The Influence on Financial Literacy on Personal Financial Decision-Making Among Teenagers

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DOI: https://dx.doi.org/10.47772/IJRISS.2024.803468S

Received: 05 December 2024; Revised: 15 December 2024; Accepted: 18 December 2024; Published: 18 January 2025

ABSTRACT

This study aims to investigate the influence of financial literacy on the personal financial decisions among teenagers in East Malaysia. This study employed financial literacy module which constitutes the financial education provided to teenagers in East Malaysia. Before and after the deployment of this financial literacy module, this study distributed two sets of questionnaires to gauge the level of financial literacy among these teenagers prior and post implementation of the module. These questionnaires were physically distributed and collected to a total of 140 respondents in East Malaysia. The findings revealed that there is a significant difference in the level of financial decision among these teenagers after deployment of financial literacy module. These teenagers reported increased in understanding, confidence and satisfaction upon making financial decisions. The results suggested that financial literacy module is beneficial in impacting good financial behavior among these teenagers. The results implied that good financial behavior which will affect the financial decisions could be instill at the earliest age. Additionally, the implication for more module or subjects to be taught at the secondary level on the financial literacy, However, the level of knowledge should match the capacity of these teenagers making a simple yet important financial decision. With the increasing awareness of financial literacy, it is hoped that when these teenagers grow up, they can be more informed adults on financial decisions. It is also hoped that the level of savings, investment and other financial decisions could be improved at the national level. This study differs from previous research in that it is enriched by offering a more rigorous study which looks at the respondents before and after deploying the financial literacy module.

Keywords: financial literacy, teenagers, East Malaysia, financial decisions

INTRODUCTION

Financial literacy is key for better financial decisions and financial sustainability of individuals, families and the country. Financial literacy also involves the distinct ability to understand financial idea and interpret data (Esmail Alekam, 2018). The higher the level of financial literacy, especially among younger generations, promises a more favorable level of economic indicators with better payment records and reasonable debt levels among the citizen and the country. This will lead to good quality of life and important for Malaysia to achieve the level of develop country.

Over the last few decades, governments around the world have started advocating a new and responsible approach to personal finance, to encourage households to be more in charge of their own financial wellbeing. Households ought to have active savings management that helps them to smooth out their consumption over their lifespan (Brounen, Koedijk, & Pownall, 2016).

According to Bank Negara Malaysia's Financial Capability and Inclusion Demand Side Survey 2018 (FCI Survey 2018), 1 in 3 Malaysians rate themselves to be of low financial knowledge. This low financial knowledge is translated into low saving behavior with 1 in 5 Malaysians working adults did not make any savings for the last six months (Financial Education Network, 2019). This low or no savings is apparent on Malaysians as about 52% of Malaysians having difficulty to raise emergency funds amounting of RM1,000 (Financial Education Network, 2019). Meanwhile, about 68% of active EPF members do not achieve basic savings (Financial Education Network, 2019). On the other hand, low financial knowledge is also apparent in the investors, where they were found to have unrealistic expectation on the potential annual return from the investment (Financial Education Network, 2019). This low financial knowledge is apparent in the working adults (Financial Education Network, 2019).

Similarly, according to (Organisation For Economic Co-Operation And Development, 2020), the gap in financial literacy performance between the highest and lowest performing countries that took part in the PISA 2018 financial literacy assessment was over 60% larger or 159 points. This PISA 2018 covered OECD countries and partner countries, including Malaysia but the result for Malaysia is not shown in the report. However, this indicates that there is a big gap in the financial literacy of 15 years old school students between OECD and partner countries. Thus, this suggests a potential gap on the education system in the country with regard to financial knowledge.

There is an urgent need to study the financial knowledge and application at the school levels. This is in line with Malaysia National Strategy for Financial Literacy 2019-2023 with the objective to elevate financial literacy of Malaysians and to promote responsible behaviour and rational attitudes. The financial literacy is importance for better financial decisions to attain and sustain a good quality of life. (Financial Education Network, 2019). Thus, the aim of the study is to investigate the influence of financial education on the financial literacy and hence the impact on the personal financial decision-making among teenagers in East Malaysia.

