INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ACCOUNTING, FINANCE AND MANAGEMENT SCIENCES

OPEN ACCESS JOURNAL

Vol 13, Issue 4, (2023) E-ISSN: 2225-8329

Unlocking Financial Success: Exploring Factors Shaping Financial Management Behaviour in Malaysia's Young Working Adults.

Ratna Khuzaimah Mohamad, Zahir Osman, Liana Mohamad, Zulaihan Ismail, Zulhairi Zakariah

Faculty of Business and Management, Open University Malaysia

To Link this Article: http://dx.doi.org/10.6007/IJARAFMS/v13-i4/20033 DOI:10.6007/IJARAFMS/v13-i4/20033

Published Online: 09 December 2023

Abstract

The advancement of technology in the world has resulted in numerous changes in the economic development of countries such as Malaysia. However, the globalisation period caused many changes in countries around the world, both positively and negatively affecting daily life needs. Hence, financial management behaviour plays an important role in shaping the financial success of young working adults in Malaysia. This conceptual paper is intended to investigate the correlation between financial attitudes, financial self-efficacy, and personal income concerning the financial management behaviour of young employed individuals in Malaysia. The quantitative method will be used for this study, with primary data collected via questionnaires distributed to individuals between the ages of 18 and 40 in The Klang Valley, Malaysia. The data will be analysed using structural equation modelling (SEM) and partial least squares (PLS). This study is expected to make a substantial contribution that may lead to the development of a new paradigm that can be utilised by researchers, governmental bodies, and other organisations for future research endeavours. Furthermore, understanding the financial behaviour of young working adults is essential for formulating policies and interventions that foster economic resiliency and prosperity among this demographic.

Keywords: Financial Management Behaviour, Financial Attitude, Financial Self-efficacy, Personal Income, Young Working Adults.

Background of the Study

The change in technology in the world has brought many changes to the economic development of a country, including Malaysia. Yet, the globalisation period brings many shifts in countries around the world that positively and negatively affect everyday life needs. As one of the developing countries in the Asia Pacific region, Malaysia also faces a severe problem related to the general public's financial conduct (Zauwiyah Ahmad et al., 2014). Moreover, the effect of the sophistication and use of technology on financial products and services can be seen in the financial industry in Malaysia. Nowadays, young people grow up facilitated by costly lifestyles and quick access to personal debt facilities, which leads them to grow in a culture of debt ending up in bankruptcy as their finances lose control (Herawati et al., 2018) (Lee et al., 2019) (Yong et al., 2018).

Furthermore, these young people faced considerable financial stress early in their lives, with many living beyond their means. They caught up in emotional spending on clothes, cosmetics, movie tickets and dining in healthy restaurants as a way to demonstrate how well they were off (Yong et al., 2018), (Asian Institute of Finance, 2015), (Mien & Thao, 2015). The issue of financial management behaviour has received tremendous interest in multiple disciplines including customer behaviour, marketing of financial services, financial planning and behavioural finance (Bapat, 2019). Financial management behaviour empirically measured whether people participate in such practices such as the use of a budget, avoiding bank drafts and high cost of borrowing options, preparing for retirement and unforeseen events, maintaining appropriate insurance levels, receiving credit reports and paying full and timely credit card balances (Moreland, 2018). A study by Arifin (2017) found that a person's organising his/ her cash inflow or outflow, credit management, savings and investment can be observed as an indication of good financial behaviour.

Problem Statement

The era of globalisation and the growth of the global economy that happened around the world today bring effects of changes to the Malaysian financial system. The young generation has gained benefits from the technology that has been developed ways years back, and using technology on financial products and services leads to comprehensive access to loan and credit card applications and other financial services. Nearly three-quarters (73%) of the 1,077 Malaysian youths (aged 18 to 40) surveyed for a new report admit to currently being in debt (UCSI Centre for Poll Research, 2023). Furthermore, according to a report published by the News Straits Times on April 6, 2023, a significant proportion of individuals declared bankrupt between 2018 and 2022 were found to be below the age of 44, accounting for approximately 57 per cent of the total number of bankruptcies, which amounted to 48,791 individuals. According to data provided by the Credit Counselling and Debt Management Agency (AKPK) in 2022, a total of 382,761 consumers were enrolled in their debt management programme. Among these participants, it was observed that 210,409 individuals, accounting for 55.1 per cent, fell within the age range of 20 to 40 years. This issue indicates the need to instil good financial behaviour among young adults in Malaysia. Our young generation is easily stuck in an unfavourable economic condition if this is not done with good financial behaviour which would lead to a growing number of cases of personal bankruptcy and, in turn, would harm both the Malaysian economy and society (Herawati et al., 2018), (Syed Nor et al., 2019). According to a study conducted by Ummi Raida Awang Zaki et al., (2020), the younger generation places a higher level of importance on monetary wealth compared to previous generations, who exhibited less interest in materialistic pursuits. Nevertheless, there is cause for concern regarding their aptitude in managing and strategizing their financial matters. Therefore, this study would like to investigate factors affecting the financial management behaviour of young working adults in Malaysia.

