



UNIVERSITI PUTRA MALAYSIA

***DETERMINANTS OF FINANCIAL WELL-BEING AMONG YOUNG
EMPLOYEES IN PENINSULAR MALAYSIA***

NURUL FARHANA ZAKARIA

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MASTER OF SCIENCE

UNIVERSITI PUTRA MALAYSIA

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By

NURUL FARHANA ZAKARIA

**Thesis Submitted to the School of Graduate Studies,
Universiti Putra Malaysia, in Fulfilment of the Requirements for the Degree of
Master of Science**

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Master of Science

**DETERMINANTS OF FINANCIAL WELL-BEING AMONG YOUNG
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By

NURUL FARHANA BT ZAKARIA

March 2014

Chairman : Mohamad Fazli bin Sabri, PhD
Faculty : Human Ecology

Current high levels of individual indebtedness and increasing focus on individual responsibility for financial planning shows that there is a growing need for better financial management particularly among the young adults. Today's young adults are confront with the complexity of financial products in the market, thus increased their role in managing their finances. The purpose of this study is to examine the determinants of financial well-being among young employees in central region, Peninsular Malaysia. There are four objectives in this study: (1) to identify the levels of financial literacy, money attitude, financial strain, financial capability and financial well-being of young employees; (2) to explore the differences in financial well-being based on demographic characteristics of young employees; (3) to analyze the relationships between financial literacy, type of money attitude, financial strain and financial capability with the financial well-being of young employees and (4) to identify the determinants of financial well-being among young employees.

The sample consisted of 508 of young employees in both public and private agency aged 40 years and below from four states of central region in Peninsular Malaysia, which was selected through multi stage sampling technique. Data were collected through self-administered questionnaires. Descriptive and inferential analysis of correlation, independent sample t-test, Analysis of Variance (ANOVA) and multiple regression were used using the Statistical Software Package for Social Science (SPSS).

Findings indicated that 290 (57.1%) of the respondents were represented for public agency and the remaining 218 (42.9%) were from private agency. Most of the respondents represented high-income group with mean household income of RM4,937.66 and had tertiary education level. Findings also indicated that the respondents had moderate levels of financial literacy, financial capability and financial well-being, scored high in effort and retention of money attitude and had low level of financial strain. Results of independent sample t-test showed there was a significant difference in financial well-being between gender (male and female) and marital status (married and single) while ANOVA revealed there was a significant difference between high-income group with lower and middle-income group.

Pearson Correlation indicated that there were positive significant correlations between financial literacy, type of money attitude and financial capability with financial well-being while there was negative significant correlation between financial strain with financial well-being.

The regression analysis showed that variables used in this study contributed 40.8% to the model. There were influences of demographic characteristics (gender and monthly household income) toward financial well-being of young employees. Financial literacy, retention-money attitude, effort-money attitude, financial strain and financial capability had significant influence toward financial well-being whereby financial strain become a major contributing factor to financial well-being. This study suggests that the findings are useful to the government to make an inclusive approach especially to the lower-household income group of young employees to improve the standard of living and enhance their financial well-being while Non-Governmental Organizations (NGOs) such as Federation of Malaysian Consumers Associations (FOMCA) and Credit Counseling and Debt Management Agency (CCDM/ AKPK) can provide the financial education in the workplace to help them to be better informed in various aspects of finances that lead them to make better decisions. By understanding more about the determinants of financial well-being, it is hoped to help young employees to become financial prudence and in the long-run could decrease the number of young employees declared bankruptcy.

