DEBT LOAD, FINANCIAL PRACTICES AND LOCUS CONTROL EFFECTS' ON WORKERS' FINANCIAL WELL-BEING

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Abstract

Consumers involve in credit transaction as an alternative option in purchasing items especially for large items however tend to be attracted to use various types of credit extended to them leading to high debt load. Good financial practices need to be taken great consideration in view of their financial well-being. Individuals being able to control their reactions in unexpected environment posses an internal locus control characteristic that is perceived to be the success factor of planned activities. The study aimed at identifying differences in financial well-being between debt load levels and solvency ratios, ascertaining the relationships between the extent of credit involvement, financial practices and locus control with financial well-being, and determining whether monthly debt load, solvency ratio, credit involvement, locus control and financial practices predict financial well-being. A multistage sampling was employed on states in Peninsula Malaysia located in four zones resulted in Penang, Johor, Pahang and Selangor being selected with cities as the base for the second stage of selection. Data were collected via self-administered questionnaire forms distributed to the workers in the selected departments. Prior to the data collection in 2011, permissions were sought from the respective departments and a total of 505 usable questionnaires were obtained. Financial practices and locus control were measured using Likert scale items. Savings, budgeting and locus control were found to be significantly and positively predicting financial well-being with savings as the most influential predictor. The results of the study suggest that other than financial practices, locus control as a psychological variable has a significant effect on financial well-being. Hence, financial educators could consider the inclusion of changing locus control in their training program to individuals apart from focusing on good financial practices. Such

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consideration would gives value added to the training program and would contribute to its success.

Key words: financial practices, savings, budgeting, locus control, financial well-being

Introduction

Available evidence suggested that mismanagement of their finances would most probably gave rise to the increase of debt burden, dependency on credit, inability to face risk in money management and eventually leads to financial distress. The statistic of Bank Negara Malaysia (2009a) showed that 13,852 individuals in Malaysia were declared bankrupt in the year 2008 that was an increase of more than two times as compared to the statistic in 1998. Unpaid balance for credit card also displayed a large increase in a decade time from RM1,924 million in 1994 to RM12,329 million in April 2004 and increase further to RM22,810 in year 2008 (Bank Negara Malaysia, 2009b). With increasing of income per capita of the Malaysian citizen, the statistical evidence of high debt load revealed unwise decision made by individuals of their financial resources. Managing effectively the financial resources are critical due to its limited amount. The way individuals deal with their financial means and resources is a study on the individual financial management behaviour. However, this study has not yet been in the main-stream of financial and economic behavioral studies (Loix, Mentens, Goedee, and Jegers, 2005). The outcome of a good management of financial matters can be reflected in improved objective financial status displayed by the increase in net-worth, increase in level of liquid savings, and decrease of debt/asset ratio. In terms of subjective financial well-being of families, satisfaction with their current financial situation are being used by some researchers (Hira and Mugenda, 2000; Joo and Grable, 2004). Meeting their expectations of financial situation resulted in the individuals being satisfied with their financial situation. Lack of planning on financial matters, not conforming to budget and have poor financial practices in general may contribute to dissatisfaction on their finances thus leading to financial instability. Due to constraint in resources and with unlimited needs and wants, consumers resolve to use of credit. Credit transaction thus has been an alternative option in purchasing items especially for large items. However consumers tend to be attracted to use various types of loan or credit extended to them leading to high debt load and resulting in the use of several types of loan or credit for each consumer. Good practices in financial matters need to be taken great consideration to result in good financial well-being.

A financially stable person may results from various activities performed especially on financial matters. Several aspects of financial management would be important to focus on. Even with good financial practices being planned ahead to lead to financial stability, unless having it performed as planned and achieving specific financial target or goals, an individual would not experience good financial well-being. A crucial factor here is believed to be the capability of a person to control his or her action without much influence from the environment. Individuals that are able to control their reactions in unexpected

environment possess an internal locus control characteristic. It is perceived that this characteristic embedded in a person is the underlying factor contributing to the success of planned activities.

In conjunction to that, this study is performed guided by the following objectives that are identifying differences in financial well-being in terms of debt load levels and financial solvency ratio levels (asset/liability ratios), ascertaining the relationships between credit involvement, financial practices and locus control with financial well-being and determining whether monthly debt load, financial solvency ratio, credit involvement, financial practices and locus control predict financial well-being.

