

## DETERMINANTS OF DEBT MANAGEMENT AMONG YOUNG EMPLOYEES IN THE CENTRAL REGION OF PENINSULAR MALAYSIA

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### ABSTRACT

*One of the six components in personal financial planning is credit and debt management. Unlimited needs and wants and the increasing cost of living compel individuals to obtain credit and become involved in debt commitment to sustain their standard of living. However, inefficient debt management by individuals has brought about several negative consequences such as financial stress, over-indebtedness and, in extreme cases, bankruptcy. Thus, the aim of this study is to examine the level and determinants of debt management among young employees in Peninsular Malaysia aged 40 and below. Findings from multiple linear regressions show that gender, marital status, asset to debt ratio, saving ratio, debt to income ratio, self-esteem, and financial skills are significant determinants of debt management. However, ethnicity and house ownership are not found to be significant determinants. In addition, coefficient of determination ( $r^2$ ) shows that 26.1% variation in debt management is explained by determinants in the model. It is hoped that a greater understanding of the current level of debt management and the factors hindering debt management can help young employees to become financially prudent and in the long run decrease the number of young employees being declared bankrupt.*

**Keywords:** Debt Management, Financial Management Skills, Self Esteem

### ABSTRAK

*Salah satu komponen di dalam perancangan kewangan peribadi adalah pengurusan kredit atau pengurusan hutang. Keperluan dan kehendak manusia yang tidak terbatas dengan peningkatan kos sara hidup memerlukan individu mengambil kredit dan terlibat dengan komitmen hutang untuk mengekalkan taraf hidup sedia ada. Walaubagaimanapun, ketidakcekapan di dalam pengurusan hutang individu boleh menyebabkan beberapa kesan negatif seperti tekanan kewangan, hutang berlebihan atau lebih teruk lagi, diistiharkan muflis. Oleh itu, tujuan kajian ini adalah untuk mengkaji tahap dan penentu pengurusan hutang dalam kalangan pekerja muda berumur 40 dan ke bawah di Semenanjung Malaysia. Dapatan daripada analisis model regresi linear menunjukkan bahawa gender, status perkahwinan, nisbah asset kepada hutang, nisbah simpanan, nisbah hutang kepada pendapatan, estim diri, dan kemahiran pengurusan kewangan adalah penentu signifikan ke atas pengurusan hutang. Walau bagaimanapun, etnik dan pemilikan rumah didapati penentu tidak ketara. Di samping itu, pekali penentuan ( $r^2$ ) menunjukkan bahawa 26.1% variasi dalam pengurusan hutang dijelaskan oleh penentu di dalam model. Dengan memahami lebih mendalam berkaitan tahap semasa dan faktor-faktor yang*

*menghalang pengurusan hutang, adalah diharapkan untuk membantu golongan muda untuk menjadi bijak dan dalam jangka masa panjang dapat mengurangkan bilangan pekerja muda diisytiharkan muflis.*

**Kata Kunci:** *Pengurusan Hutang, Kemahiran Pengurusan Kewangan, Harga Diri*

## INTRODUCTION

Six components of personal financial planning comprise cash flow and budgeting, investment, risk management, debt management, estate planning and retirement planning (Kapoor, Dlabay, & Hughes, 2003). Household debt refers to the liabilities that need to be repaid in the future, including loans to purchase property and loans for household consumption. The increasing consumer household debt that grew 12.7% annually from 2003 to 2013 to 86.8% of GDP at the end of 2013 in Malaysia (BNM, 2013) and the complexity of the financial products offered in the marketplace require individuals to obtain the necessary debt management skills. There is a variety of consumer credit offered in the marketplace in the form of mortgage loans, personal loans, credit card loans, and also hire purchase that are being offered by banks and finance companies (Lim, n.d.). In addition, individuals, especially young people, are faced with the influence of the advertising of the products and services in the marketplace that might lead them to acquire overspending habits. The use of debt to sustain the standard of living for the sake of maintaining their current lifestyle makes matters worse for the financial position of young people (Noordin, Zakaria, Zool, Mohamed, & Ngah, 2012). In addition, the use of credit to sustain the standard of living has also caused young people around the age of 30 to be declared bankrupt due to credit card debts. Out of the total of 3,548 people declared bankrupt due to credit card debt 1,780 were those aged 30 and below (Elangkovon, 2012; Noordin et al., 2012; Saufi & Rahman, 2007). The higher commitment to debt and a lower income received every month will only make personal finance matters worse (Barba & Pivetti, 2008; BNM, 2013). Hence, overspending, over-indebtedness and failure to make debt repayments every month will eventually lead an individual to be declared bankrupt.