Abstrak tesis ini yang dikemukakan kepada senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains

**FAKTOR-FAKTOR YANG MEMPENGARUHI KESEJAHTERAAN
KEWANGAN DALAM KALANGAN PEKERJA MUDA DI SEMENANJUNG
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Peningkatan kadar hutang individu yang tinggi serta tanggungjawab individu ke arah perancangan kewangan menunjukkan bahawa perlunya kepada pengurusan kewangan yang lebih baik terutamanya dalam kalangan orang muda. Orang muda pada hari ini berhadapan dengan pelbagai produk kewangan dalam pasaran lalu meningkatkan peranan mereka dalam menguruskan kewangan. Tujuan kajian ini adalah untuk mengkaji faktor yang mempengaruhi kesejahteraan kewangan dalam kalangan pekerja muda di zon tengah Semenanjung Malaysia. Terdapat empat objektif dalam kajian ini: (1) untuk mengenalpasti tahap literasi kewangan, sikap terhadap wang, tekanan kewangan, keupayaan kewangan dan kesejahteraan kewangan pekerja muda, (2) untuk meneroka perbezaan kesejahteraan kewangan berdasarkan ciri-ciri demografi pekerja muda; (3) untuk menganalisis hubungan antara literasi kewangan, jenis-jenis sikap terhadap wang, tekanan kewangan dan keupayaan kewangan dengan kesejahteraan kewangan pekerja muda dan (4) untuk mengenal pasti faktor yang mempengaruhi kesejahteraan kewangan dalam kalangan pekerja muda.

Sampel kajian terdiri daripada 508 pekerja muda yang berusia 40 tahun ke bawah daripada agensi awam dan swasta yang mewakili empat negeri di zon tengah Semenanjung Malaysia, yang telah dipilih melalui teknik persampelan rawak berperingkat. Data dikumpulkan melalui soal selidik yang ditadbir sendiri oleh responden. Analisis deskriptif dan inferensi iaitu ujian-t sampel bebas, ANOVA, korelasi dan regresi pelbagai telah digunakan menggunakan perisian *Statistical Package for Social Science* (SPSS).

Dapatan kajian menunjukkan bahawa 290 (57.1%) daripada responden mewakili agensi awam dan 218 (42.9%) adalah dari agensi swasta. Kebanyakan responden adalah daripada golongan berpendapatan tinggi dengan purata pendapatan isi rumah sebanyak RM4,937.66 dan mempunyai tahap pendidikan tertiar. Kajian juga menunjukkan bahawa responden mempunyai tahap yang sederhana dalam literasi kewangan, keupayaan kewangan dan kesejahteraan kewangan, mendapat skor tertinggi dalam sikap usaha dan pengekalan terhadap wang dan mempunyai tahap tekanan kewangan yang rendah. Keputusan ujian-t sampel bebas menunjukkan

terdapat perbezaan kesejahteraan kewangan yang signifikan antara jantina (lelaki dan perempuan) dan status perkahwinan (berkahwin dan bujang). Manakala ANOVA mendapati terdapat perbezaan yang signifikan di antara kumpulan berpendapatan tinggi dengan kumpulan berpendapatan rendah dan sederhana. Korelasi Pearson menunjukkan terdapat hubungan yang signifikan antara literasi kewangan, jenis-jenis sikap terhadap wang, tekanan kewangan dan keupayaan kewangan dengan kesejahteraan kewangan.

Analisis regresi pelbagai menunjukkan bahawa pemboleh ubah yang digunakan dalam kajian ini telah menyumbang sebanyak 40.8% kepada model. Ciri-ciri demografi (jantina dan pendapatan bulanan isi rumah) telah menyumbang kepada kesejahteraan kewangan pekerja muda. Literasi kewangan, sikap usaha dan pengekal terhadap wang, tekanan kewangan dan keupayaan kewangan mempunyai pengaruh penting ke arah kesejahteraan kewangan, manakala tekanan kewangan menjadi faktor utama yang menyumbang kepada kesejahteraan kewangan.

