**Measuring Financial Wellness Of The Malaysian Employees**

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**ABSTRACT**

The purpose of this paper is to assess the determinants of financial wellness among employees in Sarawak. Samples are selected using multi-stage sampling technique among employees work at Kuching City and regression analysis is applied to examine the impacts of financial literacy, financial stress, and financial behavior towards the financial wellness among employees. A total of 300 questionnaires was distributed to the public and private sector employees with a response rate at 71 per cent. Generally, the results suggest that all determinants significantly affect the financial wellness of the workers. Additionally, education level is found important to the financial wellness among employees in Kuching, Sarawak.

**Keywords:** financial behavior, financial wellness, Malaysian workers

**INTRODUCTION**

Financial wellness describes an intricate balance of money in terms of spiritual and physical aspects. Financial wellness is defined as “a comprehensive, multidimensional concept incorporating financial satisfaction, objective status of financial situation, financial attitudes, and behavior that cannot be assessed through one measure’’ (Joo, 2008; p.23). Financial problem concerns about the poor and it is also related to the declining of employment opportunities, instability of income and reducing purchasing power of consumers (Delafrooz and Paim, 2013). A heavy debt burden hampers the retirement plan with little savings, especially those from low level of society (Folk, Beh & Baranovich, 2012).

A high level of financial wellness is an important prerequisite for financial health. The individuals’ financial health can be sustained only if their financial resources are stabilizing; and adequate with material and non-material aspects of financial condition. By right, the higher level of financial wellness triggers employees to perform better at work; as a result, productivity will increase at the workplace and eventually, the organization’s profit will also increase. In the context of Malaysian labor market, an alarming statistics of bankrupt cases and heavy debt burden offer evidence on the low level of financial wellness among employees (Marican, Zakaria, & Abdul Rahman, 2012). Prior to the 1997 Asian financial crisis, the share of household debt with respect to the outstanding bank loans was less than the business default loans (Endut & Hua, 2009) and the annual debt growth rate has reached to 14.8 per cent (%) in year 2007 (Bank of International Settlements, 2009). Eventually, the ratio of household debt has reached 86.8 % of GDP at the end of 2013 (Bank Negara Malaysia, 2013)[[1]](#footnote-1) and Malaysia is recorded as the highest household debt levels in Asia (Kuncinas, 2014).

The high levels of household debt represent the prevalence of financial problem in Malaysia; the statistics indicate  a large proportion of Malaysian is lack of financial literacy (Dhesi, 2014). The financial illiteracy could be due to the declining of job opportunities, increasing of inflation rate, shrinking of consumer’s purchasing power and depreciating value of Ringgit Malaysia (MYR); as a result, the financial stress among employees has increased (Malaysian Economic Outlook, 2014). In other words, poor financial literacy hampers the financial investment which leads to financial problem. The later brings negative impact towards the productivity of the workers and it may cause stress-related illnesses (Delafrooz & Paim, 2013). On this note, the loan defaulters with poor financial behavior, serious financial stress and financial illiteracy disabled them from repaying the debt, eventually they will file for bankruptcy.[[2]](#footnote-2)

Past studies offer contention that the financial stress and personal debt burden are highly correlated; financial stresses hamper the workers’ productivity (La Cava & Simon, 2005) as the financially troubled employees carry their problem to workplace and spend working hour to handle personal financial matters, and hence it affects their productivity and diminish morale work attitude (Kim, Benoit & Garman, 2006). Studies such as Kim & Garman (2004), Kim, Benoit & Garman (2006) and Cascio & Boudreau (2010) add that financial stress is also positively correlated with absenteeism. The rising financial stress brings negative impact on the employees’ health (Marican, Zakaria, & Rahman, 2012) and the debt worriedness cause strain on financial wellness (O’Neill, Prawitz, Sorhainda, Kim & Garman, 2006). On parallel to that, the rising of health expenditure among employees due to the increased level of stress related illness in Malaysia has affected employees’ ability to achieve their financial wellness (O’Neill et al. 2006).

The abovementioned studies offer a limelight on the importance of financial wellness among employees towards their working productivity in the case of Sarawak, Minister in the Prime Minister’s Department Nancy Shukri states that there is a total number of 13872 bankrupt cases in Sarawak as reported by Malaysia’s Department of Insolvency (MDI). In this respect, Kuching has been recorded with the highest bankruptcy cases (7, 112 cases), follows by 4, 167 cases in Miri and 2, 593 cases in Sibu (Department of Insolvency Malaysia, 2014). Besides that, MDI also reveal that lack of knowledge on financial management and awareness on bankruptcy regulation under the Bankruptcy Act 1967 are the main cause of the increasing trend of bankruptcy cases. Huat, Geetha & Mohidin (2010) add the demographic characteristic of individuals such as age, ethnicity, and gender explain the different pattern of financial behaviors among employees. The above discussion provides the motivation of this study to focus on the issues of the relationship between the financial stress, financial behavior, financial literacy and financial wellness. Specifically, the main objective of this study is to examine the determinants of financial wellness among the employees in Sarawak. The rest of this article is organized as follows. Next section provides a brief review on the past studies, and it is followed by the data and methodology section. Subsequent section presents the results of the determinants of financial wellness and finally, this paper ends with conclusion in the last section.

