

# **Gender, Educational Qualification and Ethnicity Differences In Personal Financial Management Practices Among Generati Y In Malaysia**

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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 about 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 includes 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 in order 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 [11]. 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. This indicated that Generation Y in Malaysia plays an important role in the overall growth of a developing 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 towards Malaysian economy such as bankruptcy.

Unfortunately, the Generation Y in Malaysia were not well practice in their financial management. This supported by the reported published by the Malaysian Department of Statistics (MDI) [11] stated the total bankruptcy of cases youth (below the age 34 years old) in Malaysia who have been declared bankrupt from the year 2010 to 2017 was 41,913 cases. This showed that since 2010 to 2017, an average of 14 person of Generation Y in Malaysia was declared bankrupt on 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 them experiencing 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 group which the government should focus on to reduce household consumption. The main reason for failure among this particular Malaysian generation is the inability in 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 the main causes of bankruptcy in Malaysia are due to the poor financial management practices and lack awareness regarding debts from 2012 until 2018 [11]. This supported by Manulife Investor Sentimex Index (MISI) [29] found that Malaysian have weak in financial management practices. Based on the scenario and problem facing by the Generation Y in Malaysia, can be concluded that the main reason for personal financial problem is the failure of personal financial management practices. Hence, is important to understand the lack of personal financial management practices would give good information regarding the Generation Y financial needs and also educated to improve their personal financial management practices. Additionally, as an alternative in find the solution to control the bankruptcy problem among the 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 wellbeing [13]. Moreover, personal financial management practices as the cumulative set of behaviours which comprise strategies, determination and decision that were related in the field of retirement, insurance, capital, credit and finance [10]. Previous study found that the key to achieve financial well-being is financial management [13,17,35]. Therefore, based on the findings by previous studies, it can be assumed that an individual that practices good personal financial management practices will eventually obtain a prosperous financial well-being.

Several studies have shown that education, gender and ethnicity are the most important role in financial decision making [6, 8, 30, 33, 34, 37]. Benjamin et al [4] and Yiing-Jia [36] also found that gender, ethnicity and education were the factors that influence 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 [16] and Kim et al [23] 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 [7,18,23,27,32]. In addition, differences in gender also have been found give different impacts an individual's behaviour [25]. The conclusion of results found that there is a difference between female and male when it comes to financial matters.

Furthermore, previous studies also found that different qualifications of education have different financial practices [3,5,19,26,36]. According to Lusardi [26], low-education person usually don't have a financial plan that led them not to accumulate wealth and fear to invest

in high-risk return assets. Study by Yiing-Jia [36] found that person with low education have weak financial management while person with high education have good 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 [36], Leila et al [24] and Jariah et al [20] found that different ethnic group would have different practices on financial matters. Leila et al [20] state each of ethnic group has their own life style, 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. This study therefore presents the hypothesis as follows;

- H1: Gender differences in personal financial management practices among Generation Y in Malaysia.
- H2: Education qualification differences in personal financial management practices among Generation Y in Malaysia.
- H3: Ethnicity differences in personal financial management practices among Generation Y in Malaysia.

### **3. RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Both deductive and quantitative 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 that 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. For the sample size of respondents, this study used G\*Power 3.1 software [12] to calculate the sample size of respondents. The sample size was calculated according to these parameters as suggested by Hair et al., [15]; 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 sample of 119 sample respondents consisting of Generation Y in Malaysia using G\*Power software was adequately proposed.

#### **3.3 Variables Measurements**

A tool comprising of eight items was adopted from Joo and Garman [22] and Ansar et al [1] 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 Disagreement), 2 (Disagreement), 3 (Neither), 4 (Agreement) and 5 (Strongly Agreement).

#### **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: Demographic profile of respondents**

<b>Demographic Variables</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage (%)</b>
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
	<b>Total</b>		<b>119</b>
Educational Qualification	SPM And Below	11	9.2
	STPM / Diploma	21	17.6
	Bachelor's Degree	60	50.4
	Master's Degree	24	20.3
	Doctoral Degree	3	2.5

Table 1 shows the demographic variables of the total 119 respondents. The respondent consists of 66 male (55.5 percent) and 53 female (44.5 percent). As Table 1 shows, a most respondents are 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, they ranked accordingly for the educational qualification; 50.4 percent of respondents hold a Bachelor, 20.3 percent have Master's degree, 17.7 percent are holders of STPM/Diploma, 9.2 percent are holders of SPM and 2.5 percent are the lowest holders of PhD degrees.

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

		Personal Financial Management Practice			Total
		Low	Medium	High	
<b>Gender</b>	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>
<b>Ethnicity Group</b>	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>
<b>Educational Qualification</b>	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)**

H	Relationship	Value	Df	Sig. (2-sided)	0.5% Level of Significance
H1	Gender -> Personal financial management practices	0.063	2	0.969	5.991
H2	Educational Qualifications -> Personal financial management practices	2.635	8	0.985	15.507
H3	Ethnicity -> Personal financial management practices	20.026	10	0.029	18.307

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 H1 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 H2 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 (See Table 3). Meanwhile, the tabulated value using five percent of significance is 18.307. Thus, hypotheses H3 is accepted as the calculated value of 20.026 is greater than the tabulated value of 18.307 as reported in the results of Table 3.

## **5. DISCUSSION**

This study found that H1 was not accepted, which gender no differences in personal financial management practices among Generation Y in Malaysia. The results show 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 [7,18,23,27,28,32]. It means that both male and female of Generation Y in Malaysia have the same confidence sets and behaviours when it comes to dealing with financial matters.

Furthermore, this study also found that there are no differences in personal financial management practices between Generation Y in Malaysia in educational qualification (H2). Therefore, the result in this study is in contrast with previous studies which have shown that different educational qualification would result in different personal financial management practices [3,5,19,26,36]. Particularly, individual with higher education and individual with lower education have same practices when dealing with financial matters.

Finally, this study also found that ethnicity differences (H3) 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 [20,24,36]. It shows that different ethnic have own way to managing their money and their personal financial management practices. Therefore, Malaysian Government should assist each of ethnicity groups differently that have difficulty in handing their financial matter.

## 6. CONCLUSION, RECOMMENDATION AND FUTURE RESEARCH

In summary, only ethnicity differences in personal financial management practices among Generation Y in Malaysia. While both gender and educational qualifications do not have differences personal financial management practices among Generation Y in Malaysia. Based on the finding of the studies, each of ethnicity in Malaysia has their own preferences in practice of personal financial management. This indicated that the level of knowledge Generation Y in Malaysia financial education is not same because each ethnicity has its own financial background environment. Therefore, Malaysian government should establish new strategy a new strategy in a financial education system that will enhance all ethnicity groups in one education system. In addition, the findings can contribute to the body of knowledge to gain a better understanding of the 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. The author suggests expanding to others factors for future research, for instance, marital status differences, religious differences, income differences; this can assist in identify more appropriate factors that differences in personal financial management practices among the Generation Y.

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