

Does a lavish lifestyle lead to bankruptcy among Malaysian millennials? And its Relationship with the PISA exam among 15-year-old Malaysians.

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Abstract

Youth bankruptcy in Malaysia never happened in the 70s-80s, even in the 90s. However, entering the millennium age, starting in 2018, this issue caught everyone's attention and is quite concerning. Using the PISA examination result in Mathematics as an indication, we discovered the millennials that aged within this age group were the same cohort of students that were taking part in PISA 2009 (they were born in 1994 or 1995, and they aged between 29 and 28 years old in 2023) while in PISA 2012 (they were born in 1997 or 1998, they aged between 26 and 27 in 2023). In this examination, 15-year-old students in Malaysia performed below the average 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 show 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 government intervention and other related parties to prevent this issue from getting worse in the future.

Who are Millennials?

Millennials are individuals born between 1981 and 1996 (age 28 to 43 years old) (Beresford Research, 2024). 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, the millennials comprise 35% of the Malaysian population (Thambiah et al., 2015), and expected that by 2030, they will dominate the workforce, with 75% of them will be in it. Millennials can be considered the future asset for every nation, as they are the right candidate to replace the baby boomers later.

Along with their age increases, they must get married and have a family. Nevertheless, this lavish lifestyle rooted in this generation, well known for their tech-savvy, exposes them to many things such as an influencer lifestyle, current gadgets, branded and trending apparel, etc. They also prefer instant gratifications, causing them to want to imitate what they have seen and experience it themselves. To satisfy their wants and get recognition among their peers, sometimes they spend imprudently and take a credit card that could lead them to better financial decisions (Syau et al., 2020). Due to this lifestyle, they are more prone to financial bankruptcy at a young age than other generations. As a result, they have excessive monthly commitments, are aimless in life, and cannot get married and start their own family.

This issue was alarming and not a significant concern without a firm basis. Department of Insolvency Malaysia, in their study in 2022, highlighted that millennials in this country were the most vulnerable category of the group involved in bankruptcy cases. 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 still exceeds that of other age groups.

Table 1: The Total Number of Bankruptcy Cases Registered by Branch From 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: Malaysia Department of Insolvency (2022).

Figure 1 shows the total number of bankruptcy cases registered by the branch in 2018 until December 2022. The table shows that the number of yearly cases keeps decreasing, which is a good sign of reducing the number of people who fall into bankruptcy. It is also worth seeing that in the big cities like Selangor, Federal Territory of Kuala Lumpur, and Johor Bahru, the number of cases is relatively higher compared to the less developed cities such as Perlis (96 cases), Sandakan, Sabah (100 cases); Tawau, Sabah (227 cases), it shows that bankruptcy cases are more prevalent in major cities compared to small cities. Another critical factor is that the cost of living differs between primary and small cities. Major cities require more expenses, and the opposite is for small cities. When more expenses are incurred, quick cash is needed for daily expenses such as car petrol, toll payment, parking payment, groceries, etc. One of the fastest ways is by securing a loan. However, they are prone to bankruptcy when they cannot pay it back due to a sizeable monthly commitment. That explains why bankruptcy cases occur in major cities while less prevalent in small cities.

Table 2: The number of Bankruptcy Cases by Gender from the year 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: Malaysia Department of Insolvency (2022).

Table 2 shows the number of bankruptcy cases by gender from 2018 until December last year. We can see that males are more prone to bankruptcy compared to females. Within Malaysia, we can see that females are spending more prudently, with the total number of bankruptcy cases recorded by women being nearly half compared to the total number of bankruptcy cases by men. Several works of literature also mentioned that in terms of financial prudence, men are much better than females (Gangwar & Singh, 2018). However, in the Malaysian context, females spend more wisely than men.

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: Malaysia Department of Insolvency (2022).

Table 3 shows the number of bankruptcy cases by ethnicity from 2018 until December last year. We can see that Malay was the largest ethnicity in Malaysia, recording the highest number of bankruptcy cases with 58.23 percent, or more than half the total number. At the same time, the least recorded number of bankruptcy cases by ethnicity is shown by others and non-citizens, with 8.34 and 0.12 percent, respectively. It was also quite alarming to see that Malay is at the top of the chart for the highest number of bankruptcy cases from 2018 to 2022, and this trend shows a declining trend for the number of bankruptcy cases yearly. However, Malay is still the ethnicity with the highest number of bankruptcy cases recorded compared to other races.

Table 4: The number of Bankruptcy Cases by Type of bankruptcy from the year 2018 until December 2022

Ethnicity	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: Malaysia Department of Insolvency (2022).

