

Bankruptcy Among Malaysian Millennials: Due to Lavish Lifestyles or Low Financial Literacy as Evidenced by PISA Examination Results?

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Abstract

Youth bankruptcy in Malaysia was not a phenomenon in the 1970s to the 1990s. However, this issue began to be a concern from 2018. Using the PISA examination results in Mathematics as an indication, we discovered that millennials born in 1994/ 1995, and aged between 28 and 29 years in 2023 participated in the 2009 PISA or Programme for International Student Assessment while those who participated in in PISA 2012 were born in 1997/ 1998 and aged between 26 and 27 in 2023. Malaysian students aged 15 years performed below the average in this examination compared to their ASEAN counterparts. The impact of lower financial literacy among 15-year-olds and adults in Malaysia translated into high bankruptcy cases involving the millennial generation from 2018 until 2022. Malaysia never reached the OECD average score even a single time from 2009 until 2012. Data from the Department of Insolvency Malaysia shows that millennial bankruptcy cases decreased from 2018 until 2022. Indeed, this is a sign that youth nowadays have become more aware and prudent with their financial spending. Still, there is a need for some intervention from the government and other related parties to prevent this issue from getting worse in the future.

Who are Millennials?

“Millennials” can be defined as individuals born between 1981 to 1996 (aged 23 to 38 years) (Pew Research Centre, 2019). They are also known as Generation Y. According to the World Economic Forum (2021), 1.8 billion millennials or 23% of the global population, are the largest adult population on Earth. Most of this generation lives in Asia, one of the

world's largest continents. In Malaysia, millennials comprise 35% of the population (Thambiah et al., 2015), and it is expected that by 2030, they will dominate the workforce, comprising 75% of the workforce. Millennials can be considered the future asset for every nation, as they are they replace the baby boomers in later years.

As their ages increase, they get married and have families. Nevertheless, the lavish lifestyle rooted in this generation, well- known for being tech-savvy, exposes them to many things such as influencer lifestyles, the latest gadgets, and branded and trending apparel, etc. They also prefer instant gratification, causing them to want to imitate what they see and experience it for themselves. To satisfy their wants and get recognition among their peers, they sometimes spend imprudently and take out credit cards that could lead them to better financial decisions (Syan et al., 2020). Due to this lifestyle, they are more prone to financial bankruptcy at a young age compared to other generations. As a result, they have excessive monthly commitments, are aimless in life, and are unable to get married and start their own family.

This issue is alarming and is of significant concern. The 2022 Department of Insolvency Malaysia highlighted that millennials in this country were the most vulnerable category of the group involved in bankruptcy cases. However, on the positive side, the number of yearly cases keeps decreasing, which shows that millennials are spending prudently, and their level of financial literacy is improving. Nevertheless, we cannot take this at face value, as the number of millennials involved in this problem is still larger compared with other age groups.

Table 1
The Total Number of Bankruptcy Cases Registered by Branch From the Year 2018 Until December 2022

Branches	Year					Total
	2018	2019	2020	2021	2022	
Fed Ter. KL	1707	1122	872	918	823	5442
Selangor	4191	3088	1900	1789	1044	12012
Johor Bahru	1731	1034	628	544	559	4496
Perak	1123	709	499	354	272	2957
Pulau Pinang	1109	600	386	373	357	2825
Kedah	1136	764	381	359	591	3231
Muar	417	279	261	158	133	1248
Sabah	664	732	569	357	334	2656
Kelantan	583	610	324	253	303	2073
Melaka	375	361	254	146	125	1261
N. Sembilan	789	713	444	311	206	2463
Temerloh	293	172	212	78	105	860
Pahang	477	241	187	178	172	1255
Sarawak	363	356	236	147	129	1231
Terengganu	483	350	367	139	145	1484
Miri	235	208	194	92	73	802
Sibu	160	144	121	54	68	547
Taiping	223	161	180	69	77	710
Tawau	227	216	180	130	75	828
Sandakan	100	106	107	79	59	451
Perlis	96	85	49	26	45	301
Total	16482	12051	8351	6554	5695	49133

Source: Malaysian Department of Insolvency (2022)

