

## **Modelling Financial Wellbeing Among Young Employees in Malaysia During Movement Control Order (MCO)**

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### **ABSTRACT**

*Financial wellbeing is important for individuals to have a better life which is achievable by managing their finance. In fact, due to the Covid-19 pandemic, Malaysia has witnessed a loss of employment among young employees. Previous research relating to financial wellbeing has focused on the factors which are financial literacy and financial problems towards financial wellbeing. However, financial capability and work environment were not much explored. Therefore, this research will target young employees aged 20-40 who are affected during Movement Control Order (MCO) in the Northern Area. This paper presents the factors that will be examined and several issues on the inconsistent results from previous studies. The findings from this study are important to identify which determinant gives impact to the financial wellbeing and faced by young employees in Malaysia. Furthermore, employers will gain additional information regarding their employees' financial situation and able to overcome their difficulties. The government will also be able to provide financial assistance or job placement for young employees who are affected by this financial constraint in their life.*

**Keywords:** *Financial Wellbeing, Financial Literacy, Financial Problems, Financial Capability, Work Environment*

### **INTRODUCTION**

Nowadays, Covid-19 pandemic is affecting people around the world and global economy including small and medium enterprises (SME) in Malaysia (Omar et al., 2020). Malaysian Statistical Department published a report on the Labor Force Malaysia in April 2020. The report revealed that unemployment rate has risen to 5.0 % compared to last year 3.9%, and young people aged 15-30 years old are the ones with the highest unemployment rate (6.9%) compared to those in older categories. The increase happens because many companies have to close their operations in April due to the Movement Control Order (MCO) and has resulted in the loss of employment among workers in Malaysia (Department of Statistics Malaysia Malaysian,2020). Furthermore, in early April, Bank Negara offered the six-month moratorium which allows the borrowers to choose whether to pay or not the monthly debts repayments to the banks. This initiative intends to reduce the household burdens and help people to keep cash for any uncertain situations. However, this initiative will end in September 2020 and borrowers will have to restructure

their loans with banks by choosing suitable repayment plans based on their financial situations (The Star, 2020).

Generally, aiming for the wellness of one's finance has been an important issue among young employees in Malaysia. They were among the age group who experienced income stability as reported by Delafrooz and Paim (2011). However, some pandemic preventive measures such as lockdown and closed international borders which began in March 2020 slow down economic activities, hence resulting in job loss and the decline of employment opportunities. Since this situation seems to be affecting young employees (Malaysian Statistical Department, April 2020), they have no choice but to be well prepared with a strong financial plan and emergency fund to overcome the financial issue in future (Omar et al., 2020). Young employees had already ranked high in financial problems due to the household debts such as car loans, housing loans and personal loans (AKPK Financial Behavior Survey, 2018). Today, with slow economic movement during the pandemic, it can be presumed that young employees are having difficulties in managing their finance which consequently affecting their financial wellbeing.

Studies found that financial wellbeing influences young employees' life in several aspects which are social, emotional and psychological (Mokhtar & Husniyah, 2017; Sabri & Zakaria, 2015). Numerous literatures revealed the determinants that are affecting financial wellbeings such as financial knowledge, financial behavior (Mokhtar & Husniyah, 2017), financial literacy (Sabri & Zakaria, 2015), financial planning, and family support (Adam, Frimpong & Boadu, 2017). These factors lead to negative impacts and reduce their level of job productivity (Delafrooz, Paim, Sabri, & Masud, 2010). Nevertheless, the lack of studies related to the impacts of financial wellbeing during MCO signals the opportunity for this issue to be explored in the Malaysian context. Therefore, this study is to develop financial wellbeing model among young employees in Malaysia during the Movement Control Order (MCO).

## **LITERATURE REVIEW**

This paper focuses on the Family Resource Management Theory for this research and several determinants that influence financial wellbeing such as financial literacy, financial problems, financial capabilities and work environment. These will be discussed in the following subsections.

### **Family Resource Management Theory**

This study intends to use Family Resource Management Theory because it emphasizes on psychology, sociology, family, business, economic and home management. This theory focuses on the decision-making process to plan and accomplish the objectives (Garrison et al., 1990). Furthermore, this theory consists of three platforms which are input (individual resource and demand); throughput (decision-making subsystem) and output (outcome from the input and throughput) in the observed financial wellbeing of young employees (Deacon & Firebaugh, 1988). At this point, this theory seems to be suitable to investigate whether the current pandemic economic condition that is beyond people's control can affect young employees' decision-making in their financial planning. In brief, this study classifies the dependent variable as young employee wellbeing, while independent variables are financial literacy, financial problems, financial capability and work environment.

