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Research paper

NEWS Analysis Towards Youth Financial Competency Management

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Abstract

This is a descriptive study of the financial management competency of rural youth. Around 200 youths from areas of Parit Raja, Batu Pahat Johor participated as respondents for this study. Lack of knowledge in managing finances and imbalance in mitigating lifestyles are chief factors which caused youth to be within the highest group declared bancrupt in 2014. 36 items in the survey was ued as intrument for this study which are respondents' background, spending pattern based on NEWS Analysis, competeny level in financial management and challenges faced in managing finances. Results yielded showed that expenditure pattern for youth in 'needs' are significantly higher than those in 'wants'. Eventhough the ratio is rather small which is 1:30, the level of competency of youth finance is rather high at the value of min 4.04. Nevertheless, the challenges faced by respondents are at an average level (min=3.14). In conclusion, rural youths has high level of literacy. This is due to the exposure obtained when they were young and spending pattern based on NEWS Analysis. Hence, even though youth faced obstacles they are nevertheless aware and know the steps which need to be taken to ensure the stability of their finances.

Keywords: *NEWS Analysis; Financial Competency; Youth; Bankcruptcy and Stability*

1. Introduction

The finesse in managing finances is a skill which must be acquired by all individuals. Skills involving finance management must be exposed and instilled from early childhood so that it can become a positive pratice till adulthood. Although good finances is the basis for every thing that an individual desires, nevertheless indirectly, financial issues can also give negatively impact one's life.

The development that occurs in a locality produces a community which are cares about their finances. Not only with adults, but youth and teenagers also need to pay more attention in mitigating finances and increase their finance literacy so that the certainty of prosperity in their lives will be preserved, especially when our country reaches developed country status in 2020. Emphasis on the importance of finance management among youth is important because this group is exposed to needs and the expectations which are not within their means. There is also the possibility that their level of satisfaction is out of control.

In 2020, Malaysia will reach its developed nation status. As a developed country, Malaysia hopes for a community with physical, politics, social and economic prosperity. Through this vision, it is incumbent upon all to ensure that their personal and familial finances are stable so that they can withstand the challenges which lies ahead of them in an open world market.

Malaysia's population in 2016 stands at 31, 186.100 (source: Jabatan Perangkaan Malaysia), from these 9,208,000 are individuals between the ages of 15-29 years or better known as youth. Malaysian youth are seen as a group who are significantly affected by bankruptcy today. As they make up the middle range of the population, serious attention must be paid to them as they are major determinants of the development of our country. The involvement of all ethnicity in this situation indirectly reflects that the prevelent element of social togetherness in Malaysia exists albeit in a negative perspective.

According to Kamri, Suhaimy (1), among elements which could shape social integration in a country is ethnicity. Not only that, data also proves that each ethnicity contributes to the bankruptcy statistics among youth which are: Malays 45.1%, Chinese 32.97%, Indian 12.63% and others 9.3%. Comparison of bankrupts according to gender shows that male makes up 65% and female 32% in 2013 (Source: Jabatan Insolvensi Malaysia (MDL) in the Statistic Belia Malaysia, Current data 2013, Volume 3, IYRES, 2014).

1.2. Youth and Financial

Managing finances is the responsibility of each individual. Even though individuals have differing source of finances and expenses, nevertheless, their comfort in life is determined by their ability to manage their finances. Most financial problems stems from ability, literacy and competency along with individual behaviour in managing expenses including spending more than income, credit card usages, not able to differentiate between needs and wants and also not privy to emergency savings.

As a group who has just completed their studies and embarking on their careers, youth will face a phase where they will need to learn to manage their own finances. Research conducted by Consumer Research and Resource Center (CRRC) about behaviour and spending habits of young workers found that 37 % of them admits they spend more than their monthly salary and lacks knowledge of finance management. Apart from that, indiscriminate spending behaviour patterns also cause them to be burdened by loans. From a psychological aspect, youth are at the age where they are still

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trying to determine their own identities. In this context, youth will do whatever their gut feeling says as long as they are certain with the decision they have made and it gives them satisfaction. Youth must strive to avoid from being categorized as bankrupt because it affects their lives in the long term for example, they can't open their own savings account except for salary account. Eventhough the statistic showed that there is no difference mean score (0.85) between rural youth and urban youth which is score 0.85 but, Richter & de Coninck (2) found that rural financial literacy always low and weak.

Failure to determine or distinguish between needs, wants, predictions and satisfaction are also among main reasons teenager and youth are engulfed in debts. Determinants for wants and needs of individuals are different. This difference is usually influenced by family background, education level, total earnings and commitment of youth each month. Based on these wants and needs, level of prediction and satisfaction will also be influenced towards whatever they want to own. Hence, what is the level of competency of youth to manage their finances based on the analysis in terms of needs, wants, expectations and satisfaction (NEWS) and what is the pattern of the inclination for youths' expenditure.