Research Objectives

1. To determine whether financial attitude influences the financial management behaviour of young working adults in Malaysia.

2. To examine whether financial self-efficacy influences the financial management behaviour of young working adults in Malaysia.
3. To evaluate whether personal income influences the financial management behaviour of young working adults in Malaysia.

Research Questions

1. Does financial attitude influence the financial management behaviour of young working adults in Malaysia?
2. Does financial self-efficacy influence the financial management behaviour of young working adults in Malaysia?
3. Does personal income influence the financial management behaviour of young working adults in Malaysia?

Significance of the Study

This study will add to the body of knowledge, especially among Malaysian young working adults. Furthermore, this research will lead to a new paradigm that can be used by researchers, the government, and every other organisation for potential research. Although many countries have conducted studies on the factors that influence financial management behaviour, personal finance has received little attention in Malaysia, especially among young working adults. This research focuses on this group because it is the driving force behind the country's economy and a determinant of its future. It is preferable to follow good financial management practises to avoid financial issues such as excessive spending, a lack of savings, a lack of investment, and irrevocable bankruptcy debt problems. As a result, the findings of this study will complement Malaysia's current National Youth Development Strategy, especially for young working adults. Furthermore, since not everyone receives school or university-level personal finance education, this study may provide companies with ideas for maintaining financial literacy as necessary or additional courses in this area. Consequently, it is hoped that the level of financial literacy among young working adults will rise, resulting in sound financial management, thus reducing their financial problems while also lowering their insolvency rates.

Literature Review

An Overview of Theory

This section outlines the theory used within this research. Quoted from a previous study conducted by Arifin (2017), Ajzen (1980) developed the **Theory of Planned Behavior (TPB),** which is based on the premise that humans behave logically, analyse all available information, and measure the effect of their acts both directly and indirectly. The theory of rational act, as described by Azwar (1995), is when a person believes that an action is good and that others want him or her to do it. According to Ajzen (1980), two basic factors affect someone's intention to do or not do something: attitude, which stems from behavioural belief, and subjective norm, which stems from normative belief. The third element, control belief, is then added to this Theory of Planned behaviour. Therefore, a person's intention to behave is determined by three factors, namely attitude, subjective norms and perceptions related to behaviour control. The word "attitude" refers to a positive or negative evaluation of one's attitude that is used to decide how a person should act. Subjective norms are the opinions of those who will support or oppose them in their actions. Meanwhile, a person's understanding of the ease or difficulty of acting on concern is referred to as their perception of behaviour control. Furthermore, according to Ajzen's (2002) theory of planned behaviour, perceived control over the performance of a behaviour, which some can mistake for locus of control, may account for a significant variance in actions. Therefore, the **Theory of Planned Behavior** is the most appropriate theory for financial management behaviour because it predicts and recognises human behaviour (Xiao, 2008) and describes an individual's intention to perform a predetermined behaviour (Icek, 1991). Hence, the unpinning theory for this research is the **Theory of Planned Behavior.**

Hypotheses Development

Financial Management Behavior

Financial management behaviour is considered one of the key concepts in the financial discipline. Many definitions are given regarding this concept such as Kholilah & Iramani (2013) propose financial management behaviour as the ability of a person to manage (planning, budgeting, control, use, search, and storage) of daily financial funds while Humaidi et al., (2020) describe financial management behaviour as a person's ability to handle regular financial funds (planning, budgeting, checking, handling, controlling, finding, and storing). According to some experts, anyone with good financial management behaviour is more likely to be able to familiarise themself with the preparation of financial planning, implement planning by controlling themselves, evaluate the initial planning action that is not in accordance with the conditions that have occurred, carry out the improvement and monitoring the financial planning Prihartono & Asandimitra (2018).