### **Financial Wellbeing**

Financial wellbeing refers to the objective and subjective measures which consist of environment, job, health and leisure (Van Praag et al., 2003). In the Malaysian context, financial wellbeing can be measured using the Malaysian Financial Personal Well-being Scale (MPFWBS) which was tested for validity with a coefficient alpha of 0.93 (Jariah, 2007). A study by Mokhtar and Husniyah (2017) indicated that financial wellbeing is subjective and the financial situation will give impact to the

individual and family to manage their finance efficiently. The finding of their study found if the individual can manage financial properly, financial stress will be reduced which develop a better working environment and improve young employees' financial wellbeing. On the other hand, a study by Adam, Frimpong and Boadu (2017) determines the factors towards financial wellbeing of retirees. The results showed a significant relationship between financial literacy, retirement planning and family support with the financial wellbeing of retirees. Hence, financial knowledge is important to both older and younger generations to have better financial wellbeing in the future.

### **Financial Literacy**

According to Gramlich (2004), financial literacy is defined as individual knowledge and skills to handle financial difficulties in their daily life. Several studies have found a significant relationship between financial literacy and financial wellbeing among workers and students (Sabri & Zakaria, 2015; Sabri & Falahati, 2013). These studies indicated that individuals who know terms of finance, they tend to make good decisions in managing their finances and lead to greater financial wellbeing. Similar findings showed there is a positive relationship between financial literacy and financial wellbeing of the retirees (Adam, Frimpong & Boadu, 2017). Nevertheless, a study by Delafrooz and Paim (2011) found an indirect relationship between financial literacy and financial wellbeing and exposed that financial literacy is not an important factor compared to other variables. Due to different findings, it seems vital to test the relationship between financial literacy and financial wellbeing to provide yet another evidence to the understanding of these financial elements. Accordingly, this paper will hypothesize that:

H1: There is a positive relationship between financial literacy towards financial wellbeing among young employees in Malaysia.

### **Financial Problems**

Generally, financial problems relate to negative financial behavior and consequently lead to the financial stress that gives impact to personal and family life (Delafrooz & Paim, 2013). It seems that young people's financial behaviors have a direct link to their financial wellbeing (Curran et al., 2018; Sabri & Falahati, 2013). This finding indicates that individuals who have a greater financial problem will experience a lower level of financial wellbeing. This finding is consistent with Delafrooz and Paim's (2013) which supports that if the financial problem is lower, it will lead to better financial wellbeing. Additionally, without a proper solution to overcome the financial problem, affected individuals will have a higher risk of emotional stress, depression and low self-esteem. Hence, this study suggests the importance of financial literacy and financial capability in solving financial problems (Marcolin & Abraham, 2006). Therefore, from the discussion, this study proposes the following hypothesis to be tested:

H2: There is a negative relationship between financial problems towards financial wellbeing among young employees in Malaysia.

### **Financial Capability**

Financial capability has been defined as "multiple aspects of knowledge and behavior related to how individuals manage resources and make financial decisions" (FINRA, 2009). Taylor (2011) developed an instrument to measure financial capability using data from the British Household Panel Survey and found that those with the lowest financial capability were unemployed young adults. Applying this instrument in this study seems relevant as more young employees in Malaysia lost their jobs during the pandemic economic downturn. To assists in financial capability, Economic and Fiscal

Strategy Report by Treasury (2007) suggested three strategies. Firstly, those who have financial problems need financial advice to overcome their problems. Secondly, they need to participate in the personal financial education program especially young adults (Deenanath, Danes & Jang, 2019) and lastly, the government should conduct relevant programs to help individuals who have poor financial decision-making skills. Improving financial capability is viewed as improving financial wellbeing (Brown, 2020), which indicates a positive and significant relationship between them (Sabri & Zakaria, 2015). The results pointed out that knowledge in finance is important to enhance the individual capability to manage their finance and have good decision-making to protect their wealth. Findings by Sabri and Falahati (2013) also recommended companies to organize financial education seminars to increase young employees’ confidence level in managing their financial practices in future. Accordingly, the following hypothesis would be tested:

H3: There is a positive relationship between financial capability and financial wellbeing among young employees in Malaysia.