Penemuan kajian ini dicadangkan berguna kepada pihak kerajaan untuk membuat pendekatan inklusif terutamanya kepada pekerja muda daripada golongan isi rumah berpendapatan rendah untuk meningkatkan taraf hidup dan kesejahteraan kewangan manakala pertubuhan bukan kerajaan seperti Gabungan Persatuan-Persatuan Pengguna Malaysia (FOMCA) dan Agensi Kaunseling dan Pengurusan Kredit (AKPK) dapat menyediakan pendidikan kewangan di tempat kerja untuk membantu mereka lebih memahami pelbagai aspek kewangan dan membantu mereka membuat keputusan yang lebih baik. Dengan memahami lebih lanjut mengenai faktor yang mempengaruhi kesejahteraan kewangan, ini diharapkan bahawa pekerja muda lebih berhemah dalam kewangan dan dalam jangka panjang boleh mengurangkan bilangan pekerja muda yang diisytiharkan mufliis.

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“Three things will increase your intellect: sitting with the scholars, sitting with righteous people, and leaving off speech that doesn’t concern you.”

(Imam Ash-Shafi'ee rahimahumAllah)

I certify that a Thesis Examination Committee has met on 19th March 2014 to conduct the final examination of Nurul Farhana bt Zakaria on her thesis entitled “Determinants of Financial Well-being among Young Employees in Peninsular Malaysia” in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science.

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LIST OF ABBREVIATIONS

AKPK	<i>Agensi Kaunseling dan Pengurusan Kredit</i> (Credit Counseling and Debt Management Agency)
BHPS	British Household Panel Survey
BNM	Bank Negara Malaysia
CCRIS	Central Credit Reference Information System
CRRC	Consumer Research and Resource Centre
EPF	Employees Provident Fund
EPU	Economic Planning Unit
FINRA	Financial Industry Regulatory Authority
FOMCA	Federation of Malaysia Consumer Associations
FRGS	Fundamental Research Grant Scheme
FSA	Financial Service Authority
IFDFW	Incharge Financial Distress/Financial Well-being
MAS	Money Attitude Scale
MBBS	Money Beliefs and Behavior Scale
MEF	Malaysian Employers Federation
MES	Money Ethical Scale
MPFWBS	Malaysian Personal Financial Well-being Scale
MIS	Money Importance Scale
NGO	Non Governmental Organization
OECD	Organization for Economic Co-operation and Development
PFRC	Personal Finance Research Centre
UTC	Urban Transformation Centre

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter provides the background of the study which is particularly focused on financial issues of employees in various countries in general and specifically the financial well-being among young employees working in public and private agencies in urban areas in Malaysia.

1.1 Background of the Study

The increasing cost of living among Malaysians in the present has made the individuals or households to be more conscious about their financial management. In recent times, economic changes have made an impact towards how the people spend, save, invest and manage risks in order to protect their standard of living especially in long-term plan. According to the Department of Statistics, Malaysia (2013), the total population of Malaysia was 29.94 million (including non-Malaysian citizens) which consisted of the ethnic groups of Bumiputera (62.0%), Chinese (21.9%), Indians (6.6%) and others (0.8%). From the total of population, the people aged from 20 to 44 years represent 10,491,300 (35.0%) whereby 5,292,000 (50.4%) were males and 5,199,300 (49.6%) were females.

According to the current data undertaken by the Consumer Research and Resource Centre (2012), young adults are less equipped with knowledge and awareness especially in terms of their personal financial responsibility. It can be seen that 15% of the young employees had no savings and 37% of them lived beyond their means. Apart from that, 50% of those who seek for financial advices from the Credit Counseling and Debt Management Agency (CCDM or AKPK) are below the age 40 and 77% of young employees felt that their ability to manage their own finances were poor. According to the statistics by the Malaysian Department of Insolvency, the total numbers of bankruptcy cases administered from 2005 to June 2012 were 243,823 and the highest bankruptcy case is related to hire purchase loans (30,451 cases) and followed by personal loans (18,053 cases). The issue of bankruptcy can be seen as ongoing or worsening financial problems whereby some financial problems may contribute to personal physical or emotional conditions which, in turn, may decreased the productivity in a workplace. Concern with the serious debt problems experienced by these young employees, a further study on this group of people is aimed to help to obtain more accurate information on the level of financial awareness and can be used to enhance the development of financial education in the future.

