

DETERMINANTS OF FINANCIAL CAPABILITY AMONG YOUNG EMPLOYEES IN MALAYSIA

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ABSTRACT

Current high levels of individual indebtedness and increasing focus on individual responsibility for financial planning shows that there is a growing need for better financial capability particularly among the young adults. The purpose of this study is to identify the levels of financial literacy, financial capability and financial problems of young employees for both public and private sector in Malaysia and to determine the relationships between financial literacy, financial problems, and money attitude with financial capability among the young employees. The sample size was comprised of 446 young employees age 40 and below drawn from the central zone of Malaysia, selected through a multi stage sampling technique. Data were collected through self-administered questionnaires. Results of the study showed that the respondents consisted of 163 males (36.5%) and 283 females (63.5%) with mean age of 32 years old. Most of the respondents represented middle income group (earning monthly income between RM 1,500 to RM 3,000) and had secondary education level. Only 15.3% of the respondents had high level of financial literacy and 69.2% of them had moderate level of financial capability. Results of Pearson Correlation indicated that there were significant relationships between financial literacy ($r = .120^$, $p \leq 0.05$), financial problems ($r = -.187^{**}$, $p \leq 0.01$), money attitude ($r = .251^{**}$, $p \leq 0.01$) with financial capability. The multiple regression results showed that there was no influence of demographic characteristics (household income, education level, and marital status) toward financial capability of young employees. However, financial problems and money attitude had significant influence toward financial capability whereby the money attitude become a major contributing factor to the financial capability ($r^2 = .105$, $p = .000$). By understanding more about the factors hindering and promoting the financial capability, it is hoped to help young employees to become financial prudence and in the long run could decrease the number of young employees declared bankruptcy.*

Keywords: *Financial Literacy, Financial Problems, Money Attitude, Financial Capability*

ABSTRAK

Peningkatan kadar hutang individu yang tinggi serta tanggungjawab individu ke arah perancangan kewangan menunjukkan bahawa perlunya kepada keupayaan kewangan yang lebih baik terutamanya dalam kalangan orang dewasa. Tujuan kajian ini adalah

untuk mengenalpasti tahap literasi kewangan, masalah kewangan dan keupayaan kewangan serta mengenalpasti hubungan antara literasi kewangan, masalah kewangan dan sikap terhadap wang ke atas keupayaan kewangan dalam kalangan pekerja muda di sektor awam dan swasta di Malaysia. Sampel kajian terdiri daripada 446 orang pekerja muda berusia 40 tahun dan ke bawah yang melibatkan negeri di zon tengah semenanjung Malaysia yang dipilih melalui teknik persampelan rawak berperingkat. Data dikumpul menggunakan borang soal selidik yang diselia sendiri oleh responden. Hasil kajian menunjukkan responden terdiri daripada 163 orang lelaki (36.5%) dan 283 orang perempuan (63.5 %) dengan purata umur 32 tahun. Kebanyakan responden diwakili kumpulan berpendapatan pertengahan (pendapatan bulanan di antara RM1,500 hingga RM3,000) dan mempunyai tahap pendidikan tertinggi di peringkat sekolah menengah. Hanya 15.3 % daripada responden mempunyai tahap literasi kewangan yang tinggi manakala 69.2% daripada mereka mempunyai tahap keupayaan kewangan yang sederhana. Keputusan Ujian Korelasi Pearson menunjukkan terdapat perkaitan yang signifikan antara literasi kewangan ($r = 0,120 *$, $p \leq 0.05$), masalah kewangan ($r = - 0,187 **$, $p \leq 0.01$ dan sikap terhadap wang ($r = 0,251 **$, $p \leq 0.01$) dengan keupayaan kewangan. Keputusan regresi berganda menunjukkan bahawa tidak ada pengaruh ciri-ciri demografi (pendapatan isi rumah, tahap pendidikan, dan status perkahwinan) ke atas keupayaan kewangan dalam kalangan pekerja muda. Walau bagaimana pun, masalah kewangan dan sikap terhadap wang mempunyai pengaruh yang signifikan ke atas keupayaan kewangan di mana sikap terhadap wang menjadi faktor penyumbang utama kepada keupayaan kewangan ($r^2 = .105$, $p = .000$). Dengan memahami lebih lanjut mengenai faktor-faktor yang menghalang dan menggalakkan keupayaan kewangan, ini diharapkan dapat membantu golongan muda untuk menjadi lebih berhemah dan dalam jangka masa panjang dapat mengurangkan bilangan pekerja muda yang diisytiharkan mufliis.

Kata Kunci: Literasi Kewangan, Masalah Kewangan, Sikap Terhadap Wang, Keupayaan Kewangan

INTRODUCTION

In recent years, many of international bodies, financial service regulators, educators and policy makers have called for action to be taken in order to help people in managing their personal finances and to become financially capable. The issue of financial capability becomes crucial as many people currently are facing complex financial decisions that require the individual to make a sound choice from the options offered. Young or prime adult is generally a person in the age range of 20 to 40 whereby these individuals and households have relatively low incomes and few assets such as homes, savings and stocks. However, it is also a time when young adults make decision and a significant amount of investments in future mostly require loans (Haveman & Wolff, 2005).