**PAST STUDIES**

Financial wellness has regularly been measured by general fulfillment of financial circumstance (Van Praag, Frijters & Ferrer-i-Carbonel, 2003); Joo (2008) adds, overall satisfaction towards personal financial status is a measure of financial wellness. Past studies have sought to develop conceptual model of the determinants of personal financial wellness (Delafrooz & Paim, 2011; Joo & Grable, 2004 among all); nevertheless, the determinants of financial wellness are confounded by the goal and subjective statuses of financial circumstances behavioral (Joo, 1998).

The decrease in actual income expands the financial worries on personal finance and increases the probabilities of taking on additional debt, housing loans, and other credit commitments (Sabitha Marican et al, 2012). Some individual conceded to having difficulties of focusing at work on the grounds that utilizing work time to handle financial problem (Kim, Sorhaindo, & Garman, 2006; Williams, Haldeman, & Cramer, 1996). According to Delafrooz & Paim (2011), financial literacy or knowledge had a positive impact on financial behavior’s, demonstrating that individuals who were more knowledgeable about money management and money related issues had a tendency to display better financial behavior’s. Theodos, Kalish, McKernan and Ratcliffe (2014) suggested that individuals with high level of financial literacy exhibit the highest propensity to involve themselves in financial planning when contrasted with corresponding person in the medium and low level of financial literacy. Education level of individuals may be the main driver for their lack of financial literacy and hence low engagement in personal financial planning.

**Determinants of Financial Wellness**

*Financial Literacy*

Financial literacy refers to the adequate knowledge of personal finance and its barriers range from lack of financial knowledge, intricate financial circumstances, difficulty in the choices of finance, and the time constraints (Garman & Forgue, 1997; 2000). Other studies such as Huston (2010) defines financial literacy as the awareness of daily finance-related information; while Moore (2003) describes the literacy as the integration of financial knowledge and the real-world experience. Financial literacy is the ability to understand the financial concepts and the capability to handle personal finances (Huston, 2010; Remund, 2010; and Jacob & Bush, 2000); on contrary, financially illiterate is classified as poor decision makers due to little capability and confidence to manage their personal finances (Gale and Levine, 2011). According to the National Community Reinvestment Coalition Report (2004), financial literacy starts with education and comprehension. The understanding of financial concepts provides knowledge to the individuals for decision making process regarding the money management in order to enhance the efficiency of resource allocations.

The financial knowledge has significant relationship with social and psychological stresses and individual’s financial welfare. For instance, Fox, Bartholomae, & Lee (2005) suggest that individual with high level of financial knowledge is less aggressive and Kim (2007) advocates that financial knowledge helps employees to control emotional the workplace which results in higher efficiency and productivity at the working place. The knowledge also improves the employees’ understanding about the benefits offered by their employers; as a result, their job satisfaction increases (Brennan, 1998; Bernheim and Garrett, 2003). It is claimed that the best point of interest of financial literacy is by reducing the financial conflict among the employees and triggering them to be in charge of their own financing (Vitt et al., 2000). According to Hogarth (2006), the increase of financial wellness of the public and economic security have resulted in the increase of consumer awareness; hence, the sophisticated financial markets has put forward the financial literacy as an essential requirement to an individual. Naturally, the increasing of financial literacy brings about helpful effect on personal finances and business management.

Past studies suggest that individual who suffer from financial problem is due to the lack of knowledge about money (Chen & Volpe, 1998; Joo, 1999); most of the employees would invest their savings passively, entrusting financial professionals to manage their savings while waiting for the dividends. The lack of financial knowledge, the complexities of financial life, time constraint and choices in financial decision making are the obstacle to financial literacy which can reduce the personal financial wellness (Garman and Forgue, 2003). A bulk of studies confirm the positive relationship between financial literacy and financial behavior (Hilgert, Hogarth, & Beverly, 2003; Delafrooz & Paim, 2004; Worthington, 2006; Lusardi and Mitchell, 2007; Kotze & Smit, 2008; Oseifuah, 2010; Robb & Woodyard, 2011); Joo & Grable (2004) add that a good financial behavior reports a lower level of financial stress and a higher level of satisfaction toward their financial circumstances.

*Financial Stress*

Financial stress is defined as the negative feeling and reactions to personal financial status (Delafrooz, Paim, Sabri, & Masud, 2010); it is also known as economic strain, economic pressure, and economic stress. Economic strain can be defined as the evaluation of individual’s financial situation such as the financial concerns, financial adequacy, financial modifications, and the projected financial situation (Kim, 2007). Although financial stress is not necessarily a negative element, but it may become problematic in the case of uncontrollable stressors such as having high level of debt burden or business losses. O’Neill, Sorhaindo, Xiao & Garman (2005) recommend the significant relationship between financial problems and health problem due to stress-related illnesses while McGuigan (1999) argues that as one repeatedly responds to stressful events, it will lead to the negative consequences as one becomes prone to emotional issues, accidental injuries, physical diseases, and behavioral disorders (Attridge, 2009). Employees who struggle with financial stress naturally report poorer health status, Turkington (1985) relates the financial stress with the increasing trend of financial anxiety and suicide cases.

