6th CoMBInES

Volume 6 No 1 (2026)

Accepted : July 11th, 2026
Published : September 30th, 2026
DOI : 10.37253/combines.v6i1.12738

Conference on Management, Business, Innovation, Education and Social Science
https://journal.uib.ac.id/index.php/combines

Comparative Study of Socioeconomic Determinants of Financial Literacy among Young Adults in Johor and Perak

***Tan Suang Sin*[1],**
tanssin@utar.edu.my[1]

***Cheeng Ee Chi*[2],**
tanssin@utar.edu.my[1]

***Chong Zi Xin*[3],**
tanssin@utar.edu.my[1]

***Khor Ke Qi*[4],**
tanssin@utar.edu.my[1]

***Lim Liang Yi*[5],**
tanssin@utar.edu.my[1]

***Loh Zhi Yi*[6]**
tanssin@utar.edu.my[1]

[1,2,3,4,5,6]Teh Hong Piow Faculty of Business and Finance, Universiti Tunku Abdul Rahman, Malaysia

Abstract

Financial literacy is increasingly recognized as a foundational life skill, essential for personal financial security and informed decision-making in a turbulent global economy. For young adults aged 15 to 40, mastering concepts such as budgeting, saving, and credit management is critical as they transition from educational environments into the workforce. In Malaysia, while national initiatives have encouraged a high savings rate, overall financial literacy remains disproportionately low, with a 2023 survey finding that only 36% of Malaysians understand basic financial concepts such as interest diversification, placing the country below the global average of 42%. Challenges persist as 61% of Malaysians cannot raise RM1,000 in an emergency, and nearly 70% require financial literacy support. (The Borneo Post, 2025) This issue has escalated alongside the rising number of bankruptcy cases, with 31,517 cases recorded from 2021 to March 2026; notably, 4,704 of these involved individuals aged 34 and below (Bernama, 2026). The severity of this trend is highlighted by two distinct reports from

the Credit Counselling and Debt Management Agency (AKPK). A survey of over 1.5 million Malaysians in financial distress found that shopping addiction is the top reason young Malaysians fall into debt, with 38% spending on unnecessary items driven by impulse, stress, or a "YOLO/FOMO" mindset (Malay Mail, 2024). Separately, AKPK revealed that 53,000 Malaysians under 30 collectively owe RM1.9 billion in debt, with 28% of working adults borrowing just to cover essentials. Finance Minister II Datuk Seri Amir Hamzah Azizan warned that easy access to loans, credit cards, and Buy Now Pay Later schemes, combined with poor financial literacy, is pushing young adults into unmanageable debt. (The Sun, 2024) Despite ongoing national efforts, financial literacy remains an important area of study, as underlying causes are not yet fully understood and may vary across different contexts. Notably, empirical evidence suggests that financial literacy levels differ significantly by state. For instance, a 2022 study by the Employees Provident Fund (EPF) found substantial disparities, with Kuala Lumpur recording a literacy rate of 41%, while states such as Kelantan, Sabah, and Terengganu reported much lower rates ranging from 15% to 17% (RinggitPlus, 2025). These variations indicate that financial literacy is not uniform across the state and may be influenced by regional socioeconomic factors. Rather than investigating financial literacy levels among Malaysians as a whole, this study seeks to identify what causes the differences between two specifically selected regions, chosen due to their distinctive socioeconomic variations. Johor is located in the southern region of Malaysia, which is wealthier, more urban, and economically dynamic, benefiting from its strategic location near Singapore that drives strong economic development through job creation and migration inflows. Meanwhile, Perak is located in the northern region, characterized by a more traditional economy, lower income levels, and a demographically mixed population with comparatively slower growth. Examining these two contrasting regions further enhances the understanding of how financial literacy can be nurtured under different socioeconomic conditions.

Lev Vygotsky's Sociocultural Theory serves as the underpinning theoretical framework for this study, explaining how financial literacy is developed through social interactions and cultural exposure. In the context of this research, this theory is applied to understand the differences between individuals from higher socioeconomic backgrounds and those from lower socioeconomic backgrounds. The selected independent variables examined in this study are education, race, income level, marital status, number of children, gender, and age. Financial literacy in this study is measured using a closed-ended questionnaire comprising eight items rated on a 1 to 5 Likert scale adopted from the study by Owusu et al. (2022), with higher scores reflecting greater financial competence. The instrument demonstrated acceptable internal consistency, with a Cronbach’s Alpha reliability coefficient of 0.725, indicating that the items reliably and consistently measure the financial literacy construct across respondents. Proportionate stratified sampling was used to determine the sample size from both regions (Johor and Perak), and data collection was conducted in the early months of 2025.

A total of 641 responses were collected, comprising 340 respondents from Johor and 301 respondents from Perak. In Johor, the sample represents a more diverse and urbanized group, where the majority of respondents are male (58.5%), with an ethnic composition of 49.1% Chinese, 27.4% Malay, and 23.5% Indian. This group is highly educated, with 66.5% holding a Bachelor's degree, and demonstrates strong earning power, as the largest income bracket falls within RM5,000 to RM6,999 (30.9%). Regarding their social profile, the average age ranging from 23 to 24 years, and respondents are more likely to carry family responsibilities, with 42.6% being married and nearly 42% having at least one child. In Perak, the sample is

significantly more homogeneous and younger, consisting of almost entirely Chinese respondents (97%) and a predominantly female demographic (63.8%). Educational attainment is slightly lower than in Johor, with 48.2% holding a degree and a notable 23.3% having SPM as their highest qualification. This correlates with a lower income profile, where 30.9% earn RM1,000 or below. The population is largely in the early stages of adulthood, with a high concentration of respondents aged 21 and 22, the vast majority of whom are single (74.4%) and do not have children (81.4%).

