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Research paper



Malaysian People Financial Prosperity

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Abstract

During the first sitting of the fifth term of the 13th Malaysian Parliament, The Yang di-Pertuan Agong Sultan Muhammad V pledged to reign in a just and fair manner by placing the well-being of the people and prosperity of the nation above all else. Thus it becomes the task of the Malaysian Government which includes the financial prosperity of the people. This paper aims at identifying the level of financial prosperity of Malaysian people. It has been identified that financial prosperity is a major problems among Malaysians, a result obtained from a survey research with 2000 samples taken from the whole country which is in accordance with the standards set by the International Statistical Institute [ISI]. The data collected were analyzed using various statistical methods and one of the method used to determine the people financial prosperity or financial well-being is by using index, namely the Malaysian People Satisfaction Index [MPSI]. We categorized the financial prosperity into four levels, namely the poor income, moderate income, good income and excellent income. The survey results show that the level of financial prosperity for Malaysian people is 49.6% with a mean of 4.88 which is categorized as moderate income. Further analysis shows that there are significant differences between the respondents' demographic factors and the financial prosperity. This shows that the government and relevant agencies need to play a more significant role to ensure the policies that are enacted can contribute to the well-being of the people. It would just be very difficult for Malaysia to become a developed nation by 2020 if the status of financial prosperity or financial well-being of its people is still at moderate level income.

Keywords: *Survey Research; Index; Financial Prosperity; MPSI; Statistical Analysis*

1. Introduction

Why is it so important for us to look at the financial prosperity or financial well-being of Malaysian People? This is because through financial well-being, one may be able to help the people out of poverty, help speed economic development and at the same time help government to provide more efficient delivery of services to the people. A well distributed wealth among the people, will reduce income inequality, provide more jobs and make people less vulnerable to unexpected losses of income. Thus, the issue of economic or financial well-being becomes the main theme in many discussions. There are too many views, comments, grievances and criticisms in the Malaysian mass media and social media raising the issue of economic prosperity and financial prosperity of the people as it measures people quality of life [MPSI, 2015; 2016]. In fact, there are some respondent views stating that the current quality of life in in decline as compared to the past, due to outrageous and uncontrolled price rise of goods. Some of the causes in the price rise of goods are the implementation of the goods and services tax [GST], the drop of Ringgit Malaysia as compared to other foreign currencies, the inflation rate and the rising unemployment rate. The rising prices of goods have really been felt by the majority of the people. Respondents reported that in contrast to the past experience, people can still manage their lives well with the amount of income they made. This situation is more critical in urban areas everything in their everyday life requires money or the use of money. People are looking towards the government to intervene and play its role to ensure that the prices of goods in the market are well controlled. In this regard, this study is conducted to identify the economic prosperity or financial well-being of the people. From this study, we hope that various bodies or agencies, particularly the government [the policy makers] and government institutions [implementing bodies] can make strategic policies and actions to address the problems faced by the people.

2. Literature review

The level of satisfaction of an individual or family on their financial position is measured by their financial prosperity or financial well-being. It refers to subjective perceptions and individual objective indicators of personal financial status [1]. Whereas Goldsmith [2] refers to the financial well-being of the adequacy and the individual or family economic strength, which covers the protection of economic risks such as job loss, pain and poverty. According to[3], the financial well-being can be described as a person's knowledge of financial management. In addition, financial prosperity or financial well-being can also be understood as a continuous practice of life with full financial responsibility for now and for the future [4].

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A study on Malaysian Well-being [The Report 2013] shows that the Malaysian family well-being has significant relationships with their current economic situation. Financial prosperity will also influence a person's financial behavior. This is supported by [5] stated that efforts to improve the financial well-being of individuals, families or communities will affect the aspects of their financial behavior. Financial behavior has a close relationship with the level of financial well-being and the quality of life. In this context, emphasis on the aspects of financial behavior should be taken seriously in order to enhance the financial well-being of individuals, families and communities [5].