Financial Attitude

In the context of finance, when making a specific investment decision, attitude refers to the psychological propensity to determine what is better and second best after weighing the good and the bad, in other words, to support certain behaviours (Eagly & Chaiken, 1993) while financial attitude, according to (Besri, 2018) is a situation in which a person's opinion on finance is translated into an attitude. Furthermore, a study done by Laili Rizkiawati & Asandimitra Haryono (2018) states the achievement or failure of a person's financial behavior can be shown by their financial attitude. A positive financial attitude is supposed to lead to positive financial behavior, which will eventually prevent them from the financial problem (Susan, 2018). Several studies have examined the relationship between financial attitude and financial management behaviour. According to (Ameliawati & Setiyani, 2018) (Sastradiredja, 2018) (Khairani & Alfarisi, 2019) (Amalia Nusron et al., 2018) and (Ibrahim, 2020) financial attitude influences the financial management behaviour of university students in Indonesia. In addition, research by Bapat (2020), found that financial attitude has a positive and significant impact on financial management behaviour among young adults in India. Furthermore, Ahmad et al., (2019) found that financial attitude has a positive and significant impact on financial management behaviour. The results of this study are in line with previous studies conducted by (Mien & Thao, 2015) (Herdjiono et al., 2016) which found that financial attitude has a positive and significant impact on financial management behaviour. However, different results are shown by (Laili Rizkiawati & Asandimitra Haryono, 2018) (Nobriyani & Haryono, 2019) (Lianto Rizky & Sri Megawati Elizabeth, 2017) and Zainiati, (2017), where they found that financial attitude does not influence financial management behaviour. Based on the above explanation, as well as research gaps from previous research findings on the effect of financial attitude on financial management behavior, the researcher proposes the following hypothesis.

H1: There is a positive and significant influence of financial attitude on the financial management behaviour of young working adults in Malaysia.

Financial Self-efficacy

Self-efficacy as defined by Bandura (1997) is an individual generative capability that includes cognitive, social and emotional. Concerning financial behaviour, financial self-efficacy can be defined as a belief in one's ability to change financial behaviour toward a better direction (Danes & Haberman, 2007). The relationship between financial self-efficacy and financial management behaviour has been documented in a variety of studies with mixed findings. Financial self-efficacy has a positive and important impact on financial management behaviour among Surabaya citizens (Laili Rizkiawati & Asandimitra Haryono, 2018). A study done by (Herawati et al., 2018) and (Syed Nor et al., 2019) found financial self-efficacy influence the financial management behaviour of accounting students in Bali, Indonesia and government servant in Malaysia, respectively. Furthermore, a study by Ahmad et al., (2019) which was conducted among the Management Students in Narowal, Pakistan, discovered similar results. This shows that the self-efficacy of an individual will have more impact on their financial behaviour in the future. According to Ibrahim (2020), financial self-efficacy affects Semarang State University students' financial behaviour. Other studies which are also in line with the previous finding, mention that self-efficacy affects the behaviour of students' credit card loans. It can be seen when the elevated self-efficacy of a student will reduce their irrational debt-seeking behaviour. However, in the research by Farrell et al. (2016), financial self-efficacy had no impact on women's insurance decision-making while research conducted by (Nobriyani & Haryono, 2019) found there is no influence of financial self-efficacy on the financial management behaviour of TKI families in Ponorogo Regency, Indonesia. Based on the above description, as well as research gaps from previous research findings on the effect of financial self-efficacy on financial management behavior, the researcher proposes the following hypothesis.

H2: There is a positive and significant influence of financial self-efficacy on the financial management behaviour of young working adults in Malaysia.

Personal Income

Personal income is the total gross earnings of an individual for financial activities as well as an individual's monetary benefit from a salary, gain, or other compensation (Amalia Nusron et al., 2018), (Arifin et al., 2019). According to Arifin et al., (2019), an individual with a higher income source demonstrates more responsible financial behaviour thus individuals' daily financial plans are heavily influenced by their income. Persons with a high income are more likely to demonstrate better financial management behaviour because they have more resources at their disposal (Amalia Nusron et al., 2018). Someone who is inefficient in financial management would be worse in financial behaviour than someone else. This means that those with more income will have better financial behaviours because the funds available to them will provide them with more opportunities to behave wisely and responsibly with their cash. Several studies and reviews have been undertaken to explore the effect of personal income on financial management behaviour. Several studies have found a positive and significant relationship between personal income and financial management behaviour, for example, (Novianti et al., 2016) focus on employees with the status of Civil Servants at Government Agencies of the Riau Province Bappeda and City. In addition, (Varadarajah, 2020) uses lower-income people in Batticaloa, Sri Lanka as her respondent while (Wahyudi et al., 2020) investigate the relationship among lecturers at Universitas Pembangunan Nasional, Indonesia. Similar results were found by (Amalia Nusron et al., 2018) and (Herawati et al., 2018) when they tested the hypothesis among university students. However, (Laili Rizkiawati & Asandimitra Haryono, 2018) (Humaidi et al., 2020) and (Arifin, 2017) found contradictory results where personal income does not influence the financial management behaviour of an individual. Based on the above explanation, as well as research gaps from previous research findings on the effect of personal income on financial management behaviour, the researcher proposes the following hypothesis.