According to the report by Federation of Malaysian Consumers Associations (FOMCA) in 2011, many of those declared bankrupt due to credit card debt were under 40 years old and 72 percent of them have no retirement plans. Apart from that, it was reported that 47 percent of these young employees were in serious debt with monthly debt repayment were 30 percent or more than their gross income and had enough savings on an average for only four months if they stop working. This is seen as unfavorable financial management activities especially for their long-term planning.

Many young employees have experienced problems in managing their finances. According to the Central Bank of Malaysia (2010), their problems have increased tremendously in term of household debt such as car loans, housing loans and personal loans within the last eight years. It was reported that as in August 2010, personal loans were RM 20.9 billion, car loans were RM 116.2 billion and housing loans were RM 218.9 billion as compared to in 2002 whereby the loans were just RM 1.9 billion, RM 36.7 billion and RM 71.5 billion respectively.

Financial capability is a broad concept whereby it not only covers the knowledge and skills to understand the financial circumstances but also the ability to take action so that the individuals are able to plan ahead, find and use the available information, know when to seek and act on the advice that would lead them to greater participation in the financial services market (HM Treasury, 2007). Today's young adults are clueless when it comes to their finances, retirement savings, smart investing, credit card and debt. There is still low level of financial literacy among young adults especially when they were asked about interest rates, inflation and risk diversification (Lusardi & Tufano, 2009). This is seen as an obstacle to improve the financial capability as young adults are facing difficulty especially struggling with serious financial issues without any real resolution. As a consequence they are unable to meet their wealth and financial prosperity because they encounter problems on how to budget and plan to achieve financial security (Kelly, 2002).

Views toward money have changed over time and young adults are now being raised in a society that is comfortable with debt and staying out of debt is no longer valued as an important social norm (Diamond & O'Curry, 2003). The most vulnerable group of consumers toward compulsive buying is today's young adults because they were brought up in a culture of indebtedness and instant pleasure (Davies & Lea, 1995). The increasing levels of compulsive buying among young adults have contributed to personal financial problems, personal bankruptcy filings and credit card debt (Roberts & Jones, 2011). This culture of savings needs to be preserved in order for us as a nation to have sufficient capital for investment. Therefore, financial prudence does not just affect household incomes but also the nation's economy as well (Rahman et al., 2011). Young people today face different financial challenges than their parents did. They also accumulate greater debt at younger ages, largely due to high college costs. More than ever, they need to gain skills to take a more active, responsible role in their personal finances.

Some studies also found that financial problems can hinder the individuals to become financially capable (Lenton & Mosely, 2008; Melhuish et al., 2005; Taylor et al., 2009). Financial problems are not just the concerns of the poor but also among the better off. Overuse of credit, overspending, lack of budgeting, too many debts, inadequate shopping and spending skills, low salary and lack of knowledge about money are the main factors contributing towards young adults' financial problems (Garman, Porter, & McMillion, 1989).

A number of countries such as Australia, Azerbaijan, Brazil, Canada, Kenya, Malaysia, New Zealand, Singapore, UK and South Africa have already put in place or developing a national financial capability strategy that's being lead by a public sector body such as the central bank or Government department or agency. In Malaysian context, Bank Negara Malaysia (BNM) has embarked some approaches to enhance the financial capability of consumers, namely, developing and disseminating educational materials financial products and services through booklets and websites (Utami et al., 2013).

However, it seems as people these days are concerned about financial education and financial literacy instead of financial capability itself. Majority local studies only study general population of employees and mainly focus on financial knowledge and behavior. Relatively little is known about the financial capability of young adults. Based on the previous research, large proportions of the population particularly amongst the young and unemployed are lack of financial capability. Concern with the current high levels of indebtedness, complexity and rapidly changing of the financial landscape and the current financial crisis, indicate that there is a growing need in improving financial capability.

In fact, there has been scarce research on financial capability in Malaysia particularly among young employees. Thus, this study seek to identify the levels of financial literacy, financial capability and financial problems of young employees for both public and private sector in Malaysia and to determine the relationships between financial literacy, financial problems, and money attitude with financial capability among the young employees in Malaysia. By understanding more about the factors hindering and promoting the financial capability, it is hoped to help young employees to become financial prudence and in the long run could decrease the number of young employees declared bankruptcy. Financial capability initiatives are not intended to turn people into financial experts but to help people to make effective use of their financial resources in order to achieve good outcomes even if they are not the best possible outcomes.

LITERATURE REVIEW

Financial Capability

In general, there is no internationally accepted definition of financial capability. However, the core definition of this term is about having the knowledge, understanding, skills, motivation and confidence in making financial decisions which are appropriate subject to the one's personal circumstances (Atkinson & Messy, 2012). It is also a broad concept which covers people's knowledge and skills, understand their own financial circumstances, along with the motivation to take action. A financially capable consumer can plan ahead, discover and utilize information, know when to seek advice and can understand and act on this advice, thus leading them to participate in the financial services market (HM Treasury, 2007). Basically, most of the studies on financial capability are focusing on four key components of financial capability which entails managing money, staying informed, planning ahead and choosing products (The Organization for Economic Co-operation and Development [OECD], 2005 & Financial Industry Regulatory Authority [FINRA], 2009). However, different countries may use different components or domains in measuring financial capability. Most of the countries such as in the UK, Canada, Ireland and Austria proposed that financial capability comprises of four domains or components which is managing money, planning ahead, choosing products and staying informed. However in some other countries especially in the developing countries such as Malaysia, Philippines, Thailand and Indonesia, the measurement of financial capability is slightly different. In order to establish the baseline of financial capability, development work was undertaken through literature reviews, focus groups and interviews to identify the components of financial capability. It is suggested that financial capability can be thought of as encompassing four interlinked domains which is managing money, planning ahead, choosing products and staying informed. It is hoped that a range of these measures can be used to determine consumers' financial capability as financial capability may vary across time and cultures.