FINANCIAL EDUCATION, LITERACY AND PERSONAL FINANCIAL DECISION-MAKING AMONG TEENAGERS

Financial literacy is important for teenagers and helps them understand and apply financial knowledge as they transition into adulthood. In Malaysia, it is important that responsible financial behaviors are imparted among adolescents and long-term financial risks are reduced through the improvement of financial literacy. Early exposure to financial education helps teenagers make real-life financial decisions and promotes economic stability for people and nations.

The National Strategy for Financial Literacy 2019-2023 was introduced by Malaysia through the Financial Education Network and it was created due to the growing importance of financial literacy. This initiative works to add financial education to school curricula and to improve financial literacy for all age groups including teenagers. Early understanding of personal finance is encouraged by this strategy and youths are prepared to effectively navigate complicated financial challenges.

Financial literacy provides large benefits to teenagers as it empowers them to make informed decisions about money and manage their finances effectively. Young people are empowered to manage budgets and concentrate on savings and understand credit and debt management. Teenagers with financial knowledge make informed decisions about higher education financing and investments and even pursue entrepreneurship, which contributes to sustainable economic growth (Financial Education Network, 2019; RinggitPlus, 2024).

Another significant challenge is the pervasive influence of social media and consumer culture on Malaysian teenagers. The constant exposure to advertisements and the pressure to emulate lifestyles portrayed online often lead to impulsive spending and poor financial decision-making. Addressing these issues requires financial education programs that incorporate critical thinking and decision-making skills to combat the adverse effects of consumer culture (Channel News Asia, 2023).

Parental involvement also plays a crucial role in shaping teenagers' financial habits. However, many parents in Malaysia lack sufficient financial literacy themselves, limiting their ability to guide their children effectively. This highlights the importance of community-driven initiatives that engage both teenagers and their families to foster a comprehensive financial literacy ecosystem (Business Today, 2024).

The rapid digitalization of financial services further complicates the landscape of financial education. While digital tools can make financial education more interactive and engaging, they also expose teenagers to online scams and fraudulent schemes. Therefore, modern financial education programs must include digital literacy components to prepare youths to safely navigate the online financial ecosystem (RinggitPlus, 2024).

Several initiatives have attempted to address these challenges. For instance, the Credit Counselling and Debt Management Agency (AKPK) offers tailored programs for youths, focusing on practical skills like budgeting and savings. Additionally, collaborative efforts between financial institutions and schools have resulted in the development of curriculum-based modules to teach financial concepts in real-life contexts (Financial Education Network, 2019).

Continuous improvement and evaluation of financial education programs are essential. Regular assessments can identify gaps in existing initiatives and adapt them to evolving financial realities. Involving stakeholders such as educators, parents, policymakers, and financial organizations is critical to creating a cohesive and effective framework for financial education in Malaysia.

In conclusion, while financial literacy among Malaysian teenagers has improved, significant challenges remain. Addressing these issues requires a multi-pronged approach, including standardized curricula, enhanced educator training, parental involvement, and the integration of digital financial literacy. By adopting these strategies, Malaysia can cultivate a financially literate youth population ready to make informed financial decisions and contribute to long-term economic prosperity.

RESEARCH METHODOLOGY

The study employed a quantitative research design to assess the financial literacy levels of young adults, specifically targeting teenagers aged 16 to 17 years old in East Malaysia in the year 2023. A structured survey questionnaire was utilized as the primary instrument for data collection. The questionnaire was physically distributed to the selected participants to measure their knowledge of key financial concepts. In addition to assessing financial literacy, demographic data—such as age, gender, education level, and socioeconomic background—were also collected to examine how these factors influenced financial literacy levels.

To evaluate the effectiveness of the financial literacy module, a pre- and post-survey approach was implemented. Participants completed the survey before and after undergoing the module. A paired sample test was employed to compare the financial literacy scores from the two survey phases. This method allowed the study to determine whether there was a statistically significant improvement in financial literacy, offering valuable insights into the impact of the financial literacy module.