Past studies suggest that financial stress is negatively associated to financial wellness; the higher the financial stress, the lower the financial wellness (Sporakowski, 1979; Sabri & Falahati, 2003; Kim & Garman, 2003; Delafrooz, Paim & Masud, 2010; Delafrooz & Paim, 2011; Marican, Zakaria and Rahman, 2012). For instance, a prior study on job satisfaction in Kota Kinabalu city finds out that financial stress among bank employees has negative impact to personal satisfaction and the work satisfaction (Ling, Bahron, & Boroh, 2014). Apart from that, a prolonged financial stress may lead to harmful impacts on the health of the works (Attridge, 2009); as a result, working productivity decreases (Bagwell, 2000).

A stream of studies (Joo & Garman, 1998; Jacobson et al., 1996; Kim & Garman, 2003; Kim, Sorhaindo, & Garman, 2006) postulate the positive link between financial stress and absenteeism. Gupta and Jenkins (1991) define absenteeism as failure of workers to report duty, Kim and Garman (2003) observe that employees who struggle with financial stress are unable to work with full capability.

*Financial Behavior*

Xiao (2008) defines financial behaviors as the human behavior’s related to financial management. In other words, a high level of financial capability is accompanied with a lower risky financial behaviors and more desirable financial behaviors. Atkinson et al. (2006) state that desirable financial behaviors is closely linked to individual’s financial capability; there is a positive nexus between financial capability, financial behaviors and financial wellness (Xiao, Chen, & Sun, 2014). Numerous studies claim that financial behavior is one of the major determinants of financial wellness (Garman & Forgue, 2006; Shim, Xiao, Barber, & Lyons, 2009; Xiao, Tang, & Shim, 2009). Simply speaking, the positive financial behavior increases the financial wellness and the negative financial behavior leads to financial problems. Hence, one who practice healthier financial behavior has lower level of financial issues (Joo & Grable, 2004) and higher financial satisfaction (Kim, Garman, & Sorhaindo, 2003).

There is a positive relationship between financial literacy and financial behavior as well as the financial knowledge and the financial behavior (Hilgert, Hogarth & Beverly, 2003; Robb & Woodyard, 2011). Hence, financial behaviors have a direct relationship with financial wellness; better financial behavior’s lean towards the higher financial wellness. Perry & Morris (2005) state that individual with higher levels of financial satisfaction has more tendency to take responsibility in financial behavior with higher financial literacy (Rha, Montalto, & Hanna, 2006). Advanced financial literacy is the ability to understand and analyses financial option for making an appropriate financial decision. A high level of financial literacy is essential in anticipating the future and financial wellness achievement. Numerous researchers found that financial literacy is positively related to financial behavior’s (Oseifuah, 2010; Taft, Hosein, Mehrizi & Roshan, 2013). Archuleta, Dale, and Spann (2013) also indicated that there is a positive connection between financial literacy and financial behavior. Subsequently by earlier study, financial mistakes are most common among the more youthful individual who are showing the least measure of financial literacy (Deepinder, Makker, & Agarwal, 2007).

Over the past few decades, the determinants of financial wellness have been investigated by many researches. The studies have been done in European countries and Asian countries. As summarize, Delafrooz and Paim (2011) studied the relationship among financial wellness, financial literacy, financial stress and financial behavior. In this study, financial literacy and financial behavior are positively correlated to financial wellness, but financial stress is negatively correlated to financial wellness. Several studies such as Taft, Hosein, Mehrizi and Roshan (2013) and Volpe, Chen and Liu (2006) indicated that financial literacy is positively correlated to financial wellness. In addition, financial literacy plays an important role in determining the level of financial stress (Idris, Krishnan & Azmil, 2013). Besides that, Taft, Hosein, Mehrizi & Roshan (2013) also stated the positive relationship between certain demographic characteristic and financial literacy such as education level and income level. In addition, financial literacy was found to be positively correlated with financial behavior (Garman, Leech & Grable, 1996). Through these, it can conclude that the subsidiary influences appear in the relationship between financial wellness and its determinants. On other hand, Sabri and Falahati (2003) revealed that individual with responsible financial behavior more likely to have a higher level of financial capability and financial wellness. Furthermore, an empirical study stated that financial wellness can be enhanced by the influences of financial behavior through financial literacy (Falahati & Paim, 2012). Besides that, Xiao, Tang and Shim (2009) and Hilgert, Hogarth and Beverly (2003) appealed that individual who performing positive financial behavior reported with the high level of financial satisfaction, hence improve in personal standard living. Various researchers recognized that financial stress have negative consequence on financial wellness (Kim, Sorhaindo, & Garman, 2006; Joo & Garman 2012). In addition, Marican, Zakaria and Rahman (2012) uncovered that employees with high level of financial stress show poor budgetary administration and `realize negative influence on work performance, health status and workplace behavior. Few researchers likewise specified that financial stress is adversely corresponded with health status (Sabri & Falahati, 2003; Addin, Nayebzadeh, & Taft, 2013). Conversely, an empirical finding demonstrated that health problem is positively connected with the level of financial stress due to the high health care cost (O’Neill, Sorhaindo, Xiao, & Garman, 2005). By considering the previous literature, it is apparent that financial wellness is vital in financial management. It is demonstrated that the determinants of financial wellness which are financial literacy, financial behavior and financial stress may influence the expenditures and revenue of individuals.

