



## Gender, Educational Qualification and Ethnicity Differences in Personal Financial Management Practices among Generation Y in Malaysia

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### Authors' contributions

*This work was carried out in collaboration among all authors. Author RA designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Authors MRAK and ZO managed the analyses of the study. Author MSF managed the literature searches. All authors read and approved the final manuscript.*

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### ABSTRACT

This paper examines gender, educational qualification, and ethnicity differences in personal financial management practices among Generation Y in Malaysia. The issue of this study concerns the number of young generation identified as Generation Y, who has been declared bankruptcy keep on increasing year-to-year. Therefore, this study focuses on Generation Y, who was born from 1981 to 2001 and included respondents from all the states of Malaysia. The Statistical Package for the Social Sciences version 25.0 (SPSS 25.0) was used to analyse a total of 119 valid questionnaires collected using the Chi-Square test. The findings displayed that only ethnicity differences in personal financial management practices among Generation Y in Malaysia were found. The results of the study can be used as guidelines by the Malaysian government agencies and policymakers. They can also enhance their knowledge regarding financial needs and education

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to improve peoples' personal financial management practices as well as being an alternative in finding the solution to control the bankruptcy problem among members of Generation Y in Malaysia.

*Keywords: Gender; educational qualification; ethnicity; personal financial management practices; generation Y.*

## 1. INTRODUCTION

Nowadays, around 40 percent (12,774,790) of Generation Y from total of Malaysian population (31,936,976) until November 2018 [1]. Based on the Asian Institute of Finance (AIF) [2] reported Generation Y is the next generation after Generation X comprises of people who born from 1981 to 2001. According to Kumar and Lim [3], the characteristic of Generation Y can be described as quick adopters of the latest technologies, well-educated, tech-savvy, being extremely reliant on the Internet and being excited to shop. Generation Y in Malaysia plays an important role in the overall growth of the economy country, which will soon dominate the consumer market after Generation X. Therefore, Generation Y in Malaysia should be cautious from the situation, which can inconvenience their daily life and negatively affect the Malaysian economy, such as bankruptcy.

Unfortunately, Generation Y in Malaysia was not sound practice in their financial management. This supported by the report published by the Malaysian Department of Statistics (MDI) [1] stated that the total bankruptcy cases of youth (below the age 34 years old) in Malaysia who have been declared bankrupt from the year 2010 to 2017 was 41,913 cases. From this number showed that from 2010 to 2017, an average of 14 person of Generation Y in Malaysia was declared bankrupt on a daily basis.

In addition, based on AIF [2] report also mentioned that Generation Y in Malaysia has a high possibility to declare bankruptcy due to their experiencing of these events: (a) 38 percent had high-cost debts from personal borrowings, (b) 47 percent were engaged in accruing costly credit card bills, (c) 75 percent had at least one source of the long-term loan, (d) 37 percent had more than one long-term debt liability, (e) 70 percent only paid the minimum monthly payments on their credit cards' commitments and (f) 45 percent did not pay their debts on time. Therefore, based on the statistics report, it can be concluded that Generation Y is the main target of a group which Malaysian government

should focus on as for control and reduce the household consumption. Meanwhile, the main reason of failure among this particular generation is the inability to managing personal finance, which caused the high number of bankruptcy cases as well as the financial difficulties encountered by them. Therefore, Generation Y of Malaysia becomes the main target group as the respondents for this study due to these circumstances.

Furthermore, the MDI also reported that the main causes of bankruptcy in Malaysia are due to the poor financial management practices and lack awareness regarding their debts from 2012 until 2018 [1]. This supported by Manulife Investor Sentimex Index (MISI) [4] found that Malaysian have a weak in financial management practices. Based on the scenario and problem facing Generation Y in Malaysia, it can be concluded that the main reason for the personal financial problem is the failure of personal financial management practices. Hence, it is vital to investigate the lack of personal financial management practices would give useful information regarding Generation Y financial needs and also educated to improve their personal financial management practices. Additionally, it can be an alternative to find the solution to control and reduce the bankruptcy problem among Generation Y in Malaysia. Thus, the objectives of this study were to examine gender, educational qualification, and ethnicity differences in personal financial management practices among Generation Y in Malaysia.

## 2. LITERATURE REVIEW

Personal financial management practices are defined as processes that individuals use to manage their financial needs, such as planning their finance, retirement, loans, and cash management for achieving financial well-being [5]. Moreover, personal financial management practices as the cumulative set of behaviours which comprise strategies, determination, and decision that was related in the field of retirement, insurance, capital, credit, and finance [6]. The previous study found that the key to

achieving financial well-being is financial management [5,7,8,9]. Therefore, based on the findings from previous studies, it can be assumed that an individual that practices good personal financial management practices will eventually obtain prosperous financial well-being.

Several studies have shown that education, gender, and ethnicity are the most important role in financial decision making [10,11,12,13,14,15]. Benjamin et al. [16] and Yiing-Jia [17] also found that gender, ethnicity and education were the factors that influence an individual's financial management practices. Therefore, education qualification, ethnicity, and gender become independent variable for this study to examine differences in personal financial management practices among Generation Y in Malaysia.

