

Factors Affecting Personal Financial Management Behaviour Among Youth in Malaysia

Aflah Isa^{1*}, NurulAshikin Romli², Nur Hafizah Azizan³, Siti Noorsiah Jamaludin⁴

^{1,2}Faculty of Business and Management, Universiti Technology MARA, Cawangan Johor, Kampus Segamat Malaysia

^{3,4}School of Information Science, College of Computing, Informatics and Mathematics, Cawangan Johor, Kampus Segamat Malaysia

*Corresponding author

DOI: <https://dx.doi.org/10.47772/IJRISS.2025.90300348>

Received: 17 March 2025; Accepted: 22 March 2025; Published: 21 April 2025

ABSTRACT

This study aims at examining the factors affecting personal financial management behaviour among youth in Malaysia. Financial attitudes, financial knowledge and locus of control have been measured as the factors. This study is carried out through questionnaire distributed among youth in Malaysia and analysed using descriptive and analytical analysis. Data are collected through the distribution of questionnaires and related journals. The reason of this study is to find the lack of financial management of young people that lead them facing a financial problem and hardly practiced on managing the financial skills. Personal financial management is important for an individual especially among youth to ensure that they are having a good plan on budgeting, spending and saving. Last but not least, this research could be useful reference to the other research and helping on improvement of personal financial management behaviour especially among young people. Expected findings from this research conclude that financial attitudes and financial knowledge factors among youth are significant. However, locus of control is not significant related to personal financial management behaviour.

Keywords: Personal Financial Management Behaviour, Financial Attitudes, Financial Knowledge, Locus of Control.

INTRODUCTION

The National Youth Development Policy of Malaysia defines youth as people aged between 15 and 40 years. Malaysia's total population in 2024 is estimated at 34.1 million as compared to 33.4 million in 2023 with a growth of 1.9 per cent. A total composition of population aged 15-64 years (working age) increased to 70.1 per cent (2024) from 69.9 per cent in 2023. A total of 84 per cent of Malaysians do not have a dedicated monthly savings based on Financial Education Network's (Fen) research. The data showed 52 per cent felt that it was difficult to set aside RM1,000 for emergency usage. "76 per cent of Malaysians have a budget, but not all of them would adhere to the budget," (Azis, 2023)

Financial management is definitely one of the important aspects of this individual life to meet their needs and wants and live comfortable in their life. Therefore, knowledge on the aspects of financial management is important to consider and emphasize to all people especially among youths and should have been educated since childhood. Today's reality, most of individuals are involved in serious financial problems such as high indebtedness, loss source of income and bankruptcy can be attributed to poor financial management and poor financial attitudes. In modern times, the youth are drifting into the way of luxury lifestyles and easy credit that lead them to indebtedness. Moreover, the youth also frequently start their lifestyles without ever having a proper strategy for their own personal financial. From those, young generation may lead them facing a financial problem if they not practiced basic financial management skill such as making a budget, having a plan and long-term vision.

According to David Lee et al. (2019), the knowledge in personal financial management also important to help the young generation make the right decisions about their financial planning relying on their financial resources.

This is also pointed that they are facing with the challenge's situations such as the need to have financial savings for emergency events, children's education for the one who already married, management of credit and risks, as well as making plans on retirement and maintenance.

However, in recent times they also face a whole lot of challenging situations consisting of restricted in financial resources and increasing the cost of living. Young people today have to face many challenges that testing their physical endurance and mental. Some of the most difficult challenges that have to face is financial problems.

Failure in managing an individual's finance can lead serious long-term consequences not only for that person but also for enterprise and society. Hence, personal financial management behaviour has received an increasing concern of researchers in recent years. Poor financial planning will be faced by those who perceive money as a measure to obtain their immediate wants Mohamad et al., 2018. Yu, K et al. (2015) stated that most of the young generation responded did not have a financial planner, and they do not want financial advice in its current form.