**Conceptual Framework**

Financial wellness is a comprehensive idea consists of financial satisfaction, financial circumstance, financial awareness, and financial behavior that cannot be evaluated through simple measure (Joo and Garman, 1998); nevertheless, the determinants of financial wellness are intricate in nature, (Joo, 1998). Utilizing individual’s subjective measures such as state of mind, sentiments, and awareness about personal financial circumstances; conceptual model for the determinants of financial wellness among employees can be established (Joo, 1998; Delfrooz & Paim, 2013). The findings from past studies show inconclusive evidence (Delfrooz & Paim, 2013; Sabri & Falahati, 2003).

In this study, financial wellness functions to employee’s financial literacy, financial stress, and financial behavior; the mentioned factors significantly affect the financial management practices for both savings and financial aspects (Delafrooz and Paim, 2011). In fact, the better practice is associated with lower levels of financial problem and at the same time, promoting saving behavior among employees. As a result, the level of financial wellness will also increase. On contrary, a weak financial literacy and financial behavior could lead to financial stress. Hence, the higher level of financial stress hampers one’s financial wellness (Delafrooz & Paim, 2011; Kim, Sorhaindo, & Garman, 2006). Garman, Leech and Grable (1996) adds that financial stress also results in low productivity of employee. The conceptual framework is presented in Figure 1 below incorporating the determinants of financial wellness namely financial literacy, financial stress, and financial behavior.



Financial Behavior

Financial Literacy Financial Stress

``

Financial

Wellness

Figure 1: Conceptual Framework of Financial Wellness

Source: Adopted from Delafrooz and Paim (2013)

**METHODOLOGY**

Using non-probability sampling, a total of 300 respondents from private and public sectors is selected; this method of sampling is a quick, relatively inexpensive and convenient technique to collect preliminary information (Kuiper & Clippinger, 2012).

As recorded in Department of Statistics Malaysia’s Preliminary Court Report (2010), the number of population in Kuching City is 593,671 people while the labor force is \_\_\_\_\_\_ in year 2010 (Labor Force Survey Report, 2011). The data is collected using self-administrated questionnaire to the target sample.

The dependent variable is the financial wellness among employees in Kuching and it is measured with seven-point Likert scale question. Six questions were asked concerning the overall satisfaction with the financial status, the current financial status, personal financial resources, financial emergency, financial adequacy and financial management. Next, the demographic variables consist of age and income are treated as continuous variables while gender, education level, ethnicity and occupation are dummy coded variables. For the independent variable namely the financial literacy, there are six questions concerning credit, investment, time value of money, financial records, saving and financial knowledge. For financial stress, the six questions asked include bill payment, liabilities and medical cost, ability to provide food and care for sickness, and suffering pressure or depression. Last but not least, the components of financial behaviors are financial planning, credit management, liabilities, insurance, investment, and saving. All questions are measured using seven-point Likert scale.

Table 1 shows the frequencies, means and standard deviation of financial wellness.

Table 1: Descriptive statistics of financial wellness items.

|  |  |  |
| --- | --- | --- |
| Item | Mean | SD |
| **Financial Wellness** |  |  |
| I am satisfied with my overall financial situations | 3.70 | 1.70 |
| I am able to find financial emergency costs about RM1, 000 | 3.85 | 1.82 |
| I am able to manage my personal finance | 4.45 | 1.47 |
| I often face problem to pay my bills. | 4.24 | 1.46 |
| I am concern with my financial status | 4.92 | 1.38 |
| I often spent all my earnings before receiving next income | 4.83 | 1.60 |
| **Financial Literacy** |  |  |
| I prefer to purchase merchandize on credits to reduce purchasing power in the future | 4.08 | 1.22 |
|  | 4.63 | 1.67 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Items** |  |  | **Percentage (%)** |  |  | **Mean** | **SD** |
|  |  | **1** | **2** | **3** | **4** | **5** | **6** | **7** |  |  |
|  | I choose to purchase | 0.9 | 6.1 | 29.2 | 25.5 | 25.9 | 9.9 | 2.4 | 4.08 | 1.22 |
|  | merchandize on |  |  |  |  |  |  |  |  |  |
|  | credits in order to |  |  |  |  |  |  |  |  |  |
|  | reduce purchasing |  |  |  |  |  |  |  |  |  |
|  | power in the future. |  |  |  |  |  |  |  |  |  |
|  | I choose to purchase | 3.3 | 6.1 | 20.3 | 18.4 | 13.2 | 23.6 | 15.1 | 4.63 | 1.67 |
|  | merchandize on cash |  |  |  |  |  |  |  |  |  |
|  | because purchases by |  |  |  |  |  |  |  |  |  |
|  | credit cards are more |  |  |  |  |  |  |  |  |  |
|  | expensive than by |  |  |  |  |  |  |  |  |  |
|  | cash. |  |  |  |  |  |  |  |  |  |
|  | I often record the | 6.1 | 7.5 | 30.2 | 13.7 | 26.9 | 13.2 | 2.4 | 3.97 | 1.47 |
|  | amount of my income |  |  |  |  |  |  |  |  |  |
|  | and expenditure in |  |  |  |  |  |  |  |  |  |
|  | cash flow. |  |  |  |  |  |  |  |  |  |
|  | The amounts of my | 6.6 | 13.2 | 20.8 | 15.6 | 21.2 | 14.2 | 8.5 | 4.08 | 1.70 |
|  | savings keep |  |  |  |  |  |  |  |  |  |
|  | increasing compared |  |  |  |  |  |  |  |  |  |
|  | to previous. |  |  |  |  |  |  |  |  |  |
|  | I am buying insurance | 4.2 | 6.6 | 19.8 | 24.1 | 23.6 | 11.8 | 9.9 | 4.31 | 1.54 |
|  | to investment. |  |  |  |  |  |  |  |  |  |
|  | Most of the | 3.8 | 9.0 | 24.1 | 18.4 | 27.8 | 13.2 | 3.8 | 4.12 | 1.44 |
|  | investment that I |  |  |  |  |  |  |  |  |  |
|  | involved always |  |  |  |  |  |  |  |  |  |
|  | yields profit. |  |  |  |  |  |  |  |  |  |