Literature Review

Studies have been conducted to examine individual's financial behaviours and identifying the processes involved in managing their financial resources to achieve financial success (Joo, 1998; Kim, 2000; Porter, 1990; Scannell, 1990). In general, the results found that financial management behaviours are associated with financial well-being. However mixed results are found from previous studies in terms of the specific financial management practices and other factors that give impact on financial well-being and the extent of the impact.

Financial well-being is conceptualized as a level of financial health that refers to the financial situation of a family (Joo, 1998). Satisfaction with material and non-material aspects of one's financial situation, perception of financial stability including adequacy of financial resources, and the objective amount of material and non-material financial resources that each individual possesses composed the financial well-being concept. As described by Goldsmith (2000), the concept of financial well-being is the extent to which individuals or families have economic adequacy or security, encompassing the desire to secure or protect themselves against economic risks in one's life such as illness, loss of employment and poverty. Objective and subjective aspects of financial well-being are covered in both definitions.

Subjective measures of financial well-being had been used in previous studies. Among those used were the perception of family financial managers about their satisfaction with preparation for financial emergencies (Sumarwan and Hira, 1992), satisfaction with savings level, debt level, current financial situation, ability to meet long-term goals, preparedness to meet emergencies and financial management skills (Hira and Mugenda, 2000), and financial satisfaction (Hogarth and Anguelov, 2004; Joo and Grable, 2004; Kim, Garman, and Sorhaindo, 2003; Xiao, Sorhaindo, and Garman, 2004).

Socio-economic characteristics of the individuals and households were found to affect the financial well-being of those individuals and households. Such socio-economic characteristics were age, income, family size, marital status, education, length of employment and home ownership (Baek and DeVaney,

2004; Husniyah, Mohd. Fazli, and Ahmad Hariza, 2005; Joo and Grable, 2004; Mohamad Fazli, Jariah, Karen, and Laily, 2008; Prawitz, Garman, Sorhaindo, O'Neill, Kim, and Drentea, 2006; Xiao et al., 2004). Joo and Grable (2004) found that age was a significant factor where older consumers were more satisfied with their financial situation. Similar result on age was found for a local study on Malaysian employees by Mohamad Fazli et al. (2008) with age positively predicting financial wellness.

Household income and family size were revealed to be positively and significantly related to satisfaction on financial matters. The financially stable households were more likely to have higher income (Baek and DeVaney, 2004; Husniyah et al., 2005; Mohamad Fazli et al., 2008). Socio-economic characteristics further found to be significant in predicting financial well-being were gender, ethnicity and employment length. All these variables were found to be negatively affecting financial well-being (Mohamad Fazli et al., 2008).

For the extent of debt load, Greninger, Hampton, Kitt, and Achacoso (1996) suggested that debt-to-income ratio of less than 15 percent was considered reasonable and the danger point was when the ratio exceeds 20 percent. Monthly debt payments practice was among the main determinants of managers' satisfaction with financial status in a study on debt load in relation to financial well-being (Mugenda, Hira, and Fanslow, 1990). Higher monthly debt payment contributed to lower financial satisfaction of the family financial managers. Lown and Ju (1992) reported that families with higher debt-to-income ratios were less satisfied with overall financial situation however those comfortable maintaining large amounts of debt were more satisfied with their finances. Concurrently, Porter and Garman (1993) contended that those having worries about debt repayment and meeting financial emergencies were related to lower perceived financial well-being.

Insolvency ratio is the liabilities to assets ratio that should be less than one to be able to pay-off debts. A ratio more than one makes an individual financially insolvent that is more financially instable. Vice-versa, solvency ratio should be more than one to be financially stable and a person is financially instable by having a solvency ratio of less than one. Those who were more solvent with higher financial solvency ratios were positively related to financial satisfaction (Joo and Grable, 2004). Higher financial solvency ratios led to higher financial satisfaction. Concurrently, Mugenda et al. (1990) concluded from their study that net-worth was among the main determinants of managers' satisfaction with financial status. A positive and high net-worth is preferred indicating a good financial well-being, whereby positive net-worth means that the asset value exceeds the liability value. Hence, in the above study, the higher the net-worth, the more satisfied were the managers.

