SUPERVISOR'S APPROVAL

I/We, hereby declared that I/We had read through this thesis and in my/our opinion that this thesis is adequate in terms of scope and quality which fulfil the requirements for the award of Bachelor of Technology Management

(Honours with High Technology Marketing)

SIGNATURE :

NAME OF SUPERIVISOR : PN MISLINA BINTI ATAN @MOHD SALLEH

DATE :

SIGNATURE :

NAME OF PANEL : PN NOR RATNA BINTI MASROM

DATE :

DETERMINANTS OF SPENDING BEHAVIOUR TOWARDS DEBT AMONG YOUNG PROFESSIONAL IN MALAYSIA

CHEW ZHEN CHANG

The thesis is submitted in partial fulfilment of the requirements for the award of Bachelor of Technology Management and Technopreneurship

(Hons In High Technology Marketing)

Faculty of Technology Management and Technopreneurship Universiti Teknikal Malaysia Melaka

JUNE 2019

DECLARATION OF ORIGINAL WORK

''I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.''

SIGNATURE:

NAME   :

DATE   :

DEDICATION

I would like to dedicate the appreciation to my family members who gave me mentally and financially support respected supervisor, Dr. Mohammed Hariri Bin Bakri and Pn Mislina Binti Atan. Last but not least the panel, Pn Ratna Binti Masrom who guided me throughout the research. Also not to forget my fellow friends from other universities and course mates that assisted me throughout my research.

ACKNOWLEDGEMENT

I would like to show my gratitude to everyone who had helped and guided me throughout the process of completing this project. I would also like to apologize if I showed any disrespectfulness unintentionally.

First of all, I would to like thank my supervisor, Dr. Mohammed Hariri Bin Bakri and Pn Mislina Binti Atan for their guidance, patience and support. Without their teaching and guidance, I would not have completed this project on time. Thanks for being patient in answering my questions.

Next, I would like to thank for all my friends and course mated by giving me support and advice. Thanks for explaining to me when I did not understand the process of this project, even at midnight. Other than that, not forgetting my family especially my parents, thanks for having my back all the time.

Lastly, thanks to Universiti Teknikal Malaysia Melaka (UTeM) for all the facilities provided to enable me to generate creative ideas and get the resources easily. Thanks for providing such a nice environment for students to do and discuss the project. I would also like to thanks Faculty of Technology Management and Technopreneurship. In a nutshell, thank you everyone encouragement and contribution.

Abstract

Malaysia was reported that having high household debt to gross domestic product (GDP), this advocate that on average young Malaysians are committing to higher debt levels beyond their means. So, the aim of this study is to examine the spending behaviour towards debt among young professional in Malaysia by using theory of planned behaviour. This study was conducted to identify the components that effect spending behaviour towards debt and lastly to examine the relationship between components with spending behaviour towards debt. The total 422 questionnaires were distributed and completed by the young professional. Data was analysed by using descriptive, t test, factor analysis, Pearson Correlation and Multiple Regression that included in Statistical Package for Social Science (SPSS). The results firstly revealed that subjective norm is the components that influence most on the spending behaviour towards debt among young professional in Malaysia. Secondly, it shows that financial literacy has positive relationship with spending habits where higher level of financial literacy will influence the most desirable spending habits. Thirdly, financial attitude was inconsistent with previous research that stated financial attitude as most influencing towards spending behaviour. Lastly, the result indicates that perceived behavioural control only have negligible positive relationship with spending behaviour towards debt. For the theoretical contribution, the research found that the theories of planned behaviour are valid which can be used to identify the causes of financial issues and indebt-ness. As for future research it is recommended to extend these results in other geographical areas such as focused in certain state. Thus, the researcher can get more details analysed data and comparing the result by each state in Malaysia.

Keywords: Subjective Norms, Financial Literacy, Financial Attitude, Perceived Behavioural Control