Determinants of Financial Capability

A number of factors have been found to influence financial capability. Amongst the most common factors are demographic and socioeconomic characteristics, such as gender, age, income, education and marital status (National Financial Capability Study, 2009; Atkinson, 2006; HM Treasury, 2007; Taylor, 2011). However, there are other factors such as financial literacy, money attitude and financial problem that might have direct and indirect effects on financial capability. Each of these factors was further defined by specific behavior and a key question that will also add to the understanding of financial capability is what are the factors that facilitate and impede the development of financial capability, and which of these factors impact on the development of intention to engage in financially effective behaviors. The studies found that numerous factors impacted on financial capability and distress, amongst

which are attitudinal, social, structural, skills and knowledge factors (AC Nielsen & ANZ, 2005).

Financial Literacy

In order to see the link between financial literacy and financial capability, a conceptual framework of financial capability was by the UK Financial Services Authority [FSA], (2005). According to the framework, financial capability consists of the interrelated elements of knowledge, skills as well as attitudes. Within the framework on financial capability introduced by the FSA, basic literacy skills were said to be one of eleven factors that influence individuals' financial capability and their financial decision-making. Remund (2010) reviewed the conceptual definitions of financial literacy and determined that definitions fell into five categories: (1) knowledge of financial concepts, (2) ability to communicate about financial concepts, (3) aptitude in managing personal finances, (4) skill in making appropriate financial decisions and (5) confidence in planning effectively for future financial needs. Remund concluded that financial literacy is more than simply a measure of knowledge and offered this definition of financial literacy: "a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision making and sound, long-range financial planning, while mindful of life events and changing economic conditions"

Money Attitudes

The importance of money in one's life is increasing from day to day as it becomes an essential factor of our daily lives. It is not only important to take care of our social life but also as an important ingredient for our emotional and financial happiness. Money is powerful as it has the ability to influence people's well-being and cognition and able to provoke anxiety and unhappiness for those who lack of money (Furnham, 1996). Money has been recognized as an important factor to attract, retain and motivate the employees as well as bring the significant impacts on the individual's behavior, performance and effectiveness in organizations (Milkovich & Newman, 1993). People's attitudes toward money are a summary of their life experiences in the past. These different attitudes are obtained through an individual's primary and secondary socialization process, parents' income, education, social class, beliefs, child-rearing practices and monetary habits (Furnham, 1984). According to Stumm, O'Creevy and Furnham (2012), money attitudes in term of managing security of money has a positive association with three domains in financial capability namely making ends meet, planning ahead and staying informed. Hence, it is suggested that people with a money-security attitude tend to be more capable in managing their resources than those who do not associate money with security. In fact, a broader adaptation of security attitudes towards money may not only lower the individual's risk of going bankrupt but it may also reduce the probability for future global financial crises.

Financial Problems

A number of researchers have examined factors contributing to financial capability. It was found that financial problems to be a good predictor of financial incapability (Taylor, 2009). A result indicates that the mean index of financial incapability increases with the number of financial problems. From the result, regression results indicate that the index of financial incapability explains 88% of the total variance in the number of financial problems. Low income, unable to pay for medical bills and little or no saving were among the financial problems that highlighted in Taylor's study. Financial problems not only associated with individuals' financial well-being but also affect the productivity of the individual itself. According to Family and Work Institute (1997), employees' personal finances are related to work outcome whereby it associated with characteristics of employees, aspects of their personal well-being, and characteristics of their jobs and workplaces. Employees with less satisfied with their personal finances report more conflict between money and work. Problem employees can damage workplace morale as well as diminish their productivity (Garrett, 1993).

METHODOLOGY

Sample

The sample comprised of 446 young employees in public and private sectors, in which 290 from public sectors and 156 from private sectors participated in the study. Samples were selected using multistage sampling technique. The data were collected using self-administered questionnaire which were distributed through human resource personnel of selected agencies. Data was coded and analyzed using SPSS to identify direct and indirect determinants of financial capability among young Malaysian employees.

The mean age of the sample was 32 years ($SD= 4.846$, median age = 31 years). Of this sample, 36.5% were male and 63.5% were female. The majority of the respondents were Malay (94.6%). The mean monthly income of the respondents was RM2502. Regarding marital status, more than half of the respondents (68.4%) reported that they were married.