Various types of consumer credit are offered in the market. Individuals may use various types of credit extended to them and might end up with high credit involvement. They also may tend to use high-interest credit without collateral instead of low-interest credit backed by collateral. Among the various types of

debt based on the purpose and source of the funds borrowed, the high-interest consumer credit used to purchase nondurable goods and services gave a high impact on the long-term financial well-being (Fox and Bartholomae, 2000). No economic return while in possession and a short life period were the characteristics of the nondurable goods. Such example was paying for meal using credit card.

For specific financial practices, Xiao et al. (2004) stated that having developed a plan for an individual financial future was among the three financial behaviours that increased financial satisfaction. Budgeting, preparing cash-flow statement, comparing the income-expense statement to the budget and estimating net-worth were identified by Davis and Weber (1990) as essential to effective financial management. DeVaney et al. (1996) concluded that savings regularly increased feelings of satisfaction about finances in their study on women participating in Women's Financial Information Program. However, contributing to employer's retirement plan was negatively associated with financial satisfaction (Baek and DeVaney, 2004; Xiao et al., 2004). For investment among Malaysian families, Husniyah and M. Fazilah (2011) found a significant positive effect on their financial well-being.

The research by Norvilitis, Szablicki, and Wilson (2003) suggested that locus of control of college students were related to a perceived financial well-being. They concluded that self-control individuals were financially better than those easily influenced by others. To conclude, other than socioeconomic characteristics, specific financial practices such as savings and investment are related to financial well-being. Locus control as a psychological variable does have an impact on individuals' financial well-being.

Methodology

A multistage sampling was employed to obtain samples consisting of working people for this study. Only Peninsula Malaysia was involved with four states randomly selected from each zone of north, south, west and east having a total of 12 states. Penang was selected from the north zone, Johor from the south zone, Pahang from the east zone and Selangor from the west zone. The second stage of selection was based on the cities in those states resulting in Penang city voted for Penang, Johor Baharu representing Johor, Kuantan chosen for Pahang and Shah Alam selected for Selangor. Later, four departments were chosen to obtain a target number of 125 respondents from each city or a total of 500 respondents namely *Jabatan Kehakiman dan Syariah, Jabatan Ukur dan Pemetaan, Jabatan Pengairan dan Saliran* and *Jabatan Bekalan Air.*

Data were collected via self-administered questionnaire forms distributed to the respondents in the selected departments. Prior to the data collection, permissions were sought from the respective departments by contacting them through telephone calls and letters. The number of usable questionnaire forms collected in 2011 was 505. Socioeconomic characteristics information gathered

were on gender, age, race, marital status, education, income and occupational status. Credit or debt commitment were being identified through involvement in type of credit, monthly debt load measured by amount of monthly debt installment per income and financial solvency measured by asset/liability ratio. Data on financial practices and locus control were obtained and measured using Likert scale statements. Pre-test was conducted on 25 respondents among Universiti Putra Malaysia staffs in April 2011 to clarify any confusing statements.

In order to test for differences in financial well-being based on debt load levels and asset/liability ratios, t-tests were being conducted apart from the descriptive analyses that were used to describe the variables involved in this study. The relationships of credit involvement, financial practices dimensions and locus control with financial well-being were determined by Pearson correlation. Multiple regression using enter method was performed to identify influential predictors of financial well-being among the variables included in the regression. Validity of the regression model was assessed by F statistic. Reliability for the main variables were more than 0.6 reflecting that the variables have high reliability with Cronbach alpha ranging from 0.736 to 0.936 (Nunnally, 1994).

The main variables were financial practices dimensions, locus control and financial well-being measured by financial satisfaction.

Results and Discussion

Profile of respondents

The distributions of the respondents' socioeconomic characteristics are displayed in Table 1. Majority of the respondents were Malay with slightly more female as compared to male respondents. More than half (a total of 56.2%) of them were young (below 35 years old) with an of three financial dependents. This justified the high portion (75.4%) of unmarried respondents. The table also displays that two third (67.5%) of them were non-graduates and this is in line with their monthly income where more than half (60.6%) of them earned less than RM2,500. With working spouse, their monthly household income were higher whereby those earning more than RM5,000 increased from 2.8 percent to 10.9 percent. The lower income category of less than RM2,500 was reduced from 60.6 percent to only 30.9 percent. Most of them were permanent workers in the government departments with mean working experience of 14 years.