According to Hasler et al. [18] and Kim et al. [19], different gender would have different sets of belief and practices performed regarding money. Previous studies also have found that different genders would create different outcome regarding practices on financial matters [20,21,22,19,23,24]. Besides, differences in gender also have been found to give dissimilar on an individual's behaviour [25]. The conclusion of the results found that there is a difference between female and male when it comes to financial matters.

Furthermore, previous studies also found that differences in qualifications of education have different financial practices [26,27,28,29,17]. According to Lusardi [29], a low-education person usually doesn't have a financial plan that led them to not accumulate wealth and fear to invest in high-risk return assets. The study by Yiing-Jia [17] found that person with low education have weak financial management while a person with high education has sound of financial management. This leads to the conclusion that when it comes to dealing with financial issues, there is a difference between educational qualifications.

Moreover, studies by Yiing-Jia [17], Leila et al. [30], and Jariah et al. [31] found that different ethnic group would have different practices on financial matters. Leila et al. [31] stated that each of ethnic group has their lifestyle, philosophy, and in turn differences in finance practices. This leads to the conclusion that in the handling of financial matters, there is a difference between ethnicity groups. Hence, gender, educational

qualification, and ethnicity were selected as the independent variables for this study. Meanwhile, personal financial management practices as the dependent variable. In this paper, therefore, presents the hypothesis as follows:

- H1<sub>0</sub>: There is no gender differences in personal financial management practices among Generation Y in Malaysia.
- H1<sub>1</sub>: There is gender differences in personal financial management practices among Generation Y in Malaysia.
- H2<sub>0</sub>: There is no education qualification differences in personal financial management practices among Generation Y in Malaysia.
- H2<sub>1</sub>: There is education qualification differences in personal financial management practices among Generation Y in Malaysia.
- H3<sub>0</sub>: There is no ethnicity differences in personal financial management practices among Generation Y in Malaysia.
- H3<sub>1</sub>: There is ethnicity differences in personal financial management practices among Generation Y in Malaysia.

### **3. RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Deductive approaches were used in this study. A cross-sectional survey design was used to examine gender, education, and ethnicity differences in the practices of personal financial management by using convenience sampling techniques under non-probability sampling. The tool used for this study for data collection was an online survey method.

#### **3.2 Population and Sampling**

According to AIF [2], Generation Y is the generation born between 1981 and 2001. Therefore, the study was carried out by respondents who were born between 1981 and 2001 and must be residents in Malaysia (12,774,790 target population). For the sample size of respondents, this study used G\*Power 3.1 software [32] to calculate the sample size of respondents. The sample size was calculated according to these parameters as suggested by Hair et al. [33]; medium effect size of 0.15, alpha ( $\alpha$ ) value of 0.05, maximum power of  $(1-\beta)$  0.95 and based on three predictors. The total sample 119 person of Generation Y involve as

respondents in Malaysia based on using G\*Power software was adequately proposed for this paper.

### 3.3 Variables Measurements

A tool comprising of eight items was adopted from Joo [34], Joo and Garman [35] and Ansar et al. [36] to measure personal financial management practices for this study, All items used a 5-point Likert scale that contain these ranges for examining the degree of personal financial management practices: 1 (Strongly Disagree), 2 (Disagree), 3 (Neither), 4 (Agree) and 5 (Strongly Agree). Apart of that, the measurement for gender (1. Male; 2. Female), Ethnicity (1. Malay; 2. Chinese; 3. Indian; 4. Bumiputera Sabah; 5. Bumiputera Sarawak; 6. Others) and Educational Qualification (1. SPM and Below; 2. STPM or Diploma; 3. Bachelor's degree; 4. Master's degree; 5. Doctoral degree).

### 3.4 Data Analysis Method

The Statistical Package for the Social Sciences version 25.0 (SPSS 25.0) was employed for entering all the collected data as well as measuring the frequency of each variable to analyse the data within this study using Chi-Square tests.

## 4. RESULTS AND DISCUSSION

Table 1 shows the demographic variables of a total of 119 respondents. The respondent consists of 66 male (55.5 percent) and 53 female (44.5 percent). Also, as Table 1 shows that the most respondents consist of Malay and Chinese ethnicity with 26.1 percent followed by Indian with 17.6 percent, Bumiputera Sarawak with 13.4

percent, Bumiputera Sabah with 11.8 percent and the others with 5 percent. Meanwhile, the respondents ranked accordingly to educational qualification; 50.4 percent of respondents were hold a Bachelor, 20.3 percent have a Master's degree, 17.7 percent were holders of STPM (Malaysian Higher School Certificate) or Diploma, 9.2 percent were holders of SPM (Malaysian School certificate) and the lowest is 2.5 percent were holders of PhD (Doctor of Philosophy).

Table 3 shows that the gender effect value on personal financial management practice is 0.063, which is obtained by using Chi-Square's calculated value. The five percent significance tabulated value is 5.5991. Based on the result, the hypotheses H<sub>1</sub> are rejected as the calculated value of 0.063 is less than the tabulated five percent value of 5.5991.

