

SOCIAL FACTORS THAT CONTRIBUTE TO FINANCIAL CONSTRAINTS AMONG YOUTH IN PETALING DISTRICT, SELANGOR

Nur Zafirah Zamri¹ & Radduan Yusof²

^{1,2}Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA (UiTM), Shah Alam, Malaysia

*E-mail: fyrazamri97@gmail.com

1. INTRODUCTION

Khairudin Murad and Shahnnon Mohd Salleh (2014) defined youth as the period between adolescence and adulthood. According to the Asian Institute of Finance (AIF) (2015), youth become vulnerable to their surrounding environment at this phase when they are busy exploring their self-identities and foundations of life. What people are surrounded by has a strong influence on their way of life. Compared to earlier generations, youth have more significant financial risk due to the rising complexity and diversity of financial goods and marketplaces (The Star, 2015). Generation Y was born and raised in a flourishing, expanding economy. This generation is noted for having more alternatives and a higher quality of life than previous generations (Warren, 2003). The need to keep up with the current trend is centered on meeting social standards and “fitting in” with their peers, which is worsened by their borrowing mentality (Faizal et al., 2015). According to Urbis et al. (2008), the “own now, pay later” credit attitude is becoming more prevalent among young people. When faced with a situation where they desired something but cannot afford it, 80 percent of respondents found a way to get it without even thinking about it, according to the study.

Money has become a “must” in the twenty-first century, as rapid advancement has made it a must to continue existing effectively. Only thoughtful financial preparation can enable one to enjoy life while also avoiding any financial difficulties. However, it is difficult for today’s youth to maintain complete control over their spending and saving habits. The main reason for this scenario is due to the evolvement of globalization. It makes technology and social media platforms appear to be a pressure source on young people. It influenced young people to spend money that they did not have and spend beyond their means to live up to the "digital society" standards (Azira Abdul Adzis et al., 2017).

For them to satisfy their interest or want, young people willingly make borrowing, sign up for credit cards, and seek a personal loan. In the end, it just increased their financial load and put them in a situation of financial limitation (Archuleta et al., 2013). This problem can lead to financial hardship in the worst-case scenario, negatively impacting young people's mental health. According to an Asian Institute of Finance (AIF) analysis from 2015, 75 percent of Gen Y has at least one source of long-term debt, and 45 percent of them will be unable to pay it off at some point. According to a report from the Malaysian Department of Insolvency (2019), 57 bankruptcy petitions are filed every day, with adolescents accounting for the second most outstanding share of this total.

Because young people control the largest share of the economy's purchasing power, their spending and saving activities are critical to the country's economic growth (Chong Li Syan et al., 2020). However, if young people endure financial hardships, it may appear to be a hurdle for the country, particularly in achieving the goal of becoming a high-income nation (Koon Foo Yu & Nurazrin Jupri, 2015). As a result, this article focuses on three (3) social elements to investigate the relationship between social factors and the financial constraint scenario among adolescents in Petaling District, Selangor. It is made up of aspects such as young culture, social media exposure, and shopping habits.

1.1 Youth Lifestyle

Nowadays, young people prefer a luxury lifestyle to a simple existence. This mindset has developed because of youth seeking social attention from their peers. Luxury has evolved into a metric for measuring one's wealth (Zariyawati & Faizal, 2015). To the extent that youth are willing to live a lavish lifestyle by utilising options such as higher purchase loans, credit card applications, student, or personal loans to meet their demand for branded goods and up-to-date trends such as the latest edition released on smartphones, youth are willing to live a lavish lifestyle (Sahota, 2017). Materialism addiction is closely linked to an opulent lifestyle. People are prone to purchasing items regardless of cost because they value material goods and bodily comfort. However, Norizan M. Kassim and Mohamed M. Zain (2016) and Azira Abdul Adzis et al. (2017) found that young people's debt levels are unaffected by their lifestyle.