Table 4 shows the number of bankruptcy cases by type from 2018 until December last year. The two most popular reported cases for bankruptcy are personal loans and vehicle hire-purchase, which constitute around 56.63 percent (more than half of the total number of cases recorded). It is worth noting that the number keeps reducing yearly; for example, for personal loans in 2018, with 4,636 to 2,688 in 2022, with a total reduction of 1,948 cases in the timeframe of five years. The main reason that personal loans and vehicle hire-purchase are at the top of the list is mainly related to the lavish lifestyle among millennials. FOMO, or fear of missing out, is prevalent among youngsters nowadays. Follow the attire, gadgets, and lifestyle trends to ensure they are included among their colleagues. It caused them to spend imprudently, buy unnecessary stuff, keep changing new cars, and not think for the long term, causing them to fall into bankruptcy.

Another point we can raise here is that the government and society should have included personal financial management strategies that go with the changes in the economy and society. Indeed, there are some initiatives by the government and society to implement financial literacy education, such as participation in the PISA examination. Still, related parties can do better compared to now.

Financial Literacy Awareness and PISA Examination

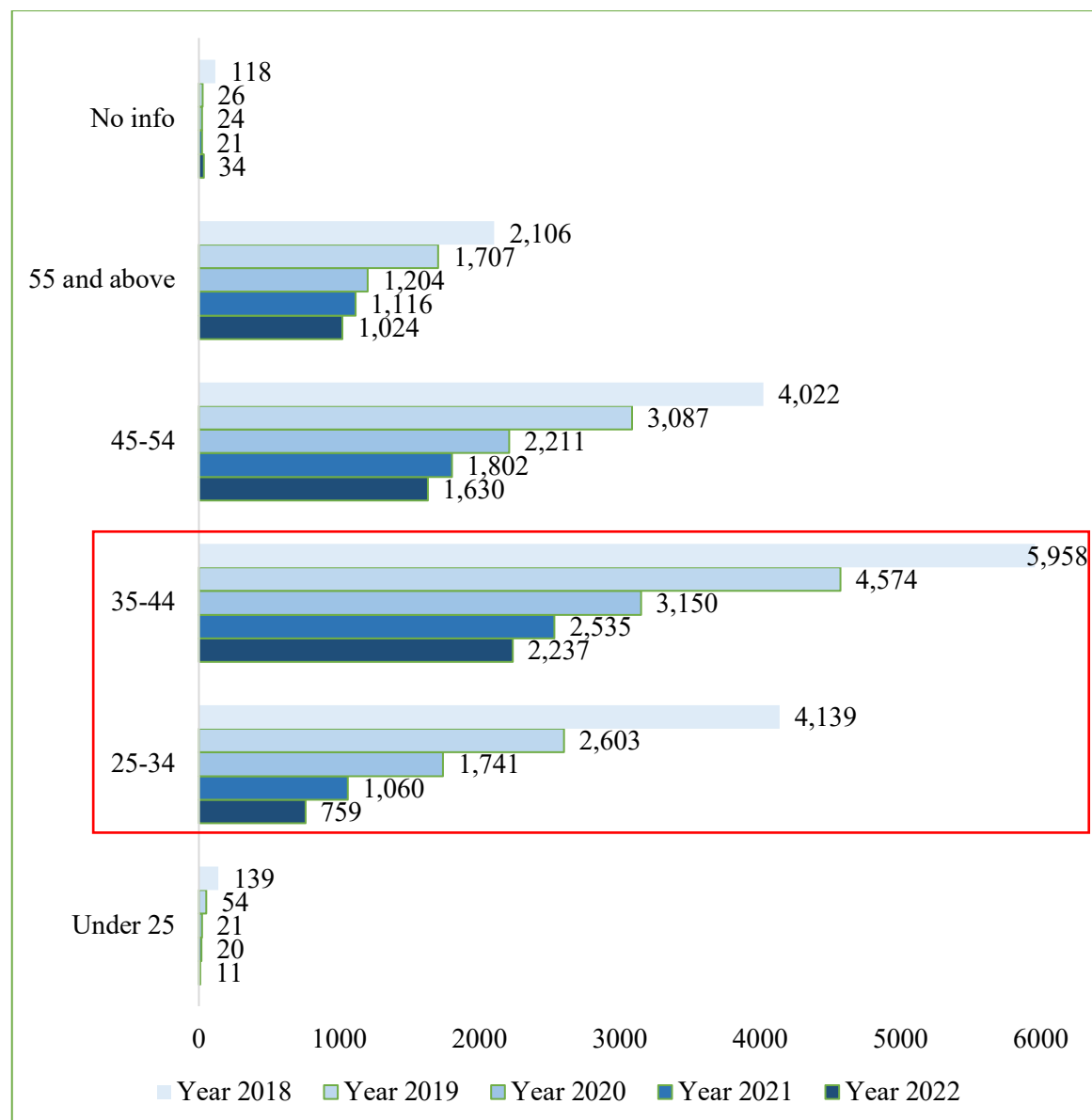
Financial literacy can be defined as the ability of someone to demonstrate prudent financial behaviour (Lusardi, 2015). Financial literacy must be embedded early in this stage as children quickly receive new information. To exhibit this behaviour, the role of the parents is significant. Not only does this responsibility lie in the hands of the teachers and government, but parents are the persons close to the children, apart from their peers, particularly at the early stage of their development. Exposure to financial literacy courses is a concerted effort that has been going on for some time. It can be seen in the Programme for International Student Assessment (PISA) examination. This examination is held triennially, involving 15-year-old students in the Organization for Economic Cooperation and Development (OECD) and partners (non-OECD countries).

