financial Literacy on their savings and investment. The computed p-value of 7.94E-09 and 1.76-E13 is less than the α, which is 0.05 at 132 degrees of freedom and a 5% significance level.

The influence might be a function of ranking items on the financial literacy evaluation. It was discovered that the first two things on the list demonstrate that young professionals understand the value of money management. It may be noticed that their degree of core knowledge and comprehension of financial

Literacy influences their savings and investing behaviors, enabling them to make informed and effective financial decisions. This demonstrates the essential aspects of financial Literacy in achieving long-term financial security.

Also, as observed from the table, there is a significant effect of parental financial teaching onthe savings behavior of young professionals. However, parental financial education has no significant impact on young professionals' investing behavior. The computed p-value of 0.151 exceeds the α, which is 0.05 at 132 degrees of freedom and a 5% significance level. Results showed that the financial influence of parents has little bearing on investing behavior. This notion supports the findings of Jorgensen and Savla (2010), which reported that there is no significant relationship found between parental influence and the youth's level of financial knowledge, which is essential in investing.

Furthermore, there was no significant peer influence on young professionals' savings and investing behavior. As seen in the table, the computed p-value of 0.349 and 0.390 aremore significant than the α = 0.05 at 132 degrees of freedom. The result is supported by Sirine and Utami's (2016) study, which found that peer influence did not affect saving behavior.

Table3. Significant Effect of the Factors Affecting the Savings and Investment Behavior of Young Professionals

Factors Affecting the Behavior	Savings and Investment	
	P-value	**Result**
Socio-Demographic	8.78E-45	Significant
Economic	0.24	Not Significant
Psychological	4.86E-13	Significant

As outlined in the table, there is a significant relationship between the factors. Since the P-value calculated for socio-demographic factors is 8.78E-45, it is less than the 5% level of significance. However, the economic factor yields a P-value of 0.24, more significant than the 5% significance level. LikeAnsari and Moid's (2013) study, young adults' investing and saving decisions are unaffected by their income. Moreover, the psychological factors' calculated P-value of 4.86E-13 is less than the 5% significance level, showing a significant relationship.Therefore, the null hypothesis that behavioral factors have no significant effect on young professionals' savings and investment behavior is rejected.

V. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The study concluded the following:

1. Most young professionals' decisions and actions in savings and investment behavior are precisely influenced by their socio-demographic profile, age, gender, and level of education.
2. Income level affects the young professional's saving behavior. Findings indicate that respondents take their income into account when saving.
3. Financial Literacy and Parental Financial Teaching are the foundations of their understanding of making sound financial decisions. The choices, findings, and actions of young professionals' peers, on the other hand, do not influence their attitude toward saving and investing.Instead, young professionals revealed that socio-demographic and psychological factors significantly affect their saving and investing behaviors.

5.2 Recommendations

1. With proper saving and investment strategies, young professionals can increase personal wealth, contributing to higher economic growth. Young professionals are advised to make a budget plan for their monthly income and closely adhere to the program to build their savings and have an emergency fund in case of unforeseen occurrences. Moreover, they should consider investment options such as stocks, bonds, mutual funds, and insurance and open a small business as soon as reasonably practicable to set a future budget and avoid worrying about spending when they reach retirement age.
2. Young professionals should save a significant amount, and their income level must be taken into account for their target goals to be aligned with their available resources.
3. Young professionals should be aware and reminded that many factors could influence their saving and investing behavior and decisions. Young professionals should search for chances to broaden their financial literacy knowledge by enrolling in courses, participating in webinars or seminars, and speaking with financial advisers.

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