H3: There is a positive and significant influence of personal income on the financial management behaviour of young working adults in Malaysia.

Research Framework

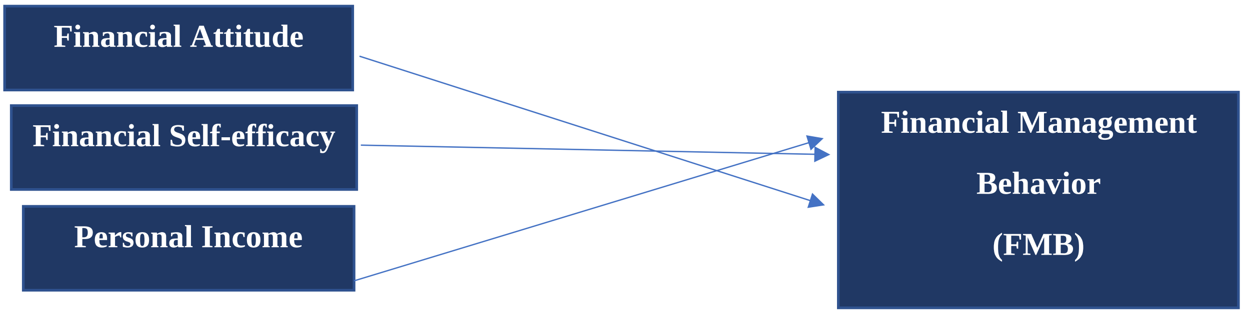

Figure 1.0 Research Framework

Research Methodology

This research will employ a quantitative approach and will be using primary data. The potential respondents will encompass individuals from Klang Valley, Malaysia between ages 18 and 40. In the context of sampling, a non-probability incidental sampling technique will be employed. A self-administered questionnaire will be distributed to the respondents. The questionnaire will be prepared in 2 languages, Bahasa Malaysia and English with 5 sections. Section A consists of a demographic profile. Respondents must fill out a few pieces of information in section A of the questionnaire for this analysis, including their age, gender, marital status, and educational level. Section B consists of questions about financial attitude. Section C comprises questions on financial self-efficacy. Section D consists of questions on personal income and the last part, Section E consists of questions for financial management behaviour. Data will be analysed by using Partial Least Square (PLS) structural equation modelling (SEM). According to (Vinzi, Chin, Henseler, and Wang (2010), PLS is a statistical method used to model a systematic multivariable relationship between observed and latent variables, permitting the investigation of causal relationships between variables. Testing hypotheses is one of the most crucial components of decision theory. The t-statistic value is used to determine whether the independent variable influences the dependent variable, with t-statistic > ttable indicating that it does whereas P Values are used to determine the significance of the effects of independent variables on the dependent variable, with a significance threshold of 0.05 for P Values.

Conclusion

In conclusion, this paper aims to contribute to the existing body of knowledge in the field of financial management behaviour, with a specific focus on young working adults in Malaysia. This demographic is recognised as a significant contributor to the Malaysian economy, making their financial management practices of particular interest for study and analysis. The younger generation's vulnerability to unfavourable economic conditions is demonstrated by their lack of sound financial behaviour. Due to this trend, the number of personal bankruptcy cases has increased, which has a negative impact on society and the economy of Malaysia. This paper suggests testing the following variables on financial behaviour, such as financial attitude, financial self-efficacy, and income, as one way to unlock financial success among young working Malaysians. Through this hypothesis testing, it is hoped to provide insight into responsible financial practices among young Malaysians, potentially lowering the number of excessive spending behaviours that may result in stress, anxiety, bankruptcies, and other financial issues.