1.2 Social Media Exposure

Many businesses are rethinking their marketing strategies because social media platforms have shown to be productive and efficient. Companies' primary target market consists of youth consumers (Vukasovi, 2013). It is easier for corporations to sell a wasteful product with an enormous target market scope using social media algorithms and social media tools (Like and Share button). Youth, on the other hand, are more likely to engage in social media marketing initiatives. The appealing evaluations, comments, and pictures provided are readily swayed (Gulati, 2017). It is exacerbated by the rise of social media influencers with a remarkable ability to influence others, particularly youth when it comes to spending. Furthermore, virtual buddies on social media platforms create envy-related behaviour among young people, causing them to compare themselves to others and portraying false realities on social media platforms (Krause et al., 2020). Their virtual friend's opinions, comments, and suggestions can sway them, especially regarding purchasing decisions.

1.3 Purchasing Trend

As the world becomes more globalised, technological advances allow e-Commerce to emerge as the economy's future (Morgan, 2021). The present trend in purchasing is known as "digital shopping." With the advancement of ICT infrastructure, a secure online payment system, and robust internet networks, all consumers, regardless of age, have found online shopping convenient and preferable (Rafsandjani, 2018). In Malaysia, an online shopping platform has sprouted like a mushroom. It is accessible and user-friendly, making young people the primary target market because they are the most technologically knowledgeable generation. Malaysia's proliferation of online shopping platforms has exposed Malaysian adolescents to a wide range of bargains, cashback offers, and products. An online shopping platform can grab young people's attention and interest, which may persuade them to make unnecessary purchases (Chee, Zuha Rosufila, & Nadia, 2021).

2. METHODOLOGY

The research design in this study is cross-sectional and adopted a quantitative approach. Then, the research adopted a stratified sampling technique to choose a proportionate sample based on an area in the Petaling District. Subsequently, the snowball sampling method was used to collect data from respondents. The respondent for this research consists of a sample of 382 youth aged 18 to 40 years old. The data for this study was collected by distributing an online questionnaire of Google Form link via few social media platforms with the help of social media influencers with high youth followers. The only respondent that fulfilled this research requirement (must be someone from Petaling District areas & aged 18-40 years old) is taken as a sample for analysis. In this research, there are three (3) primary analyses that will be performed. These include Pearson correlation, process analysis by Hayes (2013), and multiple regression. The data collected is analysed using the IBM SPSS software version 26.

3. RESULTS AND DISCUSSION

3.1 Correlation Analysis

Table 1: Correlation Results

	Mean	SD	(1)	(2)	(3)	(4)
Dependent Variable						
Youth Financial Constraint	3.4044	0.98575	(0.817)			
Independent Variable						
Youth Lifestyle	3.1030	0.80607	-0.103*	(0.846)		
Social Media Exposure	2.9226	0.75965	-0.199**	0.406**	(0.787)	
Purchasing Trend	4.0650	0.63589	-0.064	0.223**	0.327**	(0.673)

Table 1 shows the relationship between the independent variables and the dependent variable. It displays the relationship using Pearson Correlation. The result shows a significant relationship between two independent variables (Youth Lifestyle & Social Media Exposure) with Youth Financial Constraint since both independent variables p-value less than 0.05 ($p < 0.05$) as recommended by Schoonjans (2021). Meanwhile, Purchasing Trend is not significantly related to youth financial constraints because the p-value is more than recommended ($p = 0.181$).

3.2 PROCESS Analysis by Andrew F.Hayes

3.2.1 Youth Financial Constraint (DV) and Youth Lifestyle (IV_1)

Table 2: Model Summary

R	R-sq	MSE	F	df1	df2	p
0.2129	0.0453	0.9340	6.9172	3.0000	437.0000	.0001

Table 3: Model Table

	coeff	se	t	p	LLCI	ULCI
constant	3.8146	0.6721	5.6755	0.0000	2.4936	5.1355
IV_YL	-0.3385	0.2049	-1.6523	0.0992	-0.7412	0.0642
A1	-0.0484	0.3888	-0.1246	0.9009	-0.8127	0.7158
Int_1	0.1377	0.1196	1.1510	0.2504	-0.974	0.3728

Table 4: Test(s) of Highest Order Unconditional Interaction(s)

	R2-chng	F	df1	df2	p
X*W	0.0029	1.3247	1.0000	437.0000	0.2504

Based on Table 4, there is no influence of gender on the Youth Financial Constraint (DV) and Youth Lifestyle (IV1) since the interaction value of p is 0.2504. The interaction of p is more than 0.05, in which moderating variable considered influence only if the p -value is less than 0.05.