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 15-year-old students) in 2018. They will be assessed in reading, mathematics, and science. From the three critical domains listed above, financial literacy was put on the test as an optional domain in 2012 (Student and Money), 2015 (Student's Financial Literacy), and the recent one (2018 cycle, Are Student Smart About Money). In the financial literacy domain, the student asked whether students 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 since 2009, 2012, and 2018 in the last year (2022), the performance of the 15-year-old student in Malaysia is below par and less promising compared to their ASEAN counterparts. Due to the increasingly crucial financial literacy subject, several countries provide financial literacy education in schools. Financial literacy is embedded into existing programs, curricula, and subjects. Skills acquired in financial literacy are helpful, and they can use them in a real-life context and enhance their mathematics skills. Using the PISA Exam result 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 is less impressive considering that Malaysia never reached the OECD average score even once, starting in the year 2009 (the average score for mathematics is 496), 2012 (the average score for mathematics is 494), and 2018 (the average score for mathematics is 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 participating in this study (OECD, 2016). Our ASEAN neighbour, Thailand, performs better than us, with 19th out of 31 countries. The summary of the findings indicates that Malaysia is among the countries that need to strengthen the 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



*For the age group, there is no information; the petition document does not contain details of the age of the bankrupt (for police/military identification)
Source: Malaysia Department of Insolvency (2022).

The impact of lower financial literacy among 15-years old and adults in Malaysia translated in the higher number of bankruptcy cases involving the millennials generation compared to other age of category (as shown in Figure 1). 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 age group 25 to 34 combined with 35 to 44 years old accounted for around 58.53 percent, more than half. Meanwhile, those 55 and above have the lowest number of bankruptcies recorded, with 7,157 cases only. This age, known as the baby boomers and retirees' group, recorded a low number of bankruptcy cases because they had already achieved everything in their life and wanted to pass their time. Another interesting finding (in Table 5) is that the millennials that aged within this age group were the same cohort of students that were taking part in PISA 2009 (they were born in 1994 or 1995, and they aged between 29 and 28 years old in 2023) while in PISA 2012 (they were born in 1997 or 1998, they aged between 26 and 27 in 2023). Their low score on this exam at an early age affects their financial judgment later. From an

early age, they were not heavily exposed to the importance of financial literacy, which permeated until they became adults. They need a stronger foundation in managing their money, which manifested when many millennials in this cohort were involved with bankruptcy cases. It is worth noting that the number of bankruptcy cases has shown a declining pattern yearly, which means that society's younger generation is particularly 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

Government intervention is necessary to assist these groups of people. Many external factors are beyond our control in this issue, and the responsibility is not solely on the shoulders of the government and related agencies that act as the primary actors. Indeed, they are responsible for any related framework and policies, but other parties (such as parental institutions, universities, etc.), which act as secondary actors, have their 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 in individuals at the early stages. Millennials are the future leaders of tomorrow, and still, there is time to ensure these millennials do not fall into a debt trap and can contribute to the betterment of the country in the future.

Although it is not stated as one of the reasons that lead to bankruptcy, for the millennials who plan to get married, the groom should 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 the recession. Moreover, this gold can be used as emergency funds to cover daily expenses during rainy days. Some financial institutions in Malaysia offer to buy gold dinars monthly, which is another way for millennials to save. There is nothing wrong with having a grandiose wedding, as this happens once in a lifetime (depending on the religion and culture). However, millennials, either groom or bride, need to look ten years ahead of them, as the current economic situation is not favourable.

Another thing is that the primary purpose of marriage is to have a kid. Hence, for the couple that plans to have kids, the savings for education funds for the kids must start as soon as the child is born. It is better to prepare early; as these kids grow, they will have something to cover their education funds in the future.

To further arrest the increase of bankruptcy among millennials and young Malaysians in the future, the education ministry should devise a way to include financial literacy from

primary to tertiary education in the curriculum. Educational and financial institutions and the Social Services ministry should design a program to help parents become financially literate. This way, literacy begins at home, and thus, the discipline of managing their finances will be passed on to their children early on. 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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