Abstrak

Malaysia dilaporkan bahawa memiliki hutang isi rumah yang tinggi kepada Keluaran Dalam Negara Kasar (KDNK), hal ini menyatakan bahawa golongan muda di Malaysia mempunyai tahap hutang yang berada di luar kemampuannya. Jadi, tujuan kajian ini adalah untuk mengkaji tingkah laku perbelanjaan yang menyebabkan kalangan professional muda di Malaysia berhutang dengan menggunakan teori tingkah laku yang dirancang. Kajian ini dijalankan untuk mengenal pasti komponen-komponen yang mempengaruhi perbelanjaan tingkah laku terhadap hutang dan seterusnya untuk mengkaji hubungan antara komponen dengan tingkah laku perbelanjaan terhadap hutang. Jumlah 422 soal selidik telah diedarkan dan disiapkan oleh profesional muda. Data dianalisis dengan menggunakan deskriptif, ujian t, analisis faktor, Korelasi Pearson dan Regresi Pelbagai yang termasuk dalam Pakej Statistik untuk Sains Sosial (SPSS). Keputusan pertama menunjukkan bahawa norma subjektif adalah komponen yang paling mempengaruhi kelakuan perbelanjaan terhadap hutang di kalangan profesional muda di Malaysia. Kedua, menunjukkan bahawa celik kewangan mempunyai hubungan positif dengan tabiat perbelanjaan di mana tahap celik kewangan yang lebih tinggi akan mempengaruhi tabiat perbelanjaan yang paling diingini. Ketiga, keputusan sikap kewangan adalah tidak konsisten dengan penyelidikan terdahulu yang menyatakan sikap kewangan yang paling berpengaruh terhadap tingkah laku perbelanjaan. Akhir sekali, hasilnya menunjukkan bahawa kawalan tingkah laku hanya mempunyai sedikit hubungan positif dengan perbelanjaan tingkah laku terhadap hutang. Bagi sumbangan teori, penyelidikan mendapati bahawa teori tentang tingkah laku yang dirancang adalah boleh digunakan untuk mengenal pasti punca masalah kewangan. Bagi penyelidikan masa depan, disyorkan untuk melanjutkan keputusan ini di negeri lain bagi mendapatkan maklumat terperinci dan dianalisis dan membandingkan keputusan antara negeri di Malaysia.

Kata Kunci: Norma Subjektif, Celik Kewangan, Sikap Kewangan, Kawalan Tingkah Laku

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

Theory Of Planned Behaviour   TPB

Theory Of Reasoned Action   TRA

Kaiser-Meyer-Olkin   KMO

Analysis of Variance   ANOVA

Financial Attitude   FA

Subjective Norms   SN

Perceived Behavioural Control   PBC

Financial Literacy   FL

LIST OF APPENDICES

CHAPTER ONE

INTRODUCTION

This chapter will discuss the background of the research regarding the Theory Planned Behaviour components which affecting spending behaviour towards debt among young professional by using Theory Planned Behaviour. There are also problem statement, research questions and objectives, the scope of the study, significant of study, the contribution of the research and limitation will be discussed in this chapter.

1.1   Background Of Study

Financial is a wide word that used to define many elements of finance, such as financial instruments, financial services, financial institution, financial consultants and financial planning (Business Dictionary, 2018). In this research study, the researcher focuses on spending behaviour and debt among young professional in Malaysia because in developing country like Malaysia, most of the citizens have issue with financial planning or money management. There are several reasons for these problems such as the abilities needed for financial planning and money management don't just occur, it needs to be learned. Second, it is not always simple to learn the economic abilities and the financial planning courses may not be easy accessible in high school. In addition, the healthy savings habits may not be taught, shown, or even discussed at home. Furthermore, absence of economic understanding

will lead to wage-related thinking where salary will not increase as a consequence of financial planning. Having a financial plan will assist individuals better in allocate the cast as they earn to the financial objectives that are real importance to both today and in the future. People need to plan their finances for present and future position by creating, pursuing and achieving multiple economic and personal objectives. A good financial behaviour can be seen from a person's approach in managing cash input and output, managing loans and investments.

Financial education and financial literacy have recently become topics of concern at domestic and global level for governments, multiple financial institutions, educational institutions, media and other organizations (Opletalová, 2015). As a consequence, researcher has seen many research, initiatives and strategies being implemented or even the incorporation of economic literacy subjects into classroom education. This is because many economy choices, such as interest rates and inflation, require fundamental understanding of financial concepts. However, most individual lack this kind of understanding. From the average young Malaysians commit to greater rates of debt beyond their means, the proof can be seen. This proof was endorsed in the 2015 Report of the Bank Negara Financial Stability and Payment System (Bank Negara Malaysia, 2015).

Financial planning and management can be part of everyday life when thinking about personal financial management, economic and administrative aspects are involved on stage in relations between individuals. In addition, there is increasing proof that people with greater financial literacy have better economic results and the financial decision-making is improved in their lives (Lusardi and Mitchell, 2014), the finding was similar with (Lajuni *et al.*, 2018) where the researcher stated that financial management and attitude that will guide individual to achieve their life and financial goals. Financial management is set of behaviour and decisions with different degree of importance and ease of implementation depending to individual's needs, priorities, and skills.

