

Measuring Financial Literacy And Financial Behaviours Among Employees In Malaysia: A Comparative Study

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Abstract– The most important factor for a person to consider when determining and achieving financial pleasure is their level of financial literacy. Particularly in this challenging day where people's needs are constantly growing and the standard of living has already improved over time. This paper examines the factors and relationship between the levels of financial literacy and financial behaviour among employees in Malaysia. This provokes the question, 'What are the factors that influence the efficiency of financial literacy and the relationship between financial literacy and financial behaviour among staff? According to the Focus Group Survey conducted by the Counselling and Debt Management Agency (AKPK), the primary cause of the majority of people who are stuck in debt troubles is their ignorance of personal financial management. Anyone, regardless of age, who is involved in this problem. Due to the restricted financial resources, people are forced to work very hard to reach a comfortable level, which is why more people are listed. The issue of ineffective financial management arose from a failure to comprehend the fundamentals of finance. To determine the established connection between financial literacy and potential intervening and moderating variables of financial behaviour, the current study aims to critically analyse the literature. The gaps in the current literature are noted and suggested for additional study in the context of the workplace. The literature review's findings suggest that there are distinctions in the definition and measurement of financial behaviour and financial literacy. Furthermore, there appears to be a correlation between sound financial behaviour and financial literacy.

Keywords: Asset And Investment Management, Saving, Loan, Financial Behaviour And Financial Literacy

1. INTRODUCTION

A person's level of financial literacy is the most crucial criterion to consider while calculating and achieving financial pleasure, especially in this challenging day and age when demands on human capital are always rising and living standards have already begun to rise. People have to work hard to reach a comfortable level because of the limited financial resources. Given the significance of finance, people are controlled to learn about it due to the expanding availability of loans, investment, and banking services. Variable needs including education, emergency saving, credit management, insurance, retirement planning, and limited income sources, are a few of the main problems that modern civilization faces.

February 2023, the Department of Statistics Malaysia reported that 16.19 million people were working in Malaysia, a 2.9 per cent increase from the previous year. In the meantime, the number of unemployed individuals was 591.9 thousand, representing a 3.5 per cent decline in the unemployment rate from the prior year (Department of Statistics Malaysia, 2023). Based on the available data, 34.8 per cent of formal workers in Malaysia earned less than RM 2000 per month by March 2023. In the meantime, with a median monthly salary of RM 2,664, male formal workers made up to 3.58 million, or 55.5 per cent of the workforce (Department of Statistics Malaysia, 2023).

When it comes to gaining financial pleasure, a person's level of financial literacy is the most crucial thing to take into account, especially in this challenging day and age when the standard of living has already increased throughout time while human needs are still expanding. According to BNM's Financial Capability and Inclusion Demand Side (FCI) survey 2021, only 17 per cent of participants in 2021 reported having inadequate financial knowledge, which shows a decline of 9 percent from 25 per cent in year 2018. While 43 per cent of respondents in 2021 could link the impact of rising prices to their purchasing power compared to the 38 per cent of respondents in 2018.

Most of the people have to work extra hard to reach a comfortable level because of the limited financial resources. With the increasing accessibility of loans, investments, and banking services, along with the significance of finance, people are compelled to acquire knowledge about it. The shifting necessities of modern society include things like education, emergency savings, credit management, insurance, retirement plans, and scarce income streams. Individuals who manage their finances improperly are more likely to run into problems and file for bankruptcy.

According to AKPK (2022), youth bankruptcy has become a hot-button issue on social media. This is the outcome of young people who are starting their careers opting to use credit cards to pay for their outrageous spending needs. Malaysian understanding that the growth of money is compounded over time remains low at 43 per cent in year 2021 similar to 2018. In addition, 81 per cent of them understood the concept of inflation in year 2023 compared 75 per cent in 2018. Next, 86 per cent of them are aware that an investment with high return is likely to carry high risk in 2021 compared 77 per cent in 2018. Additionally, in 2021, 72 per cent understood that the interest or profit needs to be paid on loans compared to 62 per cent in 2018. The other finding shows that 37 per cent of respondent share passwords and or PINs with close friends and 38 per cent of them pay attention to the security of a website before making online transactions by looking at criteria of https sites, safety logo or certificates. Lastly, 11 per cent regularly change passwords for online shopping and personal finance.

2. RESEARCH METHODS

In order to accomplish the goals of this study, a content analysis technique was used to conduct legal research.

2.1 Financial Literacy

Financial literacy is the ability to manage, invest, and understand how money functions in the real world in addition to making charitable donations. More accurately, it describes the set of skills and information that allow an individual to effectively and intelligently manage all of their financial resources. One of the first scholars to show the importance of financial knowledge in household decision-making is Bernheim (1995, 1998). Likewise, other scholars have found that financial literacy affects the way important financial decisions are managed, including budgeting, debt management (Brown & Graf, 2013), borrowing and saving choices, retirement plans (Dvorak & Hanley, 2010) investment choices (van Rooij et al., 2011) and financing results (Nicolini et al., 2013).