This is because the current lifestyle that makes them prestige increases consumptive behaviour and unwittingly betrays the authority of their parents, namely allocating funds that are supposed to meet basic needs but are used for entertainment, resulting in funds running out before the next delivery Farida et al., (2021)

A person without financial knowledge may have difficulty managing personal finances Kirui et al., (2021). If someone is not good at managing his finances, then his expenses are out of control so that he can harm himself Rosa & Listiadi, (2020). Knowledge of personal financial management is one of the important factors in making financial decisions to improve life welfare Bapat, (2019). Factors that influence personal financial management, including financial education in the family Rosa & Listiadi, (2020), financial literacy Yushita, (2017), peers Nuryana & Wicaksono, (2020), and a hedonism lifestyle Aulianingrum & Rochmawati, (2021).

LITERATURE REVIEW

Personal Financial Management Behaviour

The necessary of financial planning has become a first priority problem among youth today. According to Gabriela Topa et al., (2018), financial management behaviour is the acquisition, allocation, and use of financial resources oriented toward some goal. Financial behaviour is a young person's comprehensive estimation of current and future financial state to predict their future asset values, withdrawal plans, cash flows, and retirement plan by using financial instruments Rayenda Khresna Brahmana et al., (2018).

Nyoman Trisna Herawati et al. (2018) stated that financial management behaviour can be simplify as financial knowledge with the purpose of acquiring wealth. An individual with good financial literacy will influence his or her financial behaviour toward a positive direction, such as the payment of a bill on time, having savings and investment, and ability to manage credit cards wisely Annamaria Lusardi et al. (2010).

In summary, the study conducted to examine the effecting the relationship between financial management behaviour and financial attitude, financial knowledge and locus of control.

Financial Attitudes

According to Widyaningrum (2022), financial attitude is the knowledge of someone who is in finance, who is trained to focus on financial management. Financial attitudes in financial decision making will have both positive and negative value for applied financial behaviour and will represent a satisfactory financial management attitude. Chen-Chen Yong et al. (2018) concluded it is financial attitude that has greater influence on financial knowledge in financial management practices among youth.

In short, the attitudes towards financial for the individuals is important that may influence them on how they spend, save and invest. This studied about the factors that affecting the personal financial management among the youth in Malaysia in improving for the better financial planning.

Financial Knowledge

The financial knowledge for personal financial management is play a vital role to help every individual making the right decisions for their financial planning. They are facing several challenges in their life in meeting on the

daily financial obligation. Especially for the youth, they also problems on limited financial resources. In addition, Singh et al., (2018) considered that financial knowledge is the understanding of the financial concept for an individual. Other researcher interprets the term of financial knowledge as a complete knowledge about financial decision of an individual and is the vital to personal financial management behaviours Thao et al. (2015). Personal finance can be concluded as the management of an individual money such as budgeting, spending, investing and retirement planning.

In summary, this research is important because of financial knowledge is connected parallel with the financial attitudes for every individual in Malaysia on examine the affecting of personal financial management behaviour. This study is done to investigate the relationship between financial knowledge and financial attitude on personal financial behaviour among young people.

Locus of Control.

The study is to investigate the relationship between locus of control factors and the effect of personal financial management behaviour among young people. M. Rizky Dwi Prihartono et al. (2018) exposed that an individual who have difficulties in making financial decision are unable to perform a good financial management in the future. It is the ability to control themselves to make a decision on the future.

It can conclude that an individual has their self-control on their financial and the most important points is by having a discipline towards the way of spending. Rosyeni and Muthia Roza Linda (2018) believes that internal locus of control is important to manage the future events and what happens in the future because an individual has a great potential to determine their life direction.

METHODOLOGY

The purpose of this study is to examine the factors affecting personal financial management behaviour among youth and the relationship between financial attitudes, financial knowledge and locus of control. This study is using descriptive research because it is considered a kind of survey method. In this study, the researcher choosing Malaysia as target populations. The current population of Malaysia is 35,844,919 as of Sunday, March 9, 2025, based on World meter's elaboration of the latest United Nations data. This research is conducted by applying 160 sets questionnaires that will be distributed randomly among youth in Malaysia.