About 23.1% of the respondents somewhat agreed that they satisfied with their overall financial status. There are 19.3% of the respondent agreed that they have ability to find the financial resources for emergency costs about one thousands ringgit. In addition, majority of the respondents with a percentage of 25.5% somewhat agreed they have certain confident level in managing personal financial resources. Only 24.5% of the respondents do not face payment problems with bills such as telephone bill, insurance and credit cards payment. Most of the respondents (22.1%) concern toward their financial status. Lastly, there are 23.1% of the respondents often finishing their earnings before receiving a new income. The results show that majority of the respondents reported a moderate levels of financial wellness. In overall, most of the respondents have confidential in managing their financial resources but the unsatisfied with the current financial status among respondents still can be seen from their responses.

**RESULTS**

**Demographic Background**

Out of 300 sets of questionnaires distributed, only 212 sets were returned with 77% response rate. Majority of the respondents were Chinese; 102 (48%) of the respondents are male while 52% are female respondents. The mean age was 25 years old contributed 30% of the total respondents.

**Financial Wellness Background**

***Financial Literacy***

The frequencies, means, and standard deviation of respondents’ financial literacy are presented in Table 4.5. The financial literacy was measure with Seven point Likert-type question include items associated with time value of money, financial records, credit, investment and general knowledge on personal finance. The scale is ranging from (1) strongly disagree to (7) strongly agree. Out of 25.9% of the respondents somewhat agree that purchase merchandize on credits can reduce the purchasing power in the future. While 23.6% of them agreed that there are more expensive if purchase merchandize using credit card rather than cash payment. However, there only 26.9% of the respondents are accustomed to record the amount of money receivable and expenditure in cash flow. The saving behaviors among the respondents are quite low with the evidence of only 21.2% of them have increased their amount of saving year by year. Regarding the question about purchasing insurance with a purpose for investment, most of the respondents remain neutral. Lastly, there are 27.8% of the respondents somewhat agreed that they often receive a return for the investment their involved in.

Table 4.5: Descriptive statistics of financial literacy items.

***Financial Stress***

Table 4.6 presents the descriptive statistics of financial stress items. The overall level of respondents’ financial stress was measured with a 7-point Likert-type items scored from (1) never to (7) always. There are 6 items asked comprised worry over bill payment, medical cost, sickness, stress and depression over current financial status. About 27.4% of the respondent reported they are worried over bill payments about few times per month. A proportion of them with a percentage of 22.6% had responses that their current financial conditions make them feel restless and moody few times per month. Around 24.1% of the respondents not able to support their financially in time of sickness even once time a month. However, only 20.8% of the respondents state that they are rarely suffering diseases such as high blood pressure, heart disease and depressive disorder due to financial pressure. In addition, 32.5% of the respondents stated that they facing stress on repay loan payments few times per month. Lastly, there are 26.9% respondents stated that sometimes they unable to pay attention on workplace due to financial issues

Table 4.6: Descriptive statistics of financial stress items.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Items** |  |  | **Percentage (%)** |  |  | **Mean** | **SD** |
|  |  | **1** | **2** | **3** | **4** | **5** | **6** | **7** |  |  |
|  | I am worried about | 0.0 | 5.7 | 21.2 | 27.4 | 15.1 | 18.4 | 12.3 | 4.56 | 1.46 |
|  | the bill payments. |  |  |  |  |  |  |  |  |  |
|  | My current financial | 10.4 | 14.6 | 17.5 | 22.6 | 12.3 | 14.2 | 8.5 | 3.88 | 1.77 |
|  | status makes me feel |  |  |  |  |  |  |  |  |  |
|  | restless and moody. |  |  |  |  |  |  |  |  |  |
|  | I am not able to | 9.4 | 13.7 | 24.1 | 17.5 | 17.0 | 15.1 | 3.3 | 3.77 | 1.64 |
|  | support myself |  |  |  |  |  |  |  |  |  |
|  | financially in time of |  |  |  |  |  |  |  |  |  |
|  | sickness. |  |  |  |  |  |  |  |  |  |
|  | I am suffering | 8.5 | 17.0 | 20.8 | 16.5 | 13.2 | 15.1 | 9.0 | 3.90 | 1.79 |
|  | diseases due to |  |  |  |  |  |  |  |  |  |
|  | financial stress (high |  |  |  |  |  |  |  |  |  |
|  | blood pressure, heart |  |  |  |  |  |  |  |  |  |
|  | disease, depressive |  |  |  |  |  |  |  |  |  |
|  | disorder). |  |  |  |  |  |  |  |  |  |
|  | I am facing stress on | 2.4 | 11.3 | 14.2 | 32.5 | 17.0 | 14.6 | 8.0 | 4.26 | 1.49 |
|  | repay vehicles or |  |  |  |  |  |  |  |  |  |
|  | housing loan. |  |  |  |  |  |  |  |  |  |
|  | I am not able to | 2.8 | 15.1 | 18.4 | 26.9 | 17.5 | 11.8 | 7.5 | 4.07 | 1.54 |
|  | paying attention on |  |  |  |  |  |  |  |  |  |
|  | workplace because of |  |  |  |  |  |  |  |  |  |
|  | financial issues. |  |  |  |  |  |  |  |  |  |