This study used a multi-stage random sampling technique in selecting the sample study in the center zone of Peninsular Malaysia namely Southern Perak, Selangor, Federal Territory of Kuala Lumpur, Federal Territory of Putrajaya and Northern Negeri Sembilan. A total of 600 young employees were selected as the respondents. Four states in the center zone were randomly selected in the first stage. Each state was targeted to obtain 150 respondents. In the first stage, states of Perak, Federal Territory of Kuala Lumpur, Federal Territory of Putrajaya and Selangor were chosen. State of Perak and Federal Territory of Putrajaya have been chosen to represent the

respondents who work in public agencies. , public agencies located in Perak and Federal Territory of Putrajaya based on a list of the departments from the government websites was selected. Next, private agencies located in Federal territory of Kuala Lumpur and Selangor based on a list from the Malaysian Employers Federation (MEF) was selected. Each state was targeted to have five agencies with thirty respondents represented from each agency. There were four stages involved prior to administration and collection of data. In stage 1, the officers from human resource department of chosen agencies were contacted through telephone to explain the intention of the study. In stage 2, pre-approach letters were sent and followed by fax in order to explain about the study and to get the approval. Once approved, the agencies provided a person in charge or respected agency representative together with their particulars included personal contact number, postal and e-mail address. In stage 3, personal visits to the agencies were made to meet the person in charge and they were explained about the study in term of objectives of the study, the expected outcome from the study and a target group that involved in this study. In the final stage, the person in charge identified list of participants that meet the requirement to be involved in this study. The date and time were set by the person in charge before the data collections were done. Consent to take part in the study was obtained prior to giving out the survey forms.

Dependent Variable

The employees' financial capability was measured by twenty statements comprising of four domains which are, managing money, staying informed, choosing products and planning ahead with a five-point-likert scale question. A financial capability score was computed by summing the averages score for all twenty items. Those who were not capable ended up towards the lower scores, while those who were more capable ended up towards the higher scores. The Cronbach's alpha reported was 0.897.

Independent Variables

Financial Literacy

Financial literacy was measured by an instrument developed by Sabri MF., Masud J., Paim L. (2006) based on the Malaysian context. The instrument consisted of 16 statements indicate the true, false or don't know answer. In this section, the respondents were asked on general knowledge, credit card, debt/ loan, Islamic products and services and savings/ investment. Each correct answer carried one point, false answers were given zero point. Each correct answer carried one point, false and "don't know" answers were given zero point. Item analyses with correctly identified items were summed and the score was transformed into a percentage. Higher percentage scores indicated higher level of financial literacy. In this section, financial literacy was divided into three categories, namely low mean score (1-5), medium mean score (6-11) and high mean score (12-16). The average score was 8.59, with a standard deviation of 2.704.

Money Attitude

Money attitude in this study was measured by adopting six dimensions from the Furnham's Money Beliefs and Behaviors Scale (MBBS) that comprises of obsession, retention, inadequacy, effort, power and security. Money attitude involved 24 items that describe the feelings and experiences of the respondents with a five point Likert scale from strongly disagree (1) to strongly agree (5). Factor analysis was applied to identify the domains of money attitude and cronbach alpha was used to test the reliability for each factor. The factors with values of 0.60 and above were acceptable for further analysis while the lower reliability values were dropped from further analysis. The Cronbach's alpha reported was 0.747.

Financial Problems

The frequency of financial problem scale was employed to measure the frequency of problems related to lack of money for essential expenses, uncertain about where money is spent, owe friend(s) money and spend more than can afford. This scale comprised of seventeen items scored from (1) never to (3) always. The Cronbach's alpha reported was 0.888.

RESULTS AND DISCUSSIONS

Demographic Details of the Respondents

The respondents consisted of 290 employees from public agencies and 156 from private agencies. The majority of the respondents were female (63.5%), and the male constituted 36.5%. The majority of the respondents were between the ages of 26 to 30 years. A total of 94.6% (422) were of Malay ethnicity, 1.8% (8) Chinese, 2.5% (11) Indians and 1.1% (5) of other ethnic background. Two-third of the respondents were married (68.4%). Most of the respondents were SPM and Diploma holders (27.1%) and followed by Degree holders (25.1%). More than half of the respondents had a monthly income of RM1, 500 to RM2, 999 (50.71%) and 21.05% of them were reported to earn less than RM1, 500 per month.

Table 1 Profile of Respondents

Demographic	Characteristics	N	%
Sector	Public	290	65.0
	Private	156	35.0
Gender	Male	163	36.5
	Female	283	63.5
Age	20-25 years	58	13.0
	26-30 years	156	34.9
	31-35 years	139	31.2
	36-40 years	93	20.9

Demographic	Characteristics	N	%
Ethnicity	Malay	422	94.6
	Chinese	8	1.8
	Indian	11	2.5
	Others	5	1.1
Marital status	Single	129	28.9
	Married	305	68.4
	Others	12	2.6
Education	SPM	121	27.1
	STPM	40	9.0
	Certificate	34	7.6
	Diploma	121	27.1
	Degree	112	25.1
Household income	Master/PhD	18	4.0
	> RM1,500	88	21.05
	RM1,500- RM2,999	212	50.71
	RM3,000- RM4,499	59	14.11
	RM4,500-RM5,999	5	1.19
	Above RM6,000	12	2.87