Unlike in the past, the financial system in the 21st Century has grown rapidly and become more complex (Hilgert & Hogarth, 2002). Consumer debt is increasing faster than inflation whereby the current inflation rate in 2013 is 2.5- 3.0 percent compared to 1.6 percent in 2012 (Ministry of Finance, 2013). People nowadays need to take individual responsibility for their own financial affair and no doubt it is going to be painful as they are no longer depend on the basic necessities provided by the government as the government particularly remove subsidies in some basic items such as fuel, electricity and sugar. At the same time, financial products, including mortgages and products used for the purpose of investing and savings also become more numerous and even complicated that requires individuals to make a proper choice from the options offered.

There are many causes that lead to financial problems. Poor financial behaviors are often accompanied with personal financial problems and one of the reasons for personal financial problems is financial illiteracy faced by the individuals (Lusardi & Tufano, 2009). Apart from that, the combination of financial problems such as high debt, low income, and low levels of financial literacy may adversely affect individuals' financial well-being. Income uncertainty, rising petrol prices and physical pain for instance, have a more drastic influence on well-being. The concept of well-being or people's perception on well-being may be varies and depend on change in the level of people life. In the past, well-being had a meaning of overall happiness or satisfaction with their financial status or assets. However, in present the concept of well-being has been expanded to material and non-material aspects of a person's perception from their financial status, improving their standards of living, ability to meet the needs, feeling safe, comfortable and satisfied with the income. This is because the financial problems due to living beyond one's means, inconsistent in saving and did not set financial priorities such as put money aside for emergency fund, did not have life insurance and not participate in retirement plan can affect their financial well-being.

Alarmed by the high cost of living, most of the people nowadays become more concern towards their financial betterment and more savvy in spending so that they can live comfortably or doing better in the future. This is because the issue of financial problems is related to all aspects of individual and family life and not only concern on lower or middle income but also among the better off.

1.2 Problem Statement

Based on the stages of human development, young or prime adult is generally a person in the age range of 20 to 40 years old (Erikson, 1997; National Youth Development Policy of Malaysia, 1997). During this time, they make crucial choices regarding marriage, family, work and lifestyle. The character becoming more serious when they enter the thirty transition. Based on the thirty transition life cycle by Levinson (1986), individuals in the thirty transition may increase the financial and emotional investments they make in their lives. Some of them may be employed long enough to get promotions and raises and started to focus on developing their careers to gain stability in their personal lives. Apart from that, marriage, starting a family and child-rearing become fore as priorities in their lives.

According to Haveman and Wolff (2005), young adulthood is a life stage whereby individuals and households have relatively low incomes and few assets such as homes and savings besides accumulating with outstanding education loans, credit card balances, home mortgage, car loans and other forms of debt. However, it is also a time for young adults to make a decision and significant investment in their future and mostly require debt. Most graduates desire to achieve financial freedom without realizing financial commitment affiliated to their careers. This problem is worsen when they reach their thirties and beyond thus difficult for them to meet their material or financial obligations. Apart from that, buying a house is probably the most important purchase that the young adults ever make. Home loan is likely to be not only the biggest household expenses, but also the largest financial commitment of their lifetime. Choosing a financial package can be one of the most stressful and important decisions in their life. Therefore, young adults tend to carry higher debt burdens compared to the adult population at large (Yilmazer & Devaney 2005) and without a foundation of knowledge about personal finances; many of them struggle to manage their personal finances effectively.

In fact, according to the report by the Federation of Malaysian Consumers Associations (FOMCA) in 2011, many of those declared bankrupt due to credit card debt were under 40 years old and 72% of them have no retirement plans. Apart from that, it was reported that 47% of these young employees were in serious debt with monthly debt payment were 30% or more of their gross income and had enough savings on an average for only four months if they stop working. Besides that, the statistics from the Department of Insolvency Malaysia revealed that until September 2013, those aged 25 to 44 years recorded the highest number of bankruptcies due to the hire purchase and personal loans, which represented 54.4% from the total of age groups. This is seen as unfavorable financial management activities especially for their long-term planning.

