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Financial Literacy: The Influencing Factors Among Youth

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Abstract

Malaysia, like all other countries throughout the world, became a victim of the COVID-19 epidemic. Based on Malaysia's Insolvency Department 2021 statistical data, the alarming increase of individual bankruptcy cases were caused by failure to pay personal loans, instalment purchases, and credit card debt, especially amongst youth. This is concerning because it implies that young Malaysians are still oblivious to their financial circumstances. Hence, the goal of this research is to investigate the level of financial literacy among youth, as well as the relationship between financial knowledge, financial behaviour, financial attitude, and familial influences on financial literacy. A non-probability convenience sampling method was used to gather information from 181 respondents. The findings of the study show that financial knowledge (p=0.000), financial behaviour (p=0.000), and family influence (p=0.000), are significantly associated with financial literacy, the dependent variable in this study, with the exception of financial attitude (p=0.418). Time constraints, insufficient independent variables covered, questionnaire development, respondents' honesty, and respondents' inequity were some of the challenges encountered while conducting this study. The most significant limitation is the sample size, which does not represent the population of Malaysian youth. The findings of this study have broad implications for a wide range of stakeholders, including university students, curriculum developers, parents of students, and future researchers. In this study, the factors that influence financial literacy among youth were examined, and it was concluded that the youth literacy level was moderate. The findings of the study will also help to support the National Strategy for Financial Literacy, which runs from 2019 to 2023.

Keywords: *Financial Literacy, Financial Knowledge, Financial Behaviour, Family Influence, Youth*

INTRODUCTION

Malaysia, like all other countries throughout the world, became a victim of the COVID-19 epidemic. 90% of the Malaysian workers had been significantly affected, and most of them were concerned with their financial matters and job securities (Malay Mail, 2020). The pandemic had a negative impact on the remuneration and salaries of Malaysian workers, 1 in 3 workers had a reduction in salary for more than 30%. 24% were forced by the employers to take leave without any payments. Besides, nearly 800,000 Malaysians lost jobs in April as a result of means taken by the employers to survive during the pandemic (Malay Mail, 2020). About 60% of Malaysian workers found it was very difficult to survive for more than one week. It was almost impossible to raise RM1,000 to pay household expenses if they suddenly lost their jobs because of the COVID-19

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pandemic (The Edge Markets, 2020). According to statistics given by Malaysia's Insolvency Department, there were 58,065 bankruptcy cases registered between January 2017 and April 2021. People under the age of 34 accounted for 24.28 per cent of all bankruptcies. The majority of bankruptcies were caused by an inability to repay debts such as personal loans, instalment purchases, and credit card debt. This is alarming because it suggests that young Malaysians are still lack financial knowledge. Financial literacy, according to the National Financial Educators Council, is defined as the ability to successfully manage financial resources for long-term financial security. Furthermore, the economic consequences of the COVID-19 pandemic have heightened awareness of the need to improve financial literacy in order to reduce juvenile bankruptcies and generate future entrepreneurs with strong financial discipline who can endure market volatility.

According to the results of the 2020 RinggitPlus Financial Literacy Survey, Malaysians' personal financial habits have not improved from the previous year (2019). The failure of Malaysians to plan for retirement is a cause of concern. This is the case, despite a little increase in the number of Malaysians who save on a monthly basis and 76 percent claiming to be in control of their money. Following the implementation of COVID-19 in Malaysia, the result revealed the influence of COVID-19 on Malaysians' purchasing habits, with the most prominent trends being an increased preference for cashless payments and online transactions. The findings of the survey concluded that financial literacy among youths was lower than the national average. Almost 26% of youngsters cannot survive for more than a month if they rely solely on savings, nearly 60% cannot survive for more than three months if they rely solely on savings, 47% agree that they spend exactly or more than they make, and almost 50% have not begun retirement planning.