Although the World's Leading Economists' Economic Forecasts indicated that the information for the third quarter of Malaysia's national accounts are still exceptional and monthly indicators indicate that the economy has accelerated

(Malaysia Economic Outlook, 2018). The Star newspaper on 22 June 2015 revealed that since 2010, nearly 25,000 Malaysians under the age of 35 have become bankrupt (Martin, 2015). Malaysia's bankruptcy cases were mainly triggered by the failure to maintain debt owing to hire transaction acquisition, mortgage, personal loans, being a guarantor, and credit card debt trap. Previous literature indicates that there are several variables that can effect household debt levels and others factos are materialism (Gardarsdottir and Dittmar, 2012), money management skills (Donnelly, 2012) and income level (Gardarsdottir and Dittmar, 2012; Teoh, 2013). However, most of the past researches concentrate on credit card debt and student debt which may not generalize the results to other kinds of consumer debt. Thus, researcher intends to study about how spending behaviour will influence debt among young professional.

The Theory of Planned Behaviour components namely attitude, subjective norm and perceived behavioural control which was discovered and proposed by (Ajzen, 1991) was use in this research to hypotheses the relationship between the impact of the components towards debt among young professional in Malaysia. However, to get better knowledge regarding the topic, research revise theory of planned behaviour with a view to check the validity and enable better understanding of spending behaviour towards debt among young professional in Malaysia.

Hence, this study will cover spending behaviour and debt among young professional in Malaysia due to the current problem faced by young professional. Also, (Adzis, Bakar and Shahar, 2017) suggested that future studies may include other factors such as financial literacy, self-control, expenditure trends, compulsive purchasing, and economic concerns. The problem of economic literacy in the future should be taken into account as only 36 per cent of Malaysian adults are financially educated (Klapper, Lusardi, and Oudheusden, 2015) compared to its nearest neighbour, Singapore which scored 59 per cent financially literate. This study will identify how financial behaviour influence debt of young professional in Malaysia by using components of theory of planned behaviour based on revised behaviour components in theory of planned behaviour framework throughout this study.

1.1.1   Overview Of Debt Among Young Professional In Malaysia

According to the 2013 report and survey conducted by the Federation of Malaysian Consumers Associations (FOMCA), 37% of young Malaysians were found to be live beyond their means while 47% used more than one-third of their monthly salary to settle debts (Federation of Malaysians Consumers Associations, 2013). Young professional often make poor financial decisions which save too little for retirement (Lusardi, 1999), young professional often spend too much (Sotiropoulos and Astous, 2013) and failed to pay their bills on time. However, young professional do not make poor financial decisions all the time, there was certain young professional are more or less likely to make poor financial decisions. In addition, due to their financial behaviour, some of the young experts are less likely to feel worried about financial issues. This behavioural variety is a challenge to one-model-fits-all economic behaviour theories and has been concerned with understanding the role of individual differences in spending behaviour and financial well-being as a consequence of latest studies.

In Malaysia, one of the most significant decisions that a family faces is the choice to purchase a house. Most young families choose to purchase a house through mortgage. But mortgages are complicated financial instruments and this complexity might be a barriers or obstacle to becoming homeowners for less sophisticated homes. Financial literacy has an impact on young households' mortgage types and leverage situation. Young homeowners with less financial literacy taking on higher mortgage debts and are more likely to use alternative mortgage products.

Hence, it is essential to study the spending behaviour from theory of planned behaviour that affecting debt among young professional in Malaysia which can cure the problem that currently facing by young professional in Malaysia. Thus, young professional's concern about debt can be improved in certain way or behaviour that brings effect on debt.

1.2   Problem Statements

Malaysia revealed elevated household debt to gross domestic product (GDP) in 2015, increasing from 60% to 89.1% in 2008(Bank Negara Malaysia,2015). The Star newspaper of 22 June 2015 stated that since 2010 nearly 25,000 Malaysians under the age of 35 have face bankruptcy (Martin, 2015). This advocates unconditionally that young Malaysians commit to greater rates of debt beyond their means on average. The friendly loan atmosphere or the ease of acquiring loan equipment is often the blame for financial resource mismanagement, such as overspending and over borrowing, which is likely to boost the probability of financial bankruptcy.

Overall results show that extremely materialistic individuals will have greater levels of debt, individuals with good money management abilities will have lesser debt and individuals with smaller salary will have greater debt. However, most of the past researches concentrate on credit card debt and student debt, where results might not be generalizable to other kinds of consumer debt such as residential loans, personal loans and hire purchase loan. In addition, there are restricted studies that explore factors that lead to customer debts in Malaysia especially among young professional.