Household debt refers to using future resources in spending activities for fulfilling current needs and wants. Debt management is one of the components of personal financial planning. Individuals are involved in debt commitment for different and a variety of purposes. The reasons are to meet basic needs (Rahayu & Kassim, 2013) in order to sustain current consumption, to fulfill unlimited wants, lack of liquidity and life cycle reason (Brown, Garino, & Taylor, 2013). Inefficiencies in debt management may lead to many possible consequences ranging from financial problems, financial stress and being declared bankrupt. Having lots of financial problems is one of the indicators of having difficulty in debt management (Williams & Haldeman, 1996). Debt is also one of the major risk factors of common mental disorders as reported by a study conducted in England (Meltzer, Bebbington, Brugha, Farrell, & Jenkins, 2013). However, family economic and individual

financial constraints can lead young people to borrow money to further their studies at an early age.

Many youths who have just finished undergraduate study and are embarking on their careers would have accumulated the burden of educational loans. In addition, banks and finance companies also offer young employees tempting credit cards and promote personal loans (Elangkovan, 2012; Noordin et al., 2012; Saufi & Rahman, 2007). Young people are an important target market segment in the marketing strategy. This includes the credit and loan products and services offered to young people by banks and finance companies. The Central Bank of Malaysia (2010) reported that many young employees experience problems in managing their finances. Young employees' financial problems have increased tremendously in terms of household debt such as car loans, housing loans and personal loans within the last eight years. It was also reported that as in August 2010, personal loans totalled RM 20.9 billion, car loans amounted to RM 116.2 billion and housing loans were RM 218.9 billion as compared to 2002 when the loans were just RM 1.9 billion, RM 36.7 billion and RM 71.5 billion respectively.

To help ease financial problems, the Central Bank of Malaysia set up Credit Counselling and Debt Management Agency, also known as Agensi Kaunseling dan Pengurusan Kredit (AKPK) in 2006. AKPK's aim is to assist consumers in debt and financial matters by providing financial education, financial counselling and debt management services. AKPK has provided counselling to 248,491 consumers. 40.6 percent or 100,871 of these underwent AKPK's debt management programme (DMP) (Central Bank of Malaysia, 2014). Furthermore, in 2012, there was an increase of 13% in the number of borrowers who received debt counselling service from AKPK as compared to 2011. In addition, 45% of the 35,835 borrowers who approached AKPK were assisted with AKPK's debt management programme. Out of this number, 66% were those who earned RM3,000 and below per month. In addition, young individuals aged 30 to 40 years old topped the borrowers in DMPs. These individuals faced financial problems mainly due to poor financial planning (Central Bank of Malaysia, 2013). This trend continued in 2013. 57.6 per cent of borrowers in the debt management programme were young people aged 40 years and below. Increased debts in young people with a lower level of income and with a lower level of education may bring about uncertainty in their financial stability (Mohamad Fazli & Mumtazah, 2010). Over-leveraging that is not commensurate with income would make young individuals earning RM3,000 and below more susceptible to income shocks (BNM, 2013). Other than poor financial planning (33.9%), the problem is also related to inadequate financial buffers to meet high medical expenses (18.1%). Thus, a lack of debt management might not only also cause financial stress to an individual; it may also affect the individual's health and financial stability.

This is an indication that a study on debt management should be done in order to get a better understanding of young employees' financial situation. Specifically,

the major concern of this study is to examine the level of debt management and to identify determinants of debt management among young employees in the central region of Peninsular Malaysia.

## **LITERATURE REVIEW**

### ***Debt Management***

Debt management is an important component of holistic financial management. The launch of AKPK in 2006 showed that consumers in Malaysia need help in managing their debt. A report on Malaysian consumers by the Central Bank of Malaysia (2011) also showed there was a growth of household debt from 2006 to 2010, mainly due to the financing of residential property. This is an alarming sign as the number of personal bankruptcies recorded by the Malaysia Department of Insolvency increased from 2007 to 2009 although there was a slight decrease in 2010 (Central Bank of Malaysia, 2011). Initiatives have been implemented such as AKPK's Debt Management Programme, including the introduction of the POWER Programme and more strict standards for the application of credit cards. The POWER Programme is designed to educate younger and first-time borrowers on responsible borrowing. These initiatives show that serious actions are being taken by regulators to help consumers manage their debt better.