Data Analysis

Descriptive Analysis

Descriptive Analysis

Variables	Mean	Standard Deviation
Personal Financial Management Behaviour	3.7961	0.75751
Financial Attitudes	3.3375	0.86646
Financial Knowledge	3.8269	0.60592
Locus of Control	3.1473	0.61397

Based on the table above, it is shown that researchers generate data to find out the mean and standard deviation of all variables. The average of the dependent variables on personal financial management behaviour is 3.7961. The mean of the independent variables namely financial attitudes, financial knowledge and locus of control were 3.3375, 3.8269 and 3.1473 respectively. Next, the standard deviation of the dependent variables on personal financial management behaviour was 0.75751. The standard deviations for the independent variables that are the financial attitudes, financial knowledge and locus of control were 0.86646, 0.60592 and 0.61397 respectively. The highest meaning comes from the financial knowledge and the lowest is the locus of control. Followed by personal financial management behaviour, financial attitudes and locus of control.

Reliability Analysis

Reliability Analysis

Variables	Cronbach's Alpha	Number of Items
Personal Financial Management Behaviour	0.888	8
Financial Attitudes	0.912	8
Financial Knowledge	0.837	10
Locus of Control	0.683	7

Cronbach's alpha is applied in this study; the aim is to test the internal reliability for the 4 questions with 33 items. Taber and Keith. S (2017) described that Cronbach Alpha is to measure the reliability of the test. In other words, it is to identify the strength of the consistency of the test or research. A coefficient of less than 0.6 indicates a poor reliability, but coefficients of between 0.6 and less than 0.7 are considered moderate. Scores between 0.7 and less than 0.8 are good, coefficients between 0.8 and less than 0.9 are very good. It is suggested that the closer the alpha coefficient the higher the reliability.

Based on table, 8 items were used in this study to measure personal financial management behaviour, the resulting alpha coefficient was 0.888. 8 items were included to measure financial attitudes, alpha coefficient equal to 0.912 while the 0.837 alpha coefficients indicated in financial knowledge, account for 10 items. Finally, it is a 7-item measure of locus of control and the result is alpha coefficient of 0.683.

In line with Cronbach's theory, it was suggested that all items included in the test were good because each variable yielded an alpha coefficient of at least 0.6, and showed higher coefficients indicating that all items used in measuring construction were stable and consistent. Therefore, it is believed that the relationship between the items is capable and reliable for analysis.

Correlation Analysis

Correlations Analysis

		Personal Financial Management Behaviour	Financial Attitudes	Financial Knowledge	Locus of Control
Personal Financial Management Behaviour	Pearson Correlation	1	0.605**	0.513**	0.292**
	Sig. (2-tailed)		0.000	0.000	0.000
Financial Attitudes	Pearson Correlation		1	.377**	.301**
	Sig. (2-tailed)			0.000	0.000
Financial Knowledge	Pearson Correlation			1	0.285**
	Sig. (2-tailed)				0.000
Locus of Control	Pearson Correlation				1
	Sig. (2-tailed)				

This analysis was used to measure the strengths and relationships between the two variables. The results from Table show the strengths of relationships between single dependent variables and each single independent variable at the 1% significance level. Personal financial management behaviour appears to be significant and a moderate uphill linear relationship between 2 independent variables: financial attitudes ($r = 0.605$) and financial knowledge ($r = 0.513$). Also, there is a weak uphill linear relationship ($r = 0.292$) between personal financial management behaviour and locus of control. All the relationship is significant at the 0.01 level. In light of the values shown, financial attitudes reach the highest with regard to personal financial management behaviour. Furthermore, the second highest is financial knowledge correlated positively. Finally, locus of control provides a weak positive link to personal financial management behaviour.

Multiple Regression Analysis

Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.673	0.325		2.068	0.040
	Financial Attitudes	0.407	0.057	0.466	7.173	0.000
	Financial Knowledge	0.400	0.081	0.320	1.958	0.000
	Locus of Control	0.074	0.077	0.060	0.955	0.341
	R	0.681				
	R ²	0.463				
	Adjusted R ²	0.453				
	Std. Error of the Estimate	0.56032				

The table above shows that the correlation coefficient (R) is equal to 0.681, which means that a positive relationship can be found between both dependent and independent variables. It also shows that 46.3% of the variance in personal financial management behaviour can be explained by all three independent variables, including financial attitudes, financial knowledge and locus of control.