Table 1: Profile of Respondents		
Socioeconomic Characteristics	**Frequency (N = 505)**	**Percentage (%)**
Gender		
Male	214	42.7
Female	287	57.3
Age (year)		
≤ 25	47	9.5
26 – 35	232	46.7
36 – 45	72	14.5
≥ 46	146	29.4
Race		
Malay	468	92.7
Chinese/Indian/ Bumiputra Sabah and Sarawak	34	6.7
Marital Status		
Unmarried	381	75.4
Married	93	18.4
Divorced/Separated	27	5.3
Education		
Non-graduate	341	67.5
Graduate	164	32.5
Respondent's Monthly Income		
≤RM 2,500	306	60.6
RM 2,501 – RM 5,000	120	23.8
>RM 5,000	14	2.8
Monthly Household Income		
≤RM 2,500	156	30.9
RM 2,501 – RM 5,000	152	30.1
>RM 5,000	55	10.9
Occupational Status		
Permanent	463	91.7
Temporary/Contract/Part-time	35	6.9

Financial information

Analyzing their financial situation as shown in Table 2, it revealed that only 39.8 percent of the respondents had high debt load given by the monthly debt repayment of more than 40 percent. Those making monthly debt repayment of less than 40 percent are considered as having low debt load. Normally the 40 percent monthly debt repayment of income is the suggested border to be financially stable or unstable objectively. Individuals having mortgage loan together with other type of loan or credit can have a monthly debt repayment up to 40 percent and a 20 percent border is suggested for individuals that do not have mortgage loan repayment (Kapoor, Dlabay, and Hughes, 2004). This result is in line with their financial solvency whereby only 28.0 percent of the respondents have asset value less than their debt value indicating few respondents having low financial solvency. This reflected that majority of the respondents were financially well.

Table 2: Financial Information

Variables	Frequency (N = 505)	Percentage (%)
Monthly Debt Repayment		
< 20%	98	20.6
20% - < 40%	188	39.6
≥ 40%	189	39.8
Financial Solvency		
Asset value < Debt value	142	28.0
Asset value = Debt value	178	35.4
Asset value > Debt value	185	36.6
Attended Financial Education Training		
Yes	142	28.1
No	363	71.9
Financial Resources During Retirement		
Pension/Gratuity	430	85.1
Savings	276	54.7
Investment	148	29.3
Life Insurance/Takaful	107	21.2
EPF	77	15.2
Bank's Retirement Account	30	5.9
Children/ Others	27	5.3

Although the above analyses confirmed that majority of the respondents were more financially stable, 71.9 percent of them never attended financial education training program. They may have acquired necessary knowledge or skills in managing finances informally as personal finance literacy is essential to be financially stable. These respondents had proved that they were able to manage their finances well. This is further supported by their ability to save for their retirement. Slightly more than half (54.7%) of them were able to make retirement savings even though most of them will receive their monthly pension or gratuity upon retirement. This long-term savings may contribute to their financial stability in the long-run. The respondents did not depend much on their children as this kind of retirement financial resources had the lowest response. Since most of the respondents chose pension scheme, they did not depend much on retirement account offered by commercial banks either.

Type of credit obtained

Various types of credit or loan are being offered to individuals as can be seen in Table 3. Hire-purchase credit was one type of credit that was most popular among the respondents currently during the survey and even

previously. Personal transportations are most probably the main item using hire-purchase credit other than durable goods such as electrical appliances and furniture. With three quarter (75.4%) unmarried respondents, hire purchase credit would most probably be used for purchasing cars instead of household durable goods. Since almost one-third (29.4%) of the respondents aged above 46 years old, these respondents would probably have settled their housing loans as 16 percent of them reported that they had previously obtained housing loan. Currently only 10.1 percent of the respondents applied for housing loan. Majority of them may not afford to buy a house due to their low household income whereby a total of 89.1 percent respondents earned less than RM5,000 a month.