***Financial Behavior***

Table 4.7: Descriptive statistics of financial behavior items.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Items** |  |  | **Percentage (%)** |  |  | **Mean** | **SD** |
|  |  | **1** | **2** | **3** | **4** | **5** | **6** | **7** |  |  |
|  | I usually paid the bill | 4.2 | 5.2 | 19.8 | 26.4 | 14.6 | 18.4 | 11.3 | 4.39 | 1.61 |
|  | before due date. |  |  |  |  |  |  |  |  |  |
|  | I usually purchase | 9.9 | 12.3 | 17.9 | 25.5 | 11.8 | 14.6 | 8.0 | 3.93 | 1.73 |
|  | merchandize by credit |  |  |  |  |  |  |  |  |  |
|  | card. |  |  |  |  |  |  |  |  |  |
|  | I always check the | 9.4 | 12.7 | 25.9 | 18.4 | 14.6 | 15.1 | 3.8 | 3.76 | 1.63 |
|  | details of the cash flow |  |  |  |  |  |  |  |  |  |
|  | that recorded. |  |  |  |  |  |  |  |  |  |
|  | I always deposit a part | 6.6 | 19.8 | 39.2 | 19.3 | 9.0 | 4.7 | 1.4 | 3.24 | 1.27 |
|  | of my income in saving |  |  |  |  |  |  |  |  |  |
|  | account every month. |  |  |  |  |  |  |  |  |  |
|  | I always clear all the | 11.8 | 18.9 | 17.5 | 20.8 | 14.6 | 9.4 | 7.1 | 3.64 | 1.74 |
|  | outstanding credit |  |  |  |  |  |  |  |  |  |
|  | every month. |  |  |  |  |  |  |  |  |  |
|  | I always list down the | 10.4 | 24.1 | 14.6 | 19.3 | 15.1 | 10.4 | 6.1 | 3.60 | 1.74 |
|  | necessary good that |  |  |  |  |  |  |  |  |  |
|  | need to purchase before |  |  |  |  |  |  |  |  |  |
|  | go to shopping mall. |  |  |  |  |  |  |  |  |  |

The table indicates that about 22.6% of the respondent stated that they often pay the bill timely. There are also 22.6% of the respondents reported their purchase merchandize by credit card few times per month. However, 34.0% of the respondents rarely check the details of the cash flow that been recorded. Besides that, the frequency of saving among respondents recorded as once a month with a percentage approximately 40.0%. Over 26.9% of the respondents stated that they clear the outstanding credit few times per month. Lastly, most of the respondents with a percentage of 25.9% will list down the necessary goods that need to purchase before go to shopping mall few times per month.

***Pearson Correlation Analysis***

In Table 4.8, Pearson correlation of financial wellness, financial literacy, financial stress and financial behavior among survey respondents is presented. According to the correlation rule, the Pearson correlation coefficient value about 0.00 to 0.19 is a very weak correlation, 0.20 to 0.39 is a weak correlation, 0.40 to 0.59 is a moderate correlation, 0.60 to 0.79 is a strong correlation and 0.80 to 1.00 is a very strong correlation between the variables. The null hypotheses *(Ho)* for the variables are no correlation between the selected variables. In other words, reject the *Ho* with statistical evidence if the p-value of the variable exceeding the significant level which equal to 0.05. Reject the *Ho* meanings there are correlation between the selected variables.

Table 4.8: Correlation coefficient value of financial wellness and its determinants.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Financial | Financial | Financial | Financial |
|  | Wellness | Literacy | Stress | Behavior |
| Financial Wellness | 1 | 0.698\* | -0.417\* | 0.278\* |
| Financial Literacy | 0.698\* | 1 | -0.707\* | 0.335\* |
| Financial Stress | -0.417\* | -0.707\* | 1 | -0.682\* |
| Financial Behavior | 0.278\* | 0.335\* | -0.682\* | 1 |

Note: Asterisks (\*) indicate statistically significant at 5 % level.

