

**THE FACTORS INFLUENCE FINANCIAL LITERACY AMONG
YOUTH ENTREPRENEURS IN MALAYSIA**

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DECLARATION

“I admit that this report is a product of my work except the citation for each of which I have mentioned the sources.”

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DEDICATION

This research paper is dedicated to my beloved Mother, Father and Sisters. And also to my dearest friends.

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ABSTRACT

The Factors Influence Financial Literacy Among Youth Entrepreneurs in Malaysia

The aim of this study is to measure the factors influence financial literacy among youth entrepreneurs in Malaysia. Youth Entrepreneurs with higher financial literacy will have a growing probability of a successful business. This research was conducted by distributing questionnaires. There are 150 youth entrepreneurs as the samples who are living, doing business, as well as having financial literacy about entrepreneurial finance in Malaysia. This study used exploratory factor analysis to identify the relationship between the manifest variable (attributes) or indicator variables to build a construct (factor). The result in this study is the factors influence financial literacy among youth entrepreneurs in Malaysia such as financial general knowledge, financial education attainment and financial attitude and behavior.

Keywords : financial literacy, entrepreneurial finance, youth entrepreneurship

ABSTRAK

Faktor-faktor Mempengaruhi Celik Kewangan di Kalangan Usahawan Muda di Malaysia

Tujuan kajian ini adalah untuk mengukur faktor-faktor mempengaruhi celik kewangan di kalangan para usahawan muda di Malaysia. Usahawan muda yang mempunyai celik kewangan lebih tinggi akan berpeluang untuk berjaya dalam perniagaan. Kajian ini dijalankan dengan mengagihkan soalan kaji selidik. Terdapat 150 usahawan muda sebagai sampel yang menjalankan perniagaan serta memiliki celik kewangan mengenai kewangan keusahawanan di Malaysia. Kajian ini menggunakan analisis faktor peletuan untuk mengenal pasti hubungan antara pemboleh ubah nyata (atribut) atau pemboleh ubah penunjuk untuk membina suatu (faktor). Hasil kajian ini adalah faktor-faktor yang mengukur pengurusan kewangan ke arah celik kewangan para usahawan muda di Malaysia seperti pengetahuan umum dalam kewangan, pencapaian pendidikan kewangan setra sikap dan tingkah laku dalam menguruskan kewangan.

Kata Kunci: celik kewangan, kewangan keusahawanan, usahawan muda

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CHAPTER 1

INTRODUCTION

1.1 OVERVIEW

In the introduction chapter, it is to discuss about the background of current research. Problem statement arise, research question found, and research objectives of this study. This chapter to mention about the justification of the study, the research scope that related to the sample target respondents, and the meaning of some important key terms also clearly defined. Thus, organizational of research also had clarified clearly in this chapter.

Financial literacy can be defined the relevant information necessary to make decision with an apprehension of the likely financial consequences. Nowadays, certain youth entrepreneurs doing a business without making financial plan for long-term of business cycle. Since this study is assume to measure the factors influence financial literacy among youth entrepreneurs in Malaysia, I was searching to get in-depth for the information of financial literacy from variety of sources such as internet, journals, books and discuss in details in the next section.

1.2 BACKGROUND OF STUDY

Youth entrepreneurs is fundamental to a healthy economy. Entrepreneurship is a strength for driving job creation, innovation, economic growth, fueling healthy or continuous communities. Entrepreneurship is fundamental on many levels, as evidenced by public policy schemes that encourage new venture creation and development (Carolis, Litzky & Eddleston, 2009). Thus, when it comes to youth, entrepreneurship represents and increasingly important sources of employment (Owualah, 1999; Williams, 2004). The financial management and analysis of youth entrepreneurs are often imperfect.

Financial literacy, which is attainable, has been not focus of the analysis in the past, but there is reason to consider that it does play a role for youth entrepreneurs. Besides non-financial and non-economic reasons, the most important factors business fail is poor financial attitude, and lack of financial education regarding financial knowledge. Persons who are in view of taking the step into entrepreneurs field possibly are mindful about the reality of challenges and risks of an own business. If individuals are concern about their talent to handle those challenges and to manage an own business, they efficacy prefer to work as employees.

Based on the above phenomenon, become interest topic to study about the factors influence financial literacy among youth entrepreneurs in Malaysia. Seeing individuals who have a business idea, who have the willingness to take risks, and who meet other crucial conditions, with higher levels of financial literacy are possible to get into entrepreneurs field and survive in self-employment than those with lower levels. The reasons for this presumption is the idea that a person with good understanding of financial issues have better opportunities for realizing business ideas, financing their ventures, and leading the company to success.

