



# INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v12-i9/15135>

DOI:10.6007/IJARBSS/v12-i9/15135

**Received:** 20 July 2022, **Revised:** 22 August 2022, **Accepted:** 10 September 2022

**Published Online:** 24 September 2022

**In-Text Citation:** (Ahmad et al., 2022)

**To Cite this Article:** Ahmad, N. A., Zin, M. Z. M., Rahim, H., Kassim, Z., & Hasbullah, N. N. (2022). Financial Management among Youth. *International Journal of Academic Research in Business and Social Sciences*, 12(9), 1820 – 1827.

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Vol. 12, No. 9, 2022, Pg. 1820 – 1827

<http://hrmars.com/index.php/pages/detail/IJARBSS>

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[www.hrmars.com](http://www.hrmars.com)

ISSN: 2222-6990

## Financial Management among Youth

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### Abstract

Finance is an important component of human life. Money is not everything, but it is necessary for survival and sustenance. Money is a tool or object of universally recognized value that can be used to exchange products, services and settle debts. Finances have become very important to improve the quality of life and overall well-being of a person. A life that is not based on Islamic Sharia will lead to an imbalance in life. In general, the method used in this study is part of a qualitative approach that involves the highlighting and analysis of secondary data obtained through documents, research results or writings that have been highlighted. The data obtained is then systematically analyzed using content analysis techniques. The results of the study show that every aspect of finance includes financial management skills, planning, budgeting, control and savings. Therefore, efforts need to be implemented to improve the level of financial management and financial behavior, especially among the youth. There are several factors that influence determination in financial management, among them are individual financial management factors, family management factors and the level of literacy in Islamic financial management. It further shows a person's level of determination towards financial management based on an Islamic perspective.

**Keywords:** Determination, Financial Management, Debt, Behavior

### Introduction

Life is getting more and more difficult due to the effects of the current economic crisis. The daily cost of living is changing in response to the current economic turmoil, following the global economic turmoil affecting the national economy. In Malaysia, more than 47% of young individuals aged 18 to 35 have huge debts due to enjoying a luxurious lifestyle that is beyond their means. People fall into huge debts due to insufficient financial planning and financial literacy leading to bankruptcy, marital breakdown, criminal pressure, and personal misery

(Reid, 2003). Most people do not know if they will be able to buy good housing, a new vehicle or the latest electronic equipment, yet they still choose to try to increase their liabilities (Murugiah, 2016).

This arrangement has produced a cautious scenario as most of those who are declared bankrupt these days are young people. In fact, from 2016 to 2020, 60.73% of 25 to 44-year-olds in Malaysia were declared bankrupt, according to the Malaysian Insolvency Department (Malaysian Insolvency Department, 2021). Now, a 70% increase in the number of bankrupt borrowers has exceeded 46,000 people due to being unable to repay loans due to the COVID-19 pandemic and the increase in the cost of living (FMT Reporters, 2022). From this fact it can be assumed that individuals still lack financial literacy and do not spend their money appropriately. Prevention can be done by having organized financial planning and good economic understanding.

Table 1.1

*Key Indicators of the Malaysian Economy In 2019 – 2022*

<b>Key Indicators of the Malaysian Economy</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022*</b>
GDP Per Capita (RM)	46,513	43,518	47,324	-
Population Size (million)	32.4	32.5	32.6	32.7
Statistics of Labour Force (million)	15.77	15.92	16.14	16.34
Total of Employment (million)	15.25	15.16	15.44	15.70
Unemployment rate (%)	3.2	4.8	4.3	3.9

Sources: Department of Statistics Malaysia (2022)

\* Numbers may vary based on new estimates.

Based on table 1.1 above, Malaysia's per capita income based on Gross Domestic Product (GDP) has fluctuated following the COVID-19 pandemic that has hit the world. From the table above it can be seen that in 2019, Malaysia's per capita income is RM 46,513. In the following year, the Malaysian economy experienced a negative growth rate of 5.5 percent which is RM 43,518. However, Malaysia's economy recorded a recovery in 2021, registering a growth of 3.1 percent compared to a negative 5.5 percent in the previous year amounting to RM 47,324. From the table above it can also be seen that the unemployment rate had a growth rate at the beginning of the peak of the COVID-19 epidemic, which increased the unemployment rate in 2020 to 4.8% compared to the previous year to 3.2%. However, the percentage is still under control and will continue to decrease in the following year until the second quarter of this year, 2022 at a percentage of 3.9% (Department of Statistics Malaysia, 2022).