The result for financial attitudes and financial knowledge were 0.000 (0%), which is below the 5% significant level. Both variables were significant. Hence, the result explain that financial attitudes and financial knowledge were positively related to the personal financial management behaviour.

The table also shows that not all independent variables have a significant relationship with personal financial management behaviour. The variable for locus of control did not significantly influence to the personal financial management behaviour. It is because the variable is 0.341 (34.1%), which is above 5% significant level.

CONCLUSION

The result shows that financial attitudes and financial knowledge positively and significantly related with personal financial management behaviour. Financial attitudes and financial knowledge have the p-value of 0.000 (0%), which is smaller than the significant level 0.050 (5%) so the hypothesis is supported. There is significant relationship between financial attitudes, financial knowledge are the main factors affecting the personal financial management behaviour among youth in Malaysia. This supported by Thao et al. (2015), financial attitude positively and significantly related with personal financial management. Chen-Chen Yong et al. (2018) in them specified research that a finding strong knowledge of an individual youth on financial management behaviour can lead to healthy outcome and proper financial management.

Therefore, it can be concluded that the findings in the literature review are consistent with the results of this study. It can be deduced that the high level of financial attitudes and financial knowledge an individual, will influence his personal financial management behaviour.

In addition, locus of control is insignificantly related to personal financial management behaviour. It is because the p-value for locus of control variable is 0.341 (34.1%), which is above the 5% significant level. Hence, it explained that locus of control is not related with personal financial management behaviour. Based on previous research from Listiani, Kurnia (2017), it can be inferred that the better the locus of control on a young people, the better the personal financial behaviour will be in managing his finances. This research has shown that young people in Malaysia, are lack of locus of control. Thus, the research concludes that young people in Malaysia do not have a potential to control an event occur in their life.

RECOMMENDATION

Conduct other variables related to the dependent variable

The future researcher takes other variables to the study in order to add more references to researchers next. Financial planning, financial control and saving motive consider as suggestion that may be affected to the personal financial behaviour. This result can be a good reference for future research related to personal financial management behaviour.

REFERENCES

1. Azis, D. (2023, June 13). 84 per cent of M'sians don't have monthly savings - Research. Sinar Daily; Sinar Daily. <https://www.sinardaily.my/article/198464/focus/national/84-per-cent-of-msians-dont-have-monthly-savings---research>.
2. Annamaria Lusardi, O. S. (2010). Financial Literacy among the Young. *Journal of Consumer Affairs*, 44(2). Retrieved from <https://doi.org/10.1111/j.1745-6606.2010.01173>.
3. Bapat, D. (2019). Exploring Antecedents to Financial Management Behavior for Young Adults. *Journal of Financial Counselling and Planning*, 30(1), 44-55.
4. Chen-Chen Yong, S.-Y. Y.-K. (2018). Financial Knowledge, Attitude and Behaviour of Young Working Adults in Malaysia. *Institutions and Economies*, 10, 21-48. Retrieved from <https://ijie.um.edu.my/article/view/13444/8426>
5. David Lee, D. A. (2019). A Study of Factors Influencing Personal Financial Planning among Young Working Adults in Kuala Lumpur, Malaysia. *International Journal of Recent Technology and Engineering (IJRTE)*, Volume-7, 2278-3075. Retrieved from [content/uploads/papers/v7i5s/ES2134017519.pdf](https://www.ijrte.org/wp-content/uploads/papers/v7i5s/ES2134017519.pdf) <https://www.ijrte.org/wp-content/uploads/papers/v7i5s/ES2134017519.pdf>
6. Farida, Mamik & Soesatyo, Yoyok & Aji, Tony. (2021). Influence of Financial Literacy and Use of Financial Technology on Financial Satisfaction through Financial Behavior. *International Journal of Education and Literacy Studies*. 9. 86. 10.7575/aiac.ijels. v.9n.1p.86.
7. Gabriela Topa, M. H.-S. (2018). Financial Management Behavior Among Young Adults: The Role of Need for Cognitive Closure in a Three-Wave Moderated 40 Mediation Model. *Original Research Article*. Retrieved from <https://doi.org/10.3389/fpsyg.2018.02419>
8. Kirui, C. Z. (2021). Personal Financial Management Practices and Demographic Factors on Financial Wellbeing of Medical Doctors Employed in Public Hospitals Nairobi City County, Kenya (Doctoral dissertation, Kenyatta University).
9. Listiani, Kurnia. (2017). Pengaruh Financial Knowledge, Locus of Control Dan Financial Attitude Terhadap Financial Management Behavior Pada Mahasiswa. STIE PERBANAS <http://eprints.perbanas.ac.id/2917/> SURABAYA
10. M. Rizky Dwi Prihartono, N. A. (2018). Analysis Factors Influencing Financial Management Behaviour. *International Journal of Academic Research in 41 Business and Social Sciences*, 8(8), 308-326. Retrieved from <http://dx.doi.org/10.6007/IJARBS/v8-i8/4471>
11. Mohamad, I. A. (2018). Exploring Financial Management Practices and Problems among Students. *International Journal of Academic Research in Business and Social Sciences*, 8(12), 2472-2477. <http://dx.doi.org/10.6007/IJARBS/v8-i12/5762> Retrieved from