As a result, the objective of this research is to investigate the level of financial literacy among youth, as well as the relationship between financial knowledge, financial behaviour, financial attitude, and the influence of family on financial literacy.

LITERATURE REVIEW

Based on previous research, there are numerous definitions of financial literacy. Financial literacy is a measurement of how well an individual understands financial relevant information and applies financial skills in reality (Ibrahim, Harun and Mohamad Isa, 2009). Financial literacy includes a grasp of fundamental financial ideas as well as the capacity to work with numbers in a financial setting. The ultimate goal is for customers to be able to handle their financial affairs independently and respond appropriately to news and events that may affect their financial well-being. (Morgan and Trinh, 2017). The definition developed by the Organization for Economic Co-operation and Development (OECD) is widely accepted. Financial literacy is defined as the knowledge and understanding of financial concepts and risks, as well as the skills, motivation, and confidence to apply that knowledge and understanding in a variety of financial contexts in order to make effective decisions, improve individual and societal financial well-being, and enable economic participation (OECD, 2014). The OECD focuses on the three most important basic measures of financial literacy: financial knowledge, behaviour, and attitude (OECD-INFE, 2011).

Financial knowledge can be defined in a variety of ways, just like financial literacy. Financial knowledge is defined as the set of financial concepts and procedures required to comprehend and resolve financial issues (Alvare and Gonzalez, 2017). In both developed and developing countries, a lack of financial awareness is a widespread problem. From the previous research findings, individuals with less financial knowledge are more likely to express negative opinions about finance and are unable to make a proper decision (Nga, Yong, and Sellappan, 2010). The findings also have been confirmed by another research that people who are less financially literate will have difficulty managing their finances effectively, especially in today's environment, where everyone must be capable of making sophisticated financial judgments (Lusardi and Mitchell, 2013).

Financial behaviour refers to the ability to recognize and comprehend the entire effects of financial decisions on one's situation, as well as the ability to make the best decisions possible regarding cash management, precautions, and budgeting opportunities (Tezel, 2015). Financial behaviour is an individual behaviour that is related to making decisions on financial matters and money management like establish an effective budget and manage it, settle owed bills quickly and continuous savings (Bhushan and Medury, 2014). Financial behaviour measures how an individual behaves in financial transactions. For example, it measures whether the individual applies financial knowledge to make decisions. An individual's financial behaviour is usually formed by the knowledge and attitude that the individual owns (Kadoya and Khan, 2017). In simple words, financial behaviour is the process of making financial management, practices and decisions.

Financial attitude refers to an individual's mental or psychological perspective and judgment on financial matters (Albeerdy and Gharleghi, 2015). Financial attitude also is a prerequisite to act in a certain manner generated because of particular non-economic and economic beliefs owned by the person on the result of specific behaviour. In other words, financial attitude is the result of some behaviour of a decision-maker. The non-economic and economic beliefs of the decision-maker can consolidate the person's attitude as well (Ajzen, 1991). Previous research has discovered a link between financial views and financial literacy among young individuals (Kasman, Heuberger, and Hammond, 2018). Assessing a person's financial attitude entails determining how they view financial matters (Kadoya and Khan, 2017). Students' financial attitudes about money are related to their levels of financial literacy in a good way (Soroshian and Teck, 2014). An attitude toward money can be used to define financial literacy among youngsters. Positive attitudes toward finance and money are required in order to attain a higher level of financial literacy and develop financial understanding since they can impact students' behaviour.

Family influence encompasses coercive interaction patterns. Parents or children use continuously intense behaviour to coerce the other party into obeying their demands (Ramachandran, 2012). Family influence is always considered as one of the determinants of financial literacy among students. The behaviour towards finance, such as spending behaviour, financial management behaviour, paying behaviour, etc., from one's family can influence the other members who live together to follow (Thomas and Subhashree, 2020). The main reason why students will follow their families' behaviour is because of the last time they spent together with their families. Proper financial education is crucial and essential for youngsters to achieve their own financial well-being as they grow older. The more financial concerns are discussed with family members, the more financial education and awareness about financial management they receive. They are more experienced in life than the children (Sabri, 2011). Family members, especially the parents, who often present poor financial management, will lead to a negative influence on their children. These poor habits learned from the parents will be consistent until the children receive proper financial education in the schools or universities.