A study on the factors of debt management among youth (Abdullah, Sabri, Abdul Rahim, Muhammad Arif, & Zakaria, 2013a) shows that financial management practices and financial problems are found to be significant factors. The findings show that those having more financial problems tend to have low debt management. However, ethnicity, education level, and financial literacy are not significant factors of debt management

### ***Financial Management Skills***

Financial management skills are another important aspect of financial management. In terms of personal finance, the skills required by an individual are the skills to monitor, manage, evaluate and find opportunities (Sharon, 2006). Financial skills are divided into two activities (Johnson & Sherraden, 2007). These are: (i) information collection and safe-keeping of finance related matters and (ii) financial planning including saving, spending and budgeting. A previous study showed that there is a deficiency in money management skills among young adults in Malaysia who tend to spend without proper thinking and budgeting (Ibrahim, Harun, & Isa, 2010).

### ***Financial Status***

Indebtedness of households increases even when the financial position of the households remains stable (Central Bank of Malaysia, 2011). One important aspect which is recognized and should be taken into account with increased household debt is the households' capacity and capability to more effectively manage their financial positions. This was reported in the Central Bank of Malaysia's Financial Stability and Payment Systems Report 2010.

Literature on debt states that people with higher income tend to increase their debt but indebtedness is not necessarily related to disposable income. A previous study shows no significant differences in disposable income between debtors and non-debtors (Livingstone & Lunt, 1992). However, the amount of personal saving of a debtor is less than that of a non-debtor (Livingstone et al., 1992).

### ***Self Esteem***

Generally, self-esteem is defined as the way people view themselves (Hsien-Jin & Nur Afiqah, 2010). Another definition is that self-esteem is an individual's evaluation in term of their own worthiness and good judgment (Neff, 2011). Literatures on self-esteem prove that it is related to psychological well-being.

Crocker & Park (2004) suggest that people seek self-esteem because their struggle to satisfy their contingencies of self-worth benefits them in managing their fears and anxieties. A study conducted on adolescents shows that stress and low self-esteem has a negative and strong relation with depression and anxiety (Moksnes, Moljord, Espnes, & Byrne, 2010).

A study by Juen, Sabri, Othman, Abdul Rahim, & Muhammad Arif (2013) revealed that self-esteem is a determinant of money management skills among young adults. Young adults with higher self-esteem are predicted to have better skills in money management. Verplanken and Sato (2011) also state that the behaviour of impulse buying is related to low self-esteem. Excessive and uncontrolled impulse buying may lead to poor debt management given that there are many payment methods among which are credit cards and charge cards. The findings thus show that self-esteem has an influence on debt management.

## **METHODOLOGY**

### ***Sample of Study***

The sample of the study consisted of young employees aged below 40. The sample comprised 600 young employees aged below 40 working in the public and the private sectors. Samples were selected using the multistage sampling technique.

Multi-stage random sampling technique was used in selecting the sample study in the central zone of Peninsular Malaysia. The central zone consists of five states which are Wilayah Persekutuan Kuala Lumpur, Wilayah Persekutuan Putrajaya, Perak, Negeri Sembilan and Selangor. In the first stage, four states were been randomly chosen. These were Wilayah Persekutuan Kuala Lumpur, Wilayah Persekutuan Putrajaya, Perak, and Selangor.

The Federal Government Administrative Centre of Malaysia is located in Wilayah Persekutuan Putrajaya and Perak is the second largest state in Peninsular Malaysia with an Urban Transformation Centre providing public services from government agencies. So, these two states were selected for obtaining samples from the public sector. 150 respondents were selected from government agencies in each

of these states. On other hand, a number of multinational companies are located in Wilayah Persekutuan Kuala Lumpur and Selangor so both states were selected in obtaining samples from private agencies. The target was to obtain 150 respondents from private agencies in each state. The data were collected using self-administered questionnaires which were distributed through the human resource personnel of the selected agencies. For the private sector, the agencies were selected from a list of private agencies obtained from the Malaysian Employers Federation (MEF). 505 respondents responded and the data was coded and analysed using SPSS.