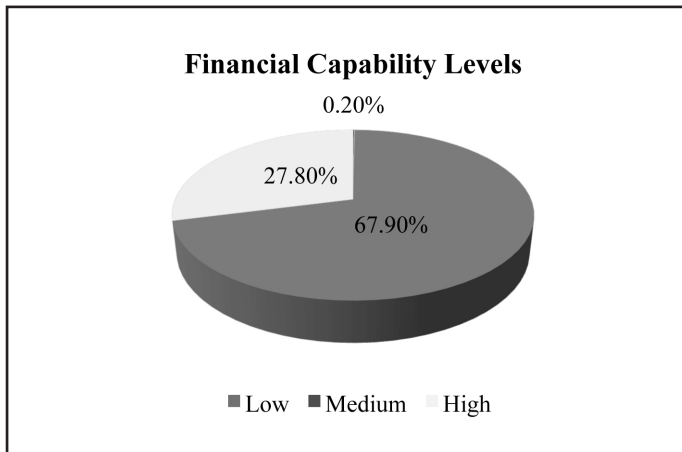
Financial Capability Levels

The respondents' financial capability was measured by twenty statements comprising of four domains which are, managing money, staying informed, choosing products and planning ahead. In term of managing money, most of the respondents agreed that they had managed their money properly whereby 64.1% of them make plans for their expenses and pay bills on time and 60.5% of the respondents had regularly set money aside for possible unexpected expenses. In term of planning ahead, there were still less than half of the respondents had plan ahead especially for their retirement life. The results indicated that only 48.7% of the respondents make financial provision for retirement. In term of staying informed, there were very few of the respondents who interested to keep up to date with the financial information and did not interested to seek information through professional advice. The results indicated that only 30% of the respondents keep up to date with financial information and only 22.4% of them willingly to get advice from the professionals. In term of choosing products, most of the respondents considered several policies or loans from different companies before make decision, read the terms and conditions in detail before agreeing or signing and make personal consideration rather than believe and accept what had recommended by the financial advisers. Figure 2 shows the financial literacy scores by categories. The result indicated that 67.9% of them had moderate levels of financial capability.

Table 2: Financial Capability

No.	Statements	SD	D	N	A	SA
		n %	n %	n %	n %	n %
1.	I make plans for my expenses	4(0.8)	9(1.8)	78(15.4)	330(65.0)	87(17.1)
2.	I pay my bills on time	2(0.4)	16(3.1)	74(14.6)	326(64.2)	90(17.7)
3.	I review and evaluate my expenses	5(1.0)	48(9.4)	153(30.1)	251(49.5)	51(10.0)
4.	I regularly set money aside for possible unexpected expenses	2(0.4)	36(7.1)	111(21.9)	308(60.6)	51(10.0)
5.	I set specific financial goals and strive to achieve them.	2(0.4)	22(4.3)	122(24.0)	305(60.0)	57(11.2)
6.	I regularly monitor financial indicators such as changes in the housing market, stock market and interest rates	17(3.3)	83(16.3)	235(46.3)	152(29.9)	21(4.1)
7.	I actively seek financial information through professional advice.	24(4.7)	128(25.2)	229(45.1)	113(22.2)	14(2.8)
8.	I frequently keep up to date with financial products	12(2.4)	103(20.3)	212(41.7)	158(31.1)	23(4.5)
9.	I am always interested to learn to make comparisons in financial services offered.	11(2.2)	82(16.1)	182(35.8)	196(38.6)	37(7.3)
10.	I would like to know further about financial issues and learn how to interpret the information	9(2.2)	46(9.1)	184(36.2)	235(46.3)	32(6.3)
11.	I considered several products/loans/policies/accounts from different companies before making my decision.	9(1.8)	35(6.9)	137(27.0)	289(56.9)	36(7.1)
12.	I have read the terms and conditions in detail before agreeing / signing.	4(0.8)	28(5.5)	112(22.0)	306(60.2)	58(11.4)
13.	I understand about the various financial products that I need without consulting a financial adviser.	15(3.0)	97(19.1)	206(40.6)	166(32.7)	24(4.7)
14.	I believe financial advisers and accept what they recommend	18(3.5)	135(26.6)	216(42.5)	120(23.6)	18(3.5)
15.	I compare products on features and price rather than making a choice based on brand image	8(1.6)	71(14.0)	132(26.0)	257(50.6)	39(7.7)
16.	I make adequate provision for unexpected expenses (shrinking income)	5(1.0)	42(8.3)	199(39.2)	236(46.5)	25(4.9)
17.	I make financial provision for retirement.	8(1.6)	45(8.9)	167(32.9)	257(52.6)	30(5.9)
18.	I prefer to have a good standard of living today than planning for retirement.	14(2.8)	106(20.9)	162(31.9)	194(38.2)	32(6.3)
19.	Household income after retirement are able to guarantee my life more comfortable	4(0.8)	37(7.3)	197(38.8)	224(44.1)	45(8.9)
20.	Apart from contributing in pension funds, it is important for me to make my own savings	1(0.2)	7(1.4)	72(14.2)	320(63.0)	108(21.3)

* Notes=Strongly Disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly Agree