References

Ahmad, A., Butt, B. S., Iram, S., & Ahmad, A. (2019). *Drivers Influencing Financial Behavior among Management Students in Narowal Drivers Influencing Financial Behavior among Management Students in Narowal*. *9*(2), 656–666. https://doi.org/10.6007/IJARBSS/v9-i2/5602

Amalia Nusron, L., Wahidiyah, M., & Setyo Budiarto, D. (2018). Antecedent Factors of Financial Management Behavior: An Empirical Research Based on Education. *KnE Social Sciences*, *3*(10), 437. https://doi.org/10.18502/kss.v3i10.3146

Ameliawati, M., & Setiyani, R. (2018). The Influence of Financial Attitude, Financial Socialization, and Financial Experience to Financial Management Behavior with Financial Literacy as the Mediation Variable. *KnE Social Sciences*, *3*(10), 811. https://doi.org/10.18502/kss.v3i10.3174

Arifin, A. Z. (2017). the Affect of Financial Atittude, Locus of Control and Income on Financial Behavior. *International Conference on Economic, Business, and Accounting*, *XX*(3A), 635–648.

Arifin, A. Z., Anastasia, I., Siswanto, H. P., & Henny, . (2019). *The Effects of Financial Attitude, Locus of Control, and Income on Financial Behavior*. 59–66. https://doi.org/10.5220/0008488200590066

Bapat, D. (2020). Antecedents to responsible financial management behavior among young adults: moderating role of financial risk tolerance. *International Journal of Bank Marketing*, *38*(5), 1177–1194. https://doi.org/10.1108/IJBM-10-2019-0356

Bapat, D. M. (2019). Segmenting young adults based on financial management behavior in India. *International Journal of Bank Marketing*, *38*(2), 548–560. https://doi.org/10.1108/IJBM-01-2019-0016

Besri, A. A. O. (2018). *PENGARUH FINANCIAL ATTITUDE, FINANCIAL KNOWLEDGE DAN LOCUS OF CONTROL TERHADAP FINANCIAL MANAGEMENT BEHAVIOR MAHASISWA S-1 FAKULTAS EKONOMI UNIVERSITAS ISLAM INDONESIA YOGYAKARTA Almaidah*19–1. ⍰.

Danes, S. M., & Haberman, H. R. (2007). Teen financial knowledge, self-efficacy, and behavior:

A gendered view. *Journal of Financial Counseling and Planning*, *18*(2), 48–60.

Herawati, N. T., Candiasa, I. M., Yadnyana, I. K., & Suharsono, N. (2018). Factors That Influence Financial Behavior Among Accounting Students in Bali. *International Journal of Business Administration*, *9*(3), 30. https://doi.org/10.5430/ijba.v9n3p30

Herdjiono, I., Damanik, L. A., & Musamus, U. (2016). Pen Gar Uh Fi Na Nci Al a Tti Tu De , Fi N Anc Ial K Now Le Dge , Par Ent Al in Co Me Te Rh Ada P Fin a Nci Al Ma Nag Em Ent. *Manajemen Teori Dan Terapan*, *1*(3), 226–241.

Humaidi, A., Khoirudin, M., Adinda, A. R., & Kautsar, A. (2020). The Effect of Financial Technology, Demography, and Financial Literacy on Financial Management Behavior of Productive Age in Surabaya, Indonesia. *International Journal of Advances in Scientific Research and Engineering*, *06*(01), 77–81. https://doi.org/10.31695/ijasre.2020.33604

Ibrahim, W. (2020). *EFFECT OF FINANCIAL ATTITUDE , FINANCIAL SELF EFFICACY , PARENT ' S SOCIOECONOMIC , AND FINANCIAL SOCIALIZATION AGENTS ON FINANCIAL MANAGEMENT BEHAVIOR WITH FINANCIAL LITERACY AS MODERATING VARIABLE IN STUDENTS OF THE SEMARANG STATE UNIVERSITY 2017*.

Icek, A. (1991). The Theory of Planned Behavior Organizational Behavior and Human Decision Processes. *Organizational Behavior and Human Decision Processes*, *50*(2), 179–211.

Khairani, F., & Alfarisi, M. F. (2019). Analisis Pengaruh Financial Attitude, Financial Knowledge, Pendidikan Orang Tua Dan Parental Income Terhadap Financial Management Behavior Pada Mahasiswa S1 Universitas Andalas Padang. In *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen* (Vol. 4, Issue 1, pp. 360–371).

http://www.jim.unsyiah.ac.id/EKM/article/view/10489

Kholilah, N. Al, & Iramani, R. (2013). Studi Financial Management Behavior Pada Masyarakat Surabaya. *Journal of Business and Banking*, *3*(1), 69.

https://doi.org/10.14414/jbb.v3i1.255

Laili Rizkiawati, N., & Asandimitra Haryono, N. (2018). Pengaruh Demografi, Financial Knowledge, Financial Attitude, Locus of Control Dan Financial Self-Efficacy Terhadap Financial Management Behavior Masyarakat Surabaya. *Jurnal Ilmu Manajemen (JIM)*, *6*(3).

