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Determinants of Personal Financial Literacy among Young Adults in Malaysian Accounting Firms

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ABSTRACT

Objective - In the twenty-first century, financial competencies are an essential tool in understanding the connection between financial behaviour and knowledge of individual financial problems. High financial knowledge may encourage young adults to carry less debt, increase their wealth and have a better financial retirement plan. According to Wolla (2017), less than one-third of youths have basic financial knowledge. This will have an impact to their lifelong financial well-being. Hence, this research intends to explore the personal financial literacy of young adults in Malaysian accounting firms.
Methodology/Technique – The study examines 150 young working adults between the ages of 18-35 years old, working in accounting firms in Malacca, Malaysia. Stratified sampling and convenience sampling techniques were used to distribute questionnaires. Descriptive statistics, Pearson correlation coefficient and multiple regression analyses were also employed.
Findings - The empirical findings show that geographical locations and family characteristics are significantly related to the personal financial literacy of young adults in accounting firms in Malacca. However, financial education and financial experience do not influence young adults in their financial decision making.
Novelty – The results of this study suggest that the relevant authority should take an appropriate action to improve the financial well-being of young adults in Malacca, Malaysia.
Type of Paper: Empirical.
JEL Classification: M40, M41, M49

Keywords: Financial Literacy; Financial Education; Financial Experience; Family Characteristics; Geographical Location.

1. Introduction

Financial competency is a useful tool (Grohmann & Menkhoff, 2015) in understanding the link between financial behaviour and knowledge of personal financial challenges (Bannier & Schwarz, 2018). It is also considered an essential tool to support economic growth in the twenty-first century (Potrich & Vieira, 2018).

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Good and effective financial decisions resulting from high financial knowledge may generally lead an individual to possess good wealth and finance retirement as well as avoid over-indebtedness (Bannier & Schwarz, 2018; Grohmann & Menkhoff, 2015; Wolla, 2017). Yet, increasing one's knowledge does not necessarily improve their behaviour (Carlo, 2013). Statistics show that in 2014, the financial literacy rate of 27 million adults was only 32% (Adam, Boadu & Frimpong, 2018). Levels of personal financial literacy across populations, including college students (Sabri, Cook & Gudmunson, 2012), educators (Wolla, 2017) and youths (Garg & Singh, 2018) in modern society are also very low (Gathergood, 2012; Grohmann & Menkhoff, 2015; Zahirovic-herbert, Gibler & Chatterjee, 2016) particularly in emerging countries such as Malaysia (Mahalingam, 2017; Jay, 2017) when compared to industrialized countries (Grohmann, 2018). In other words, financial literacy (Wolla, 2017) in the modern economy is low and is now a global issue.

Inadequate financial literacy affects not only individual decision-makers, but society as a whole (Albeerdy & Gharleghi, 2015; Zahirovic-herbert et al., 2016). Wolla (2017) highlights that less than one-third of youths have basic financial knowledge; they do not possess basic knowledge of interest rates, inflation and risk diversification (Huston, 2010). Further, it is common for people to hide their financial illiteracy when interacting with others (Garg & Singh, 2018). This, in turn, has a direct impact on their lifelong financial well-being (Zahirovic-herbert et al., 2016; Garg & Singh, 2018). Interestingly, the provision of government support and "bailouts" may also have a negative effect on the financial illiteracy of a society (Zahirovic-herbert et al., 2016).