### ***Study Instrument***

For the purpose of the current study, self-administered questionnaires were used. The questionnaire was divided into four sections consisting of questions on respondents' background information, self-esteem, financial skills and debt managements. In the first section of the questionnaire, besides questions on information related to respondents' background, there were also questions on respondents' saving ratio, and debt to income ratio. These ratios were used as a measure of the financial status of the respondents. The next section comprised items to measure respondents' self-esteem. A total of nine items were used for the measurement of self-esteem using a five point Likert scale ranging from strongly disagree (1) to strongly agree (5). Financial skills in the following section consisted of eight items and using the five point Likert scale ranging from no skill at all (1) to very skilful (5) in order to measure respondents' competence of financial matters. The section on debt management comprised 14 items with the five point Likert scale ranging from strongly disagree (1) to strongly agree (5).

Further, dummy variables were used for all categorical variables included in the regression model. The details are presented in Table 1.

**Table 1: List of Dummy Variables**

<b>Dummy Variables</b>	<b>No. of Categories</b>	<b>Description</b>
Home Ownership	2	1= Own house; 0 = Others
Saving Ratio	2	1= at least 10% saving from income 0 = Others
Asset to Debt Ratio	2	1= Asset value more than debt 0 = Others
Debt to Income Ratio	2	1 = Debt less than 40% of income 0 = Debt more than 40% of income
Gender	2	1= Female 0 = Male
Marital Status	2	1= Married 0 = Single
Ethnicity	2	1= Malay 0 = Other

### **Reliability Test**

The reliability of the instrument was checked to ensure internal consistency. Results of the reliability test show Cronbach's alpha for all the scales (financial skills scale, self-esteem scale and debt management scale) are above 0.7, passing the reliability requirement. The result of reliability test is presented in Table 2.

**Table 2: Reliability Analysis of Scales (n= 505)**

Scale	No. of items	Cronbach's alpha
Self-Esteem	9	0.757
Financial Skills	8	0.836
Debt Management	14	0.828

## **FINDINGS AND DISCUSSION**

### **Background**

The 505 respondents involved in the study consisted of 194 males (38.4%) and 311 females (61.6%) with the majority being Malays (90.3%). This is as Malays comprised 67.4% of the population in Peninsular Malaysia according to the Population and Housing Census of Malaysia, 2010. Almost 67% respondents were aged between 26 to 35. As for education background, 31.7% respondents had a secondary school education and about 34% respondents had either a bachelor's degree, a master's or a PhD. 66.1% of the respondents were married while the rest were single or widowed.

**Table 3: Respondent's Background (n=505)**

Demographic	Characteristics	n	%
Gender	Male	194	38.4
	Female	311	61.6
Age (years)	20 – 25	68	13.5
	26 – 30	180	35.6
	31 – 35	157	31.1
	36 – 40	100	19.8
Ethnicity	Malay	456	90.3
	Chinese	23	4.6
	Indian	19	3.8
	Other	7	1.4
Education	Secondary School	160	31.7
	Certificate	36	7.1
	Diploma	137	27.1
	Bachelor's Degree/	149	29.5
	Master's/ PhD	23	4.6

Marital Status	Single	158	31.3
	Married	334	66.1
	Other	13	2.6

**Debt Management**

Table 4 shows 14 statements out of 28 statements used in measuring the debt management of young employees. Before performing multivariate analysis, descriptive analysis was carried out on the debt management scale. 80% of the respondents agreed with each of 3 statements. They are the statements “I am willing to finish my money for enhancing car accessories”; “I do not mind being in debt to go on vacation”; and “I am willing to owe money every month as long I can get everything I want”. The findings show that the majority of respondents were willing to use their money and have debt commitments to fulfill their wants.

In addition, 60% of the respondents agreed with each of all the other statements. All of these statements have similar indicators which mean that more than half of the respondents needed help in managing their spending plans and patterns to avoid unnecessary debt.