The study utilized a non-probability sampling technique, specifically convenience sampling, which involves collecting data from individuals who are readily available to participate. According to Sekaran and Bougie (2016), convenience sampling is an efficient and quick way to gather basic information. Additionally, Roscoe (1975) and Sekaran and Bougie (2016) suggest that an appropriate sample size for a study should range between 30 to 500 participants, while Anderson and Gerding (1988) recommend a sample size of 100 to 150 for studies involving small populations.

In alignment with these guidelines, the study initially distributed the survey questionnaire to 140 respondents. However, after data cleaning, only 134 questionnaires were deemed valid for analysis, resulting in a 96% valid response rate. The remaining responses were excluded due to extensive missing data.

By employing this approach, the study ensured that the findings were robust and provided meaningful insights into the financial literacy levels of young adults and the effectiveness of the financial literacy module.

FINDINGS AND ANALYSIS

From Figure 1. the findings on financial literacy among teenagers are derived from a survey in which 55% of respondents were male and 45% were female. This respondent distribution aligns closely with the population

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue IIIS December 2024 | Special Issue on Education

demographics reported by the Department of Statistics Malaysia (DOSM), reflecting the census ratio of males and females in the country.

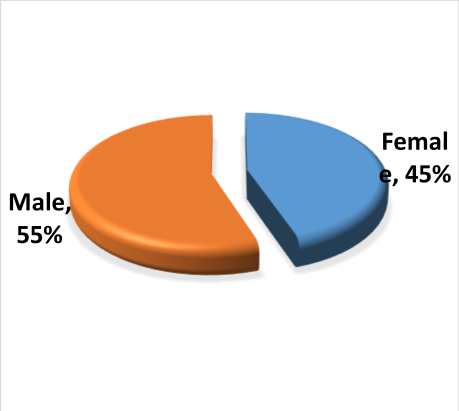

Figure 1: Respondent's rate in the survey

The graph in Figure 2 illustrates the distribution of family sizes among teenagers participating in the survey. The most common family size falls in the range of 6-7 members, followed by families with 4-5 members, indicating that most respondents come from medium to large households. Smaller family sizes (0-1 or 2-3 members) and larger family sizes (10 or more) are significantly less common. This finding aligns with statistics from the Department of Statistics Malaysia (DOSM), which reported an average household size of 3.8 members in 2020, a decline from 4.3 in 2010, reflecting trends of smaller family units over time. However, regional variations persist; states like Kelantan, Sabah and Sarawak report higher average household sizes of 4.9 and 4.7 members, respectively, compared to urban centers like Kuala Lumpur, where smaller families are more prevalent due to socioeconomic factors (DOSM, 2022) and (New Straits Times, 2022).