In the modern world, global financial markets are inherently more complex. A variety of complex financial instruments and services are offered by these markets, even to lower income individuals (Wolla, 2017; Garg & Singh, 2018). It is important that people to know and understand the risks of these options (Potrich & Vieira, 2018). For example, an individual may open the bank account without a minimum deposit (Garg & Singh, 2018). A gradual transition of investing and savings have moved from parents, employers and government onto the individuals to sharpen their financial decisions making (Lusardi, Mitchell & Curto, 2010; Garg & Singh, 2018). This implies that defined-contribution plans have been introduced to consumers who possess more financial decision-making responsibility than defined-benefit pension plans (Wolla, 2017). Perceptions of the value of money, risk and consumption have also gradually shifted (Nga, Yong & Sellappan, 2010; Garg & Singh, 2018). Young adults nowadays face more difficulty in managing their money due to the variety of options available in the market (Garg & Singh, 2018). Youth is defines as those members of Generation Y born after 1977. This group of people are usually characterised as high risk takers, desiring a better quality of life, flexibility and freedom, possessing high self-esteem and expectations of maintaining a trendy social image (Nga et al., 2010). In addition to that, they are recognised as being technologically savvy, highly educated, and more talented and motivated to enjoy life with instant gratification (Nga et al., 2010; Mahalingam, 2017). Their financial decisions may have an affect on their future lives (Garg & Singh, 2018) and they do not regard personal finance as a priority (Mahalingam, 2017). Weak financial literacy can drive them to adopt ineffective financial behaviours, for example, a tendency to have increased credit card debt, low savings and poor record keeping (Sabri et al., 2012). In other words, mismanagement of money will occur where there is a lack of financial literacy (Nanda & Samanta, 2018). Young adults are also prone to misusing their income by simply investing in financial products and services without getting any returns or advantages (Hutson, 2010). The rationale behind this is that they have no an experience of budgeting and are used to using credit as a first option (Sabri et al., 2012).

Empirical evidence reveals that young adults tend to carry high levels of debt such as car loans, credit cards and other consumer debts. They are also said to have insufficient retirement planning skills, lack the skills to manage their personal finances, be at risk of bankruptcy, take on debilitating debt, lack the financial knowledge to invest, low participation in the capital market and shortage of funds and capital (Nga et al., 2010; Nidar & Bestari, 2012; Gathergood, 2012; Nidar & Bestari, 2012; Sabri et al., 2012; Zahirovic-herbert et al., 2016; Jay, 2017). Youths are also prone to engaging heavily in overpriced loans (Grohmann & Menkhoff, 2015). One of the best examples of this is Malaysia where credit card bankruptcies and defaults on student loans are high (Nga et al., 2010). 20.09% of youths in Malaysia between the ages of 25 to 34 are bankrupt. Further, more than 47% of young adults in Malaysia have high levels of debt as a result of living beyond their means (Malaymail Online, 2013). Financial literacy is a significant tool not only for youths, but for all age groups (Grohmann & Menkhoff, 2015; Garg & Singh, 2018) particularly in the twenty-first century (Potrich & Vieira, 2018). Efforts from the Malaysian government and other stakeholders including regulators have been taken to educate young adults in Malaysia by advancing and elevating their financial literacy levels. These efforts align with the finance cluster initiative of the government under the Transformasi Nasional 2050 (the TN50) (Mahalingam, 2017). For instance, promoting retirement planning, investments and long-term savings is one the main objectives of Malaysian financial market institutions, associations and government agencies (Jay, 2017). This is in line with Garg and Singh (2018) who state that organisations and economies aim to increase individual financial literacy. This indirectly supports economic growth in the world economy (Potrich & Vieira, 2018).

Prior research has shown that improving financial literacy may reduce levels of poverty. This helps young adults to make better financial decisions, increase their savings and accumulate wealth during their adult lives (Garg & Singh, 2018). Thus, the development of their financial skills, attitudes and behaviours is extremely important. Although some scholars have investigated the financial literacy levels of students and households (Jorgensen & Savla, 2010; Sabri et al., 2012; Gathergood, 2012; Hancock, Jorgensen & Swanson, 2013; Shaari, Hasan, Mohamed & Sabri, 2013; Ambarkhane, Venkataramani & Singh, 2015; Wolla, 2017), there is a dearth of research examining factors that influence personal financial literacy among young adults in accounting firms. Therefore, this research intends to investigate the personal financial literacy of youths in Malaysian accounting firms. The following research questions have been identified by this study:

RQ1: What are factors influencing the personal financial literacy on young adults in Malaysian accounting firms?

RQ2: How do the financial education, the financial experience, family characteristics and geographic locations affect the youths' personal financial literacy in Malaysian accounting firms?