Based on Table 3, the finding of Chi-Square value for the effect of education qualification on personal financial management practices evaluated using Chi-Square's calculated value is 2.635, whereas the five percent of significance tabulated value is 15.507. As a result, hypothesis H<sub>2</sub> is rejected as the calculated value of 2.635 is lower than the tabulated value of 15.507.

Furthermore, the Chi-Square value for the effect of ethnicity on personal financial management practice estimated by using calculated value of Chi-Square is 20.026 (Table 3). Meanwhile, the tabulated value using five percent of significance is 18.307. Thus, hypotheses H<sub>3</sub> is accepted as the calculated value of 20.026 is higher than the tabulated value of 18.307, as reported in the results of Table 3.

**Table 1. Demographic profile of respondents**

Demographic variables	Categories	Frequency	Percentage (%)
Gender	Male	66	55.5
	Female	53	44.5
Ethnicity	Malay	31	26.1
	Chinese	31	26.1
	Indian	21	17.6
	Bumiputera Sabah	14	11.8
	Bumiputera Sarawak	16	13.4
	Others	6	5.0
Educational Qualification	SPM And Below	11	9.2
	STPM or Diploma	21	17.6
	Bachelor's Degree	60	50.4
	Master's Degree	24	20.3
	Doctoral Degree	3	2.5
<b>Total</b>		<b>119</b>	<b>100</b>

**Table 2. Gender, ethnicity and educational qualification and personal financial management practices**

		Personal financial management practice			Total
		Low	Medium	High	
Gender	Male	11	42	13	66
	Female	8	34	11	53
<b>Total</b>		<b>19</b>	<b>76</b>	<b>24</b>	<b>119</b>
Ethnicity Group	Malay	12	11	8	31
	Chinese	7	12	12	31
	Indian	3	16	2	21
	Bumiputera Sabah	1	9	4	14
	Bumiputera Sarawak	3	12	1	16
	Others	1	4	1	6
<b>Total</b>		<b>27</b>	<b>64</b>	<b>28</b>	<b>119</b>
Educational Qualification	SPM and Below	2	8	1	11
	STPM /Diploma	4	13	4	21
	Bachelor's Degree	9	38	13	60
	Master's Degree	4	15	5	24
	Doctoral Degree	0	2	1	3
<b>Total</b>		<b>19</b>	<b>76</b>	<b>24</b>	<b>119</b>

**Table 3. Chi-square test summary (Pearson chi-square)**

Relationship	Value	Df	Sig. (2-sided)	0.5% level of significance
Gender -> Personal financial management practices	0.063	2	0.969	5.991
Educational Qualifications -> Personal financial management practices	2.635	8	0.985	15.507
Ethnicity -> Personal financial management practices	20.026	10	0.029	18.307

**4.1 Discussion**

This study found that H1<sub>1</sub> was rejected, which means the gender have no differences in personal financial management practices among Generation Y in Malaysia. The results indicate that both gender male and female of Generation Y in Malaysia have the same response to personal financial management practices. Therefore, the finding is inconsistent with previous studies which discovered that different genders would have different practices on the aspect of financial matter [20,21,22,19,23,37,24]. It means that both gender male and female of Generation Y in Malaysia have the same confidence sets and behaviours when it derives to dealing with financial matters.

Furthermore, in this study also found that there are no differences in personal financial management practices between Generation Y in Malaysia in educational qualification (H2<sub>1</sub>).

Therefore, the result of this study is contrast with previous studies which revealed that different educational qualification would have different personal financial management practices [26,27,28,29,17]. Particularly, individuals with higher education and individual with lower education have the same practices when dealing with financial matters.

Finally, this study found that there are ethnicity differences (H3<sub>0</sub>) in personal financial management practices among Generation Y in Malaysia. This particular finding is reliable with previous studies showing that different ethnic groups would have different financial practices [31,30,17]. It shows that different ethnic have their own way in managing their money and personal financial management practices. Based on the finding, the Malaysia government should assist and monitor each of ethnicity groups differently that having difficulty and problem in handling their financial matter.

## 5. CONCLUSION, RECOMMENDATION AND FUTURE RESEARCH

In summary, only ethnicity differences in personal financial management practices among Generation Y in Malaysia were accepted. While both gender and educational qualifications does not have differences in personal financial management practices among Generation Y in Malaysia. Based on the finding of the studies, each ethnicity in Malaysia has their own preferences in practice of personal financial management. This indicates that the level of knowledge the Generation Y in Malaysia about the financial education is not the same because each ethnicity has its own environment background of financial. Therefore, the Malaysian government should establish a new strategy in a financial education system which can enhance all ethnicity groups in one education system. By implement a good personal financial management among Generation Y will indirectly reduce the total number of bankruptcy among Generation Y in Malaysia. Besides, the findings also can contribute towards the body of knowledge to gain a better understanding of personal financial management practice. This will indirectly give better input in the finding of solutions to reduce the level of bankruptcy facing among the Generation Y in Malaysia currently. Moreover, the author suggests that expanding others factors for future research, for instance, marital status differences, religious differences and income differences; this factors can assist in identify more appropriate causes of differences in personal financial management practices among the Generation Y in Malaysia.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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