Figure 1 shows the total number of bankruptcy cases registered by branch from 2018 until December 2022. The table shows that the number of yearly cases keeps decreasing, which is a good sign, reducing the number of people who fall into bankruptcy. Worth noting is that in states and big cities like Selangor, Federal Territory of Kuala Lumpur, and Johor Bahru, the number of cases is relatively higher compared to the less developed states and cities such as Perlis (96 cases); Sandakan, Sabah (100 cases); and Tawau, Sabah (227 cases), showing that bankruptcy cases are more prevalent in major cities compared to smaller

cities. Another critical factor is the cost of living is higher in larger cities. Living in major cities require more expenses, while the opposite is true for smaller cities. When more expenses are incurred, quick cash is needed for daily expenses such as petrol, toll payment, parking fees, and groceries, among others. One of the fastest ways to obtain quick cash is by securing a loan. However, when individuals cannot make the repayment due to high monthly commitment, they are prone to become bankrupt. That explains why bankruptcy cases occur in major cities while they are less prevalent in small cities.

Table 2
The number of Bankruptcy Cases by Gender From 2018 until December 2022

Gender	Year					Total	Per cent
	2018	2019	2020	2021	2022		
Male	11,760	8,923	6,116	4,874	4,183	35,856	72.98
Female	4,722	3,128	2,227	1,671	1,506	13,254	26.98
Not sure	0	0	8	9	6	23	0.05
Total	16,482	12,051	8,351	6,554	5,695	43,133	100.00

Source: Malaysian Department of Insolvency (2022)

Table 2 shows the number of bankruptcy cases by gender from 2018 until December 2022. We can see that males are more prone to bankruptcy compared to females. In the Malaysian context, we can see that females spend more prudently, with the total of bankruptcy cases recorded by women being

nearly half, compared to the total bankruptcy cases recorded by males. Several works of literature also mentioned that in terms of financial prudence, males are much better than females (Gangwar & Singh, 2018). However, this is not the case in the Malaysian context, as females spend more wisely than males.

Table 3
The Number of Bankruptcy Cases by Ethnicity From the Year 2018 Until December 2022

Ethnicity	Year					Total	Per cent
	2018	2019	2020	2021	2022		
Malay	9,563	7,081	4,883	3,816	3,268	28,611	58.23
Chinese	3,961	2,829	2,055	1,664	1,574	12,083	24.59
Indian	1,701	1,039	581	542	417	4,280	8.71
Others	1,257	1,102	807	515	417	4,098	8.34
Non-Citizen	0	0	25	17	19	61	0.12
Total	16,482	12,051	8,351	6,554	5,695	49,133	100.00

Source: Malaysian Department of Insolvency (2022)

Table 3 shows the number of bankruptcy cases by ethnicity from 2018 until December 2022. We can see that Malays, the largest ethnic group in Malaysia, recorded the highest number of bankruptcy cases, at 58.23 per cent or more than half the total number. At the same time, the least recorded number of bankruptcy cases by ethnicity was recorded by others and non-citizens, with 8.34 and 0.12 per cent,

respectively. It was also quite alarming to see that Malays were at the top of the chart for the highest number of bankruptcy cases from 2018 to 2022, although this trend showed a declining trend for the number of bankruptcy cases yearly. However, Malays still comprise the ethnic group with the highest number of bankruptcy cases recorded compared to other ethnic groups.

Table 4
The number of Bankruptcy Cases by Type of Bankruptcy From the Year 2018 until December 2022

Type	Year					Total	Per cent
	2018	2019	2020	2021	2022		
Personal Loan	4,636	5,706	4,457	3,267	2,688	20,754	42.24
Vehicle hire-purchase	3,392	1,543	1,006	690	441	7,072	14.39
Business loan	1,424	1,846	1,223	1,202	1,241	6,936	14.12
Housing loan	1,982	1,138	583	459	491	4,653	9.47
Credit Card Debt	1,811	880	600	438	207	3,936	8.01
Other debt	1,770	425	91	126	187	2,599	5.29
Corporate guarantor	626	221	114	118	159	1,238	2.52
Income Tax Debt	275	261	158	147	153	994	2.02
Social Security	540	15	2	0	0	557	1.13
KWSP Contribution	0	0	105	92	110	307	0.62
Scholarship/ Study Loan	26	16	12	15	18	87	0.18
Total	16,482	12,051	8,351	6,554	5,695	49,133	100.00

Source: Malaysian Department of Insolvency (2022)