Woodyard [6] on the hand classifies financial well-being into four components, namely measured objective, financial satisfaction, financial behavior, financial perception. First is measured objective. Measured objectives are classified as quantitative measurements, which are observations of the visible financial situation [5]. This measured objective can be achieved through a person's financial analysis such as net salary, net worth associated with life expectancy, housing sufficiency, nutritional adequacy, cash savings and monthly income stability [6]. Furthermore, in the Gerrans, Speelman [7] finds that the level of financial well-being between men and women is different. Therefore, demographic criteria play an important role in determining a person's well-being through this measured objective.

Next, let us look at some linkages with some aspects of financial satisfaction. A test may be conducted to measure the financial satisfaction. The results from the test may be used to show individual perceptions of their financial satisfaction based on their current level of financial resources [6]. Zaimah [5] supported this argument where subjective measurements are closely related to perceptions of individual's financial satisfaction. Measuring financial satisfaction can also be carried out using normal financial ratios as a target in helping people to achieve a high financial satisfaction [Garrett, 2013]. In addition, financial behavior is subjectively measured by individuals. Various behaviors can affect financial well-being. This can be seen through what people have done or tried to avoid [6]. Examples are cash management, credit management, risk management, retirement and property planning as well as general management. This financial behavior is also measured reliably depending on the individual's knowledge of financial issues [8-12].

The next components that can be measured objectively or subjective are the financial perceptions. The objective of financial knowledge refers to a person's knowledge of financial issues such as compound interest, inflationary impact on savings, currency values and interest rates. While it is subjective to look at the person's interest in financial matters, the pleasure of working with financial issues and a person's confidence in financial decisions [6].

Additionally, previous studies also found that there were other factors affecting the level of financial well-being. Saving money for emergency, freeing oneself from debts, maintaining good cash flow, regular monthly credit card payments and payments of monthly bills does measure and guarantee individual financial well-being [13]. [14]in his study shows that the financial well-being of college students is influenced by their debt burden. While Zaimah [5] also finds that factors such as age, income, home ownership and ownership of financial products also influence the level of financial well-being of an employee

3. Methodology

The aim of this study is to determine the people perceptions on the government administration and leadership in realizing the planned transformation program which ultimately can determine the level of economic well-being or economic prosperity of the citizen of Malaysia. The instruments used in this study are questionnaires specifically developed for this purpose based on a new survey approach known as NEWS. The term NEWS stands for people Needs, people Expectations, people News and people Satisfactions on the subject of interest. The results of NEWS from a selected sample of population will be used to develop the questionnaires. Samples are taken from all over Malaysia which is carefully designed to include all demographic aspects. A stratified sampling method was used in selecting the respondent in each state distributed in accordance to the population distribution provided by 2010 censors of the Malaysian Department of Statistics [DOS], Putrajaya. This study targeted 2000 respondents from various population demographics in urban and rural areas but received a total of 2,047 samples. However we determined that the 47 questionnaires received were shown to be outliers, which are rejected during the analysis process.

The research instrument used in this study is a set of questionnaires developed to satisfy the objectives of the study. The objective of this study is to identify the level of financial well-being/prosperity of the people under the current administration and government leadership. The internal consistency and reliability of this instrument was recorded to be 0.880 Cronbach's alpha. Each item statement is provided with 10 answer options, except that part A is the demographic items. Strategically, the 1 to 10 scale is an approach to evaluating a statement based on four scores of the poor, moderate [mediocre], good and excellent. In this way, we can clearly outline the people's assessment of the given statement in the instrument.

4. Results and Findings

4.1. Respondents Background

The results obtained from 2000 respondents will be discussed in this section. This study found that 943 respondents [47.15%] were males and 1,057 respondents [52.85%] were females. Respondents is divided into four main groups of ethnicity namely Malay, Chinese, Indian and others. The majority of respondents namely 1,025 respondents [51.25%] are Malays, 462 [23.10%] are Chinese, 265 [13.25%] are other races with only 248 respondents [12.40%] are Indian. In the age category, 68.4 percent was in the age group of youth that is between 21 to 39 years. In the education category, it is recorded that the majority of respondents, 743 [37.15%], are with postgraduate degrees and followed by respondents with a certificate or diploma total up of 664 respondents [33.20%]. The findings also found that 1,101 respondents [55.27%] had income between RM1,001 and RM5,000, with most respondents working in the private sectors [39.24%] while in the government sectors constitute to only [21.63%] and living in urban areas are 1,146 respondents [57.30 %] off which 51.77 percent represents are married couples.