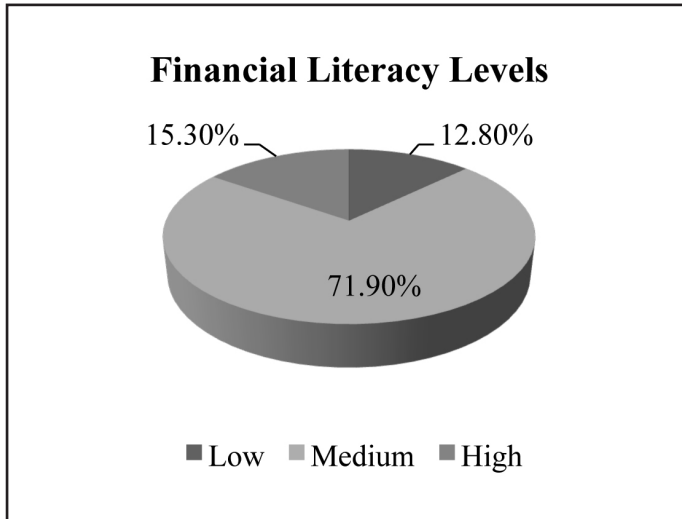
Figure 1: Financial Capability Score Categories

Financial Literacy levels

In order to identify the levels of financial literacy, the respondents were tested with 16 questions concerning general knowledge on personal finance, savings, investments, financial records, credit, and retirement, banking system, wills and insurance (Table 3). In general, most of the respondents were understood with the concept of credit card whereby 76.7% of them answered correctly on the question of "Credit card holder can spend without limit" and 67.9% of the respondents know that they will be charged for cash withdrawals if they use credit card. However, only 25.6% of the respondents were aware of the importance of the will for a family while more than half of the respondents were misunderstood about the term of savings. The result also indicated that there is some information that less known among the respondents. The study found that only 27.1% of respondents know that a person who is declared bankrupt is not allowed to apply for a loan of more than RM1000 and more than half of the respondents (58.3%) did not know that they could be declared bankrupt if the debt owing exceeds RM30, 000. Meanwhile, Figure 1 shows the financial literacy scores by categories. The result indicated that only 67 of the respondents (15.3%) were in high levels of financial literacy.

Table 3: Financial Literacy

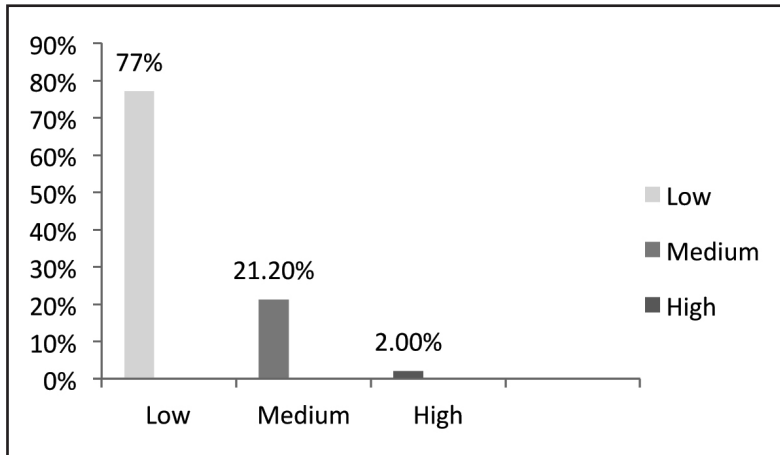
No.	Item	Correct Answer	n (%) Correctly Answered	n (%) Wrongly Answered	n (%) Don't Know
1.	Credit card holder can spend without limit	False	343(76.70)	72(16.10)	32(7.20)
2.	There is no finance charge for cash withdrawals using credit card	False	303(67.90)	29(6.50)	114(25.60)
3.	Credit Counseling and Debt Management Agency (AKPK) offers financial loans	False	210(47.10)	53(11.90)	183(41.0)
4.	The increase of the price of goods will reduce buying power	True	332(74.40)	71(15.90)	43(9.60)
5.	One can spend more than 40% of their monthly income for installments	False	111(24.90)	178(39.90)	156(35.0)
6.	Income statement shows income and the expenses of a family in a specific period	True	306(68.60)	26(5.80)	112(25.10)
7.	Individuals who have declared bankruptcy are not allowed to apply for a loan more than RM1000	True	121(27.10)	52(11.70)	271(60.80)
8.	A person can be declared bankrupt if the debt owing is more than RM30,000	True	138(30.90)	47(10.50)	260(58.30)
9.	Savings is an extra income after deducting expenses	False	77(17.30)	328(73.50)	41(9.20)
10.	All types of investments are profitable	False	233(52.20)	135(30.30)	76(17.0)
11.	Family needs to save three months income for emergencies	True	350(78.50)	22(4.90)	74(16.60)
12.	Employment Provident Fund (EPF) contribution are sufficient for retirement	False	372(83.40)	40(9.0)	34(7.60)
13.	Will is unnecessary for a family	False	114(25.60)	205(46.0)	126(28.30)
14.	Islamic banking concept is interest-free	True	205(46.0)	114(25.60)	126(28.30)
15.	Takaful plan is divided into two, general takaful and family takaful	True	214(48.0)	26(5.80)	206(46.20)
16.	Unsecured loans such as personal loans lower interest rates than secured loans such as home loans	True	125(28.0)	320(19.70)	232(52.0)