A survey of Financial Behaviors and Financial Habits of Young Workers was carried out by the Consumer Research and Resource Centre (CRRC) in 2012 among 1,000 respondents from urban area in Kuala Lumpur, Selangor and Putrajaya. It was reported that almost half of young workers aged between 18 and 35 years old were in serious debt whereby those earning between RM 2,000 and RM 3,000 per month had the most serious debt problem and it was likely due to acquiring assets like a house, car or getting married, thus increasing their loan repayment obligations. Apart from that, a study was done by Ramli, Sum, Manaf, Saad, Hussain and Lyndon (2011) toward married young employees in public sector. It was reported that their financial

well-being was still in moderate level. It cannot be denied that high-cost of living in urban areas, increased cost of basic goods and amenities and financial dependents of households require them to survive and make a proper financial planning in order to ensure better financial well-being in the future.

Financial management become increasingly concerned with the behavior of today's young adult consumers. It has been argued that at this stage, individuals age 25 years and above have begun to enter the phase where they need to make financial decisions that are more complex (Henry, Weber, & Yarbrough, 2001; Parotta & Johnson, 1998), as they live in a consumer culture that is adapted to the easy availability of credit and debt (Roberts & Jones, 2001). Given the high rate of financial debt and credit card usage among this group of individuals (Lachance, Beaudoin, & Robitaille, 2006; Joo, Grable, & Bagwell, 2003; Boddington & Kemp, 1999), it is not surprising that they reported high levels of financial strain and dissatisfaction (Roberts & Jones, 2001). However, in order to understand the behavior, motivation and overall quality of life, the indicator such as financial attitude and financial management are still few; thus, this indicator should receive considerable attention.

Concern with the diversity and complexity of nowadays financial system, the Organization for Economic Co-operation and Development (OECD) has carried out an in-depth review and analysis of financial literacy surveys based on the Malaysian consumers' attitudes, behaviors, knowledge and skills. In an effort to continuously implement effective consumer education, Central Bank of Malaysia (*Bank Negara Malaysia*) has conducted a survey to measure the level of financial capability of Malaysian consumers. It was found that the level of financial capability is still low, thus give thoughtful financial effects on individuals and their households. The effects of financial incapability are not only affect the financial problem to the individual, household and consumers as a whole but also lead to greater levels of stress and financial exclusion (Taylor, 2009; Lenton & Mosely, 2008).

Financial incapability among the young adults is also due to lack of knowledge and skills, thus lead to lower financial well-being. Lusardi (2010) in her study on Financial Literacy among the Young Adults found that young consumers confront with complicated financial decision in today's demanding financial environment. Many of today's young adults are less knowledgeable when they were asked about finances, particularly on retirement savings, smart investing, credit card and debt. At present, every country is struggling for economic prosperity and it is mainly difficult for young people, who have never learned how to budget to achieve financial security (Kelly, 2002).

Apart from that, views toward money have changed over time and young adults are now being raised in a society that comfortable with debt. Instead of saving for emergencies, young adults nowadays turning to credit and credit cards to cover their expenses. Staying out of debt is no longer valued as an important social norm (Diamond & O'Curry, 2003). According to the Central Bank of Malaysia (2012), there are increased tremendously in household debt such as car loans, housing loans and personal loans within ten years. It was reported that as in August 2012, personal loans were RM 112.1 billion, car loans were RM 258.1 billion and housing loans were RM 296.8 billion compared in 2002 whereby the loans were just RM 1.9 billion, RM 36.7 billion and RM 71.5 billion respectively.