1.3. Research Objectives

i. To determine the inclination of expenditure pattern of youth based on the analysis of needs, expectations, wants and satisfaction (NEWS).
ii. To determine the competency level of rural youth's management of finance.
iii. To determine the challenges faced by respondents in managing finances.

2.1. Youth and Financial Competency

The landscape living cost in Malaysia has widened hence causing the total debt of Malaysian household to rise to its peak in Asia in 2014 which was 83% compared to 60% in 2008. These numbers are higher that other Asian countries which is 15% for Indonesia, 58% for Hong Kong and 67% for Singapore. In 2009, The Ministry for Federal and Rural Prosperity suggested that those who make RM 3000 and below should be categorized as urban poor under the 10th Malaysian Plan (RML-10). Early studies of household income shows an increase of Malaysian household of 18% in 2014 which is RM 5,900 a month compared to RM 5,000 a month in 2012. Hence, this situation does not depict an increase in salary for working individuals. This income refers to the measure of income which combines all forms of income including salary, wages, profit from investments, transfer of cash like BR1M and retirement pension like pension drawn by public service officials after retirement.

Statistics from Malaysia's Insolvency Department stated that 12,169 Malaysians were declared bankrupt in the span of 7 years from 2007 to 2014. From January to June of 2014, it was reported that 12,381 individual was declared bankrupt for various reasons. From this number, 2,491 of whom were declared bankrupt was in the range of 25-35 years of age while 4,121 more are in the age range of 35 to 44 years of age. According to the Insolvency Department, the highest percentage of bankruptcy cases for youth involved vehicle loan which is 25.21%, followed by personal loans of 13.15%, housing loans 12.31%, business loan 11.26% and credit card, 4.9%.

According to Holden et al. (3), spending habit, spending practices and finance knowledge must be instilled during the early stages of childhood so that they can become good finance managers during their adulthood. In this contexts youth should already acquire ample knowledge in good finance literacy, competency and money management, has the skill to be prudent in planning expenditures and practice good discipline when spending. Nevertheless, what happens is youth are not able to control their spending and have the tendency to spend outside their means and ultimately succumb to being indebted.

Holden et al. (3) emphasized the importance of knowledge in managing finances because financial competency instilled during childhood is extremely important in determining future behaviour of finances of individuals. Exposure and application of financial competency amongst children highly influenced individual to spend and make decisions especially in terms of finances during challenging times so that individuals will not be shackled with financial problems (4) like being indebted and bankrupt. Individuals who have the ability to manage their finances well not only affect themselves and their family, in fact, they significantly affect the market and economy as well.

Apart from this, life and individual financial needs are vastly different in schooling, tertiary education and career life (5). Career life dictates that youth must be more savvy and sensitive in managing their finances. They must know what should be prioritized when spending, the same with wants and needs. Hence, it is very important for youth to have realization pertaining finance management. Not only for own use but also for their own children when they are married later.

2.2. NEWS Analysis

NEWS analysis is seen as an approach to determine the value of an expectation which is considered better for the future. It refers to the need, expectation, wants and satisfaction. In the context of youth, NEWS analysis can be used to identify youth inclination in spending and further to that, determine the level of competency of youth finance management. According to Sabri et al. (6), individual who are able to manage their finances well can enhance their standard of living.

There are four factors are believed can help contribute to happiness and prosperity of life. They are health, economic stsatus, career and familial ties (7). These factors, according to Bernstein (7) are seen to be parallel to the Maslow's Hierarchy Theory of Needs (8) which states that the level of prosperity in life can be attained if basic needs are fulfilled first.

Maslow's Heirarchy of Needs (8) in Figure 1 states that in each individual there are five basic needs which have to be fulfilled such as physiology, safety, social, self-value and the achievement of desires and when a need is attained, the next need will be a priority and so on. Each individual has to ensure that the lowest level of needs need to be fulfilled first before working to fulfill the higher level of needs. This hierarchy shows how physiological needs are seen as a need and the following level is seen as the ultimate need which results in satisfaction.