Figure 2: Financial Literacy Score Categories

Financial Problems Levels

Respondents were asked to answer twenty-six situations of financial problems that they are currently facing. Mean score was used in order to determine financial problems of the respondents on a three points Likert scale from never (1), sometimes (2) and always (3). This subjective appraisal of financial situation was coded 1 to 3 so that the higher scores refer to higher levels of financial problems. The result showed that the statement of save less than 10% from total monthly income indicated the highest mean score (mean= 1.97) among the young employees, followed by spend more than earning (mean= 1.67), did not know how the money spent (mean= 1.66) and disagreement with spouse regarding financial matters (mean= 1.50). Even though there is no specific percentage to put money aside for savings, the standard that many experts set is at least 10% of their income, but it's better if they can increase this amount over time. Apart from that, couples who reported disagreeing about finances could not be taken for granted as it may affect the well-being of the family as a whole. Table 3 shows the financial problems levels. The result indicated that only seven of the respondents (2.0%) were in high levels of financial problems.

Figure 3: Financial Problems Levels



Money Attitudes

The respondents were asked to describe their experience and feeling on the money based on these four dimensions of money attitude. The first dimension in money attitude is obsession. Obsession within this concept means that people see money as a resolving to many problems and as a provider to superiority. The results showed that mostly of the respondents did not make money their obsession. By combining categories, only 32.1% of the respondents agreed that money can solve their problems while 84.0% of the respondents did not interested to show-off to their friends about their financial success. Meanwhile only 16.8% of the respondents believe that money is the only thing that they can depend on in their life.

The second dimension is retention of money that illustrated the attitude of the people who tracking money through budgeting and planning and prepare for their future financial needs. According to Furnham and Argyle (1998), retention refers to the degree to which people have a careful approach to wealth and prefer not to spend their money on anything. The results showed that 41.9% of the respondents had a mixed feeling whether they feel guilty to spend their money on necessities even though they had enough money during that time. About one-quarter (31.5%) of the respondents worried about their finances much of the time while 44.7% of the respondents had difficulty in making decision on spending their money. In can be conclude that respondents with strong feeling of retention prefer to save money and fearful of lacking money in the future. Even though the results showed that only 18.3% (combining categories) did not often feel guilty about spending money even on necessities, they still have difficulties in making decisions about spending money, regardless of the amount involved and their actual ability to afford it. By combining

categories, 32.2% of the respondents expressly reject such attitude whereby they believe it is better to spend money and enjoy the consequences. They often fantasize about money and what they could do to spend it.

The third dimension is inadequacy of money. People with financially inadequate are those who worry about their financial situation most of the time, feel that most of their friends have more money than they do and believe other people over-estimate their actual financial resources. By combining categories, it showed that 42.9% of the respondents did not agree that their friends have more money than they do. Only 18.7% of the respondents feel anxious when they were asked about their personal finances. It can be conclude that the respondents had a good degree of perception of having enough money.

The final dimension is effort of money. Effort within this concept related with the belief that hard work brings success and that their heirs to money might not necessarily be more comfortable. According to Furnham (1984), people with high on work ethic are tend to be obsessed with money and believe that it can be gained by effort and ability. The results showed that half (57.1%) of the respondents believe that the amount of money that a person earns is closely related to their ability and effort. 40.2% of the respondents were satisfied with their present income as what they deserve base on the job given. Slightly more than half (57.9%) of the respondents keep track with their money and know how much they had in their bank or savings account included the credit/loan incurred.

Scores for each of the four dimensions were computed by summing the average score for all of the items. Dimension with a high score representing a high level of the attitude. Figure 4.6 showed that the respondents scored high on effort of money attitude (mean= 16.9) and followed by retention of money (mean= 12.3). It can be concluding that the respondents believe the money they gain was based on their effort and ability. The respondents were also be careful on their wealth and prefer not to spend their money on anything unnecessary.

Table 4: Money Attitudes

Statements	SD		D		N		A		SA	
	n	%	n	%	n	%	n	%	n	%
Obsession										
I firmly believe that money can solve all of my problems	44	(8.7)	225	(44.3)	76	(15.0)	137	(27.0)	26	(5.1)
I feel that money is the only thing I can really count on	47	(9.3)	232	(45.7)	143	(28.1)	75	(14.8)	10	(2.0)
I sometimes feel superior to those who have less money than myself regardless of their ability and achievements	86	(16.9)	228	(44.9)	151	(29.7)	37	(7.3)	5	(1.0)
I am proud of my financial victories and let my friends know about them.	240	(47.2)	187	(36.8)	53	(10.4)	25	(4.9)	2	(0.4)

