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TABLE OF CONTENTS

FINANCIAL LITERACY IN A CHANGING ECONOMY: A MALAYSIAN PERSPECTIVE (2020–2024) LITERATURE REVIEW

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Financial literacy is increasingly recognized as a crucial skill for both individuals and economic stability, mainly in a rapidly evolving financial landscape (Rahim et al., 2024) & (Goyal & Kumar, 2020). Financial literacy helps individuals to grasp their goals, prepare for emergencies, make informed decisions, and reduce financial stress. The fundamental basis of financial literacy involves understanding and application of key financial concepts such as saving, investing, spending, and borrowing. But it is not limited to knowledge and skills of money that comprise financial literacy as it also encompasses the ability to use them, establish the appropriate attitude, and behave appropriately. This literature review focuses on the importance of financial literacy in Malaysia between 2020 and 2024, which included past, pre, during, and post pandemic articles examining its impact on various segments of the population and the factors influencing it.

FINANCIAL LITERACY AND PERSONAL BANKRUPTCY

In Malaysia, personal bankruptcy remains a major problem. According to the report by the Malaysian Department of Insolvency, 233,483 bankruptcy cases were recorded as of December 2023, with 56.99% of those instances involving individuals between the ages of 25 and 44. Research indicates a significant correlation between the rise in bankruptcy and low financial literacy (Md Hashim et al., 2024). A lack of financial literacy can result in inadequate budgeting, over spending, excessive borrowing, and trouble managing debt that increase the risk of financial difficulties and even bankruptcy. This emphasizes the critical need to improve Malaysians' financial literacy in order to lessen financial hardship (Aziz & Kassim, 2020).

FINANCIAL LITERACY AMONG SPECIFIC DEMOGRAPHICS

Several studies have focused on the financial literacy of the younger generation in Malaysia (Selamat et al., 2020). Research indicates that many young Malaysians lack sufficient financial management skills, leading to poor financial planning and over reliance on readily available cash. This lack of awareness can result in impulsive spending and inadequate preparation for their financial future (Nahar et al., 2022). Study conducted by Nasir et al., (2021) analyzed factors influencing financial management literacy among undergraduate students. Md Sapir et al., (2020) explored the level of financial literacy among Malaysian Muslim undergraduates. Both studies focus on students. Meanwhile, enhancing Islamic financial literacy among women is seen as crucial for improving their living standards. If women had a strong understanding of Islamic finance, they would be able to make more informed decisions and plans for their finances on their own without being exposed to the risk of fraud and scams

(Ahmad Zifruddin & Redzuan, 2023). Further studies have explored the financial literacy of indigenous people (Orang Asli) in Malaysia, focusing on intrinsic factors like financial attitude and knowledge, and extrinsic factors such as parental socialization and peer influence (Ali et al., 2024). The study concluded that increasing Orang Asli's financial literacy is important for their economic well-being and overall financial liability. Financial literacy is also crucial for Indonesian migrant workers in Malaysia. Research by Rizal et al. (2023) aimed at identifying factors influencing their financial literacy levels, for the government to reduce the gaps among Indonesian employees. Another study by Yakob et al., (2020) explored the influence of financial literacy on the performance of small and medium-sized enterprises (SMEs) in Malaysia.

FACTORS INFLUENCING FINANCIAL LITERACY

The importance of financial socialization in enhancing financial literacy is highlighted in numerous studies. Financial socialization, which includes influences from family, peers, and social networks, plays a significant role in shaping an individual's financial knowledge, attitude, and behavior (Ali et al., 2024). Family background and socio-demographic factors significantly influence financial literacy levels (Nasir et al., 2021), (Loke et al., 2022). For instance, the financial habits and knowledge within a family can greatly impact individuals' understanding to manage their finances (Nasir et al., 2021).

Students' financial awareness, knowledge, skills, attitudes, and behaviors are not only shaped by their family socialization as they also formed by their current surroundings, including their living arrangements, study conditions, interactions with their peers, and the cohesiveness of their relationships. Therefore, creating a syllabus that exposes students to financial information and skills is crucial to ensuring a high level of financial literacy that could protect their financial stability and well-being. Importantly, the syllabuses must be sensitive to their culture and values as well as fit with the student's environments (Md Sapir et al., 2020).

Besides, a positive financial attitude is significantly associated with higher financial literacy (Ahmad Zifruddin & Redzuan, 2023). According to Mohamed et al. (2024), those who have a positive outlook on money management tend to be financially knowledgeable and make wiser financial decisions.

Research by Yakob et al., (2020) demonstrates that financial literacy and entrepreneurship are positively correlated. Financial literacy in the research also highlights its role as a foundation to support entrepreneur's activities. For entrepreneurs to succeed, financial knowledge is essential to make wise decisions, and efficiently manage their finances.

CONCLUSION

Financial literacy is a critical determinant of financial capability. Understanding financial concepts and behaviors are essential for making informed decisions. Financial literacy empowers individuals to improve their economic potential and overall sustainability (Munisamy et al., 2022). Enhancing financial literacy is crucial for improving financial decision-making and ensuring long-term financial stability for individuals, families, and nations. Besides, financial literacy can help reduce financial stress as money worries can take a significant ring for human mental and physical health. Future articles may focus on comparing financial literacy in Malaysia with other countries, providing a benchmark and helping to identify best practices that can be applied in Malaysia.

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