The results present the correlation between all variables were significant at the *p* < 0.05 level. One of the strongest relationships was found between financial literacy and financial stress (-0.707). Moreover, the results indicated that financial wellness is highly correlated with financial literacy which representing a coefficient value of 0.698 and a moderate correlation between financial wellness and financial stress with the coefficient value of -0.417. In addition, there is a weak relation between financial behavior and financial literacy with the coefficient value of 0.355. Pearson correlation coefficient value of 0.278 confirms what was apparent from the table above indicates a weak positive correlation between financial literacy and financial behavior.

**Regression Analysis**

The result shows that the coefficient is expected change in employee’s financial wellness for 1% increases in financial literacy. The result indicates that increases 1% of financial literacy, the employee’s financial wellness increases by 0.506%. The result presents that p-value of financial literacy was less than 0.05 which means it is statistically significant at the 5% level of significance. With enough statistical evidence, the null hypotheses, *Ho*: 1 = 0 has been rejected. It means that financial literacy has a significant relationship toward employee’s financial wellness in Kuching City. In addition, the result indicates that increases 1% of financial stress, the employee’s financial wellness decreases by 0.127%. The result presented that p-value of financial stress was less than 0.05 which means it is statistically significant at the 5% level of significance. With enough statistical evidence, the null hypotheses,

Table 4.10: OLS regression of financial wellness and its determinants

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Explanatory Variable** | **Coefficient (*b*)** | ***t*-ratio** |
|  | Constant | 2.290\* | 13.260 |
|  | Financial Literacy | 0.506\* | 11.670 |
|  | Financial Stress | -0.127\* | -2.162 |
|  | Financial Behavior | 0.113\* | 2.138 |
|  | R | 0.708 |  |
|  | R-squared | 0.501 |  |
|  | Adjusted R-squared | 0.494 |  |
|  | F-statistics | 69.578\* |  |
|  | Prob (F-statistics) | 0.000 |  |

Notes: *t-*statistics in parentheses;

For the coefficient of financial behavior, it indicates that increases 1% of financial behavior, the employee’s financial wellness increase by 0. 113%. The result presented that p-value of for financial behavior is 0.285 which greater than 0.05, which means it is statistically significant at the 5% level of significance. With enough statistical evidence, the null hypotheses, *Ho*: 1 = 0 be rejected. It means financial behavior has a significant relationship with employees’ financial wellness in Kuching City. Table 4.10 also shows that the multiple correlation coefficients (R), using all the explanatory variables simultaneously, is 0.708, coefficient of determination (R-squared) is 0.501 and adjusted R-squared is 0.494. The adjusted R-squared is to measure the percentage of explained variance in the sample respondents to regression analysis. From the result, it means that there are 49.4% of the variance in employees’ financial wellness can be predicted from financial literacy, financial stress and financial behavior. Lastly, the null hypotheses are that all parameters of the hypotheses effect are zero (*Ho:* 1= 2= 3= 0). From Table 4.10, F-statistics is equal to 65.578 and it is statistically significant at the 5% level of significance. The results indicate that the combination of the three explanatory variables significantly predicts employee’s financial wellness.

**CONCLUSION**

Firstly, the Cronbach’s Alpha coefficient for financial wellness and its influential variables are scored between 0.7 and 0.8 which meanings the internal consistencies of the items under those variables are categorized as acceptable. On other hands, for the case of reliability test for the overall 24 items is counted above 0.9, means that the data is excellent because it is approaches to the value 1.0. Secondly, the estimation results of frequency analysis of respondent’s demographic characteristics have given a better understanding of the respondents’ background. Moreover, the descriptive analysis about the items or questions answered by respondents also be calculated which involved means and standard deviation in order to provide better understanding of the respondent’s attitude, behaviors toward their financial status. The means of the variables present that respondents have a moderate level of financial wellness, financial literacy and financial stress, while the financial behavior among respondents is categorizes as a low level.

Additionally, the financial literacy, financial stress and financial behavior are found to be significantly influencing the financial wellness among employees in Kuching City. Specifically, the financial literacy level and financial behavior have positive relationship toward financial wellness among employees. On the contrary, financial stress has a negative influence toward employees’ financial wellness.

This study has utilized the data collected from self-administrated questionnaires to the employees work at Kuching City. When distribution of questionnaires to respondents, a large proportion of employees are not willing to answer the questionnaire is considered as one of the limitations of study in completing this thesis. Besides, some of the respondents just simply answer the questionnaire without deeply understood the questions may become a preconceived notion in providing data. Thus, it may lead the data collected become unreliable with the real situation. For online questionnaires, the slow network might discourage the survey respondents’ interests and motivation in joining peer feedback activities. A significant limitation in this study is the number of survey participants. The number of respondents in this study limited the ability to employ sophisticated statistical methodologies and consequently examine the complex relationships amongst the concepts. For instead, factor analysis cannot be performed in this study because a better general rule of thumb for this analysis should be more than 300 or more observations (Tabachnick & Fidell, 1996). The sample population that been chosen by researcher and the method used will affect the reliability of data and also the findings. The limitation of time and financial resources as well as the transportation costs, the questionnaire that return back from survey section only involved 212 respondents. With the small sample size, it may not able to represent the employees’ financial wellness in Kuching City. For future studies, it is more beneficial if using a larger sample of survey respondents.