This research also addresses the following research objectives:

RO1: To determine factors influence the personal financial literacy on young adults in Malaysian accounting firms.

RO2: To examine the financial education, the financial experience, family characteristics and geographic locations affect the youths' personal financial literacy in Malaysian accounting firms.

This study will contribute to existing literature by examining the topics of financial education, financial experience, family characteristics and geographical locations. The aforementioned determinants that affect the financial literacy of youths in accounting firms will be also investigated. The remainder of this research is organised as follows. Section 2 provides a review of related literature. In section 3, the methodology, variables and data employed will be highlighted. The empirical findings are explained in section 4, while section 5 concludes the overall results of the study.

2. Literature Review

2.1 Underpinning Theory

2.1.1 The Theory of Life Cycle

The life cycle theory elucidates that consumers will arrange their optimal saving and reduction of debt patterns to support their consumption when income declines over their lifetime. The economic environment, social safety net benefits and consumer preferences are features that shape the life cycle optimization process. This process can be achieved by assuming that the individual has financial knowledge to formulate, perform saving and spending behaviour plans when dealing with financial markets (Lusardi & Mitchell, 2014). Financial education is the key to an individual's financial literacy and behaviour. Individuals will pursue their financial education when they understand how it can benefit their future self (Xiao & Porto, 2017). In other words, they will conduct their own cost-benefit analyses if they wish to pursue financial education. Social class and gender may even affect one's financial literacy (Adam et al., 2018). Conversely, if an individual has negative financial, education and employment experiences, this may contribute to poverty after retirement (Adami, Carosi & Sharma, 2018).

2.1.2 The Social Learning Theory

Under the social learning theory, key socialization processes contribute to behavourial outcomes (Hancock et al., 2013). Young adults' financial education, in particular their attitudes and knowledge, are influenced by their environmental (Bandura, 1986) such as their parents and work experience (Hancock, Jorgensen & Swanson, 2013) to increase their role as consumers (Albeerdy & Gharleghi, 2015). Social interaction is a major contribution to their financial education. For example, parents may try to influence their children's financial attitudes and knowledge as they grow (Jorgensen & Savla, 2010; Hancock et al., 2013; Albeerdy & Gharleghi, 2015) which is influenced by things such as childhood experiences, parental teaching, the education level of their parents, the quality of education, learning experiences with money and economics in school (Grohmann & Menkhoff, 2015). Family background as well as work environment will also have an affect on their financial literacy (Hancock et al., 2013; Grohmann & Menkhoff, 2015).

Intermediate outcomes of individuals such as attitude toward money are primarily influenced by their family members and are significantly related to their financial behaviours and well-being. Youths acquire their financial learning experiences via positive or negative reinforcement, observations, participation and practice or instructions from their family (Jorgensen & Savla, 2010). Parents must realise the readiness of their children in making financial decisions in order to gain purposive learning experiences. Keeping track of allowance income and family discussions could be one way to motivate youths in increasing their knowledge and formation of values and behaviours on money management (Jorgensen & Savla, 2010; Gudmunson & Danes, 2011). Moreover, self-efficacy is a significant component in financial literacy (Gudmunson & Danes, 2011; Hancock et al., 2013).