### Work Environment

The work environment is important because we spend most of our time to complete our task. During Movement Control Order (MCO) in Malaysia, all government sectors, private sectors and business premises are closed except the essential services. However, for those allowed to work must adhere to the social distancing regulation among colleagues (Omar, Ishak, & Jusoh, 2020). As a result, companies have to change their business strategies which might affect the employees' emotions in their work environment (Cassia & Minola, 2012). A study by Sulsky and Smith (2005) indicated that some individuals might feel stressful with the job task and target to achieve. Consequently, workplace productivity will drop due to the employees' negative attitude in the work environment (Houdmount & Leka, 2010). Finding by Mokhtar and Husniyah (2017) also supports that having a good work environment will lead to a better quality of life and personal financial wellbeing. Therefore, the hypothesis would be tested:

H4: There is a positive relationship between work environment towards financial wellbeing among young employees in Malaysia.

### CONCEPTUAL FRAMEWORK

This study aims to propose financial wellbeing model among young employees in Malaysia. The conceptual framework in this study is shown in Figure 1.

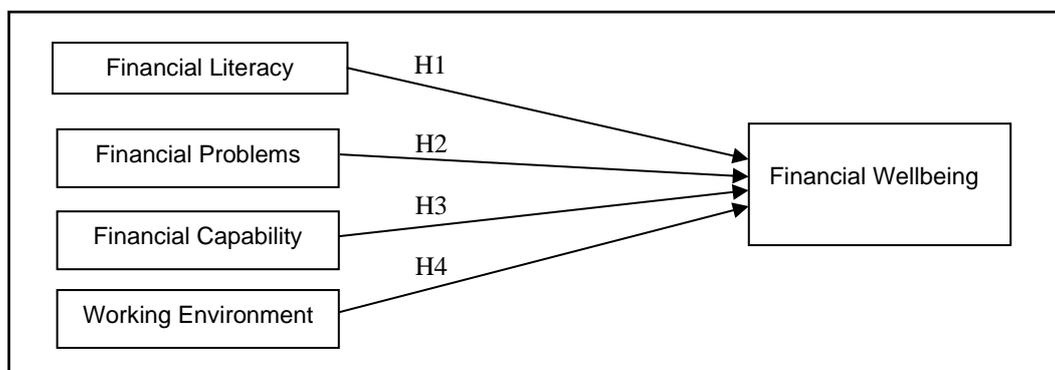


Figure 1: Financial Wellbeing Model

## **METHODOLOGY**

This quantitative study will use questionnaires as the instrument, and young employees in private and public companies in the northern region of Malaysia as the respondents. Financial wellbeing can determine the satisfaction on the financial management and financial situation. To measure financial wellbeing, this study will use the Malaysian Financial Personal WellBeing Scale (MPFWBS) developed by Jariah (2007) and which comprises of 12 items. Next, financial literacy can indicate one's general knowledge of financial management in the Malaysian context. To obtain data on financial literacy, an instrument from Sabri et al., (2006) will be used which consists of 16 statements indicating the true, false or do not know the answer. Meanwhile, a questionnaire from Delafrooz and Paim (2013) will be used to determine respondents' financial problems by analyzing financial record, savings and others. This instrument consists of 11 questions ranging from 1(never), 2(once a month), 3(2-3 times a month) and 4(every month). Financial capability consists of 7 statements under the British Household Panel Survey (BHPS) by Taylor (2011). The respondents will be asked to rate their responses from strongly disagree (1) to strongly agree (5). Lastly, work environment scale will be adapted to suit the Malaysian work context. This study consists of three dimensions to assess rewards and promotions, facility, safety and interrelationship. This questionnaire is adapted from Faisal (2010) and contains 14 questions. The SPSS version method will employ the multiple research techniques which include t-test, descriptive analysis, factor analysis, analysis of variance and multiple linear regressions.

## **CONCLUSION**

The objective of this paper is to propose a financial wellbeing model among young employees in Malaysia during the Movement Control Order (MCO). This study will examine the relationship between financial literacy, financial problems, financial capability and works environment towards financial wellbeing. This conceptual paper concerns factors that affect young employees to have better financial wellbeing. Findings from this paper are important so that the employers and the government have a clear picture of the current financial situation among young employees in Malaysia. Following this, actions can be taken by the companies to manage young employees who face financial difficulties, especially during MCO. Additionally, government and non-profit organizations should organize programs to help young employees who lost their job due to the financial problem in the company. Last but not least, personal financial management is important for young employees to manage their finances and help increase their job productivity at their workplace.

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