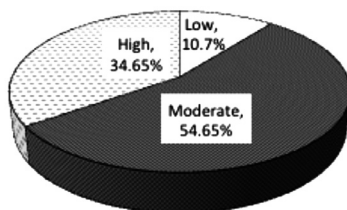
**Table 4: Debt Management (n=505)**

No.	Statements	D	N	A
		n(%)	n(%)	n(%)
1.	I cannot imagine myself without a credit card.	64(12.7)	107(21.2)	334(66.2)
2.	I will not change my expenditure pattern even though I have to be in debt.	55(10.9)	113(22.4)	337(66.7)
3.	I am willing to finish my money for enhancing car accessories instead of repaying my debt/ loan.	35(6.9)	58(11.5)	412(81.5)
4.	I am able to have many goods by being in debt.	59(11.7)	83(16.4)	363(71.9)
5.	I have to take loans to pay costs related to home ownership such as land tax, repair cost, maintenance and others.	84(16.7)	114(22.6)	307(60.8)
6.	I have had problems with loan/ debt repayment in the past 12 months.	55(10.9)	94(18.6)	356(70.5)
7.	I have to borrow to pay for medical cost.	24(4.8)	88(17.4)	393(77.8)



8.	I have to take loans for my family to spend more.	31(6.1)	72(14.3)	405(79.6)
9.	I do not mind being in debt to go on vacation.	38(7.5)	55(10.9)	412(81.6)
10.	I have to use credit cards because I have no saving.	43(8.5)	83(16.5)	378(75.0)
11.	I am willing to owe money every month as long I can get everything I want.	35(6.9)	60(11.9)	410(81.2)
12.	I will take loans to buy home equipment.	58(11.5)	81(16.0)	366(72.5)
13.	I sell jewellery/investment stock to pay for my loans.	31(6.1)	78(15.4)	396(78.4)
14.	My monthly car installment overdue.	40(7.9)	70(13.9)	395(78.2)

\* Notes: D=Disagree; N=Neutral; A=Agree



**Figure 1: Level of Debt Management of Young Employees**

To check on the level of debt management of the respondents, the scale was divided into three categories (low, moderate, and high) using categorization by Abdullah, Sabri, Abdul Rahim, Muhammad Arif, & Zakaria, 2013 where the difference between the highest and lowest total debt management score were calculated and divided into three categories as presented in Figure 1.

Figure1 shows that almost 35% of the respondents had a high level of debt management, more than 50% had a moderate level while the rest fell into the category of low level of debt management (10.7%). This shows that there is an opportunity to help them be better in managing debt.

### ***Self-Esteem***

Self-esteem variables consisted of nine statements as presented in Table 5. 82.2% of the respondents agreed that they were satisfied with themselves. Besides that, 82.0% of the respondents agreed with statement 8 "I hope that I can be better in respecting

others.” The findings also reveal that 77.4% felt they had abilities similar to others. However, for statement 5 “I always feel that I am useless.” the result showed that 76.6% felt that they were useless.

Table 5: Self Esteem (n=505)

No.	Statements	D	N	A
		n(%)	n(%)	n(%)
1.	I have positive attitude towards myself.	26(5.2)	113(22.4)	366(72.5)
2.	I feel I have self-worth just like others.	45(8.9)	118(23.4)	342(67.7)
3.	I feel I have several good qualities.	25(5.0)	118(23.4)	362(71.7)
4.	I tend to feel that I am a failure.	46(8.6)	118(23.4)	341(67.5)
5.	I always feel that I am useless.	42(8.3)	76(15.0)	387(76.6)
6.	I am able to do things just like others.	33(6.5)	81(16.0)	391(77.4)
7.	I feel that I do not have something that I can be proud off.	83(16.5)	93(18.4)	329(65.1)
8.	I hope that I can be better in respecting others.	46(9.1)	45(8.9)	414(82.0)
9.	Overall, I am satisfied with myself.	31(6.2)	59(11.7)	415(82.2)

\* Notes: D=Disagree; N=Neutral; A=Agree

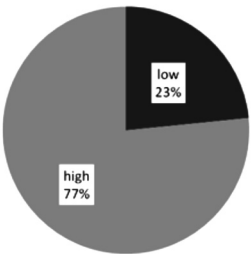


Figure 2: Self-Esteem Level of Young Employees

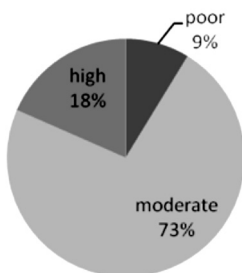
The average score for self-esteem was 34.18. The total self-esteem score was categorized into two categories by dividing the gap between maximum point and minimum point into two ranges. The categories were low and high self-esteem. 77 per cent of the respondents had high self-esteem. The results are presented in Figure 2.