2.2 Personal Financial Literacy

Financial literacy can be defined as "the ability to evaluate the new and complex financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests" (Garg & Singh, 2018, pp. 174-175). Financial literacy refers to an individuals' capabilities including problem solving, understanding his/her specific problems, and using the requisite skills, attitudes, knowledge and behaviour to analyse, manage and communicate personal finance matters in order to ultimately achieve his/her financial well-being (Cameron, Calderwood, Cox, Lim & Yamaoka, 2014; Albeerdy & Gharleghi, 2015; Ambarkhane et al., 2015). In other words, it describes the ability of an individual to make informed financial decisions which rely on adequate knowledge on financial instruments and concepts. There are three categories of financial literacy: technical financial knowledge (refers to financial numeracy), mutual fund knowledge (focuses on specific knowledge on mutual funds) and market knowledge (emphasizes knowledge on the state of economic) (Jonsson, Soderberg & Wilhelmsson, 2017). It is said that older and young adults have less basic knowledge when making good financial choices (Mandell & Klein, 2009). Weakness in financial literacy may lead to poor financial decision making such as dealing with debt or bankruptcy (Albeerdy & Gharleghi, 2015). This consequently harms productivity in the workplace (Mandell & Klein, 2009). Knowledge of the stock market and mutual funds is relatively low among people who exhibit financial illiteracy. As a result, they make irrational and less effective decisions, have inefficient portfolio allocations and poor risk diversification. They might also be less prepared for retirement due to a lack of saving (Jonsson et al., 2017).

Young adults are exposed to a variety of financial products and services. Therefore, financial literacy is fundamental to enable them to choose the right products or services for their own financial life cycle. Media and advertisements also have an affect on their financial decisions, which can sometimes contribute to young adults increasing their levels of debt (Albeerdy & Gharleghi, 2015; Jonsson et al., 2017). Financial literacy may improve their ability to adequately plan their own finances by exposing various financial services. It also promotes economic development through the optimal use of resources (Ambarkhane et al., 2015; Jonsson et al., 2017). Financial educational programmes are needed to educate young adults to improve their basic personal finance knowledge. These programmes must be tailored to a specific audience and should be aligned with a specific purpose.

Self-beneficial financial behaviour seems to be highly associated to financial literacy (Mandell & Klein, 2009). Individuals who have high financial literacy tend to perform better in saving, reducing debt, making better investment decisions and controlling spending behaviour. They know and are aware of the fundamentals of compounding interest when taking on debt (Garg & Singh, 2018). For instance, people with high financial literacy are more likely to utilise credit cards in an informed way and use a variety of financial services (Grohmann, 2018). Financially sophisticated household investors tend to purchase risky assets and invest more efficiently. Hence, financial sophistication has a positive association with portfolio choice (Jonsson et al., 2017).

Financial literacy affects an individuals' quality of life. In particular, insufficient levels of financial literacy among young adulthoods poses a serious issue (Garg & Singh, 2018). It is important for the researcher to study how financially knowledgeable young adults become consumers in their spending behaviour. An understanding of this phenomenon may assist policymakers in designing effective interventions targeted at the younger population to know the elements that lead to or detract from the gaining of financial knowledge (Lusardi, Mitchell & Curto, 2010).There are few benefits that one could enjoy from being financially literate. The individual is likely to perform better in savings, risk diversification, earnings on savings, risk tolerance, getting to know the impact of inflation on return, possessing low inflation expectations, making savvy investment decisions and controlling spending behaviour (Garg & Singh, 2018). Further to this, financial literacy also aids in wealth preservation (Albeerdy & Gharleghi, 2015). People who are financially literate tend to be better in planning their retirement and accumulating wealth as well as minimizing debt (Wolla, 2017).

2.3 Financial Education

Financial education is "any form of education provided in various settings such as high school, college and workplace" (Xiao & Porto, 2017). Financial education is a tool that aims to increase an individuals' human capital, particularly their personal financial knowledge and application (Huston, 2010). In turn, this will increase young adults' financial behaviour (Aggarwal & Gupta, 2014; Albeerdy & Gharleghi, 2015) and financial literacy (Ambarkhane et al., 2015). There are two types of financial knowledge that influence financial education. First, actual knowledge describes one's desirable behaviour. Second, perceived financial knowledge describes the illusion of being aware and attempts to encourage the same desirable behaviour in which irreversible financial mistakes and bad decisions might occur (Ambarkhane et al., 2015). Financial education plays a critical pillar in forecasting debt. Less financial knowledge results in high debt levels. Individuals may not understand the impact of obtaining debt. For example, a lack of personal financial education may contribute to more consumer credit debt by as much as 59.4% (Delaune, Rakow & Rakow, 2010). Information from the media, schools and parents may be successful in minimising credit card debt (Sohn, Joo, Grable, Lee & Kim, 2012; Norvilitis & Maclean, 2010). Furthermore, the costs of processing and accessing financial information can be decreased through financial education. This indirectly enables individuals to make financial decisions that prioritise on saving and retirement plans (Adami et al., 2018).