Table 4 shows the number of bankruptcy cases by type from 2018 until December 2022. The top two most reported cases for bankruptcy are due to personal loans and vehicle hire-purchase, which constitute around 56.63 per cent (more than half of the total number of cases recorded). Worth noting is that the number keeps reducing yearly; for example, for personal loans in 2018 was 4,636 while in 2022, it was 2,688, a total reduction of 1,948 cases in the timeframe of five years. The main reason that personal loans and vehicle hire-purchase were top of the list is mainly related to the lavish lifestyle of the millennials. FOMO, or fear of missing out, is prevalent among the millennials. They see the need to acquire the expensive attire, gadgets, and lifestyle of their peers to ensure they are included in the group. This caused them to spend imprudently, buying unnecessary items, changing to new cars and not thinking for the long term, causing them to fall into bankruptcy. Another point we can raise here is that the government and society should

have implemented personal financial management strategies for the young that are in keeping with economic and societal changes. However, there is some initiative by the government to implement financial literacy education, such as by participating in the PISA examination. Still, the relevant parties can do more.

Financial Literacy Awareness and PISA Examination

Financial literacy can be defined as the ability of someone to demonstrate prudent financial behaviour (Lusardi, 2015). Financial literacy must be embedded early as children receive new information quickly. As such, parents play a significant role. Although this responsibility also lies with teachers and the government, parents are the persons closest to the children, apart from their peers, particularly at the early stage of their development. The introduction of financial literacy as a subject in the education

curriculum has been part of a concerted effort for some time. This can be seen in the Programme for International Student Assessment (PISA) examination. This examination is held triennially, involving 15-year-old students in the countries in the Organization for Economic Cooperation and Development (OECD) and their partners.

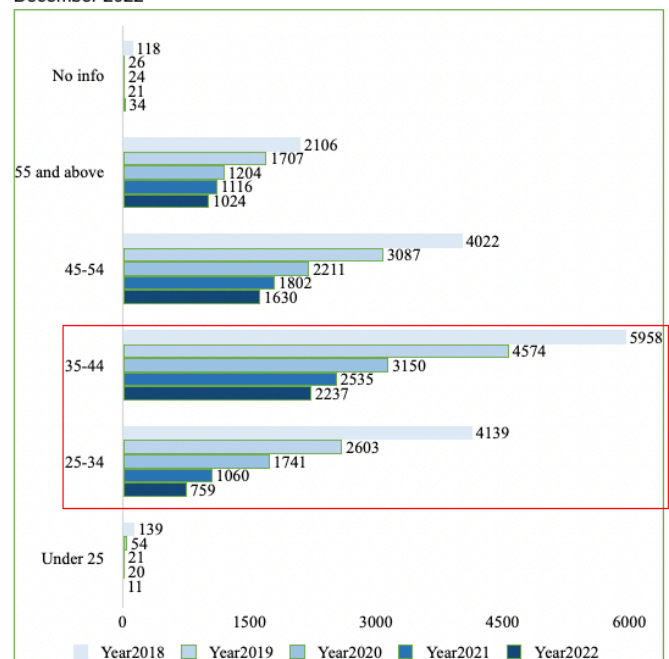
In Malaysia, around 6,111 students in 191 schools across Malaysia completed the examination, representing 388,638 15-year-old students (72% of the total population of students aged 15 years) in 2018. They were assessed in reading, mathematics, and science. In addition to the three critical domains listed above, financial literacy was included in the test as an optional domain in 2012 (Students and Money); in 2015 (Students Financial Literacy); and the most recent 2018 cycle (Are Students Smart About Money). In the financial literacy domain, the student is asked whether they know and understand financial concepts and risks and the skills, motivation, and confidence to apply such knowledge and understanding to make effective decisions across various economic contexts (OECD, 2020). It also aims to see the correlation between their financial and cognitive skills, financial literacy, and science and mathematics literacy.

Although Malaysia has actively participated in PISA in 2009, 2012, 2018 and 2022, the performance of 15-year-old students in Malaysia has been below par, or less promising compared to their ASEAN counterparts. Due to the increasingly crucial need for the financial literacy subject, several countries provide financial literacy education in schools. Financial literacy is embedded into existing programmes, curricula, and subjects. Skills acquired in financial literacy are helpful, and students can use them in the real-life context and enhance their mathematics skills. Using the PISA Examination results in Mathematics as an indication, 15-year-old students in Malaysia scored 404 points in 2009; 421 points in the 2012 cycle; and 440 points in 2018. Overall, performance has been less impressive considering that Malaysia never reached the OECD average score even once since 2009. The average score for mathematics in 2009 was 496; in 2012, the average score for mathematics was 494; and in

2018, the average score for mathematics was 489.