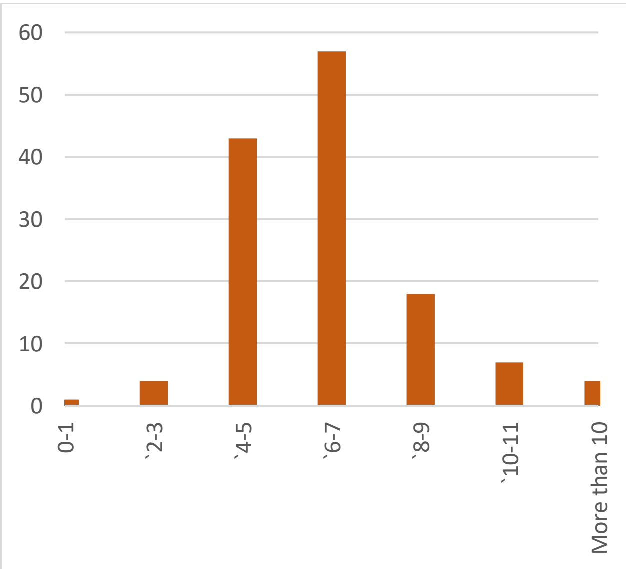

Fig. 2: Distribution of respondent's family size

Furthermore, the graph in Figure 3 illustrates the monthly income distribution of families of teenagers participating in the survey. The data shows that the majority of families earn between RM 1,000 and RM 1,999, with this range accounting for the highest proportion of responses. Smaller proportions are observed for both lower-income families (earning below RM 1,000) and higher-income families (earning above RM 4,500). According to the Department of Statistics Malaysia (DOSM), the median household income in Malaysia was approximately RM 6,338 in 2022, with significant income disparities between rural and urban areas. Urban households tend to report higher incomes compared to rural households, and the income distribution across states also shows variability, reflecting economic activity concentrations and regional development levels (Department of Statistics Malaysia. (2022).

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue IIIS December 2024 | Special Issue on Education

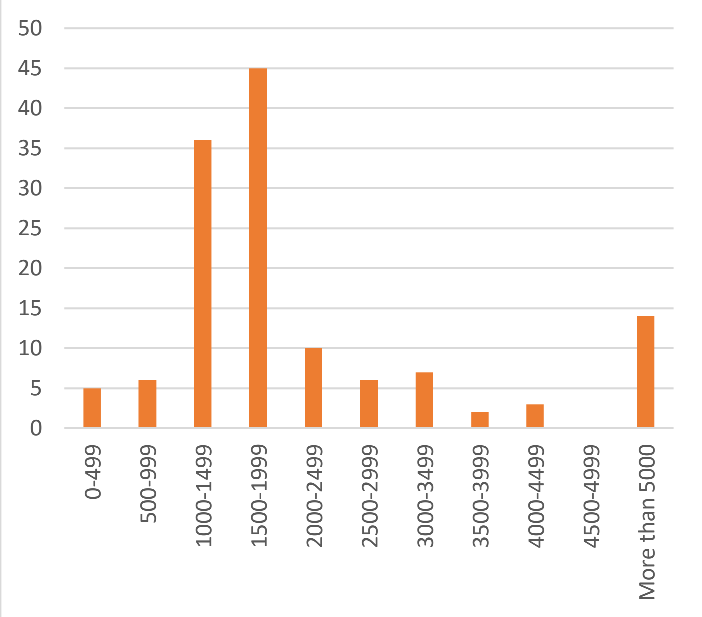

Fig 3: Distribution of respondent's family monthly income (RM)

From Table 1, the analysis of the paired measures revealed some significant findings regarding the differences in scores post-intervention. Items 1 and 5 exhibited small but significant positive mean differences of 0.246 and 0.291, respectively, with confidence intervals that did not cross zero. In addition, several items, specifically items 2, 3, 4, 6, and 9, showed significant positive mean differences, which indicate an increase in scores between the two paired conditions. These results indicate a measurable improvement in these areas following the intervention. Such positive changes suggest that the intervention had a favourable impact on the specific areas these items measure, which could be related to increasing knowledge or confidence in those domains. In the context of financial literacy, this aligns with research suggesting that targeted interventions can lead to improvements in financial decision-making and understanding (Lusardi & Mitchell, 2014).

Conversely, several items, specifically items 7 and 10, showed significant negative mean differences, which indicate a decline in scores between the two paired conditions. Notably, the mean differences for item 10, with values -1.127, represent the largest shifts, highlighting areas where the intervention may have inadvertently led to decreased performance. These negative changes could reflect a variety of underlying factors, such as the complexity of the financial concepts being tested or the possibility of confusion or misconceptions arising from the intervention (Hastings et al., 2013). Understanding these shifts is crucial in refining financial literacy programs to ensure they do not inadvertently lead to reduced comprehension.

In contrast, item 8 demonstrated a non-significant mean difference of -0.128, with a p-value greater than 0.05, suggesting that no meaningful change occurred between the two conditions. This finding is consistent with the idea that not all interventions lead to improvements across all areas. For instance, certain aspects of financial literacy might require more intensive or repeated exposure before measurable changes are observed (Fernandes et al., 2014). The non-significant result for item 8 may indicate that the intervention was ineffective in influencing that specific area, or that the measure was not sensitive enough to detect subtle changes.