Formal courses in personal finance, as an agent of socialisation, have been introduced to an early age, for example in kindergarten through to grade 12 curriculums (Blue, Grootenboer & Brimble, 2014; Albeerdy & Gharleghi, 2015; Arceo-Gomez & Villagomez, 2017). Different training formats are offered (Sinha, Tan & Zhan, 2018) to shape a better knowledge of education and management in the future (Albeerdy & Gharleghi, 2015; Arceo-Gomez & Villagomez, 2017; Skagerlund, Lind, Stromback, Tinghog & Vastjall, 2018) and to prevent unintended negative consequences (Berry, Karlan & Pradhan, 2018).

Financial education influences cognitive abilities and is highly associated with financial literacy (Blue et al., 2014; Berry et al., 2018). For instance, financial education programs are taught to secondary students. In turn, they are expected to transmit this knowledge to their families (Berry et al., 2018). There is a positive relationship between financial literacy and wealth. However, both men and women's confidence is low when there is a higher educational level (Bannier & Schwarz, 2018). It has also been shown that the elderly may maximize their wealth after retirement when they are exposed to financial education programmes (Ambarkhane et al., 2015). Further, interactions between bank consultants, peers, colleagues and parents with youth has a significant impact on their financial knowledge (Bonte & Filipiak, 2012; Cameron et al., 2014; Albeerdy & Gharleghi, 2015).

2.4 Financial Experience

Financial experience are seen as an important factor affecting financial literacy. Individuals can gain more knowledge in the financial domain if they are encouraged to practice prudence in their financial activities (Sohn et al., 2012; Teeni-Harari, 2016). For instance, regardless of age, individuals who have a bank account or obtain an allowance will tend to be more financially savvy. They may access financial services, products and policies to gain financial knowledge and develop cognitive knowledge skills with real financial experiences. It is said that young people are likely to save more as adults. Hence, they actively participate in the financial market by opening a bank account, managing their allowance and other financial instruments (Sohn et al., 2012).

The development of financial skills among children can be seen from the age of six. The child starts to formulate rules, realising the connection between money and different financial concepts and are able to classify products with respect to its price level. However, they might face difficulties in making connections and their perceptions are dependent on their own personal hands-on experiences in managing their regular pocket money (Teeni-Harari, 2016). Financial behaviour can be improved by incorporating a training tool such as practical applications of bank account ownership. To measure financial behaviour, numeracy is a good predictor. Numeracy, confidence or self-efficacy and deliberation of individuals affect their decision making performance (Skagerlund et al., 2018). People who have more financial experience will exhibit higher financial knowledge.

Further, childhood experiences such as financial incidents within the family are pivotal. Through this experience, young people are encouraged to improve their financial literacy and behaviour as adults (Sohn et al., 2012). This is because childhood experiences have a lifelong impact on adults' behaviour (Grohmann, Kouwenberg & Menkhoff, 2015). Moreover, young adults' behaviour is influenced by their education. Their experience in managing their own finances during school is significantly related to financial literacy. For instance, possessing an ATM card and bank account as a students will stimulate their financial literacy. By contrast, students who own a credit card as a student tend to show low financial literacy as compared to others who do not (Cameron et al., 2014).

2.5 Family Characteristics

Parental income or family income is significantly and positively related to financial literacy (Cameron et al., 2014; Agarwalla, Barua, Jacob & Varma, 2014). Desirable financial behaviour can be changed whenever there is an increase in family income (Agarwalla et al., 2014). The source of informal financial education is derived from parents. Higher financial education of parents has a direct link with high financial literacy of high school students (Cameron et.al, 2014). Knowledgeable and educated parents are able to exhibit good lifetime earnings, high risk tolerance and make better financial decisions via a large number of educational attainments (Grohmann et al., 2015).