### Financial Management Skills

Table 6 shows the eight statements used as variable financial management skills. The scale ranged from no skill at all to very skilful and the mean was tabulated for every statement. The results for statement 3 “Preparing spending plan for self/family.” (44.2%) and statement 4 “Overseeing self/family spending.” (46.3%) show that more than one third of the respondents had moderate skills. Both statements also had the highest mean compared to the other statements. It shows that on average, respondents prepared and oversaw the spending plan for themselves and their family. The mean for all the statements were above average and more than 3.0 except for statement 2. The mean for statement 2 “Capable of determining type and amount of insurance that needs to be taken.” was the lowest (2.98), showing that respondents may have problems in insurance-related matters. The responses to statements 5 and 6 show that more than 70% of respondent felt that they did not have enough skills in managing their future financial needs.

**Table 6: Financial Management Skills (n=505)**

No.	Statements	(1) No skill at all $\longrightarrow$ Very skilful (5)					Mean
		n(%)	n(%)	n(%)	n(%)	n(%)	
1.	Planning children’s needs for future.	102(20.2)	189(37.4)	173(34.3)	37(7.3)	4(0.8)	3.14
2.	Capable of determining type and amount of insurance that needs to be taken.	138(27.3)	193(38.2)	143(28.3)	31(6.1)	0(0.0)	2.98
3.	Preparing spending plan for self/family.	17(3.4)	191(37.8)	223(44.2)	48(9.5)	1(0.2)	3.52
4.	Overseeing self/family spending.	15(3.0)	185(36.6)	234(46.3)	53(10.5)	0(0.0)	3.58
5.	Determining future financial needs (E.g. (umra/pilgrimage, house renovation).	24(4.8)	214(42.4)	193(38.2)	39(7.7)	0(0.0)	3.37
6.	Determining financial needs after retirement.	28(5.5)	214(42.4)	185(36.6)	31(6.1)	1(0.2)	3.29
7.	Paying zakat.	53(10.5)	173(34.3)	184(36.4)	67(13.3)	3(0.6)	3.37
8.	Minimizing total amount of income tax that needs to be paid.	61(12.1)	194(38.4)	138(27.3)	48(9.5)	2(0.4)	3.14



**Figure 3: Financial Management Skills Level of Young Employees**

Total financial management skills level was analyzed by dividing the gap between maximum and minimum points into three even ranges (Nick, 1997). The average score for money management skills was 26.31. The three categories were low (8-19), moderate (20-31), and high money management skills (32-41). The findings show that more half of the respondents (73%) had moderate level of financial management skills as presented in Figure 3.

### ***Multivariate Analysis***

In order to achieve the second objective of the study, multiple regression analysis was performed to identify the determinants of debt management among young employees. Nine independent variables were included in the model, namely gender, marital status, ethnicity, home ownership, saving ratio, financial status, debt to income ratio, financial skills, and self-esteem. As shown in Table 7, the F value is 19.465 with p-value 0.000. It shows that the regression model fit the data and was significant where p-value is less than alpha (0.05). Besides that, all the variables in the model explained 26.1% ( $R^2 = 0.261$ ) variance in debt management among the young employees as shown in Table 7. To check the determinants of debt management, we checked which independent variables showed p-value less than alpha. Gender, home ownership, and saving ratio were significant determinants of debt management where their respective p-value was less than alpha (0.10). Marital status, financial status, debt to income ratio, financial skills and self-esteem were also significant determinants of debt management level with respective p-value less than alpha (0.05). The details of b-value, beta, and Sig (p-value) are tabulated in Table 7.