Malaysia like to spend even though the prices of products and services are comparatively high (Alias, Rashid and Chye, 2010). In addition, a research by (Ahmad, 2016) indicates that 25 per cent people in Malaysia who have elevated credit card debts generally have poor financial planning abilities. The same research also shows that young expert aged between 30 to 40 years is facing credit card default due to unnecessary expenditure.

Thus, this research expands the existing research by concentrating on general public samples. Those young professional within the age of 21-35 years and include different kinds of consumer debt to evaluate debt level such as credit card, housing loan, hire purchase loan, personal loan, and educational loan. This research presents one big question: Do financial attitude, subjective norm, perceived behavioural control and financial literacy effect the debt level of young professional in Malaysia?

Therefore, the aim of this research is to explore the relationship of the spending behaviour towards debt among young professionals in Malaysia.

There are previous study done by a group of experts applied the theory of planned behaviour to explore how college learners shape their spending behaviours such as money, credit, and saving management. The finding by Shim et al. (2007) showed that the behavioral intention indicated in the theory of planned behaviour is linked to the intention and will lead to the behavior. However, researches about young professional towards debt using TPB as framework haven't been found. Thus, the researcher will applied TPB to research the connection of TPB components and spending behaviour towards debts.

Hence, to improve researcher's understanding of how people make financial behaviour and it components influence young professional debt in Malaysia. In this study, researcher explores the effect of financial behaviour's effect on debt toward young professional.

1.3   Research Questions

The research question was the fundamental aspects of this research since it would focus on the area of concern, determine the suitable methodology and continuously guide this research into the stages of research which mainly consisted of inquiry, analysis and reporting. This research attempts to address the following research questions:

  I.   What are the components of spending behaviour that effect young professional debt?

 II.   What is the relationship between components of spending behaviour and debt among young professional?

III.   Which are the most significant components of spending behaviour that influence on debt among young professional?

1.4   Research Objectives

The objectives of the study were to identify the effect of spending behaviour that would influence debt among young professional. In order to fully achieve the study purpose, research objectives were developed to guide through this research. The research objectives were stated as below:

I.   To identify the components that effecting spending behaviour toward debt among young professional.

II.   To analyse the relationship between components of spending behaviour and debt among young professional.

III.   To examine the most significant components of spending behaviour that influence on debt among young professional.

1.5   Scope Of Study

The scope of study for this research was to identify the effect of spending behaviour towards debt among young professional in Malaysia. The theory of planned behaviour components was use to examined including behaviour, attitude, subjective norm and perceived control behaviour. Furthermore, this research will be focused on young professionals in Malaysia. This is because Federation of Malaysian Consumers Associations (FOMCA) in 2013 disclosed that 37% of young Malaysians were found to live beyond their means and 47% used more than one-third of their monthly salary to settle debts (Federation of Malaysians Consumers Associations, 2013). Moreover, the population of Malaysia can be segment to different categories which have different education level, age and race. According to The Labour Force Survey (LFS) undertaken by the Department of Statistics Malaysia (DOSM), Malaysia's share of high skill employment in 2016 is 27.3 per cent in managerial, professional or technician position. Positively, the labour force's educational background is improving. In 2016, the share of tertiary trained labour was 27.7%. Which means that Malaysia has 8.78 million young professionals (Talent Corp,

2016)? Thus, this research will involve 384 samples of participants. In addition, this research also uses the theory of planned behaviour.

This research will be held within a specified time-period and the instruments that will be used are the web questionnaires with closed-ended questions through online. Demographics characteristics of respondents which can take into consideration are gender, age, ethnicity, employment level, education background and spending behaviour of young professional. Moreover, the respondents will be targeted the young professional which age below 35 years old. This is because young professionals are characterized as individuals who are extremely entrepreneurial and civic.

1.6   Significant Of Study

Spending behaviour has been the root of debt among everyone. Yet, people are still not aware of how to manage their personal finance to avoid debt among them. There could be many factors which cause debt such as spending behaviour, financial attitude, subjective norm, perceived control behaviour and financial literacy. This is because financial behaviour requires everything with their self-preferences. Hence, it is very important for the researcher to identify what components from theory planned behaviour will influence young professional's financial behaviour towards debt in Malaysia.

Besides, this research finding will benefit the young professional in Malaysia as information provides a valuable insight which might help the local and foreign to reduce debt and develop an appropriate strategy and tactical planning to lower debts in Malaysia. Therefore, it is crucial to considering the impact of spending behaviour towards debt among young professional. By understanding the behavioural of young professional, it helps the young professional to lower their debt. Moreover, this research can be handy for future researchers as for the reference to their work if there are short of previous paper regarding the spending behaviour towards debt among young professional in Malaysia.