

**UNIVERSITI TEKNOLOGI MARA**

**THE PREDICTORS OF  
BANKRUPTCY AMONG WORKING  
YOUTH AT SELANGOR**

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## ABSTRACT

The statistics by Department of Insolvency, Malaysia indicated that over the past years, the bankruptcy cases go up and down trend. The result can be considered as not being dead in water due to decrease of bankruptcy cases in 2018. However, different scenario is arising pertaining bankruptcy whereby the statistics revealed that the age group that had been declared bankrupt in 2018 was dominating by youth. Not only that, Selangor was remained to be listed as the highest bankruptcy cases since in 2012 until 2018. Therefore, this study intends to know what causes the youth in Selangor to be involved in bankruptcy. This quantitative study was conducted involving 385 of working youth at Selangor aged between 40 years old and below. This paper intends to investigate the relationship between the predictors of bankruptcy namely non-performing loans, credit card debt, financial literacy, lifestyle and unemployment towards bankruptcy among working youth at Selangor. Pearson Correlation was employed to examine those relationships and as well as to test the hypotheses developed in this study. This study also employed the multiple regression method to examine the most influential predictors of bankruptcy among working youth in Selangor. Gender has also been tested as moderating variable in this study. The result disclosed that there is a positive moderate correlation between the independent variable of credit card debt with dependent variable of bankruptcy among working youth at Selangor. Meanwhile, NPL, financial literacy and unemployment possess a positive with small but definite correlation with bankruptcy among working youth at Selangor. Furthermore, lifestyle also possesses a positive however slight but almost negligible correlation with bankruptcy among working youth at Selangor. Besides, the result of multiple regressions has indicated that all the independent variables except financial literacy and unemployment have a significant and positive impact on bankruptcy among working youth at Selangor. Among all the independent variables, credit card debt makes the largest unique contribution followed by NPL and lifestyle. This study has also disclosed that gender seems do not have moderating effect between all variables and its relation towards bankruptcy among working youth at Selangor. Some practical suggestions are also discussed in the thesis. It is also suggested that collaboration between public and private organization is essential in order to create awareness towards people at large.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Preamble

This chapter enlightens about the background of study that emphasizes on brief history of bankruptcy and the complexity of presence era of financial markets that resulted to complexity in financial decision. Following this, the problem statement has been provided for the purpose of clearer understanding regarding the predictors of bankruptcy among working youth at Selangor. Besides that, this chapter also provided the research questions together with research objectives and scope of study as well. Other than that, this chapter also highlighted the significance for this study as well as defining of the terms, terminologies and concepts in order to provide deeper understanding of the terms commonly used in this study.

### 1.2 Background of Study

According to Beraho (2011) bankruptcy is derived from ancient Latin verbalism relating a “broken bench”. The author further describes that *bancus* is known as the tradesman’s counter whereas *ruptus* meant broken or rotten that signify individual business was broken or gone.

In Italy, *banca rotta* is actually evolved from Roman equivalent of *bancus ruptus*. Surprisingly, the author further explained that during that period if a man unable to pay his debts, it was assumed as refusing to do so. In fact, all creditors got approval allowed by law to go to debtors’ house or workplace and destroy debtors’ workbench. As a result, that would be as end of the debt between creditors and debtors. Hence, *banca rotta* or *bancus ruptus* are combined and known as “bankruptcy” for today (Beraho, 2011).

The first conclusive “bankruptcy laws” were recognized in England during 16<sup>th</sup> century whereby bankruptcy was considered as criminal offense. Nowadays, in England the bankruptcy laws are still strict which after debtors are declaring bankrupt nothing left much for the bankrupt person (Beraho, 2011). In Malaysia, the bankruptcy laws closely follow the development of law from England whereby bankruptcy laws were initially adopted with similar philosophies and principle (Ruzita