People's attitudes toward money are unpredictable especially in the 21st Century, as perception toward money play an important role in daily life. Thoughts and behaviors can influence the decision to spend and save money. Understanding money attitudes is essential because these attitudes shape the human behavior, particularly the purchasing behavior. The most vulnerable group of consumers toward compulsive buying is today's young adults because they were brought up in a culture of indebtedness and instant pleasure (Autio, Wilska, Kaartinen & Lahteenma, 2009). The increasing levels of compulsive buying among young adults have contributed to personal financial problems, credit card debt and bankruptcy filings (Roberts, 1998). This negative of money attitude can lead to the feeling of unhappiness and dissatisfaction in their life, thus affect their financial well-being in the future.

The feeling of financial dissatisfaction among employees' personal finances are also related to work outcome whereby it associated with characteristics of employees, aspects of their personal well-being, and characteristics of their jobs and workplaces. Employees with less satisfied with their personal finances report more conflict between money and work and it can damage workplace morale as well as diminish their productivity (Kim & Garman, 2003). Pressure to pay off debts, for example, can increase stress and anxiety levels and reduce well-being, especially if individuals have a large volume of debt or are bound by inappropriate repayment structures. Financial strain faced by young adults also cannot be taken for granted as the evidence suggests that early life experiences may become an important determinant of financial strain. This is because the people who experienced financial strain in their early age tend to feel anxiety, frustrated, affect their job productivity and lead to poor in overall well-being in their life (Szanton, Thorpe & Whitfield, 2010). Given the frequency of bankruptcies occur among the young adults, a research on the social and psychological effects of financial strain towards these young adults should be considered.

In order to ensure continued personal and financial well-being, it is crucial for individuals to learn or revisit the basic of budgeting, how to manage credit, protect the assets and build savings and prepare for retirement. Therefore, due to the scenario and problems arise; it is important to discover the level of financial literacy, money attitudes, financial strain, financial capability and financial well-being and to explore the relationship between financial well-being with financial literacy, money attitude, financial strain and financial capability among public and private employees in Peninsular Malaysia. Not only that, this study is aimed at exploring the factors that influence financial well-being among young employees in Malaysia. By understanding the determinants of financial well-being, it is hoped to help young employees to become financial prudence and in the long run could decrease the number of young employees declared bankruptcy. This is because financial well-being concepts are intended to help people to satisfy with their financial status, improving their standards of living, able to meet the needs, feeling safe, comfortable and satisfied with the income.

1.3 Research Questions

Based on the above issue, there are several questions regarding the financial well-being among young employees. This study was performed to obtain answers to the following research questions:

1. What are the levels of financial literacy, money attitude, financial strain, financial capability and financial well-being of young employees?
2. Are there any differences in financial well-being based on demographic characteristics of young employees?
3. Are there any relationships between financial literacy, money attitude, financial strain and financial capability with financial well-being?
4. What factors determine the financial well-being of young employees?

1.4 Research Objectives

1.4.1 General Objective

In general, the purpose of this study is to determine the financial well-being of young employees with the specific aims as listed below.

1.4.2 Specific Objectives

1. To identify the levels of financial literacy, money attitude, financial strain, financial capability and financial well-being of young employees.
2. To explore the differences in financial well-being based on demographic characteristics of young employees.
3. To analyze the relationships between financial literacy, type of money attitude, financial strain and financial capability with financial well-being of young employees.
4. To identify the determinants of financial well-being among young employees.

1.5 Research Hypotheses

Based on the research questions raised, the following hypotheses were tested.

H₀1: There is no significant difference in financial well-being between young employees in public and private agency.

H₀2: There is no significant difference in financial well-being between male and female young employees.

H₀3: There is no significant difference in financial well-being between single and married young employees.

H₀4: There is no significant difference in financial well-being between low, middle and high-income group of young employees.

H₀5: There is no significant relationship between financial literacy and financial well-being of young employees.

H₀6: There is no significant relationship between specific type of money attitude and financial well-being of young employees:

- a) There is no significant relationship between obsession and financial well-being of young employees.
- b) There is no significant relationship between retention and financial well-being of young employees.
- c) There is no significant relationship between inadequacy and financial well-being of young employees.
- d) There is no significant relationship between effort and financial well-being of young employees.