Table 3: Type of Credit/Loan Obtained

Type of Credit	Credit/Loan Status	
	Previous n (%)	Current n (%)
Hire Purchase	152 (30.1)	103 (20.4)
Credit Card	84 (16.6)	58 (11.5)
Educational Loan	82 (16.2)	81 (16.0)
Housing Loan	81 (16.0)	51 (10.1)
Personal Loan	79 (15.6)	37 (7.3)

More respondents used credit card (11.5%) as opposed to personal loan (7.3%) even though credit card is considered as a high cost credit unless wisely used. In fact, personal loan was the least used credit as compared to other consumer credits. Due to the simpler process of obtaining credit card as compared to personal loan, makes the use of credit from credit card more popular. The revolving credit characteristic is most probably another reason to use credit card as compared to personal loan. When a certain credit limit is being approved for an individual, the credit card holder is entitled to use up to the credit limit which will decrease the available credit. Whenever he or she pays the credit card bill, the amount of credit available is increased back to the credit limit. However, the number of respondents currently using credit card was lesser compared to the previous time.

Slightly a larger number of respondents were still paying for educational loan (16.0%) than using credit card (11.5%) while almost the same number of respondents (16.2%) had fully paid their educational loan. Referring to Table 1, since 164 respondents were graduates, only one person did not take any educational loan.

Financial practices dimensions

Table 4 gives the mean for each item in financial practices. Higher mean score reflects that the specific practice is performed more often as compared with the lower mean score. Among the highest mean were for savings items such as savings for long-term needs and emergencies. The lowest mean was for investment item and in fact, all investment items had among the lowest mean. These results indicated that savings was more frequently done as compared to investment. Savings has the safety and liquidity features as compared to investment. Lack of knowledge and skills in investing might be the reason for not investing. The fear to incur losses due to investment risks seemed to overcome the attraction of high return from investment.

In comparing the items in each dimension, respondents were found to do more mental budgeting as opposed to written budgeting. They tended not to have proper written budget due to time constraint or just due to ignorance. In terms of credit practices, they were more probably paying the loans as scheduled but tended not to keep the repayments' record. For short-term needs, the respondents were more probably not saving for this purpose as compared with financial emergencies or long-term needs. It seems that they had good motives of savings.

Table 4: Financial Practices Dimensions

Item	Mean	Standard Deviation
Budgeting Dimension		
Do mental budgeting for all needs.	3.35	1.069
Have written budgeting for all needs.	3.30	1.106
Credit Dimension		
Planning of credit usage.	3.43	1.262
Keeping record of credit/loan repayment.	3.31	1.164
Make credit/loan repayment as scheduled.	3.45	1.247
Savings Dimension		
Savings for short-term needs.	3.27	1.158
Savings for emergencies.	3.56	1.062
Savings for long-term needs.	3.57	1.107
Investment Dimension		
Invest in various investment products.	2.51	1.258
Invest in low risk assets (eg. unit trust).	2.77	1.390
Invest in high risk assets (eg. equity shares).	2.05	1.232
Risk Dimension		

House/car insured adequately.	3.38	1.228
Purchase own life/health insurance/takaful.	3.15	1.352
Purchase family members life/health/education insurance/takaful.	3.07	1.322
Credit/loan insured adequately.	2.99	1.316

Further observation of the results in Table 4 revealed that the respondents tended to invest in safe assets as compared to risky assets. In terms of managing risk, respondents would most probably purchase insurance adequately for their house or car in case of accident or theft. However, not all the credit or loans that they took were insured. Their personal loan or credit card might not be fully insured but most probably housing loans were insured on the loan balance to take care of the unexpected condition of total permanent disable or death of the insurer. Personal transportation under financing requires a comprehensive insurance or takaful for protection. At least a third party insurance or takaful is needed to protect others from the damage caused by the insurer's automobile, thus this justify the highest score obtained for adequately insuring house or automobile. Overall, respondents tended to perform the financial practices listed in Table 4.

Locus control

The mean for locus control items displayed in Table 5 are slightly above the mid-point score of 3 of the scale. Higher mean score reflects that the person is more inclined towards internal locus control as compared with the lower mean score. The highest mean score was for the third item regarding the dependency on one's ability and educational background to get a job. Their ability and education affected their chance in getting a good job. This is followed by 'When I got what I wanted, it is because of my hard work'. This reflects that the respondents tended to be more confident that their hard-work lead to the success. The item on 'When I planned, I am almost certain that I will make it a success' had the lowest mean score however with higher than average score. This shows that the individuals were only slightly more certain that their planning will succeed. Overall, the respondents were slightly inclined towards internal locus control.