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RESEARCH METHOD

Many types of research and studies regarding the level of financial literacy in Malaysia conducted previously are mainly focusing on the overall level of Malaysians, especially working adults. Since working adults make up the largest proportion of Malaysia's total population, the other population groups, such as students and seniors, tend to be neglected by previous researchers. For many university students, the university is usually the last stage of education. After graduation, they are going to participate in the labour force and become working adults. That is when they will be tested whether they be able to manage their personal finances or not. Another reason is that youth are the future of the country. It is important to equip with good financial skills, knowledge, and management. This can increase Malaysians' incomes and reduce inequality, finally promote economic growth. Therefore, in this research, university students have been selected as target respondents.

This study examines the relationship between financial knowledge, financial behaviour, financial attitude, and family influence on financial literacy among youth using the life cycle theory. This theory suggests that individuals will project their consumption and saving behaviour over the life cycle. According to this theory, people tend to borrow when they earn lesser incomes but start to save when their incomes increase. This idea can be used to show how people behave when it comes to money (Modigliani, 1975). Besides, social learning theory also states that in this society, individuals learn from others by observing and modelling their behaviour and actions. This hypothesis allows for a better understanding of how family, peers, and third parties can influence a person's financial literacy (Bandura and Walters, 1977). The findings from the literature review were used to create the research framework for this study. Four hypotheses were developed for this study in order to evaluate the significant relationship between the independent variables and the level of financial literacy among youth.

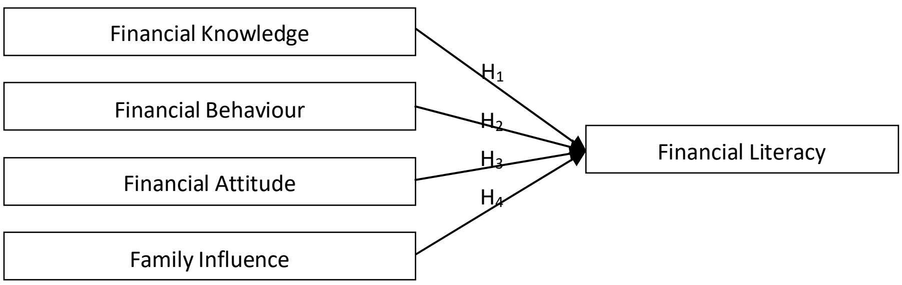

Figure 1. Research Framework

This study used a quantitative methodology and a correlational research technique. The study's primary respondents were chosen from among students using a non-probability convenience sampling technique. The convenience sample's main goal is to collect information from respondents that are readily available to the researcher. According to G Power, a minimum of 128 respondents must be met. Therefore, the number of respondents required in this research is expected to be equal to 128 or more. Students from Multimedia University (MMU) Malaysia were the respondents in this research. An online survey platform via google form was used to collect data from January 2021 to March 2021.

Questionnaires adapted from prior studies were used to collect data for this study. Financial literacy (Jorgensen, 2007), financial knowledge (Marsh, 2016), financial behaviour

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(Ahmad, Simun, and Masuod, 2014), financial attitude (Rajna, Ezat, Aljunid, and Moshiri, 2011), family influence (Jorgensen, 2007) and financial literacy (Juan, 2013). In the surveys, a 1 to 5 Likert scale was used. A number of 1 indicates strongly disagree, whereas a value of 5 indicates strongly agree.

FINDING AND DISCUSSION

A total of 181 respondents took part in the survey. The table below shows a summary of all of the respondents' socio-demographic statistics.