Objective 1

Referring to Table 1, The ANOVA table, we can see a significant difference between the demographic factors on financial well-being or prosperity ranging from the Employment, Income and Home sectors.

Table 1: ANOVA

		Sum of Squares	d.f.	Mean Square	F	Sig.
Job Sectors	Between Groups	1099.434	92	11.950	3.361	.000
	Within Groups	6539.417	1839	3.556		
	Total	7638.850	1931			
Income	Between Groups	582.413	93	6.263	3.158	.000
	Within Groups	3764.165	1898	1.983		
	Total	4346.578	1991			
Home	Between Groups	96.960	93	1.043	1.573	.001
	Within Groups	1246.939	1881	.663		
	Total	1343.899	1974			

Objective 2

Table 2 shows the level of financial well-being of Malaysians citizen. It is found that 49.6 percent of the citizens are categorized with only moderate financial well-being. Only 559 respondents were at a good financial level. While only 5.6 per cent [111 respondents] are at the excellent financial levels. This study also shows that only 16.9 percent of respondents are at a weak financial level.

Table2: Level of Economic well-being

Level of Citizen Economic Well-being	Frequency/Percentage
Weak	338[16.9%]
Moderate	992[49.6%]
Good	559[28.0%]
Excellent	111[5.6%]

Table 3 shows the item with the lowest mean is for the question, “"my earnings increase from year to year" recorded at 4.41. This finding is somewhat contradict with the survey statistics on "household income survey [HIS]” published by the Prime Minister's Department. The department produced a survey result twice every five years stated that the average monthly household income of Malaysia in 2014 was RM6,141 compared to RM5,000 monthly income for 2012 [15].

The increase cost of living plus the unstable and inadequate income situation, it has greatly affected the ability of the citizen to support their family and themselves. It has also directly affects the ability to do monthly savings from the remaining income.

In this context, Malaysian citizen could not afford to save by the mean score of 4.92 which is in the category of “a weak moderate” level. Our findings are also supported by the HSBC report where 91 percent of Malaysian citizen aged 45 and above could not afford to retire within the next five years due to lack of savings [www.themalaymailonline.com, 2016].

Due to the continuous rising cost of living, the people are forced to make loans and forced to pay their loan regularly each month in order to avoid other unnecessary financial burden. Referring to Insolvency Department Malaysia's data, 134,550 individuals were declared bankrupt during 2007 to June 2014. On average, it showed 68 people were declared bankrupt every day. This situation illustrates the economic prosperity is decreasing every day due to the failure of individual financial management.

Table 3: Economic Well-being/Prosperity Items

Statements	Mean	Level
My income is sufficient to support my life	5.15	Average
I am able to repay my debt [loan] if indebted	4.85	Average
I am able to support the cost of living for myself and family	5.15	Average
I have monthly savings from the balance of my income [e.g. Tabung Haji and Insurance]	4.92	Average
My income increases every year	4.41	Average

5. Conclusion

We can conclude the findings with a statement that the level of financial well-being or financial prosperity of Malaysian citizen is at “moderate” level and showed a significant difference between the employments, income and residency sectors of the respondents. It is obvious that those working in the government sectors are earning RM3, 000 and below. From this study it shows that those working in the government sectors and living in urban area have no or little financial stability compared to those working in the private sectors and self-employed and with a surplus of RM3,000 and above in rural areas. This research findings means that the employment, income and location sectors affect the financial well-being or financial prosperity of Malaysian citizens. Therefore, the government should give more effort to improve or enhance the level of public sector income in urban areas while at the same time reducing the cost of living. One stressing issues from this study is the issue of debt repayment or loan and financial savings became a dilemma for those from the lower income group. It is just too difficult for those living in urban area earning RM3, 000 or less every month.

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