H_{o7}: There is no significant relationship between financial strain and financial well-being of young employees.

H_{o8}: There is no significant relationship between financial capability and financial well-being of young employees.

H_{o9}: Financial literacy, money attitude, financial strain, financial capability, gender, marital status and household income are not significant determinants of financial well-being of young employees.

1.6 Scope of the Study

This study focused on young employees aged 40 years and below from both public and private agencies particularly in four states in the center zone of Peninsular Malaysia namely; Perak, Federal Territory of Putrajaya, Federal Territory of Kuala Lumpur and Selangor. This study focused on exploring the levels of financial literacy, money attitude, financial strain, financial capability and financial well-being, and exploring the relationship between financial literacy, money attitude, financial strain and financial capability on financial well-being. This study also attempt to explore the differences in financial well-being based on demographic characteristics and examined the key determinants of financial well-being particularly among the young employees.

1.7 Limitation of the study

This study was focused only on four states in central zone of Peninsular Malaysia and did not include all zones in Peninsular Malaysia. This may lead to less extensive and comprehensive to the study. A larger sample with more diversity would have benefited the results. Apart from that, quantitative research that use close-ended questionnaire often have the limitation of forcing respondents into particular response categories thus limiting the range of response. The inability to obtain accurate data such as household income and household expenditure as individuals may not know the exact figures of each category or may not want to reveal this information become the limitation of this study.

1.8 Significance of the Study

The result from this study is important to various parties such as the researchers, financial advisors and young employees in the public and private agencies especially regarding their financial capability. The information gathered will help to provide useful information to employees as well as the employers when addressing issues related to financial matters and bankruptcy and to improve the overall financial well-being.

1.8.1 Researchers

The improvement of financial well-being among young people requires the researchers to provide an efficient framework in order to promote the agenda forward. There are still few studies being done especially among young people in Malaysia. Young people are seen as the most vulnerable group especially when related to financial management. By having a further study and intensified efforts by the researchers on this issue, it is expected to find the cause of why it happen thus giving recommendations based on the findings to the policy makers and financial institutions in order to encourage the people to become financially prudence.

1.8.2 Financial advisors

This study is also aims to the interest of financial advisors. It is hoped that the financial advisors can equip the new employees with basic retirement plan information. Not only that, the more effective financial information and targeted programs to the needs of a specific group is hoping to encourage some employees for saving. The information provided may help the employees that relevant to their age, gender and career stage. By providing appropriate financial information and counseling it is hoped to help employees to consider the value of retirement contributions in relation to other needs and savings motives. Simple financial advice and counseling about interest rates on credit cards, education loans, and other debts would help new employees consider the value of paying off debt and make contributions to retirement plans. Moreover, building up savings will help employees shield themselves against financial shocks.

1.8.3 Young Employees

This study is also important to consumers, particularly to the young people in order to promote and improve financial well-being. It is believed that such improvements will have lasting beneficial effects for individuals include reducing levels of debt problem, increasing savings, reducing welfare dependency and to improve the general skills. By encouraging the people to be more concern about their financial well-being, it can help the consumers to prevent from poverty, stress, ill-health and social exclusion. It may also help individuals to build assets by providing access to savings opportunities. Savings and assets can leverage new income, facilitate long-term planning and to protect against sudden income losses. Not only that, the financial well-being among young employees can help to increase productivity in the

workplace compared to the employees who experienced financial stress. The employees who experienced financial stress tend to feel less satisfied with their salaries, often use their working time in handling their financial matters and were more frequently absent from their work.