Table 5: Locus Control

Item	Mean	Standard Deviation
Getting a good job depends on my ability and educational background.	4.01	0.908
When I got what I wanted, it is because of my hard work.	3.95	0.935

Wise savings and investment is the main factor to be rich.	3.79	0.967
Whether to be rich or poor, it depends more on my ability.	3.77	0.965
Things that will happen to me in the future depend on me.	3.71	1.104
In the long-term, if I am good in managing my financial matters, I will stay wealthy.	3.67	0.939
When I planned, I am almost certain that I will make it a success.	3.66	0.886

Financial well-being

The result on financial well-being as measured by financial satisfaction is presented in Table 6. The measurement adapted the financial satisfaction scale by Hira and Mugenda (1999). The score for each item ranged from one to five with higher score indicating more satisfied with specific financial aspects.

The individuals' satisfaction on various financial matters were slightly more than the mid-score of three of the scale. They were more satisfied with financial aspects such as with ability to meet long-term goals and with their preparedness to meet financial emergencies as compared to their satisfaction on savings level, current financial well-being and financial management skills. In general, they were moderately satisfied with various aspects of their financial management.

Table 6: Financial Satisfaction

Item	Mean	Standard Deviation
Satisfied with ability to meet long-term goals	3.47	0.959
Satisfied with preparedness to meet emergencies	3.45	0.983
Satisfied with current financial well-being	3.37	0.962
Satisfied with financial management skill	3.37	0.995
Satisfied with savings level	3.32	1.012

Differences in financial well-being based on debt load and financial solvency

Individuals' financial well-being determined in this study is being compared between debt load levels and different financial solvency of the individual. Differences in financial well-being in terms of debt load levels and asset/liability ratios are displayed in Table 7. The independent sample for t-test analysis revealed a significant difference between debt load of less than 40 percent and higher debt load of more than and equal to 40 percent. Those having lower debt load had significantly higher mean score of financial well-being as compared to higher debt load.

In terms of their financial solvency, the financial ratio of asset over liability of higher than one reflects a better financial status as their asset value is more than the amount of debt. From the analysis of financial well-being difference, it was found that those having asset value more than the debt value had a higher mean of financial satisfaction as compared to those having asset value less than their debt value. Thus, financial ratio as the objective measure of financial well-being was found to be in line with financial satisfaction as the subjective measure of financial well-being. The result is consistent with studies by Mugenda and Hira (1990) and, Joo and Grable (2004). They found that those who were more solvent with better financial ratios were positively related to financial satisfaction.

Table 7: Differences in Financial Well-Being Based on Debt Load and Financial Solvency

Variables	n	Mean	t	p
Debt Load (Monthly Repayment/Income)				
< 40%	286	20.7308	-3.481	0.0001
≥ 40%	219	19.0183		
Financial Solvency				
Asset ≤ Liability	320	19.1969	-4.745	0.0001
Asset > Liability	185	21.3568		

Correlations of credit involvement, financial practices and locus control with financial well-being

In order to determine the relationships between credit involvement, financial practices dimensions and locus control with financial well-being,

Pearson Correlation analysis were conducted. The results displayed in Table 8 found that credit involvement (r = 0.003; p = 0.945) was not significantly related with financial well-being. Credit involvement measured in terms of number of credit involved could not be determined its association with financial well-being.

On the other hand, financial practices dimensions were found to be significant in their relationships with financial well-being that were budgeting (r = 0.388; p = 0.0001), credit (r = 0.293; p = 0.0001), savings (r = 0.423; p = 0.0001), investment (r = -0.136; p = 0.002) and risk (r = 0.190; p = 0.0001) dimensions. Hence, all dimensions of financial practices included in the model were found to be significant with financial satisfaction that measures financial well-being. However, contradicting results were found for those financial practices. Budgeting, credit, savings and risk have positive relationships that are in contrast with investment. Performing all these financial practices except for investment would lead to enhanced financial well-being of individuals. Investing by individuals would most probably results in lower financial well-being.