**Table 7: Multiple Regression Analysis for Debt Management**

<b>Variables</b>	<b>b</b>	<b>Beta</b>	<b>t</b>	<b>Sig (p-value)</b>
Gender	1.609	.067	1.716	.0867*
Marital Status	2.218	.087	2.198	.0284**
Ethnicity	-1.514	-.039	-.975	.3301
Home Ownership	1.622	.068	1.720	.0861*
Saving Ratio	1.876	.079	1.962	.0503*
Asset to Debt Ratio	2.169	.089	2.181	.0296**
Debt to Income Ratio	1.948	.083	2.036	.0423**
Financial Skills	.206	.101	2.198	.0155**
Self-Esteem	.999	.375	9.089	.0000**

Note.  $R=0.511$ ;  $R\text{ Square}=0.261$ ; Adjusted  $R\text{ Square}=0.248$ ;  $F=19.465$ ;  $\text{Sig. } F=0.000$

\*\* $p < 0.05$  ; \* $p < 0.01$

In terms of the strongest determinant of debt management, self-esteem was found to be the strongest determinant as the beta value was the highest (0.375) compared to other independent variables. Specifically, those young workers with high self-esteem are predicted to have better debt management. This result is in contrast with the study by Ahmed, Ismail, Sohail, Tabsh, and Alias (2010) which showed that self-esteem does not have impact on the formation of attitude towards credit cards. Besides that, financial skills were also found to be significant determinants of debt management (0.0155), which shows that those with good financial skills tend to have good debt management.

The finding shows that financial status is a significant determinant of debt management. Those with assets more than liability are better in debt management. Further, debt to income ratio, saving ratio, and home ownership are also significant determinants of debt management. Specifically, those who are categorized as having a debt to income ratio of less than 40% are predicted to have better debt management. In terms of saving ratio, those who are categorized as saving at least 10% of their income are predicted to have a higher debt management score. Lastly, the findings show those who own their own home are better in managing debt.

In addition, this study also shows that marital status is also a determinant of debt management. Those who are married are better in debt management than those who are single. This contradicts the findings of the study by Teoh, Chong and Yong (2013) which show marital status influences credit card spending as married respondents spend more using their credit card compared to single respondents. Other than that, gender was found to be a significant predictor of debt management as women are better than men in managing debt.

## CONCLUSION AND RECOMMENDATION

This research was conducted to examine the level of debt management and its determinants among young employees aged 40 and below in the Central Zone of Peninsular Malaysia. The results show that there are several significant predictors or determinants of debt management. The significant determinants are marital status, asset to debt ratio, debt to income ratio, financial skills, self-esteem, gender, home ownership, and saving ratio. The results also show that self-esteem is the strongest predictor of debt management. The findings also show that people with higher self-esteem tend to feel confident in managing their debt. Besides that, the coefficient of determination ( $r^2$ ) shows that 26.1% variation in debt management is explained by determinants in the model.

There are several recommendations for individuals, employers, educators, policy makers and marketers. Young employees should be able to seek and gain the financial knowledge being offered free by AKPK. Financial education is one of the important elements for an individual's financial planning as it enables them to make wise financial decisions in life. For young people to improve their

financial situation, they must live within their means. The bigger challenge now is to attract young people to gain financial education and attend financial management seminars to help them better manage their money. Thus, individuals should obtain the necessary information and knowledge, and develop the crucial financial skills. Increased awareness of one's knowledge and skills, together with prudent spending habits are critical factors to promote better debt management among youth.

It is also recommended that employers include financial information and knowledge in their staff training. Good debt management will improve their staff emotional and financial well-being, thus improving their productivity and ultimately benefiting the employers. Also, universities might consider including personal finance content into their existing courses, for example financial education courses or entrepreneurship subjects. It is also suggested that this study be extended and conducted on university and college students so that the findings may benefit the public and a comparison analysis might be possible. Furthermore, marketers can also take the initiative to promote Corporate Social Responsibility by offering advice on credit especially credit cards or personal loans. The package can come with the promotion of credit cards by banks and finance companies. In this way, young people should be able to identify and grab beneficial offers and make better use of credit for wise consumption and spending.

For today's young adults, debt management is in their own hands. The process of wise financial planning has to begin now. Good financial decisions can help a person achieve financial freedom. With the right financial planning, understanding of one's current financial position, having the necessary financial skills and higher self-esteem will produce positive financial results in one's life. Achieving financial stability begins with education and requires active and continuous learning throughout life. Thus, youth need to update their knowledge and skills continuously. One of the key requirements is the ability to learn about new issues concerning individual financial planning. However, knowledge without use will bring no benefits and thus youth need to empower themselves with good debt management practices in life to ensure better financial planning. Nevertheless, even if the young have the knowledge and skills to manage their finances, they must have a clear understanding and responsibility to adapt to certain circumstances.

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