Several factors like financial attitude, basic financial knowledge, and financial behavior have been studied to measure entrepreneur's financial knowledge (Oseifuah 2010). The business transaction recording is also rarely implemented by youth entrepreneurs, because they do not understand about financial accounting through the accounting system. Entrepreneurs who do not have a good book keeping system through the preparation of financial statements, will cause the difficulties to access funding from the bank. Furthermore, youth entrepreneurs must be able to manage risk because it can be useful for them to transfer the business risk to other parties such as insurance and to minimize losses due to the risks covered.

1.3 PROBLEM STATEMENT

According to Timmons & Spinelli (2007) the lack of skills in financial analysis and management could be viewed as the youth entrepreneurs' imperfection. Their management teams can find the concept of financial management discouraging. Besides, highly educated individuals admit to feeling uncomfortable, discouraged and even terrified since of their deficiency of financial management expertise. The turning from being an entrepreneur to become an entrepreneurial manager of a business can be exceedingly risky if there is limited or no confidence in managing finances, as financial management is listed as the critical managerial capability in new venture creation and development (Timmons & Spinelli, 2007).

This purpose is to measure the factors influence financial literacy among youth entrepreneurs in Malaysia, their level of general knowledge, education and attitude. However, the three factors that are mentioned are important for youth entrepreneurs' expertise in managing business and the company itself to be successful in the business field. They might be excellent financial management related with financial general knowledge, education attainment, and attitude

and behaviour in managing expenses and monthly cash flows to maintain in their business.

Moreover, every youth entrepreneurs will face problems in managing expenses to pay monthly wages and purchase of raw materials for the company. They need to excellent in annual budget, reduce the company's debt, increase investment and stock purchasing based on impulse. In addition, monthly cash flow also one of problem for youth entrepreneurs to sustain in their business cycle. As a youth entrepreneurs must able to calculate by making certain adjustment to net income by adding different revenue, expenses and credit transaction in financial statement for their company.

1.4 RESEARCH QUESTION

The aim is to measure the factors influence financial literacy among youth entrepreneurs in Malaysia. The level of financial literacy tends to vary according to general knowledge, education attainment, and attitude and behaviour in business income levels. Therefore a financial management is the role of financial literacy among youth entrepreneurs. It is the study seeks to fill by addressing the questions:

RQ1: What are the level of financial literacy among youth entrepreneurs?

RQ2: What are the element influence towards financial literacy among youth entrepreneurs?

RQ3: What is the most influence factors towards financial literacy among youth entrepreneurs?

1.5 RESEARCH OBJECTIVES

There are several objectives that are to measure the factors influence financial literacy among youth entrepreneurs in Malaysia. The following objective were persued:

- (1) To determine the level of financial literacy among youth entrepreneurs;
- (2) To investigate the element influence towards financial literacy among youth entrepreneurs;
- (3) To identify the most influence factors towards financial literacy among youth entrepreneurs

1.6 JUSTIFICATION OF THE STUDY

After finished the learning on this research, respondent which is youth entrepreneurs are able to gain excess with extra factors influence financial literacy while filling up the research gap from all the previous study. It is important to detect the relationship between the factors influence financial literacy among youth entrepreneurs. They are able to attain more about financial management analysis factors influence financial literacy among youth entrepreneurs which is not been done previuosly.

In this study, it might be beneficial to the next researchers that are going to do research related to the financial literacy as a basis of reference. They are able to capture more reference on details about financial literacy among youth entrepreneurs in Malaysia. Next, they also must be able to acquire a positive view from the target respondents. They will understand this

research can be investigate in-depth as a new researchers. It is critical to those youth entrepreneurs who are currently poor in financial literacy to have plan gaining a sustainable business for long-terms. It might be also significant to those that have excellent financial literay as it will be useful to them as a reference on the pro and cons before entering to the market places.

Thus, its benefit of financial attitude, education and knowledge as they can get the important terms in financial literacy. The factors influencing is able to identify effects or impacts that can be measured in the financial literacy among youth entrepreneurs. Besides, this study will help to improve the youth entrepreneurs in Malaysia ability to authorize the adequate strategies and tactics that can enhance the success of financial literacy and its implementation in their respective financial institutions. Lastly, the research will help youth entrepreneurs in Malaysia to better in financial management and accounting in business.

1.7 SCOPE AND LIMITATION OF THE STUDY

The research is being discussed factors influence financial literacy among youth entrepreneurs in Malaysia. The population for the study was the youth entrepreneurs in Selangor, Kuala Lumpur, Negeri Sembilan, and Malacca who had running the business more than a year and manage financial by themself. Next, the respondent were came from variety of business types such as service, restaurant, farm, food production and medical care.