Table 1. Respondents Profile

Demographics	Elements	Frequency (N)	Percentage (%)
Gender	Male	67	37.0
	Female	114	63.0
Age	20 or below	109	60.2
	21 - 25	68	37.6
	26 - 30	3	1.7
	31 - 35	1	0.6
Race	Malay	22	12.2
	Chinese	135	74.6
	Indian	19	10.5
	Others	5	2.8
Education Level	Diploma	48	26.5
	Foundation	8	4.4
	Degree	123	68.0
	Postgraduate	2	1.1
Course of Study	Business	67	37.0
	Law	72	39.8
	Information Technology	42	23.2
Monthly Income	Less than RM1,000	117	64.6
	RM1,000 - RM1,499	25	13.8
	RM1,500 - RM1,999	15	8.3
	RM2,000 - RM2,499	5	2.8
	RM2,500 or above	19	10.5

A total of 67 or 37% of the respondents are male students, and the other 114 or 63% is female students. The number of female respondents who participated in this research is almost twice as many as male respondents. It is obvious that the majority of the respondents are fallen between 20 years old or below, which take up 109 or 60.2%, more than half of the total respondents. The possible reason is that the researcher was primarily focusing on the students who belong to a youth category. The National Youth Development Policy of Malaysia (1997) similarly

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defined youth as persons aged 15 to 40 years, whereas the National Youth Policy (2015), which replaced it redefined youth as those aged between 15 and 30 years. Since the research focused on the level of financial literacy in general, the course of study for the respondents was not mainly selected from business students. Only 67 students, or 37% of the respondents, were from business courses. A total of 72 students, or 39.8%, were from law faculty, and the remaining 42 or 23.2%, were from information technology courses.

Table 2. Mean & Reliability Test Analysis

	Variables	**Mean**	**Cronbach's Alpha**
DV	Financial Knowledge	2.9715	0.881
IV1	Financial Behaviour	3.4354	0.783
IV2	Financial Attitude	3.7646	0.773
IV3	Family Influence	3.5166	0.864
IV4	Financial Literacy	3.2652	0.817

The Cronbach's Alpha values measure the reliability of the variables. The value is greater than 0.70, which are considered consistent and reliable. Among these variables, financial knowledge achieves the highest Cronbach's Alpha value of 0.881, followed by family influence (0.864), financial literacy (0.817), financial behaviour (0.783) and financial attitude (0.773) receives the lowest value.

Because the independent and dependent variables are both scored on a 5-point Likert scale, the financial attitude has the highest mean of 3.7646. It reveals that the majority of respondents have a favourable attitude toward financial literacy, which is followed by family influence (mean=3.516), financial behaviour (mean=3.4354), and financial knowledge (mean=2.9715), which has the lowest mean value of these four categories. It means that the majority of respondents have insufficient financial understanding. The dependent variable, financial literacy, has a mean of 3.2652, indicating that university students at Multimedia University have a moderate level of financial literacy.

Table 3. Pearson Correlation Analysis

Independent Variables		**Financial Literacy (Dependent variable)**	
		Pearson Correlation	**Sig. (2-tailed)**
DV	Financial Knowledge	0.686**	0.000
IV1	Financial Behaviour	0.633**	0.000
IV2	Financial Attitude	0.436**	0.000
IV3	Family Influence	0.560**	0.000

**. Correlation is significant at the 0.01 level

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Pearson's correlation analysis will indicate the degree of the linear relationship between two variables. According to table 3, all the variables are significant with a p-value of 0.000. Not only that, but all the independent variables are also significantly and positively correlated with the dependent variable at the 0.01 level. Among these four independent variables, financial knowledge (r = 0.686) appears the strongest positive correlation with financial literacy. Financial behaviour (r = 0.633) has the second strongest positive relationship with financial literacy. Family influence (r = 0.560) is also positively correlated with financial literacy. On the other hand, financial attitude (r = 0.436) has the lowest positive relationship with financial literacy. Although all the independent variables are significantly correlated with the dependent variable, only Pearson correlation is insufficient to provide a piece of strong evidence to determine whether to accept or reject the proposed hypotheses.

