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## Executive Summary

The purpose of this study was to explore the relationship between financial knowledge, attitude and behaviour among young working adults in Malaysia. The sample consisted 1915 young working adults from Klang Valley in Malaysia. A conceptual model was developed based on the theory of planned behaviour which included two alternative paths to assess the financial literacy of an individual. Structural equation modeling was used to analyze the data. The results revealed that the financial knowledge is a significant predictor of financial attitude and financial attitude fully mediates the relationship between knowledge and behaviour among Malaysians. The financial knowledge scores significantly differs among ethnic groups where Chinese possess the highest financial knowledge and working adults at the age of 26-30 possess the highest score. Therefore, immediate actions must be taken to mitigate the financial knowledge differences among ethnic groups. Surprisingly it can be found that the financial behaviour is not a strong predictor of financial literacy of young working adults in Malaysia, suggesting future studies to investigate on other intervening variables. It can be highlighted the importance of developing correct financial attitude among Malaysian young working adults as it is the financial attitude that has behaved significantly in the study. The attitude towards the future and non-impulsiveness have to be improved and young working adults must be trained be achievement oriented. Relevant authorities have to take initiatives to create effective financial education programs including increasing the opportunities and ensure easy access which will generate a comprehensive financial knowledge to individuals. This can be achieved through formally arranged financial seminars, workshops, etc. and making financial expert and counselor services more accessible to young adults in the country. Mean time initiatives must be taken to communicate such counselors the importance of changing the overall financial attitude among working adults in Malaysia.

## Introduction

Complex and dynamic business and economic world demand individuals to possess strong knowledge on financial matter. This resulted on a continuous discussion on the importance of financial literacy to a

# Financial Knowledge, Attitude, and Behavior of Young Working Adults in Malaysia

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country. Studies prove that individuals with higher financial literacy is always at an advantage and are more empowered compared to others. Further, studies reveal that if a nation is provided with strong financial literacy, the inequality between ethnic groups can be minimized. Hence the importance of financial literacy is undoubted to any country. Fulfilling the paucity of empirical studies in Malaysia, an emerging economy, the current study intended to explore the relationship between financial knowledge, attitude and behaviour among young working adults. Standing as a behavioural model on the basis of theory of planned behaviour, the proposed conceptual model has investigated two alternative paths. Data were analyzed using structural equation modelling (SEM) with SPSS and Smart PLS software packages. Mediating effect was investigated using bootstrapping technique.

## Approaches and Results

The sample included 1915 respondents from Klang Valley in Malaysia which was selected based simple random sampling. It comprised 57.2% of Malays followed by 31.5% of Chinese and 9.2% of Indians which is proportionately consistent with the national population statistics. The gender composition was 58% of female and 42% of male. Serving the scope of young working adults, more than 55% of the respondents belonged to the age of 21-30. Questionnaire were distributed among respondents who are working as managers, professionals, technician etc. Majority of them (22.1%) were either managers or professionals.

The research instrument had separate sections for each construct. Financial education scale items were adapted from (Bank. A. N. Z, 2015) and few were self-developed. The scale items for financial knowledge were adapted from (Zottel et al., 2013). Financial attitude had two perspective as “future, non-impulsiveness” and “achievement orientation” which were adapted from (Bank. A. N. Z, 2015) and self-developed based on Bolaji-Adio et al. (2013), Atkinson and Messy (2012), Zottel et al. (2013). Financial behaviour had four perspectives as how much the expenses are monitored, saving behaviour, planning for old age and unexpected expenses, budgeting and behaviour of not over spending, living within means which were self-developed based on (Kempson et al., 2013, World Bank, 2013, Yoong et al., 2013). Scale items to measure financial literacy were also self-developed based on (Kempson et al.,

2013, World Bank, 2013 , Yoong et al., 2013).

Unlike the general assumption on the contribution that financial education can make on financial knowledge, the results revealed that financial education has contributed only to 9% of change in financial knowledge in Malaysia. However it can be found that financial knowledge is a significant predictor of financial attitude among young working adults in Malaysia. Within the financial attitude, it is the attitude towards “future and non-impulsiveness” is significant. In simple terms, if an individual is having a positive attitude towards planning the future, be financially secured and be mindful on unplanned unnecessary buying, such individual possess the correct financial attitude. A full mediating effect of financial attitude was found on the relationship between financial knowledge and financial behaviour. This emphasizes the importance of possessing correct attitude to demonstrate acceptable financial behaviour. Chinese are possessing the highest financial knowledge followed by Malays and Indians. Even though previous studies proved that there is no age difference in financial knowledge among working adults in Malaysia, the current study found that working adults at the age of 26-30 possess the highest financial knowledge with significant difference with other age groups. Surprisingly it was found that financial behaviour is not a strong predictor of financial literacy among young working adults in Malaysia, resulting future studies to investigate on other possible intervening variables.

### Conclusion and Implications

The study results challenged the general assumptions on the relationships between financial education, knowledge, attitude, behaviour and financial literacy. Current financial education programs and the knowledge created thereby are not influential enough to make a significant impact on the financial attitude among Malaysian young working adults. As the results revealed that attitude has a greater impact upon the financial behaviour of individuals, relevant stakeholders have to take initiatives to stimulate the financial attitude of young working adults of the country. Further, the full mediating effect of financial attitude on the relationship between knowledge and behaviour emphasizes the importance of improving the attitude on financial matters, especially to prevent themselves from being impulsive and to have an achievement orientation in terms of finance.

Since the relationship between knowledge and attitude is significant, financial education programs must generate sufficient financial knowledge for young adults for them to have correct attitude. Since the indirect relationship between knowledge and behaviour through attitude is higher than the direct relationship, it should be understood the importance of attitude in building financial literacy among Malaysians. Families, educational institutions should

work hand in hand to up bring youngsters with correct attitude in that aspect. Moreover, young working adults must be educated on the importance of setting long term financial goals, monitoring expenditure, planning for old age and be prepared for unexpected expenses. Further, relevant authorities have to take initiatives to make it freely accessible to financial advises and counseling services for young working adults when they seek so. Meantime the finding on the importance and the influence of attitude on overall financial wellbeing of a country must be well communicated to the independent financial counselors and advisors for them to make their service fruitful. Meanwhile, the financial education programs should be designed in a way that those create a higher financial knowledge to individuals and thereby result in accepted financial behaviours.

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