### **The Impact of Lack Financial Management**

Financial management and financial planning can help people spend and save money wisely. With the worsening economic situation, financial planning and management should be emphasized before spending. The head of the family needs to plan and control the flow of money in expenses to avoid defects from aspects of the main needs in maqasid al-shari'ah. According to the WHO (World Health Organization), it is estimated that more than 800 thousand people die by suicide every year (Nainggolan, 2021). According to a study conducted by Choi et al (2019) estimated that adults aged 60 to 74 years in the poverty group had a

higher risk of suicide than those with higher incomes in the same age group. The use of too much credit, lack of planning, excessive spending, poor buying and spending skills, low wages, and lack of financial education, as well as lack of financial knowledge, have resulted in huge debt for Malaysians (Thung et al., 2012). According to the facts of bankruptcy records, it happens a lot due to the use of credit cards especially among young people. Therefore, awareness, knowledge and skills related to financial management among consumers need to be improved through effective consumer education methods (Alias, 2022). The Insolvency Department of Malaysia recorded 36,173 bankruptcy cases from 2017 to October 2021, with youth under 44 being the most affected (Insolvency Department of Malaysia, 2021). The increase in bankruptcy is due to extravagant living that exceeds their limits (Murugiah, 2016). According to Reid (2003), people fall into huge debt as a result of poor financial planning and financial literacy, which leads to bankruptcy, marital breakdown, criminal pressure, and personal suffering. In addition, Malaysians are exposed to various types of virtual fraud due to the limitations of Malaysians' financial literacy. Based on the Malaysian Communications and Multimedia Commission (SKMM) portal, among the forms of fraud are phishing, identity theft, opinion poll fraud and others. Phishing is one example of e-commerce fraud. The value of losses experienced by consumers also increased and is said to be able to reach a value of almost RM12 million (Alias et al., 2022). In addition, the study conducted by Alias et al (2022) found that the elderly are more likely to commit cyber fraud such as phishing because they are a vulnerable group who are not only physically weak but also mentally weak. Among other problems found in this study is that some people do not apply Islamic guidelines in their spending habits. the result of their habit is waste in their funding and spending. While Islam forbids and does not encourage its people to waste because waste is a negative human behavior that often arises when people are blessed with a lot of sustenance and blessings. People who spend excessively are relatives of the devil, and the devil likes people who spend excessively and spend according to desire.

This financial conflict often occurs because there is confusion in the buyer or consumer to identify the difference in the needs or wants of goods due to lack of knowledge about financial management in themselves (Hassim & Ramli, 2022). According to Cho (1984), the income and spending patterns of a household change over time. Almost over 30% of households save more than 40% of their income in the first stage of the family life cycle (young married couples), while only 9% of families save more than 40% of their income in the fifth stage (parents of university teenagers) , and less than 20% of their household income increased by more than 65%. The cost of raising a teenager who is in university has been greatly reduced (Lee et al., 2000). Therefore, financial management is very important in life especially for married couples because of the many challenges and obstacles that come in the mature period in making decisions and determination in spending. In Malaysia, there is an agency established by the government that aims to provide advisory and consulting services to those who face problems in managing their finances, namely the Credit Counseling and Management Agency or known as the Credit Counseling and Management Agency (AKPK). Some studies such as Noraihan et al (2013); Abdul-Rahman and Zulkifly (2016) found that knowledge about finance is important in helping the parties involved manage finances. In accordance with the statement issued by AKPK, poor financial management was found to be the main factor in the accumulation of excess debt among participants who followed the Credit Management Program (PPK). Therefore, Malaysia itself has taken several initiatives through advisory and consulting services to those who have problems in managing their

