



Socio-Economic Status and Parental Savings for Higher Education among Malaysian Bumiputera Families

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Abstract

Socioeconomic status of a family is a benchmark for a student in Malaysia to get financial aid in education, on top of their academic performance. As the number of students obtaining good grades in their Sijil Pelajaran Malaysia examination increases, entry to public universities become more competitive and the chances to get a full education financing become smaller. Most students resort to loans provided by PTPTN as many still do not have any form of saving to finance their higher education. This study attempts to explore on parental saving for children's higher education among Bumiputera across different socio-economic groups. A survey was conducted in UiTM and six of its affiliated colleges, with the total respondents of 371. Questionnaires to parents were distributed through the students. The results of the study reveal that only 15% of the students sampled received a form of financial aid from the government. The findings also show high correlation between the socio-economic status of parents and the level of awareness towards saving for their children. The findings are hoped to create awareness in the society that saving incentives for higher education can be utilized by all low and middle-income families in all communities.

Keywords: Socio-economic, Parental saving, Financial aid

1. Introduction

An increasing worldwide challenge for individuals and families with children is the cost of higher education. Attainment of a college degree is desirable given its high positive correlation with lifetime earnings. Most parents consider the funding of their children's higher education as one of their most important family financial goals. In Malaysia, children are still very much dependent on their parents to finance their higher education. Paying for a college education had traditionally been seen as primarily a family obligation, being met through some combinations of current earnings, savings and borrowing.

For many decades, the Malaysian government, via its agencies like PSD and MARA, has provided scholarships to high achieving students to help finance their college education. However, limited public funding and the issue of private social benefits of higher education have forced the government to resort to alternative methods of financing higher education such as educational loans. This is evident from the development of the National Higher Education Fund Corporation (PTPTN) and the National Education Savings Scheme (SSPN) in 1997. SSPN is specially designed to encourage parents to save for the purpose of their children's higher education in the future. Parental saving in this educational scheme can be treated either as a substitute or a complement to government loans and other forms of educational financial aids.

Family socioeconomic status has since become a benchmark in awarding the financial aid, on top of student's academic achievement. As the number of students obtaining good grades in their Sijil Pelajaran Malaysia (SPM) examination increases, entry to public universities become more competitive and the chances to get a full education financing become smaller. Many students resort to loans provided by PTPTN as most do not have savings to finance their higher education. Students nowadays are obligated to be financially independent when they pursue their higher education. This leads to another social issue: graduate with debts.

There is little previous empirical work on parental saving for higher education. However, the few researches have shown that the amount saved for children's education was related to parent's income and attitudes regarding saving (Hossler and Vesper, 1993; Chang, 1995 and Churaman, 1992). Parental saving behavior appeared to be a significant

determinant of the parent contribution to their children's higher education costs. Lee (1997) found that the education level of the mother was also related to having education saving as a goal.

Hossler and Vesper (1993) had grouped the determinants to parental saving to three clusters: background characteristics, student and parental aspirations and activities, and information and incentives. Background characteristics included family income, family size, gender, race, parental education, and student ability. The student and parental aspirations and activities included their attitudes and values. The information and incentives cluster are related to parental knowledge of higher education costs and student financial aid. Hossler, Braxton and Coopersmith (1990) in their review of research on student college choice concluded that parental education is positively associated with the post-secondary educational aspirations of their children.

Case and McPherson (1987) observed that parents may not act rationally when it comes to saving for higher education because they lack knowledge about financial aid and fail to anticipate the full costs of higher education. This study utilizes a few variables in the Hossler-Vesper clusters to group parents in different socio-economic groups and investigates the relationship with parental saving.

This paper attempts to re-look at the traditional role of parents in providing the financial support for their children's higher education. Specifically, it will try to investigate the current state of parental saving among the Bumiputera families. The results should shed some light on the issue discussed earlier.

2. Methodology

2.1 Data and sample

The study was conducted at Universiti Teknologi MARA (UiTM), Shah Alam and six of its affiliated colleges: Institut Professional Baitulmal, Institut Teknologi Perak, Kolej UNIKOP, Kolej Yayasan Terengganu, Kolej Shahputra and Kolej Teknologi Timur. A total of 371 parents of students at these institutions took part in the survey.

2.2 Instrument and Variables

A questionnaire was used in the survey and the survey was done in the same semester. Students were from different programs (to capture both arts and science groups) and different levels. Convenient sampling method was adopted. The actual respondents were their parents. The socio-economic status (SES) is derived using four variables: father's income, father's occupation, father's highest education level, and mother's highest education variable. SES 1 stands for 'high SES', SES 2 stands for 'high-medium SES', SES 3 stands for 'low-medium SES' and SES 4 stands for 'low SES'.