Using JAMOVI software, this study employed Multiple Linear Regression to analyse the influence of each socioeconomic predictor on financial literacy. In Perak, the regression analysis reveals that financial literacy is deeply rooted in several key socioeconomic pillars. The model identifies gender, race, education, and marital status as significant predictors, collectively accounting for 16.7% of the variation in financial literacy levels. Specifically, the findings indicate that females, individuals of Chinese descent, those with higher educational qualifications, and married respondents demonstrate significantly higher levels of financial competence. In Johor, the regression model presents a notably different landscape, where the influence of traditional socioeconomic indicators is considerably more limited. The analysis shows that only gender serves as a significant predictor, with males demonstrating higher levels of financial literacy than females. Interestingly, the model explains only 5.83% of the variation in financial literacy, a significantly lower figure compared to that of Perak. This suggests that financial literacy in Johor may be driven by factors beyond the scope of the variables examined in this study, such as digital access, workplace training, or broader economic exposure tied to its urban environment. When evaluating both Johor and Perak together, the integrated model provides a clear macro-level view of the key drivers of financial competence. The findings confirm a strong positive correlation between higher education levels and greater financial literacy across the combined sample. Most importantly, the comparative analysis validates a significant regional disparity, where respondents in Johor consistently demonstrate higher levels of financial literacy compared to those in Perak. This gap likely reflects the broader structural differences between the two states, including access to financial services, employment opportunities, and urban infrastructure.

This study ultimately reveals that financial literacy is shaped not merely by individual intelligence, but by a combination of social, cultural, and environmental factors. Regionally, gender plays different roles depending on the local context. Men tend to demonstrate higher financial literacy in Johor, largely due to greater workplace exposure in an industrial and commercially active environment. In contrast, women lead in Perak, where they traditionally manage household finances and play a central role in small business operations within the community. Cultural background further reinforces these differences, as the Chinese community in Perak demonstrates higher financial literacy owing to deeply rooted family values emphasized on saving and investing from a young age. Life milestones such as marriage and higher education also play a significant role, as they naturally push individuals to develop stronger financial knowledge out of practical necessity. Based on these findings, it is recommended that financial literacy programs be tailored to the specific needs of each region and community, rather than adopting a uniform national approach. Multilingual and culturally sensitive resources should be developed to ensure equitable access for all ethnic groups, particularly the Malay and Indian communities who may face greater barriers to financial education. Furthermore, financial literacy should be formally integrated into school and university curricula as a structured subject, equipping students with practical knowledge before

they enter the workforce. Proactive education targeting young adults before major life events such as marriage is also essential, as preparation ahead of these transitions is far more effective than reactive intervention after financial difficulties have already emerged.

However, this study is not without its limitations. As the research relies on a closed-ended questionnaire, responses may be subject to response bias, where respondents select answers based on social desirability rather than their actual financial knowledge or behaviour. Regarding the demographic skew in Perak, as this is an exploratory study, the high proportion of Chinese respondents (97%) is acknowledged as a significant limitation that affects the generalizability of the Perak findings. This skew is likely attributable to two interrelated factors: first, the questionnaire was administered solely in English, which may have discouraged participation from Malay and Indian respondents who are less proficient in the language; and second, the Chinese community in the sampled districts tends to have relatively higher English literacy rates, resulting in higher response rates. Future studies should administer questionnaires in Bahasa Malaysia and Tamil to ensure more equitable ethnic representation. Concerning urban and rural coverage, although the sampling design included both urban and rural districts in both states, the actual geographic distribution of completed responses relied on the field team's outreach capacity. It is therefore possible that rural representation in Perak may be understated, which could further contribute to the ethnic skew observed, as rural Perak areas tend to have higher proportions of Malay residents. To address these shortcomings, future research should incorporate objective assessment tools such as scenario-based financial questions, apply stratified sampling to ensure a balanced urban-rural representation, and expand the geographical scope to include other Malaysian states. A broader comparative study involving East Malaysia, particularly Sabah and Sarawak, would provide a more comprehensive national perspective on how diverse socioeconomic and cultural environments shape financial literacy across the country.

Keywords:
Financial Literacy; Socioeconomic; Johor; Perak; Young Adults

References:

1 Bernama. (2026). *Over 31,000 Bankruptcy cases recorded since 2021, 46 pct due to personal loans*. https://www.bernama.com/en/news.php/target='_blank'?id=2548470
2 Malay Mail. (2024). *Credit counselling agency finds shopping 'addiction' top reason young Malaysians in debt*. https://www.malaymail.com/news/malaysia/2024/06/18/credit-counselling-agency-finds-shopping-addiction-top-reason-young-malaysians-in-debt/140271
3 Owusu, G. M. Y., Ansong, R., Koomson, T. A. A., & Addo-Yobo, A. A. (2022). Savings and investment behaviour of young adults: The role of financial literacy and parental financial behaviour. African Journal of Management Research, 27(1), 75–92. https://doi.org/10.4314/ajmr.v27i1.5
4 RinggitPlus. (2025). *EPF highlights low financial literacy rates in Kelantan, Sabah, and Terengganu*. https://ringgitplus.com/en/blog/personal-finance-news/epf-highlights-low-financial-literacy-rates-in-kelantan-sabah-and-terengganu.html
5 The Borneo Post. (2025). *Financial literacy in Malaysia: Challenges and opportunities*. https://www.theborneopost.com/2025/01/26/financial-literacy-in-malaysia-challenges-and-opportunities/

6 The Sun. (2024). *AKPK reports 53000 under-30s owe RM1.9 billion – Amir Hamzah*. https://thesun.my/news/malaysia-news/akpk-reports-53000-under-30s-owe-rm19-billion-amir-hamzah-ne13062395