

**DEBT BEHAVIOR AND MONEY ATTITUDE OF YOUNG URBAN MALAYSIAN
GRADUATES AND SUBJECTIVE FINANCIAL PERCEPTION**



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5.2 Enhanced Executive Summary

The global financial crisis of 2008/2009 brought about decline in social status among the working class. Consequently, it brought family financial issues to the forefront of public discourse particularly in examining how Gen Yers are coping with their financial position in "hard times". This study explores attitudes towards debt and money behavior of young urban Malaysian working graduates. Using quantitative approach, the study surveyed 200 samples of graduates between 21 to 30 years old working in the vicinity of the Klang Valley and Kuala Lumpur. Data was collected using survey approach. Quota sampling was utilized to ensure sample representativeness based on age, occupation, gender and urban ethnic composition. Self-administered questionnaires tapped on money attitudes, debt behaviors, personal money management and subjective perception of current and expected financial and economic condition. Duration of fieldwork took two months. Data was analyzed using statistical techniques such as descriptive statistics, factor analysis ANOVA and regression analysis.

Results generated three reliable money attitudes dimensions: budget, power and anxiety money attitude. The young urban Malaysian graduates were budget conscious when spending money. They also viewed money as a source of power and status symbol. On the other hand, they displayed anxiety towards money showing signs of financial insecurity. Debt attitudes generated three debt groups: mild debt and serious debt labeled as pro-debt groups and anti-debt group. Regression analysis showed positive significant relationships between budget and power money attitude with anti-debt behavior. In pro-debt behavior, budget money attitude had a negative significant relationship. Anxiety money attitude was also a significant predictor of pro-debt behavior. Perceptions on current and future subjective financial position were then examined. On their current subjective financial position, pro-debt groups face difficult situations. However, the debt groups anticipate their future financial position as and country's economy would improve.

The study had widespread implications on money and debt management of Gen Yers. Having undergone dot.com bust and two financial crises, it is imperative that Gen Yers at the very least buffer themselves financially against economic uncertainties and shocks. It is important that their financial well-being in terms of money for debt and expenses are well managed and they begin to save money. Findings provide support that impact of economic conditions has salient influence on financial well-being of Gen Yers. Implications are important for financial literacy at childhood and adulthood. Literature well documents the financial illiteracy of youth, with most reporting that they learn about their finances at home. One of these matters concerned the development of education settings and preparation of family members and educators to affect the financial teaching and learning that are needed to develop

fiscally responsible citizens. One aspect of marketing implication is targeting Gen Yers for debt creation by financial institutions. Aided through financial literacy programs offered by the financial services industry, they can be turned into investors. Strategic marketing strategies to attract youthful investors include improving financial websites and develop investment portfolios that meet the needs of Generation Y.

5.3 Introduction

The year 2008/2009 painted a sobering picture about how many economies including Malaysia faced the global financial meltdown. This has hit almost everyone including the working class. More vulnerable are the group of young working adults who have just embarked on their job careers. This group of young working adults forms part of the cohort of Generation Y (Gen Yers) or known as Millenials (Kennedy, 2001); born between 1977 to 2002 (Armour, 2005). They have undergone globalization and immersed in the information age. They have witnessed the financial insecurity that beset earlier generations hit by layoffs and the dot-com bust and currently experiencing the global financial meltdown. They have a different approach to money than the other generations (Learning about money, 2007).

Gen Yers have been found to view money as status symbol (Shaul, 2007) and have lofty financial and personal goals. They also expect higher salaries when they reach 30 (Tulgan, 2001). They are assumed to be financially smart and more savvy when it comes to money and savings (Armour, 2005) but they have known to resort to at least one "risky" financial behavior, such as maxing out credit card limits or not paying bills on time (Shim, 2009). These young working adults have used some extreme strategy for meeting day-to-day financial needs, such as taking advance from employer or using one credit card to pay another.

In Malaysia, the credit card war among banks has created easy access to credit and as a result more and more people are being trapped in a "credit web". Credit card defaulters accounted for RM700mil of the RM18.6bil in non-performing loans (Easy credit, easy spending, 2008; More bankrupt youths, 2010). Majority of the young graduates are already saddled with higher education loans, they take on more loans when they start their careers and continue to live in an insecure financial state. It was reported a total of 438,775 borrowers of government education loan still owed the government some RM920mil (Defaulting Student Loans, 2007; 200,000 borrowers default on student loan repayments, 2010). A recent report from the Credit Counseling and Debt Management Agency (AKPK), a wholly owned subsidiary of the Central Bank of Malaysia set up to provide counseling and debt management services to individuals, recorded more than 45,000 individuals had sought the agency's Debt Management Program (DMP). Almost 38% of the DMP cases involved