Table 4. Hypothesis Test Result

	Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Result**
		B	**Std. Error**	**Beta**			
	(Constant)	0.235	0.214		1.098	0.274	
H_1	Financial Knowledge	0.447	0.060	0.427	7.506	0.000	Accepted
H_2	Financial Behaviour	0.350	0.062	0.350	5.622	0.000	Accepted
H_3	Financial Attitude	-0.053	0.066	-0.049	-0.811	0.418	Rejected
H_4	Family Influence	0.199	0.050	0.224	3.987	0.000	Accepted

The coefficient is the most crucial aspect of the analysis since it answers the proposed hypotheses about whether the independent factors and dependent variables have a significant relationship. All other independent factors, namely financial knowledge (p = 0.000), financial behaviour (p = 0.000), and family influence (p = 0.000), are significantly associated with financial literacy, the dependent variable in this study, with the exception of financial attitude (p = 0.418).

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CONCLUSION

The conclusions of this study have significant consequences for a variety of parties, including university students, universities, student parents, curriculum developers, and future academics. This research has examined the factors that have a significant and insignificant relationship to the level of financial literacy among youth and identified several important factors which have an impact on financial literacy. Not only that, but it also considered a student's general level of financial knowledge. As a result, the research will be most beneficial to university students. This study discovered that the financial literacy of the respondents is moderate. In order to improve their financial literacy, they can do so by developing positive financial behaviours and expanding their financial knowledge, both of which have been proven to be the most effective ways to improve financial literacy.

Furthermore, as a higher education provider, the university is accountable for developing future human capital with appropriate financial skills and abilities to aid in encouraging Malaysia's economic growth and development, as well as fulfilling the objective of being a developed country by 2025. The findings can be used by university curriculum developers to create relevant financial programmes, events, courses, speeches, and offers for students to improve their financial literacy.

Parents of those youth will benefit from this research since it offers a realistic technique for improving their children's financial literacy. The family has a significant impact on a student's financial literacy. When parents discuss money management with their children, the children are unconsciously influenced by what they hear and see. In addition to the foregoing, the findings of this study will be valuable to future researchers who are interested in this field and plan to conduct their own research in the near future since they will acquire a better understanding and fresh insights from it.

LIMITATION & FURTHER RESEARCH

However, some limitations while conducting this study, including time constraints, insufficient independent variables covered, questionnaire development, respondents' honesty, and respondents' inequity. Due to time constraints and movement restriction orders, this investigation was limited to the Multimedia University, Malaysia. It is impossible to cover all of Malaysia's universities due to time constraints in conducting the research and presenting the findings. Perhaps, in the future, the study can be extended to a larger population sample to confirm the findings and discover other factors that might affect the level of financial literacy among youth. Inadequate independent variables covered is another limitation. In this research, the researcher has examined only four independent variables, excluding the socioeconomic. The instruments used in the study also were adopted from various journals. More reliable questionnaires should be added to enhance the precision of the findings. Another challenge that the researcher has when gathering data is the respondents' honesty. The researcher was unable to observe whether the respondents filled out the questions honestly because the study was performed online via Google Form. Finally, the study's inequity of responders is a weakness. Because the researcher gathered the data mostly through convenience sampling, there is a risk of bias. In this study, 74.6 per cent of respondents are Chinese, whereas 63 per cent are female, a significant disparity.

The findings of the future study will undoubtedly align with and support the National Strategy for Financial Literacy 2019-2023, which aims to educate, inform, and support Malaysians in good financial management, particularly in understanding financing tools and knowledge needed to achieve financial goals, manage debts and avoid financial frauds.

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