This study is limited to youth entrepreneurs in Selangor, Kuala Lumpur, Negeri Sembilan and Malacca that should involve to get information about their business. It will have some difficulties to conduct them in answering questionnaires for this survey. Secondly, the time to complete the research is limited to measure the factors influence financial literacy among

youth entrepreneurs. Therefore, to assess the factors influence financial literacy among youth entrepreneurs in Malaysia need more time frame to get a better result. In this research, there were limitation time to finish the objectives which is to measure the factors influence financial literacy in Malaysia.

1.8 ORGANISATIONAL OF RESEARCH

This research report consists of five chapter which are briefly describe as follows;

Chapter 1: Introduction

This research report is stated by briefly outlined the factors influence financial literacy among youth entrepreneurs. This chapter defines of the factors influence financial literacy among youth entrepreneurs. Since the reasearch was conducted in Malaysia, the youth entrepreneurs who running their own business are concerned and well presented in order to secure better view scenario with our local entrepreneurs.

Chapter 2: Literature Review

There are many studies have been done regarding the factors influence financial literacy among youth entrepreneurs all over the world. This chapter focus providing a literature review on previous studies related to the financial literacy in the global world before it then was concentrated to the Malaysia context. The remaining with factors influence for youth entrepreneurs financial general knowledge, education attainment and attitude and behaviour about financial literacy.

Chapter 3: Methodology

In this chapter, we focused on the method of research, methodology used to proceed with the project. This highlights the research framework and hypothesis creation. While creating the framework and hypothesis, the instrument that were utilized to design the questionnaires to secure the quality of survey also illustrated. The next thing drafted out is the sampling plan, including the number of sampling target and also technique to select them. Data collection and analysis methods are stated in this chapter too.

Chapter 4: Data Analysis and Findings

Next, after all data and information was obtained it is analysed and interpreted into understandable ways. In this chapter, it is also to give a brief statistical summary from the questionnaires that receive from the sample. It is important part for research study as we are trying to prove and match the data obtained with previous hypothesis that has been stated in chapter 3.

Chapter 5: Conclusion and Recommendation

Lastly, in this chapter of the research study is about writing a conclusion from the overall project and able to provide the necessary recommendation. This part detailed about the finding of the results and whether the findings are able to fill up the research gap that had mentioned on the chapter 1. It will discuss about the impact from this research and specify some limitation on this study and also prescribe the recommendation to the limitation faced to minimize the impacts.

CHAPTER 2

LITERATURE REVIEW

2.1 OVERVIEW

This chapter was explore to measure the factors influence financial literacy among youth entrepreneurs in Malaysia. Besides, many variables to consider in addition to hidden biases, conflicts and subjective preference. This research is to find the justification of the theory based on the reviews for the past researchers. In this literature review will also identified and out speak the relationship between the literature and the field of research.

2.2 DEPENDENT VARIABLE

2.2.1 Financial literacy

Financial literacy has a subsidiary supplication dimension which entails that a youth entrepreneurs have the potential and conviction to use their financial general knowledge to make financial resolutions. However, it would be important to determine not only if a person knows the information but also if they can apply it correctly (Huston, 2010). The definitions suggest that financial literacy includes rise in financial knowledge or skills and changes in financial

behaviour (Hilgert,2003 ; Mandell, 2004). Besides, financial literacy is important terms that youth entrepreneurs able to sustain through out their business journey. Financial literacy skills contribute to an improved understanding of financing options and availability of financial support services.

Therefore, to be a successful youth entrepreneurs, they need to distinguish between personal and business finance. It is because youth entrepreneurs will use money for personal expenses where they are not aware that the money belongs to the company. This shows that a youth entrepreneurs will getting failure in future if they enable to manage the company's financial flow.

2.2.2 Youth Entrepreneurship

Entrepreneurs proficiency generally views the financial literacy of business via how they manage financial matters successfully. Many types of research from all over the world reveal many youth entrepreneurs have low levels of financial literacy. In addition, exploration of studies disclosed three main barriers to develop a standardized approach to measure financial literacy. The majority included the assemble of both financial literacy and financial knowledge used these terms equivalently, providing more evidence of a need for assemble simplification. .

Futhermore, in transition from the security of home education to work place and lean to experiment with diverse activities before attempt to set themselves up in business. Budding entrepreneurs encircle young adults who are in their middle 20s, this group at the same time can help boost the economy in Malaysia refers to Chigunta (2002) youth entrepreneurs can be species into three main categories, major to three types of youth entrepreneurs there are pre-