3. Results and discussion

The socioeconomic composition of the sample is shown in Table 1. The highest number of respondents came from the lower middle socioeconomic group followed by the higher middle. The lowest socioeconomic group seemed to be under-represented.

<< Table 1: The socio-economic composition of respondents >>

Table 2 shows parents' perception of their children's higher education costs across the four socioeconomic groups. About 77% of parents from the lowest socioeconomic group and felt that the costs were expensive compared to 64% of parents from the highest socioeconomic group who felt that they were reasonable.

<<Table 2: Parents' perception of higher education costs by socio-economic group >>

In financing their higher education, 15% of the students received government financial aid, 45% took up PTPTN loans, 7% took loans from banks and private bodies while 32% reported to have some form of savings by their parents. Though not very high, the number was quite impressive for a developing country like Malaysia.

Table 3 shows the amount that parents were willing to pay for their children's higher education. Obviously parents from the high socioeconomic group were willing to pay higher amount with RM15,000 reported to be the maximum amount. As for the lowest socioeconomic group, the maximum amount that they were willing to pay was RM5000.

<<Table 3: Willingness to pay for higher education by socio-economic group >>

About 49% of the sample was aware of the costs that they have to bear for their children's higher education and had educational fund for their children. Majority chose to park this fund in savings accounts, followed by insurance, Tabung Haji and fixed deposit accounts. A few had saving in the form of assets.

Parents who did not save cited the following reasons: they were not aware of the total costs that they had to bear (45%), had to save for other circumstances like healthcare and housing (24%), high current expenditure on school matters (19%) and had no excess income to be saved (12%). Some felt that financing higher education expenses should be the responsibility of the government.

In many cases, parents of children in private colleges were the one unprepared with the high costs. If the information on total costs were made known and easily available, most parents agreed that they would save much more and much

earlier. On the other hand, they also agreed that they might also spend more on private tuition for their children during secondary school years to ensure good SPM grades so that their children could be accepted into public universities that charged lower costs.

The monthly allocations of parental saving across different socioeconomic groups are shown in Table 4. Most parents allocated between RM10 to RM300 for their children's higher education. A few from the high socioeconomic group managed to put aside more than RM1000 per month.

<<Table 4: Monthly allocation of parental saving by socio-economic group>>

When asked about SSPN, 60% of the respondents said they were aware of the scheme while 40% were not. Out of those who knew about SSPN, only 11% had joined the scheme. Table 5 shows the number of parents who were aware of the saving scheme and who might consider joining it across the four socioeconomic groups.

<<Table 5: The number of parents who were aware and interested to join SSPN by socio-economic group>>

SSPN was not perceived as an attractive saving scheme by most parents, especially those from the high socioeconomic group. This was due to the lack of information pertaining to its returns and benefits. Compared to conventional saving and insurance, the administration process was perceived as not so convenient.

4. Conclusion

Parental saving for higher education among the Bumiputera still have a long way to go. Despite people's awareness of the importance of higher education, many are still not financially prepared. This is mostly due to the ignorance of the actual costs of higher education, especially in private institutions. Many still assume and hope to enter public universities, like UiTM, that charge lower fees.

The amount of parental saving is found to be highly correlated with the socioeconomic status of the family. This could be due to their ability to save and their accessibility to information pertaining to higher education costs. On the other hand, the low socioeconomic group might face constraints in the opportunity to save. The equal grant match in the SSPN scheme will benefit this group the most and efforts must be taken to encourage them to join the scheme.

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Table 1. The socio-economic composition of respondents

Socio-economic status	Percentage represented in sample
1	11.2
2	21.1
3	57.1
4	10.5

Table 2. Parents' perception of higher education costs by socio-economic group

Perception on higher education costs	SES 1 (%)	SES 2 (%)	SES 3 (%)	SES 4 (%)
Cheap	12	2	0.6	0
Reasonable	64	56	35	23
Quite Expensive	24	42	64	77

Table 3. Willingness to pay for higher education by socio-economic group

WTP on Higher Education (RM)	SES 1 (%)	SES 2 (%)	SES 3 (%)	SES 4 (%)
50-1000	3	17	22	32
1001-3000	19	35	32	44
3001-5000	29	22	32	20
5001-8000	6	11	6	4
8001-10,000	19	9	7	0
> 10,000	2	6	1	0

Table 4. Monthly allocation of parental saving by socio-economic group

Monthly allocation (RM)	SES 1 (%)	SES 2 (%)	SES 3 (%)	SES 4 (%)
10-100	40	36	46	67
101-300	27	45	40	33
301-500	0	14	10	0
501-1000	13	5	4	0
> 1000	20	0	0	0

Table 5. The number of parents who were aware and interested to join SSPN by socio-economic group

	Aware of SSPN	Will probably join SSPN
SES 1	15	1
SES 2	44	5
SES 3	105	11
SES 4	17	2