Table 8: Relationships Between Credit Involvement, Financial Practices And Locus Control With Financial Well-being

Variables	r	p
Credit Involvement	0.003	0.945
Financial Practices Dimensions		
Budgeting	0.388	0.0001
Credit	0.293	0.0001
Savings	0.423	0.0001
Investment	-0.136	0.002
Risk	0.190	0.0001
Locus Control	0.300	0.0001

One psychological variable examined namely locus control (r = 0.300; p = 0.0001) was found to be significantly and positively related to financial well-being. Those who were more internally locus controlled would more probably be financially well. On the other hand, those who were more externally controlled would more probably be financially unwell.

Even though most of these variables had significant relationships with financial well-being, the relationships were weak. This means that the financial practices and locus control were not strongly related with financial well-being. Each of the significant variables could only explain a small variance in financial well-being. These ranges from 1.85 percent for investment, 3.61 percent for risk to 17.9 percent for savings dimensions. Savings explains more variance in financial well-being followed by budgeting and credit dimensions. Thus, savings as compared to the other financial practices was more strongly related to financial well-being. In comparison with locus control, specific financial practices namely savings and budgeting were more strongly related to financial well-being.

Debt load, financial practices and locus control as predictors of financial well-being

Selected socioeconomic characteristics such as financial dependent, working experience, gender, marital status, education and household income were used as control variables. Gender, marital status and household income were entered as dummy variables in the regression analysis. The number of financial dependent, number of years working and number of years studying were entered as continuous variables. The financial satisfaction score to measure financial well-being was entered as the dependent variable. The results of the multiple regression is tabulated in Table 9.

The model is valid with a significant F value and a fit model with the independent variables in the model explaining 20.2 percent of the variance in financial well-being. The t value in this multiple regression output provided the statistical significance for each estimated coefficient that was labeled as B. A positive value of B gives a direct prediction of the dependent variable by the independent variable and an inverse prediction existed for a negative value of B.

Table 9: Multiple Regression of Financial Well-being

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	ß		
(Constant)	1.556	0.381		4.082	0.000
Financial dependent	0.049	0.069	0.052	0.718	0.473
Working experience	-0.095	0.027	-0.209**	-3.467	0.001
Male	0.052	0.074	0.036	0.696	0.487
Married	0.110	0.131	0.059	0.840	0.402
Education	0.013	0.017	0.044	0.739	0.460
H/hold income ≥ RM5,000	-0.082	0.126	-0.036	-0.654	0.514
Monthly debt load of ≥ 40%	0.123	0.076	0.085	1.611	0.108
Asset > liability	-0.058	0.079	-0.039	-0.738	0.461
Credit involvement	0.036	0.060	0.032	0.600	0.549
Budgeting dimension	0.231	0.112	0.146*	2.064	0.040
Credit dimension	-0.006	0.087	-0.005	-0.069	0.945
Savings dimension	0.238	0.090	0.196**	2.659	0.008
Investment dimension	-0.154	0.183	-0.045	-0.838	0.402
Risk dimension	0.008	0.043	0.011	0.186	0.853

Locus control	0.138	0.049	0.148**	2.827	0.005

* Significant at $p \leq 0.05$
** Significant at $p \leq 0.001$

None of the respondent's backgrounds were found to be significant in predicting financial well-being except for working experience with a negative prediction on financial well-being (ß = -0.209; t = -3.467; p = 0.001). Respondents' who have worked longer are predicted to be less financially well after controlling for other respondent's background in the model. This is consistent with a local study by Mohamad Fazli et al. (2008). The number of financial dependent, gender, marital status, education and household income cannot be ascertained their prediction on financial well-being.

The debt load of more than 40 percent and good financial solvency (asset > liability) of the respondents' were also found to be not significant in predicting their financial well-being in this controlled model. This is in contrast with the result of t-test performed earlier based on debt load levels and financial solvency levels. The t-test results gave significant differences in financial well-being between the levels of debt load and financial solvency. Thus, after controlling for the effects of other variables in the model, debt load and financial solvency were not found to be affecting respondents' financial well-being. The same result was found for credit involvement that was measured by the number of credit types involved by the respondents. Comparing with past studies on financial solvency, it did not support the study made by Mugenda et al. (1990) and Joo and Grable (2004).

Among the financial practices, credit dimension, investment dimension and risk dimension were found to be not significantly predicting financial well-being of respondents. In contrast, significant positive results were obtained for both budgeting dimension (ß = 0.146; t = 2.064; p = 0.040) and savings dimension (ß = 0.196; t = 2.659; p = 0.008). This result is not consistent with the result found by Husniyah and M. Fazilah (2011) for the investment's effect on financial well-being. However, the results for budgeting and savings are in line with past studies (Davis and Weber, 1990; DeVaney et al., 1996).