Nowadays, acquiring financial literacy at an early age can provide a strong basis for one's future, as opposed to the past when it was solely utilized for retirement planning (Christopher & Joao, 2019). Research has shown that financial literacy improves retirement, savings, and overall wealth while reducing financial debt and anxiety (Lusardi & Mitchell, 2007; Hilgert, Hogarth & Beverly, 2003; Christopher & Joao, 2019).

Previous research indicates that social disparities occur in relation to race, gender, economic status, education, involvement, and family relationships (Christopher & Joao, 2019). Philippas and Avdoulas (2019) stated in their results imply that students with greater financial literacy are better able to handle unforeseen financial setbacks and according to Thomas and Subhashree (2020), individuals possessing advanced financial knowledge are more adept at managing macroeconomic shocks and unforeseen income. Conversely, students lacking financial literacy tend to make ill-informed financial judgments and end up making poor financial choices.

Moore (2003) defines financial literacy as the combination of financial knowledge with real-world experience, whereas other researchers, like Huston (2010), define it as the awareness of daily finance-related information. Financial literacy is defined as having sufficient understanding of personal money. Its obstacles include time limits, complex financial situations, a lack of financial knowledge, and difficulties making financial decisions (Garman & Forge, 1997; 2000).

2.2 Financial Behaviour

Financial behavior, as defined by Perry and Morris (2005), is the manner in which a person controls their budgetary expenditures and savings. People's financial activities, which include managing spending, saving, and budgeting limits, have a substantial impact on household, societal, and global well-being. Managing credit, savings, and cash are also included (Rahman et al., 2021).

According to FEN (2023) reports that 47 per cent of Malaysians say they would find it difficult to raise RM 1,000 in an emergency, compared to 52 percent in 2018. In 2018, 10 per cent of respondents said that, in the event of an income loss, Malaysians could sustain their living expenses for more than six months. This year, 16 per cent of respondents said the same. The percentage of respondents who say they have no problem monitoring their expenses is 54 per cent, which is resulted a decrease from 67 per cent in 2018. FEN 2023 also reported that 64 per cent of people manage their finances with discipline and self-control in 2018. Despite the fact, the respondent at year 2021 up to 51 per cent have a future-focused mindset as opposed to a live-for-the-now mindset, whereas 46 percent in 2018. Compared to 39 per cent in 2018, 43 per cent disagreed that money should be spent as a share.

The survey findings revealed that 69 percent of people can put money aside for a rainy day, down from 71 percent in 2018. Comparing this year to 2018, 32 per cent of respondents said they had too much debt, down from 30 per cent in 2018. In Malaysia, 27 percent of people are extremely concerned about their retirement expenses, up from 16 per cent in 2018. Thirty-five percent of Malaysians have no interest in learning more about the advantages of takaful safeguards and insurance.

When financial literacy is measured instead of controlled, it has a greater impact on financial behavior (Fernandes et al., 2014). Huston (2010) makes a distinction between financial literacy and financial knowledge, two terms that are frequently used interchangeably. A good financial literacy test should be able to pinpoint the outcomes that are most negatively impacted by a lack of financial knowledge and expertise. This will enable educators to target students with the knowledge they need to achieve the intended results (Huston, 2010). The ability to comprehend and consider financing possibilities, plan for the future, and react appropriately to circumstances is implied by financial literacy.

The ability to comprehend and consider financing possibilities, plan for the future, and react appropriately to circumstances is implied by financial literacy. monetary. Additionally, literacy helps people engage in economic activities successfully by increasing deposits, making wise purchases, investing wisely, managing their land, using security, managing debt, and improving their financial well-being (Rahman et al., 2021)

2.2.1 Asset And Investment

According to MASB (2024), they qualify as assets if they enable future economic benefits from related assets in excess of what could be derived without them. People acquiring items of property, plant, and equipment for safety or environmental reasons. The examples of non current assets or long term assets are land and building, premises,

computer and accessories, house, vehicles, furniture and fittings and many more. The example of current assets or short term assets are inventory, cash and bank accounts etc. It can be said that the owner has ownership to the assets or properties.

An asset or object that is bought with the expectation that it will increase in value or produce income is called an investment. In economic terms, an investment is the acquisition of things that are not consumed now but will be utilized in the future to generate value. In finance, an investment is a monetary item purchased with the expectation that it would provide income or be sold at a higher price for a profit. Property (land, building, or portion of a building) kept under a finance lease by the owner or lessee with the intention of earning rentals or capital appreciation is referred to as investment property (MASB,2024)

Mokhtar et al., (2018) mentioned that Investors can grow their wealth in the future by making investments in financial assets and earning a return. The fact that 18.5% of respondents believed that all investments in Malaysia were risk-free and profitable is concerning, they continued. In addition, only 74.3% of the general population realized that not all investments made in Malaysia are permitted, with 25.7% of respondents agreeing.