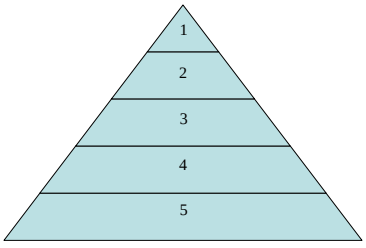


Fig. 1: Maslow's Hierarchy of Needs

Table 1: Maslow's Five level of Needs Hierarchy

Maslow's Five level of needs hierarchy	Level	NEWS
Physiological needs. This is the most basic and important need for humans. This basic need encompasses what is needed for a person such as the need for food, drinks and accommodation.	Low Level	Need - satisfaction
Safety need. This includes personal safety, financial safety, health and not becoming a victim of abuse of power.		
Social Needs. The need for love and have sense of belonging. A need to be needed; if fulfilled can alleviate, lessen and prevent tension.	High Level	Wants - expectation
Need for self-esteem. This need is related to the need to be respect and be respected. Having opportunity to contribute will heighten self-		

esteem.		
Personal wish need. This need is related to the need to attain personal ambition according to self-potential.		

Competency in managing finances for youth hinges upon their ability to control themselves when spending. It is discovered that bankruptcy problems predominantly stems from inability to service credit card payments. This is due to the failure of youth to control themselves when spending apart from having weak financial competency. The rise in the number of bankrupts due to credit cards are prevalent in the 30 years old age bracket. Research conducted by Noordin et al. (9) also shows that credit card is the main reason which resulted in bankruptcy.

High cost of living which does not commensurate with youths' income also influences youth NEWS. Increasing life style in household is always a reason why they incur debts which is to flaunt affluence and not because of needs (10). Weak finance management, inability to control credit card usage and failure to service loans are the primary reasons why many youths have been declared bankrupts before reaching 35 years of age (11). According to investment experts, 4 main factors cause this statistic to rise. They are purchasing cars without deposits, purchasing houses beyond their financial capabilities with maximum loan, personal loans for wedding ceremonies and usage of credit cards with minimum monthly payments.

3. Research Methodology

This descriptive review was conducted on 200 selected youth who were chosen randomly in Batu Pahat Johor. Collection of research data using survey form instrument were divided into three areas which is NEWS analysis on youths' spending inclination (Part A), competency level of youth in managing finances (Part B) and the challenges faced by youths in mitigating expenditures (Part C).

Research questions for this study will be analysed using the "Statistical Package for the Social Sciences for Window" version 20 (SPSS Window 20) software. Descriptive statistics is used to detail the inclination pattern of spending based on NEWS Analysis, competency level of youths' money management and the challenges faced by youths in managing their finances. Meanwhile, minimum score value will be divided into three levels which are low, average and high as shown in Table 2.

Table 2: Minimum Score Level of Research Variables

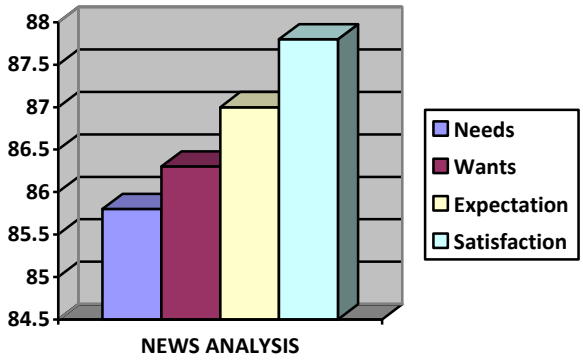
Mean	Research Variable
1.00 – 2.33	Low
2.34 – 3.66	Moderate
3.67 – 5.00	High

4. Research Findings

Research findings will be analysed according to the research objective which are:

Objective i : Determining the inclination of spending patterns of youth based on the analysis of needs, prediction, wants and satisfaction (NEWS).

Analysis of research data shows the spending pattern of youths are high in needs and inclined towards wants. According to respondents, needs which inclined towards wants will fulfill expectation and ultimately results in satisfaction. This shows that each need which has been successfully attained results in satisfaction. Respondents still list basic needs as outlined in Maslow's hierarchy of needs such as food, clothes and accommodation as needs. Nevertheless, the items in needs are found to incline more towards wants when youths prefer eateries which are more high profile such as Secret Recipe as opposed to stalls. Inclination of needs to wants causes youths' expectations to be attained. The same can be said to most respondents who prefer to live in terrace houses as opposed to flats for privacy and comfort. In general, it can be stated that most respondents gave priority to the satisfaction dimension at the end of each expenditure. Respondents also value wants almost as significantly as needs so ultimately they obtain satisfaction on each value of ringgit spent. Inclination of needs which is close to wants directly will influence the financial competency of youths. Table 1.1 demonstrates respondents' expenditure graph based on NEWS Analysis.