The variability in responses across items is also important to consider when interpreting these results. The confidence intervals provide a range within which the true population mean difference is likely to fall, reflecting the uncertainty in the estimates. Items 9 and 10 demonstrated higher variability, as indicated by their larger standard deviations and errors. This suggests that responses to these items were more dispersed, possibly due to differences in baseline knowledge or varying levels of engagement with the intervention. Previous studies on financial literacy highlight those individual differences, such as prior financial knowledge or socioeconomic status, can contribute to such variability (Lusardi, 2019). This underscores the importance of tailoring interventions to address these diverse needs and ensure that the effects are widespread and meaningful.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue IIIS December 2024 | Special Issue on Education

Table 1: Result of paired samples t-test which compares the mean before and after the implementation of the financial literacy module.

Paired Samples Test									
Items	**Paired Diff Mean**	**Std. Deviation**	**Std. Error Mean**	**95% Confidence Interval of the Difference**		**t**	**df**	**One-Sided p**	**Two-Sided p**
				Lower	**Upper**				
1	0.24627	0.77009	0.06653	0.11468	0.37785	3.702	133	0.000	0.000
2	0.95522	0.97229	0.08399	1.12136	0.78909	11.373	133	0.000	0.000
3	0.49254	0.87356	0.07546	0.64180	0.34327	6.527	133	0.000	0.000
4	0.82836	0.97738	0.08443	0.99536	0.66135	9.811	133	0.000	0.000
5	0.29104	0.92439	0.07986	0.13309	0.44900	3.645	133	0.000	0.000
6	1.07463	0.96266	0.08316	1.23912	0.91014	12.922	133	0.000	0.000
7	-0.44361	0.94879	0.08227	-0.60635	-0.28087	-5.392	132	0.000	0.000
8	-0.12782	0.97245	0.08432	-0.29462	0.03898	-1.516	132	0.066	0.132
9	0.71642	1.14124	0.09859	0.91142	0.52141	7.267	133	0.000	0.000
10	-1.12687	1.17890	0.10184	-1.32830	-0.92543	-11.065	133	0.000	0.000

Legend

ITEMS	**ITEMS EXPLANATIONS**
1	Financial planning is important for my future
2	I have a good understanding of basic financial concepts
3	I feel confident in my ability to manage my finances
4	I have set financial goals for myself
5	I believe that financial planning is important for teenagers
6	I have received financial education or guidance in the past
7	I regularly save a portion of my pocket money
8	I am interested in learning more about financial planning
9	I have experience managing my own money and making financial decisions
10	I have a savings account or other means of regularly setting aside money

CONCLUSION

The findings and analysis reveal important insights into financial literacy among teenagers and the impact of targeted interventions. The demographic and socioeconomic characteristics of the respondents align closely with national data, providing a representative sample for the study. Key results indicate significant positive improvements in several areas of financial literacy, such as financial planning, goal-setting, and managing finances, suggesting the intervention's success in enhancing these competencies.

However, the decline in specific areas, such as regular saving habits and savings account usage, highlights the complexity of financial behavior and the need for refined approaches to address these gaps. The non-significant change in interest toward learning more about financial planning suggests that certain domains require repeated or alternative methods of engagement to yield noticeable effects.

Overall, while the intervention demonstrates potential in improving financial literacy among teenagers, further refinement is necessary to address areas of decline and ensure sustained, comprehensive growth in financial understanding and practices. Future research should explore innovative strategies to enhance engagement, address misconceptions, and cater to varying levels of financial literacy.

In addition, while numerous government incentives and programs are already in place, such as youth savings schemes and financial education campaigns, their impact must be regularly assessed to identify gaps and areas for improvement. Tailored strategies should address regional disparities and varying levels of financial knowledge among teenagers, ensuring that interventions remain relevant and effective. Continuous monitoring, coupled with data-driven refinements, will help optimize these programs to better equip the younger generation with the financial skills needed for personal and economic resilience.

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ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue IIIS December 2024 | Special Issue on Education

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