1.8.4 Employers

Employers undoubtedly have an active role to ensure the financial well-being of the employees. This is because financial stress follows the consumer from home to the workplace and it has a significant effect on productivity and absenteeism. This is where employers and a financial education program in the workplace can play an important role. Constant program and message about remedies on debt-stress for instance, can lead to positive outcomes. These programs however must be consistent instead of one-off program only. The initiative from the employers can help the employees especially the new hires to save for their retirement and best practices to build their long-term financial security. These efforts are very crucial for employers as employees perform better when they are happier. The same holds true as the employees are more productive and creative when they have more positive emotions.

1.9 Definition of Terms

The terms used in this study were defined for ease of understanding.

1.9.1 Financial Literacy

Conceptual: Financial literacy can be defined as possessing of knowledge necessary in order to understand concepts related to finance (OECD, 2011).

Operational: Financial literacy among the respondents was measured by testing for correct answers of 34 questions developed by Sabri, Masud and Paim (2006) based on the Malaysian context that concerning the aspect of general knowledge, savings and investment, credit card, debt and loan and Islamic banking and products on the scale True or False.

1.9.2 Money Attitude

Conceptual: Money attitude can be defined as a means of influence and protection and reflect to a personal dependence on money that lead to ongoing concern about money (Furnham, 1984).

Operational: In this study, money attitude was measured by 24 statements adopted from the Money Beliefs and Behaviors Scale (MBBS) by Furnham (1984) on a five-point Likert scale from Strongly Disagree (1) to Strongly Agree (5).

1.9.3 Financial Strain

Conceptual: Financial strain was defined as the level of stress experienced by an individual from their assessment of upcoming circumstances such as perceived financial inadequacy, financial concerns and worries, adjustments to financial change, and projected financial situation (Voydanoff, 1990).

Operational: In this study, the financial strain of the respondents was measured by seven statements adopted from Financial Strain Scale (Aldana & Liljenquist, 1998). Respondents were required to rate their experience over the past 6 months of these problems on a three-point Likert scale from never (1) to always (3).

1.9.4 Financial Capability

Conceptual : Financial capability referred to the measure of knowledge, skills, attitude and behaviors to manage personal finance whereby knowledge is necessary to understand the financial products, terms and concepts, skills for the ability of budgeting and attitude as a willingness to spend time to keep track with finances (OECD, 2008).

Operational : In this study, financial capability was measured by twenty statements from four domains which are managing money, staying informed, choosing products and planning ahead. The statements were adopted and slightly modified based on the Malaysian context from Financial Service Authority (FSA), (2004), The Organization for Economic Co-operation and Development (OECD), (2005), and Central Bank of Malaysia (2010) with the scale from Strongly Disagree (1) to Strongly Agree (5).

1.9.5 Financial Well-being

Conceptual: Financial well-being is defined as a state of being financially healthy, happy and free from worry and base on subjective appraisal of one's financial situation (Joo, 2008).

Operational: In this study, financial well-being was measured by twelve questions with ten-measurement scale using the Malaysian Personal Financial Well-being Scale (MPFWBS) developed by Garman and Jariah (2006) based on the adaptation of the Incharge Financial Distress / Financial Well-being (IFDFW) by Prawitz, Garman, Sorhaindo, O'Neill, Kim and Drentea (2006).

1.10 Summary

Financial well-being becomes an important issue of every individual during his or her stages of life. However, the issue focused more on the financial well-being of young adults due to these young adults at this level becomes the most vulnerable group when it comes to the issue of financial management. The levels of financial literacy, financial capability and financial well-being of young adults were remained at low level and they often experienced financial strain in managing their finances. In overall, this chapter discussed the problems of financial management experienced by young adults in order to answer four specific objectives of the study. The scope of this study focused on young employees aged 40 years and below which involved four states in central region, Peninsular Malaysia. This study was significant important to various parties, especially to young employees, employers, researchers and financial advisers in order to improve the financial well-being of these young adults. Terms such as financial literacy, money attitude, financial strain, financial capability and financial well-being were used to facilitate the understanding of this study. However, the scope of the study was concentrated only on four states in the central region of Peninsular Malaysia and quantitative research with close-ended questionnaire may become the limitations to this study.

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