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THE DETERMINANTS INFLUENCING PERSONAL FINANCIAL BEHAVIOR THROUGH PERSONAL FINANCIAL STRATEGY

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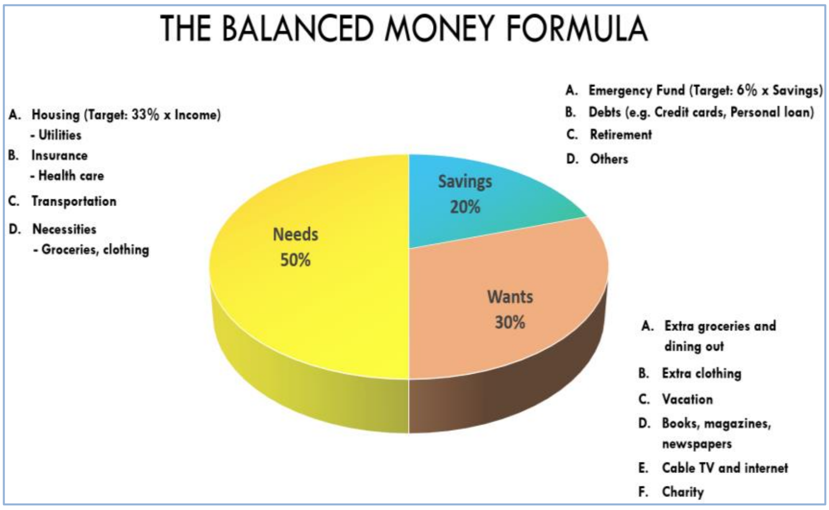
Research Highlights

Malaysian Department of Insolvency (2017) reveals most of the loan defaulters were consist of the early adulthood group. Hence, this study shows that there is a variation of patterns pertaining to the savings and expenditure habit among the early adulthood in financial institutions. **Munanda (2017)** stated that most of the youth employees in banking sector faced savings challenges due to poor spending and savings habit, lack of financial control and disciplinary including limited income earned. In addition, financial management and financial attitude found to be the core drivers that impact individuals' financial behavior. Essentially, this study will assist the early adulthood to make better financial judgement by providing basic financial plan that will impact their long-term financial condition. The allocation of income should be comprises of budgeting, savings and expenditure comprehesively. Consequently, this study promote a well-balanced way of life financially and mentally.

Graphical Abstract

Source: *Center for Personal Financial Education (2004)*
Fig. 1: Process of Personal Financial Strategy



Source: *All Your Worth: The Ultimate Lifetime Money Plan*
Fig. 2: *The Balanced Money Formula*

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Research Objectives

The objective of this study is to investigate the significant relationship between the determinants which is financial management, financial attitude and normative influencer towards personal financial behavior. This study also aims to understand the patterns of the savings and expenditure habit of the early adulthood in financial institutions. Hence, the researcher able to understands their financial prudence and making financial decision throughout their phase of life. To further improve on the previous literatures, this study intends to propose a personal financial strategy on managing personal finance concerning to the allocation of monthly income. The allocation of monthly income is essential for each to determine the adequacy of financial needs whether in daily basis or for future purposes. The greater the competency of handling one financial effectively and efficiently justifies the life-changing of inculcating the habit of having a systematic financial planning. Thus, the recommended approach derived from this paper will be able to encourage individuals on acquiring a sound and healthy financial. On the other hand, this study can further enhance the previous literatures on gaining insightful critical areas in financial management processes which is relevant to the current situations in today's challenging era.

Methodology

The chosen population for this study was the employees of the financial institutions due to their business nature that provides financial services to the government and the public **(Puad et al., 2017).** The selection of this sample was based upon the consideration on selecting the working adults with an age group between 25 years old to 44 years old which are relevant to financial management that require a stable income to cater their financial needs. The sample size of this study was 200 respondents who are working at Hong Leong Bank, CIMB Bank, EPF and IRBM. The sampling technique used in this study is convenient sampling as the target sample is defined in broad category such as gender, amount of salary and etc. This study used survey instrument to carried out the investigation on personal financial behavior and were organized according to the 4 main constructs; financial management, financial attitude, normative influencer and financial behavior. The target respondents will rate themselves according to the scale that may represent their exact behavior and perspectives towards financial by using a 7-point Likert-type scale, in which the scoring reflects the financial well-being of the potential respondents.

Results

As all of the determinants portray a significant positive relationship towards personal financial behavior, however financial management and financial attitude show a higher positive strength as compared to normative influencer. This shows that the individual's inner attitude and self-financial management ultimately moulds his financial condition. This result is supported by Ibrahim & Alqaydi (2013) and Topa, Zappalà, Giorgi, & Europea (2018). Apart from that, there are 71.5% early adulthood who make savings in which most of them make savings using 25% from their salary. Nonetheless, 28.5% of the group do not make savings mainly due to the high cost of living and uncertainty on the portion of savings that should be allocated monthly. The variation of scores between the age group of 25 – 34 years old and 35 – 44 years shows that there is significant differences with respect to the determinants. Thus, the early adulthood need to established a balance and practical financial strategy to be used in today's era as depicted in Figure 1. This is not only to prevent financial burden at the early phase of early

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adulthood's life but also to increase the likelihood of achieving financial freedom as the ultimate financial goal.

Findings

Based on the findings, financial management, financial attitude and normative influencer portrays a significant positive relationship towards the personal financial behavior of the early adulthood. Even though, most of the employees of financial institutions show positive habits towards savings and expenditure, they are a few of them have issue on the allocation of savings or even do not make any savings at all. This may impact their financial condition in a long-term. Hence, the Balanced Money Formula (Figure 2) should be implemented to assist them to have a clearer picture on how to pursue effective and efficient financial decision.

Acknowledgement

The completion of this undertaking could not have been possible without the contribution and assitance from numerous people that may not be enumerated mainly to those who have willingly became the respondents for this project paper from various financial institution employees. Their participation is deeply appreciated and acknowledged.

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