Moreover, there is a limitation of study because the conceptual framework may involve omitted-variables towards the financial wellness among employees. Therefore, omitted-variables bias may exist in estimates of variables in the multiple regression analysis due to the model comprise some of the missing determinants through overestimate or underestimate the effect of the one to another factor. For instead, the financial worry, financial security, amount of disposal income and relevant variables can be the potential determinants toward financial wellness among employee in Kuching City. Spann (2014) suggests that retirement planning intention has significant role in develop personal financial behavior, thus influencing the financial wellness according to Theory of Planned Behavior. While O'Neill, Prawitz, Sorhaindo, Kim & Garman (2006) and Attridge (2009) suggest that personal health status has a strong correlation with financial wellness. In addition, the social issues create a limitation in data collection. In this study, it is limitations in the precise measurement of financial literacy, financial stress, and financial behavior. The questions in questionnaire are based on the conceptual from foreign country thus the different cultural, social and economic situation may contribute a barrier for respondents in answering the questions. The questionnaire used in this study has been designed in other countries. The researchers have translated the questionnaire and used their reliability and validity assessment. These types of questions can affect the validity of the results. In this regard, if the questionnaire is designed by considering the social, cultural and economic situation in Malaysia may get more accuracy data from respondents.

Another important limitation of this study is the reliance on correlation analysis. An experimental design examining the hypothesized relationships could lead to stronger causal conclusions. For instance, potentially useful experimental designs could identify survey respondents' sensitive self domains through a survey section or questionnaire measures. Besides that, ask participants to listen to idiosyncratic distressing intrusive thoughts following prompting of their "sensitive" or "non-sensitive" domains lead the respondents provide the dishonesty answers in survey section. Other relevant variables such as urge to neutralize also became a bias in answering the questionnaires.

From the findings obtained in prior chapter, this section aims to provide some policy recommendations in order to improve the financial wellness among employees in Kuching City as well as further improving the financial literacy, developing positive financial behavior and reducing financial wellness among employees. The previous chapter identified those determinants have significant relationship with financial wellness. Thus, these factors will be the center of the following policy recommendations. Firstly, the education program can be one of the policy recommendations for improve the financial wellness among employees in Kuching City. According to evidence from previous study indicates that the majorities of individuals with moderate levels of employees’ financial wellness have momentous, detrimental, and negative influences on their life at home and work (Garman, Leech, & Grable, 1996). Therefore, one obvious way to improve financial wellness among employees is emphases on behavioral education in order to supports employees to having a better financial management towards their disposal income, hence improve their financial wellness. This solution also been reinforced by previous literature such as Delafrooz and Paim, 2011; O’Neill, Sorhaindo, Xiao, and Garman, 2005). For that reason, financial education at workplace should enforce to equipped employee with fundamental financial knowledge, skills in financial management, positive financial behavior and in the long run can increase employee’s financial wellness. In addition, the financial counselor is another strategy to improve financial wellness among employees. The research findings of this study specifically revealed

that individuals who exhibit better financial behaviors tend to have lower level of financial stress, and consequent with higher level of financial wellness. Financial counselors should be enforcing in workplace in order to reduce financial stress among employees. The finding supported by previous study which emphasis that employees have financial problems in budgeting, investments, retirement planning, savings, and financial management is likely to have higher level of financial stress (Ling, Bahron, & Boroh, 2014). Thus, financial counselors play the significant role to realize the stressful events faced by their employees and hence, can give advisors, suggestions and counseling sessions for them in handle the financial stress. As a result, it is rational to assume that counseling session can give positive influence on reducing the financial stress, increase financial wellness among employees, and lastly, improve their performance in workplace. Moreover, the implementation of a mandated financial literacy curriculum is another way to increase individual’s financial wellness, it is vital especially for the fresh graduate students. With basic knowledge of the financial management, it is able to increased completion rates as well as increases of debt management level; develop positive financial attitudes and behavior. The efficiency financial literacy curriculum able to provide better environment to fosters an individual in developing the positive financial behavior throughout his or her childhood and adulthood.

This study has achieved its objectives in determining the determinants influencing financial wellness among employees in Kuching City. Nevertheless, there are more potential areas to be explored for financial wellness in this location. Future studies can explore into the field of comparison the financial wellness among employees work at public and private sectors. Another possibility is to explore for the direct and indirect influences of influential variables towards financial wellness among employees. For example, different employees’ demographic characteristic may have different perspective and attitudes toward financial wellness or its determinants may provide detail insights for policy makers to target different groups of population. In addition, the dynamic model of financial wellness involving omitted variables can be explored in future studies in order to further understand other relevant factors that affecting financial wellness among employees in Kuching City.

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1. Malaysia’s ballooning rate of outstanding bank loan to household is mainly caused by lending growth of residential property. On this note, Mohamed Khalil Jamaldin, head of corporate communications from the Credit Counselling and Debt Management Agency (AKPK) adds other factors are the ease of lending loan, misuse of the credit card and poor financial planning (Brohier, 2014). [↑](#footnote-ref-1)
2. The term bankruptcy is defined as a legal procedure for individual liquidates that introduced by comprehensive federal system (Salerno, Kroop, & Hansen, 2010). The total bankruptcy cases in Malaysia has increased to 21 987 cases in 2013 and the vehicles loan defaulters constituted the highest number of bankruptcy cases of (Yuen, 2014). [↑](#footnote-ref-2)