finances through AKPK to help strengthen prudent financial management practices. AKPK also created courses related to personal financial management about financial behavior and appropriate spending patterns to be applied as an effort to instill awareness about the importance of financial management (Azmi et al., 2018). Seen from a micro perspective, every individual in a society regardless of their status as single or married, they should manage their finances wisely and prudently. In addition to the crisis during the spread of the COVID-19 epidemic, every individual is required to make financial management changes in their daily lives by practicing financial management knowledge as best as possible, such as preparing a household budget according to the level of need and buying only necessary things according to interests (Hassim & Ramli, 2022). Most Malaysians are found to tend to spend excessively compared to their actual financial capabilities and this kind of situation often occurs among the millennial generation and is also supported by the fact that there are more than 3,400 borrowers between the ages of 20 and 30 who obtain financial services based on AKPK. On data obtained through AKPK and more than 75 percent of Malaysians are unable to provide instant cash of RM1000 to be used during emergency situations based on a survey conducted by Bank Negara Malaysia, 'Financial Capability and Inclusion' (Hassim & Ramli, 2022).

Youth tend to accumulate undue debt to meet the demands of a materialistic and extravagant lifestyle. Some are also stuck with debt at a young age due to the high cost of living. In addition, they are also negligent in managing finances, especially related to old age savings, insurance/takaful, investments, debt, and credit cards. Quite surprisingly, the average youth who goes bankrupt is a young executive who works and has a university degree (Azmi et al., 2019). High financial knowledge is usually accompanied by a high level of financial well-being (Mokhtar & Husniyah, 2017). Likewise, those who manage their money properly enjoy a high level of financial comfort. Based on the results of the study obtained by Hassim and Ramli (2022), it shows that the millennial generation is still at a moderate level in their financial management. While the average for cash management has the highest value. It is in line with the attitude and behavior of respondents where they will examine every money used and ensure that there is no shortage of cash that occurs when they spend. Therefore, in order to further improve financial management among the millennial generation, more programs and awareness campaigns need to be carried out by the authority to the community regarding effective financial management to avoid the millennial generation from going bankrupt and being blacklisted and helping them get a good life. Personal bankruptcy has recently been the subject of little research. According to Ahmad et al (2022), one of the factors influencing personal bankruptcy is the accessibility of obtaining bank loans, which is said to encourage individuals to take on debts beyond their ability to repay, causing many of them to declare bankruptcy. It is related to financial management literacy where users need to know how to plan before making any loan. Economic indicators such as GDP, unemployment, personal debt, interest rates, and the consumer price index on personal bankruptcy show a strong correlation with economic activity. Macroeconomic indicators, such as Gross Domestic Product (GDP), inflation, unemployment rates, interest rates and personal debt, focus on providing symptomatic power to predict bankruptcy. Schuh et al (2019) and Desai (2017) investigate how personal bankruptcy and macroeconomic factors are linked (GDP, inflation, unemployment rate, interest rate and household debt). Through a study conducted by Yakob et al (2015), financial knowledge or financial literacy is one of the important factors identified as being able to influence an individual's financial decision-making. In this study it is also stated that Bernheim is one of the earliest researchers who can prove that financial

knowledge is important in decision making by households. In this regard, other researchers found that financial literacy can influence important financial decision-making including debt management (Brown & Graf, 2013), decisions to save and borrow, budgeting and financial planning such as retirement plans (Dvorak & Hanley, 2010). Investment decisions (Van Rooij et al., 2011) and financing decisions (Chatterjee, 2013). According to Aladdin and Ahmad (2017) investment is the activity of capital use that is sacrificed to generate income that will be received in the future such as capital gains and investment is also understood as the cost after the use of capital that is used in the present to obtain benefits in the present. Investment is also understood as a process of converting money into assets to help investors get a higher return or profit even though the investment return rate is not fixed and guaranteed. According to Hassim and Ramli (2022), their study that wants to identify whether elements of spending practices in income are affected by financial knowledge has shown that individuals who are knowledgeable about finance and retirement have better self-preparation for the coming days through ownership and preparation various financial plans such as real estate, savings, and investments.

### Conclusion

Awareness about financial management whether individually or in terms of family financial management needs to be increased. Knowledge of investment instruments that can improve living standards should be sought. In addition, the need to create an emergency fund as a necessary fund when facing difficulties is very necessary to deal with things that are not wanted to happen in the future. This shows that financial literacy and financial management applications need to be fostered from the beginning to curb problems among the youth and keep them away from spending and acting according to the demands of lust.

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