Referring to the relationships of the financial practices with financial well-being determined using Pearson correlations, all the financial practices were significantly related to financial well-being. The same significant results are obtained for budgeting and savings as compared to the Pearson analysis. However, for credit, investment and risk in this controlled model, the results do not follow the Pearson correlation results. To conclude, by having control variables in the model, only specific financial practices such as budgeting and savings were found to be significantly predicting financial well-being.

Respondents' who did budgeting and saves regularly for their short-term and long-term needs, and also for financial emergencies were more likely to experience good financial well-being. Budgeting assists the individuals to

determine the appropriate allocation of money to several needs and it is also a monetary plan that can be a reference for daily activities. This will act as a control mechanism of money usage that can lead the individual to achieve their financial goals either in the short term or long term. Savings intends to accumulate money to fulfill short-term and long-term needs including for financial emergencies. The sense of being able to fulfill their needs and to have available money for emergencies would lead to financial security and satisfaction of their financial ability.

A psychology variable was introduced in the model and was found that internal locus control ($ß = 0.148$; $t = 2.827$; $p = 0.005$) significantly predicted good financial well-being after controlling the effects from socioeconomic characteristics, debt load, financial solvency and financial practices. Individuals with internal locus control would be able to control their activities to result in better financial well-being.

In terms of the relative strength of prediction on financial well-being, savings is the most influential predictor of financial well-being, followed by locus of control and budgeting. Among the financial practices, savings is more influential than budgeting in predicting financial well-being. The outcome of savings activities is the amount of money saved for short-term and long-term needs. This would directly affect the financial position of an individual, hence his or her financial well-being. Whilst for budgeting, the aim is to have a proper allocation of money to fulfil needs. It is indirectly affecting financial well-being by having fulfilled certain needs.

Locus of control as a psychological variable was found to be more influential than budgeting as a financial practice in predicting financial well-being of individuals. Those who have internal locus of control are able to control their activities to achieve certain goals or target set by them. Hence, this enables them to conform to their action plan that would lead to the desired outcomes. As a result, internally locus controlled individual would most probably achieved their set target by implementing those planned especially the activities on financial matters. Thus, these individuals are more likely to experience good financial well-being as compared to an external locus control individuals. This result revealed locus control as an important predictor of individuals' financial well-being apart from the financial practices.

Conclusion and Implication

Significant differences in financial well-being were found based on debt load and financial solvency however in the controlled regression model, debt load and financial ratio of asset and liability were not found to be significant in predicting individuals' financial well-being as found for financial practices and locus control. All the dimensions of financial practices namely budgeting, credit, savings, investment and risk were significantly related to financial wellbeing using Pearson correlation analysis. Only specific financial practices performed such as savings and budgeting were revealed as significant predictors for better

financial well-being. The results of this study lead to recommendations of specific financial practices that should be done by individuals to have good financial well-being. The knowledge on specific financial practices enhancing financial well-being would enable the family to manage their financial matter effectively. Thus, this would increase the individuals' knowledge on specific financial practices that would likely give good impact on their financial well-being.

Effective handling of individuals' financial matters will in turn benefit the families, community and financial industry. Reduced financial problems contribute to a good community. Financially stable individuals will pace the path for better loan recovery by financial institutions. Financial products tailored to the needs of the public can be developed by financial institutions. As revealed by this study, savings and budgeting give good impact on financial well-being and financial institutions could seize this opportunity to offer advice on specific products for the individuals. Moreover, it also gave suggestions to those involved in developing financial education programs to educate individuals in managing their finances. Financial education programs can be modified based on the findings from this study.

Whether a person is internally controlled or externally controlled, this was found to affect one's financial situation. In order to alleviate financial well-being, an individual should lean towards internal locus control. An internally controlled person would most probably achieve the planned target. The result of the study suggests that other than financial practices, a psychological variable namely locus control has a significant effect on financial well-being. Hence, financial educators could consider the inclusion of changing locus control in their training program to individuals apart from focusing on good financial practices. Such consideration would gives value added to the training program and would contribute to its success.

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