2.2.2 Saving

Remund (2010) asserts that saving money is viewed as a crucial part of financial literacy since it lowers dependency on credit and increases financial security. Because of this, financial education should start with teaching kids how to budget their emergency cash, which can be kept in a bank account or on their own. Income that is not spent, or postponed consumption, is saved. Savings strategies involve setting money aside in cash or in investment funds, pension accounts, deposit accounts, or other accounts. According to Uddin (2020) Individuals' saving habits are very beneficial since they both generate long-term investments for the welfare of the nation and directly support the development and expansion of the economy.

Uddin (2020) added by developing financial literacy is a useful strategy for conserving more money and because of that recessions can be avoided by saving helps nations increase economic development and productivity. The researchers findings also stated that a person with financial literacy is better able to manage their savings, investments, and insurance. Nguyen & Doan, (2020) conducted a poll of 692 people, and according to their findings, women are more inclined than males to save money, and financial knowledge has a beneficial impact on savings. The higher financial knowledge makes one more adept at comprehending insurance and savings schemes. Remund (2010) asserts that saving money is viewed as a crucial part of financial literacy since it lowers dependency on credit and increases financial security. Because of this, financial education should start with teaching kids how to budget their emergency cash, which can be kept in a bank account or on their own. Income that is not spent, or postponed consumption, is saved. Savings strategies involve setting money aside in cash or in investment funds, pension accounts, deposit accounts, or other accounts. According to Uddin (2020) Individuals' saving habits are very beneficial since they both generate long-term investments for the welfare of the nation and directly support the development and expansion of the economy.

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2.2.3 Loan

A loan is an oral or written agreement for the short-term loan of property (usually cash) from its owner (the lender) to a borrower with the understanding that the borrower will repay the loan as specified in the agreement, typically plus interest for the use of the property. A person who engages in specific behaviors that adversely affect their financial situation may find themselves in financial difficulties. These behaviors include being unable to properly handle debt, overspending, not having an emergency fund, having poor purchasing and spending skills, having a low salary, and being uninformed about financial problems. (Parcia, Oton (2017).

FEN (2023) states that the following are the intended results: when making financial decisions, young Malaysians comprehend and can use basic financial knowledge, skills, and values. Priority 1 of the strategy is to instill values in children early on by incorporating financial education principles into the curricula of elementary, middle, and high schools. Through co-curriculum activities, financial education is reinforced. Encourage students, parent organizations, and the community to become advocates for financial education by introducing capacity building and support for instructors.

3. RESULTS AND DISCUSSION

According to Rahman et al., (2021) financial behaviour and financial literature have found a positive influence. The researchers added that individuals who practice sound financial behavior are better off financially such as paying bills on time, keeping a savings cushion in place, and maintaining a balance between monthly income and expenses

are all examples of sound financial behavior. Rahman added that the outcomes are corroborated by earlier research stating the reasons could be that low- and middle-class households are experiencing financial stress as a result of inadequate income allocated for housing or car upkeep, loans for cash to buy needs and commodities, and insufficient budgets (Rahman et al., 2021).

Uddin (2020) stated that individual savings and money management are both positively impacted by financial literacy. People that are financially literate have been found to be more mindful of money management and to possess superior technological knowledge and skills. Additionally, demographic factors like age and educational attainment greatly impacted the likelihood of saving. The same holds true for attitudes and understanding about money, both of which significantly improve financial literacy (Tuffour et al., 2020). The study's findings also suggest a relationship between financial conduct and financial literacy. This finding suggests that employees' capacity to manage their financial resources may be enhanced by their financial literacy. The best indicator of financial wellbeing was discovered to be financial knowledge. The study's findings also suggest a relationship between financial conduct and financial literacy (Parcia & Torrento, 2017).

4. CONCLUSION

According to Financial Capability and Inclusion Demand Side (FCI) Survey (2018), Malaysians' financial literacy may be improved, particularly in the following areas such as degree of financial knowledge, budgeting and saving, being ready for unforeseen circumstances in life; and making retirement plans. Therefore, giving Malaysian low-income citizens access to quality education and entrepreneurial opportunities would contribute to their continued financial well-being. To promote the financial health of the population, both public and private regulators, financial institutions, non-governmental organizations, and members of civil society must work together. Next, to strengthen the financial discipline that leads to well-being, basic financial education programs covering risk-return diversification, wealth valuation, money management, financial planning, and investment opportunities should be made available as part of the efforts to promote financial literacy. The AKPK has to playing vital role by providing educators with online courses that will enable them to reintroduce financial literacy into the classroom. While MOE's efforts to address the issue of financial literacy among the younger generation, however without the close collaboration of parents, educators, and students, these efforts will be ineffective.

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