Statements	SD	D	N	A	SA
	n %	n %	n %	n %	n %
Retention					
Even when I have sufficient money I often feel guilty about spending money on necessities like clothes	45(8.9)	157(30.9)	213(41.9)	84(16.5)	9(1.8)
I often have difficulty in making decisions about spending money regardless of the amount	20(3.9)	148(29.1)	108(21.3)	227(44.7)	5(1.0)
I worry about my finances much of the time	134(26.4)	127(25.0)	64(12.6)	160(31.5)	23(4.5)
I often fantasize about money and what I could do with it	139(27.4)	140(27.6)	64(12.6)	143(28.1)	21(4.1)
Inadequacy					
I put money ahead of pleasure	37(7.3)	234(46.1)	125(24.6)	92(18.1)	20(3.9)
Most of my friends have more money than I do	191(37.6)	27(5.3)	130(25.6)	129(25.4)	31(6.1)
I often feel anxious and defensive when asked about my personal finances.	24(4.7)	202(39.8)	186(36.6)	89(17.5)	6(1.2)
Effort					
I am proud of my ability to thrift	49(9.6)	105(20.7)	200(39.4)	134(26.4)	19(3.7)
I believe my present income is about what I deserve, given the job I do	33(6.5)	105(20.7)	136(26.8)	204(40.2)	29(5.7)
I believe that the amount of money that a person earns is closely related to his/her ability and effort	13(2.6)	34(6.7)	90(19.7)	290(57.1)	81(15.9)
I am proud of my ability to save money	11(2.2)	80(15.7)	160(31.5)	229(45.1)	28(5.5)
I always know how much I have in my bank, savings account, or credit/loan.	9(1.8)	51(10.0)	109(21.5)	294(57.9)	45(8.9)

* Notes=Strongly Disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly Agree

Table 5: Pearson's Correlation Coefficients between Financial Literacy, Money Attitude and Financial Problems with Financial Capability

Variables	Pearson's Correlation (r)	P
1. Financial literacy	0.12*	0.013
2. Money attitude	0.251**	0.000
3. Financial problems	-0.187**	0.000

Significant: ** $p < 0.01$, * $p < 0.05$

In examining the relationship between financial literacy, money attitude and financial problems with financial capability was investigated using Pearson's correlation coefficient. From the result, there was a very weak positive relationship between financial literacy and financial capability [$r=0.12, p < 0.05$] and between money attitude and financial capability [$r=0.251, p < 0.01$]. However there was a very weak negative relationship between financial problems and financial capability [$r=-0.187, p < 0.01$].

Table 6: Multiple Regression Results

	Unstandardized	Standardized	Beta	T	Sig.
	Coefficients	Coefficients			
	B	Std. Error			
(Constant)	42.423	6.438		6.589	0.000
Household income	0.000	0.000	-0.063	-1.248	0.213
Education level	-0.007	0.292	-0.001	-0.025	0.980
Marital status	-0.488	0.990	-0.024	-0.493	0.622
Financial literacy	0.390	0.177	0.111	2.204	0.028
Money attitude	0.431	0.074	0.277	5.849	0.000
Financial problems	-0.368	0.096	-0.186	-3.809	0.000

R=0.357; R Square=0.128; Adjusted R Square=0.11; F=7.218; Sig. F=0.000

By referring to the table of Coefficient, the Beta value shows which variable makes the strongest unique contribution to explain the dependent variable and the significant value will explain whether the variable making a significant unique contribution to the prediction of dependent variable. From the result obtained, only financial literacy, money attitude and financial problems make a unique contribution to financial capability whereby money attitude contributed most (Beta=0.265). However, the adjusted R square indicates that only 10.5% of the variance in the financial capability can be explained by the IVs (financial literacy, money attitude and financial problems). It indicates that a good level of financial literacy together with positive money attitudes become the factors that promote the financial capability of the individuals while financial problems might hinder the individuals to be financially capable as the result showed that there was a negative significant association between financial problems and financial capability.

CONCLUSION

This research was conducted to investigate the determinants of financial capability among young employees in public and private sector. The results suggest that three observed variables that are financial literacy, money attitude and financial problems were significantly contributed in predicting financial capability among young employees in both sectors. The results also indicate that financial problems lead to lower financial capability. However there was no influence of demographic characteristics (household income, education level, and marital status) toward financial capability of young employees.

It may be that adults who seek to enhance their life chances through education or training will be especially open to discussions about making the most of their money, and make sure that they have a secure future. If so, there is a real potential

for improving the financial capability as well as literacy and numeracy. The bigger challenge is to reach out to adults who do not know the future benefit from literacy and numeracy support, as well as from increased levels of financial capability. These individuals can only increase their financial capability scores through long-term incentive plan. While improving financial knowledge alone is not enough to improve financial behavior (Remund, 2010). Therefore, by taking a developmental perspective, it is believe that individuals nowadays are becoming more self-financing on their paths to adulthood. The maturity and increasing awareness of one's value, attitudes and abilities, together with knowledge and behavior become a critical factor to promote financial capability.

For today's young adults, financial security is in the hands of its own. Although young people have their adult life to reach security, the process begins now. Good financial decisions can help a person achieve financial security, but the benefits of financial knowledge, awareness and capabilities beyond having money into the physical and psychological well-being. Achieving financial capability begins with education and requires active and continuous learning throughout life. Thus, consumers need to update their knowledge and skills continuously. The ability to learn about new issues is a key requirement for financial capability. However, due to this flexibility, it is difficult to define the adequate level to assume that someone is capable enough. Therefore, in order to attain financial well-being, the financial capability must be put into the practice. Even if the consumers have the knowledge and skills to manage their finances, they must have a clear understanding and responsibility to adapt to certain circumstances.

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