Objective ii: Determining competency level of money management of rural youth

Competency level of rural youths' financial management around Parit Raja and Batu Pahat is at high with minimum value of 4.04. Findings show that most respondents agree that rural youth must be trained to anage their financial competency wisely and systematically. Respondents also opined that they must have high realization towards the importance of amassing knowledge in mitigating finances so that they will attain a higher level of monetary prosperity. Although 70 % of respondents care deeply about their financial management, about 64% admits to spending lavishly when they get their salary and only start being frugal when they have less money (min 3.24). This shows that even though the level of competency for rural youths' financial is high, according to Paul Selvarajah (2010) in this country, the young generation is known for their spendthrift behaviour which is way more than their financial capabilities. This worrisome behaviour stems from unhealthy lifestyle such as spending on things which are not needed and influence of friends who encourage them to spend more than necessary. This can result in financial problems later.

Objective iii: Determining challenges faced by rural youths in managing expenditure.

Average min in general shows that the challenges faced by rural youths in managing their expenditure is at an average level which is min 3.14. Result findings show that most respondents admit that they are not able to control themselves when spending. his is also true when they often spend more than planned (min = 3.62), love to buy branded goods even though they are expensive (min = 3.54) and often buys things which are not listed in needs. The affect from this habit and behaviour ultimately will ruin their budget and their salary, although received consistently, will not be able to sustain them. Nevertheless, most respondents do not see needs as mobile phone top ups and vehicle maintenance cost as a burden because both min value are at a low level (min = 2.60).

5. Discussion of Findings

Spending pattern of youth shows that youth still gives priority to needs although inching towards wants. In line with change of time and lifestyle, youths will place more emphasis on satisfaction aspect more than what is predicted. Youths still place needs as their priority in their spending trends. Even though emphasis is given in the satisfaction aspect in the spending pattern, it is found that competency level of money management amongst rural youth around Parit Raja and Batu Pahat is still at a high level (min 4.04). Indirectly, this shows there is awareness amongst rural youth on the importance of managing their finances smartly. Compared to the findings of Malaysian Youth Index 2015, rural youths financial literacy is at the score value of 72.72 which is at average level.

Meanwhile, monetary literacy for Johor youth is at the score value of 71.88 which is at the average level. Pursuant to that, findings of Haniff & Haniff (12) found that youths have awareness about planning or management of finances including long term monetary planning of their finances. This finding differs from the finding of Norvilitis et al., (13) which found that youths in American has low level of knowledge especially in making decisions of purchase and usage. Hence, many youths in America accumulate massive debts in credit card usage which brought about their bankruptcy (14). Indirectly this shows the discrepancy in literacy of finances between rural youth and urban youth.

Research findings also shows the level of challenges faced by rural youth in managing their expenditure which is at average level of min 3.14. Even though early findings of this research shows that rural youth have good level of competency, nonetheless, they still face challenges of self-control when spending and in determining between their needs and wants. For urban youth, research by Baek & DeVaney (15) shows that married coupls have knowledge of finance and are responsible towards their finances by paying bills on time and making notes to mitigate their spending. This shows that they are able to control their wants and needs. Meanwhile, Husniyah, Syuhaily (16) found that they have a smaller family size, lower family income and have high level of finance management. . Apart from that, various needs such as contingency savings, children's education, credit management, retirement plan and limited source also pose as challenges to youths' money management (6). Hence, Berne & Stiefel (17) opined that the main challenge which needs to be faced and resolved is to find an effective way to solidify competency level from school days so that it can better effect their teenage and youth finances.

6. Conclusion

To conclude, this particular research review of rural youth found that they generally have good financial competency. They are found to be wise in determining their needs in their expenditures even though it tends to incline towards satisfaction. Knowledge of finances not only is being shared among friends but also practiced in daily life. The main challenge faced by rural youth in managing their finances efficiently is the ability to control themselves when spending and being prudent in determining their life style. This is so because rurah youth must be wise in determining their needs and wants for example in purchasing gadgets which are out of their means when they only need it for basic usage of calling or texting. In terms of vehicle usage, rural youth have the option to use motorcycles or fuel-efficient cars which could help them mitigate their daily expenditures.

In the contexts of this research, even though rural youth admits that they are faced by numerous challenges in managing their finances, nevertheless they are still able to manage it well. Undeniably, although rural youth realizes and takes proactive steps to contribute to efficiency in managing finances, they still need a good support system from family, community and related agencies. Campaigns to encourage prudence and exposure about the importance of savings alongside knowledge of transactions of expenditures must continuously be emphasized to rural youths. Parents' role in providing exposure to children also must be done as early steps to shape traits of saving and frugality so that it becomes a continuous ritual. This is supported by results of research conducted by (Lusardi, Mitchell (18)) who states that exposure is important for youth to attain financial knowledge through parents. Hence, parents should be exemplary in instilling frugality and stress the importance of savings from early childhood.

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