The same situation can also be seen in the OECD/ INFE International Survey of Adult Financial Literacy 2016, which shows Malaysia is 26th out of 31 countries that participated in the study (OECD, 2016). Our ASEAN neighbour, Thailand, performed better than us, coming in at 19th out of 31 countries. The summary of the findings indicates that Malaysia is among the countries that need to strengthen financial literacy knowledge among their population, which can assist them in their decision-making.

Figure 1
The Number of Bankruptcy Cases by Age Group From the Year 2018 Until December 2022



*As for the age group for which there is no information, the petition document does not contain details of the ages of the bankrupt (for police/military identification)
Source: Malaysian Department of Insolvency (2022)

The impact of lower financial literacy among 15-year-olds and adults in Malaysia translated into bankruptcy cases involving millennials. Figure 1 shows the total number of bankruptcy cases by age group from 2018 until December 2022. The finding is quite concerning as the total number of bankruptcy cases for the 25 to 34 age group combined with those aged 35 to 44 years accounted for around 58.53 per cent, or more than half. Meanwhile, those aged 55 and above had the lowest number of bankruptcies recorded, with only 7,157 cases. This age group, known as the baby boomers and retirees' group, recorded a low number of bankruptcy cases because they had already achieved almost everything in their life.

An interesting finding in Table 5 is that millennials

in the 25 to 34 age group belonged to the group that participated in PISA 2009 (they were born in 1994 or 1995, and were aged between 29 and 28 years in 2023) while those that participated in PISA 2012 were born in 1997 or 1998 and were aged between 26 and 27 in 2023. Their low score in this exam at an early age affected their financial judgement later. From an early age, they were not exposed to the importance of financial literacy, which permeated until they became adults. They need a stronger foundation in managing their money, which was manifested when many millennials in this cohort were bankruptcy cases. Nevertheless, it is worth noting that the number of bankruptcy cases has shown a declining pattern yearly, meaning that the younger generation is more aware of the importance of financial literacy knowledge.

Table 5
Grade of Education in Malaysia Based on Age.

Examination	Age/Grade	PISA 2009	PISA 2012	PISA 2018
	7 (Year 1)			
	8 (Year 2)			
	9 (Year 3)			
	10 (Year 4)			
	11 (Year 5)			
	12 (Year 6)			
	13 (Form 1)			
	14 (Form 2)			
PT3	15 (Form 3)	Born in 94/95	Born in 97/98	Born in 03/04
	16 (Form 4)			
SPM	17 (Form 5)			

Source: Author Calculation

Conclusion

Looking into the future, government intervention is necessary to assist these groups of people. Many external factors are beyond our control in this issue, and the responsibility lies not solely on the shoulders of the government and the relevant agencies that act as the primary actor. Indeed, they are responsible for any related framework and policies, but other parties (such as parental institutions, universities, etc.), which act as secondary actors, also have a role to play. We should not take statistics at face value

but keep pushing the notion that financial prudence is essential for everyone and should be embedded at the early stage of individuals' lives. Millennials are the future leaders of tomorrow, and there is still time to ensure these millennials do not fall into the debt trap and can contribute to the betterment of the country in the future.

Although it is stated not as one of the reasons that lead to bankruptcy, for the millennials that plan to get married, it is advisable for the groom to give a dowry to the bride in the form of a gold dinar.

History has proved that gold is an inflation hedge. The value is kept the same even during recession. Moreover, this gold can be used as emergency funds to cover daily expenses during rainy days. Some financial institutions in Malaysia offer gold dinars in monthly instalments, which is another way of saving for millennials. Millennials of both genders need to look ten years ahead as the current economic situation is not favourable. Also, for couples that plan to have children, the savings for the children's education funds need to start as soon as the child is born as it is better to prepare early.

To further arrest the increase in bankruptcy cases among millennials and young Malaysians in the future, the education ministry should include financial literacy in the primary to tertiary education curriculum. Further, educational and financial institutions and the Social Services ministry should design programmes to help parents to be financially literate. This will ensure financial literacy begins at home, and thus, the discipline of managing their finances will be passed on to their children early in life. Aside from the economic issue of bankruptcy among millennials in Malaysia, it is a social and cultural issue that may erode their values and affect the systems and structures embedded in society.

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