3.2.2 Youth Financial Constraint (DV) and Social Media Exposure (IV_2)

Table 5: Model Summary Table

R	R-sq	MSE	F	df1	df2	p
0.2902	0.0842	0.8960	13.3924	3.0000	437.0000	.0000

Table 6: Model Table

	coeff	se	t	p	LLCI	ULCI
constant	3.7553	0.5895	6.3702	.0000	2.5967	4.9140
IV_SME	-0.3860	0.2001	-1.9293	0.0543	-0.7791	0.0072
A1	0.2803	0.3612	0.7762	0.4380	-0.4295	0.9902
Int_1	0.0601	0.1211	0.4966	0.6197	-0.1778	0.2981

Table 7: Test(s) of Highest Order Unconditional Interaction(s)

	R2-chng	F	df1	df2	p
X*W	0.0005	0.2466	1.0000	437.0000	.6197

Based on Table 7, there is no influence of gender on the Youth Financial Constraint (DV) and Social Media Exposure (IV_2) since the interaction value of p is 0.6197. The interaction of p is more than 0.05, in which moderating variable considered influence only if the p -value is less than 0.05.

3.3 Multiple Linear Regression Analysis

Table 8: Findings of Multiple Regression Analysis

	Beta	t	Sig.	Tol.	VIF
(Constant)		19.569	0.000		
Youth Lifestyle	-0.026	-0.505	0.614	0.835	1.1198
Social Media Exposure	-0.189	-3.688	0.000	0.835	1.198

Dependent Variable: Youth Financial Constraint

Table 8 shows the factor that is most influential in the youth financial constraint. Multiple Regression has been used to figure out the most influential factor in this study. However, in this analysis, the independent variable (IV_3), Purchasing Trend, is not included because the linearity test is not assumed. According to Fento (2017), linearity assumed needs to be achieved in engineering, health, and chemicals. Meanwhile, in Social Science, there is a slight exemption. By referring to table 4.8 below, Social Media Exposure has shown that the second independent variable (IV_2) has the highest Beta value, which is -0.189.

4. CONCLUSION

Nowadays, people accumulate debt faster than the growth of income which in the end, it leads to repayment difficulties. With the wave of technology and modernisation, youth have become the most vulnerable group. Youth is the future of our country. They are the generation that soon would inherit the current leadership and they are the segment of the population that would fulfill the country's workforce. Failure to pay attention to the scenario of youth financial constraint would cause them as the generation that is regarded as the generation with highly burden with a financial problem and high debt accumulation. With the high cost of living and unsecured employment, it would worsen the situation. Thus, they need to be equipped and educate with sufficient knowledge, especially regarding financial management. Results from this study imply that youth, care about their lifestyle as they would like to fit into society. Luxury branded and trendy things are attracting their interest to buy even though they cannot own it. Moreover, youth are being easily influenced by social media exposure as they face it almost every day.

An effort to help youth from falling into the debt trap should be done. Mainly, government and policymakers need to include financial management as part of the education syllabus and strengthen the bank industries policies and regulations for the application of personal loans and credit cards. Then, supports and awareness from concerning parties such as financial agencies and parents are important which would make youth easier to gain knowledge on a healthy way of financial spending, saving, and planning. Finally, the data was gathered during a time when Malaysia was facing the uncontrolled situation of the Covid-19 outbreak. This may limit the generalizability of findings because people are facing war with the unseen viruses which no sign of will end soon, thus people tend to be financially cautious as retrenchment, economic recession, and bankruptcy growth drastically.