Lee, D., Arumugam, D., & Arifin, N. B. (2019). A study of factors influencing personal financial planning among young working adults in Kuala Lumpur, Malaysia. *International Journal of Recent Technology and Engineering*, *7*(5), 114–119.

Lianto Rizky & Sri Megawati Elizabeth. (2017). Analisis Pengaruh Financial Attitude, Financial Knowledge, Income Terhadap Financial Behavior di Kalangan Ibu Rumah Tangga Palembang (Studi Kasus Kecamatan Ilir Timur I). *Journal of Business and Banking*, *3*(2), 1–12.

Mien, N. T. N., & Thao, T. P. (2015). Factors Affecting Personal Financial Management Behaviors: Evidence from Vietnam. *Proceedings of the Second Asia-Pacific Conference on Global Business, Economics, Finance and Social Sciences (AP15Vietnam Conference)*, 1–16.

Moreland, K. A. (2018). Seeking financial advice and other desirable financial behaviors. *Journal of Financial Counseling and Planning*, *29*(2), 198–207.

https://doi.org/10.1891/1052-3073.29.2.198

Nobriyani, A. P., & Haryono, N. A. (2019). Faktor-Faktor yang Memengaruhi Financial Management Behavior pada Keluarga TKI di Kabupaten Ponorogo. *Jurnal Ilmu Manajemen Universitas Negeri Surabaya*, *7*(3), 841–856.

Novianti, S., R.Tanjung, A., & Darlis, E. (2016). *Pengaruh Locus Of Control, Financial*

Knowledge, Income Terhadap Financial Management Behavior. *24*(June), 141–152.

Prihartono, M. R. D., & Asandimitra, N. (2018). Analysis Factors Influencing Financial Management Behaviour. *International Journal of Academic Research in Business and Social Sciences*, *8*(8), 308–326. https://doi.org/10.6007/ijarbss/v8-i8/4471

Sastradiredja, M. H. (2018). *Pengaruh Financial Knowledge, Financial Attitude dan Internal Locus of Control terhadap Financial Management Behavior Generasi Millennial*.

Susan, M. (2018). Financial behavior and problems among college student in Indonesia: The role of financial knowledge. *International Journal of Engineering and Technology(UAE)*, *7*(3), 133–137. https://doi.org/10.14419/ijet.v7i3.25.17531

Syed Nor, S. H., Ismail, S., & Yap, B. W. (2019). Personal bankruptcy prediction using decision tree model. *Journal of Economics, Finance and Administrative Science*, *24*(47), 157–170. https://doi.org/10.1108/JEFAS-08-2018-0076

Ummi Raida Awang Zaki, Mohamad Hafiz Rosli, Nur Fauzana Yahya, & Hasnita Halim. (2020). The Relationship of Financial Literacy and Financial Attitude towards Financial Behaviour: An Empirical Finding. *International Journal of Business and Economy*, *2*(4), 13–24.

Varadarajah, S. (2020). *Influence of demographic factors on the labor market in Ukraine*. *2*, 138–141. https://doi.org/10.32437/sswswproceedings-2020.aits

Wahyudi, W., Tukan, B. A. P., & Pinem, D. (2020). Analysis of the Effect of Financial Literation, Financial Technology, Income, and Locus of Control on Lecturer Financial Behavior. *AFEBI Management and Business Review*, *5*(1), 37. https://doi.org/10.47312/ambr.v5i1.293

Xiao, J. J. (2008). Handbook of consumer finance research. *Handbook of Consumer Finance Research*, *August*, 1–424. https://doi.org/10.1007/978-0-387-75734-6

Yong, C. C., Yew, S. Y., & Wee, C. K. (2018). Financial knowledge, attitude and behaviour of young working adults in Malaysia. *Institutions and Economies*, *10*(4), 21–48.

Zauwiyah Ahmad, Maimun Simun, & Md Shukor Masuod. (2014). Determinants of Financial Behaviours among Malaysians. *Indonesian Capital Market Review*, *2*(2), 121–132. https://doi.org/10.21002/icmr.v2i2.3663