12. Nyoman Trisna Herawati, I. M. (2018). Factors That Influence Financial Behavior Among Accounting Students in Bali. *International Journal of Business Administration*, 9. Retrieved <http://www.sciedupress.com/journal/index.php/ijba> from
13. Oktala, Rosananda & Yulanda, Delvina & Raparaeni, Yusi & Lestari, Dwi. (2024). The Influence of Financial Literacy and Lifestyle on Financial Management Behaviour in Students (Case Study of Students in Lahat District). *Jurnal Manajemen*. 12. 325-333. 10.36546/jm. v12i3.1303.
14. Rayenda Khresna Brahmana, G. M. (2018). Financial Planning Behaviour Among the Young: Evidence from Malaysian University Students. *Global & Local Economic Review*, 21(21), 29-54. Retrieved from http://repository.petra.ac.id/17888/1/Publikasi1_11011_4016.pdf
15. Rosa, I., & Listiadi, A. (2020). Pengaruh literasi keuangan, pendidikan keuangan di keluarga, teman sebaya, dan control diri terhadap manajemen keuangan pribadi. *Jurnal Manajemen*, 12(2), 244-252.
16. Rosyeni Rasyid, M. R. (2018). The Effect of the Locus of Control, Financial Knowledge and Income on Investment Decisions. *Advances in Economics, Business and Management Research*. Retrieved from https://www.researchgate.net/publication/327897513_The_Effect_of_the_Locus_of_Control_Financial_Knowledge_and_Income_on_Investment_Decisions
17. Singh, N. G. (2018). Financial literacy among youth. *International Journal of Social Economics*. Retrieved from 10.1108/IJSE-11-2016-0303
18. Taber, K. S. (2017). The Use of Cronbach's Alpha When Developing and Reporting
19. Research Instruments in Science Education. *Res Science Education*. Retrieved
20. from <https://doi.org/10.1007/s11165-016-9602-2>
21. Thao, N. T. (2015). Factors Affecting Personal Financial Management Behaviours: Evidence from Vietnam. *Proceedings of the Second Asia-Pacific Conference on Global Business, Economics, Finance*. Retrieved from http://globalbizresearch.org/Vietnam_Conference/pdf/VL532.pdf
22. Yu, K. &. (2015). Factors That Lead to Financial Distress of Generation Y In Malaysia. *International Journal of Accounting and Business Management*, 3 (No 2), 109-120. Retrieved from 10.24924/ijabm/2015.11/v3.iss2/109.120
23. Yushita, A. N. (2017). Pentingnya literasi keuangan bagi pengelolaan keuangan pribadi. *Nominal: barometer riset Akuntansi dan Manajemen*, 6(1), 11-26.