5. REFERENCES

- AIF (2015). *Finance matters understanding Gen Y bridging the knowledge gap of Malaysia's Millennials*. Retrieved from <https://www.scribd.com/document/313959084/Finance-Matters-Understanding-Gen-Y-Bridging-the-Knowledge-Gap-of-Malysias-Millennials>
- Archuleta, K. L., Dale, A., & Spann, S. M. (2013). College students and financial distress: Exploring debt, financial satisfaction, and financial anxiety. *Journal of Financial Counseling and Planning*, 24(2), 50–62.
- Azira Abdul Adzis, Juhaida Abu Bakar & Hanita Kadir Shahar (2017). Factors influencing young adults' debt in Malaysia. *Journal of Business and Retail Management Research*, 12(1), 76–85.
- Chee Ching Kiew, Rosufila Abu Hasan, & Nadia Abu Hasan (2021). Factors influencing consumers in using shopee for online purchase intention in East Coast Malaysia. *Universiti Malaysia Terengganu Journal of Undergraduate Research*, 3(1), 45–56.
- Chong Li Syan, Noor Ashikin Mohd Rom, & Nurbani Md. Hassan (2020). Bankruptcy risk among Gen Y in Klang Valley. *International Journal of Advanced Research in Education and Society*, 2(3), 32–40.
- Gulati, S. (2017). Impact of peer pressure on buying behaviour. *International Journal of Research -GRANTHAALAYAH*, 5(6), 280–291.
- Hayes, A. F. (2013). *Introduction to mediation, moderation, and conditional process analysis: A regression-based approach*. The Guilford Press, London.

- Insolvency, M. D. of. (2019). *What is bankruptcy?* Retrieved from <http://www.mdi.gov.my/index.php/faqs/bankruptcy>
- Morgan, J. P. (2021). 2020 E-commerce Payments Trends Report: Malaysia. Retrieved from <https://www.jpmorgan.com/merchant-services/insights/reports/malaysia-2020#footnote-src-8>
- Khairudin Murad & Shahnon Mohd Salleh (2014). Confession of an online shopaholic: Teenage youths' purchasing behaviour towards online retailing preferences. *International Journal of Social Science and Humanity*, 4(1), 35–39.
- Koon Foo Yu & Nurazrin Jupri (2015). Factors that lead to the financial distress of generation Y in Malaysia. *International Journal of Accounting and Business Management*, 3(2), 109–120.
- Krause, H. V., Krasnova, H., Baumann, A., Wagner, A., Deters, F. große, & Buxmann, P. (2020). Keeping up with the Joneses: Instagram use and its influence on conspicuous consumption. 40th International Conference on Information Systems, ICIS 2019, September.
- Melissa Faisal, Khaizuren Nabilah, Mohd Sadik, Umi Kalsum Hassian, Mohd Isham Abidin & Khalilah Ibrahim (2020). Malaysian Gen Y and impulsive shopping behaviour? Roles of hedonic shopping motivation. *International Journal of Academic Research in Business and Social Sciences*, 10(3), 281–291.
- Norizan M. Kassim & Mohamed M. Zain (2016). Quality of lifestyle and luxury purchase inclinations from the perspectives of affluent Muslim consumers. *Journal of Islamic Marketing*, 7(1), 95–119.
- Rafsandjani, R. F. (2018). Analysing the effect of trust and perceived value on purchase intention (a case study of Shopee). *Management and Economics Journal (MEC-J)*, 2(1), 71.
- Sahota, R. (2017). The changing lifestyle of youth: A big challenge to modern India. 148–151 The Star. (2015, October 16). *Malaysia's Gen Y face financial stress, live beyond their means*. Retrieved from <https://www.thestar.com.my/business/business-news/2015/10/16/study-malysias-gen-y-living-on-financial-edge/>
- Vukasovič, T. (2013). Building a successful brand by using social networking media. *Journal of Media and Communication Studies*, 5(6), 56–63.
- Zariyawati, M. A., & Faizal, D. R. (2015). *Factors affecting youth bankruptcy in Malaysia*. UPM-SAGE Publications Young Writer's Award 2015 Papers, June 2015, 18–34.