Parents are known socialisation agents and can influence youths in shaping their attitudes toward money and saving, gathering financial information and instilling good money behaviours (Sohn et al., 2012; Grohmann et al., 2015). Their teaching practices include discussing finances, shopping with children and parenting styles all influence their child’s economic socialisation. Their characteristics may even affect their children in financial decision making such as risk taking (Grohmann et al., 2015). Around 77% of students in a financial education workshop reported gaining financial information from their parents (Sohn et al., 2012). Meanwhile, 25% of financial risk taking among children is influenced by genetic variation (Grohmann et al., 2015). Hence, they have strong ties to parents or family members, relatives, neighbours and friends (Bonte & Filipiak, 2012).

To prevent financial illiteracy among young adults, training of elderly family members is needed (Agarwalla et al., 2014). Older adults with better retirement and financial planning outcomes may have an affect on younger adults (Han, Boyle, Yu, Fleischman, Arfanakis, Leurgans & Bennett, 2014). Individuals who follow the Indian caste system encompassing rituals and cultural rules have strong relations (Bonte & Filipiak, 2012). Typically, one family member or family members will making joint decisions (Zhang, Fang, Jacobsen & Marshall, 2018). Individuals who come from backward castes may interact with their friends and family members who are also from backward castes and will typically have low financial literacy (Bonte & Filipiak, 2012). It is suggested that the gender bias should be avoided and the absence of financial planning which acts as financial prudence could lead to low financial literacy. Furthermore, women are said to be better at managing family finances and consequently in a rising family income (Agarwalla et al., 2014).

Further, individual financial anxiety levels can increase when relying on non-family and non-professional advice (Bamforth & Geursen, 2017). Generally speaking, parents are the financial role models to their children and their lessons in youth will encourage financial literacy in their older age. On the other hand, individuals who already possess good financial literacy are likely to consult with other individuals such as peers and professionals and are more aware of financial products as compared to those who merely take counsel from family members (Bonte & Filipiak, 2012).

2.6 Geographical Locations

Geographical location also has an affect on financial literacy (Clark, 2014). For instance, Italian regions have different financial literacy. Southern regions tend to depict low levels of financial knowledge as compare to the northern regions (Peng, Liu, Lu Liao, Tang & Zhu, 2018). Similarly, the eastern and southern states of the United States (US) display the lowest levels of financial literacy. Meanwhile, the northern half of the US demonstrate the highest levels of financial literacy. In Russia, financial literacy is different between rural and urban areas. People who have no formal education in the urban area will interact with peers to gain financial literacy. Other countries such as South Dakota and Idaho are more likely to have high financial literacy. By contrast, New Jersey, Pennsylvania, Connecticut and New York show low financial literacy.

Thus, state-level public practices/policies have a significant impact on financial literacy as a result of higher/lower education levels and even income levels (Bumcrot, Lin & Lusardi, 2011). The language border in a small geographic area gives rise to cultural differences which results in preferences, attitudes and norms that divide in financial literacy or economic behaviour of youths. As an example, there is high financial literacy in the German-speaking areas of Switzerland compared to the French-speaking regions (Brown, Henchoz & Spycher, 2018).

3. Research Methodology

150 young adults between the ages of 18-35 working in accounting firms of Malacca, Malaysia were selected as the respondents for this study. The research applied a stratified sampling method and convenience sampling techniques when distributing the questionnaires. Descriptive statistics, Pearson correlation coefficient and multiple regression analyses were also employed.

4. Results

4.1 Descriptive Statistics

Table 4.1. Descriptive Statistics

Item	Mean	Standard Deviation
Personal Financial Literacy	4.1613	0.69425
Financial Education	4.2920	0.75641
Financial Experience	4.4107	0.81588
Family Characteristics	3.8027	1.08014
Geographical Location	4.3227	0.78091

Based on Table 4.1, the effect of personal financial literacy, financial education, financial experience, family characteristics and geographical locations are equal to 4.1613, 4.2920, 4.4107, 3.8027 and 4.3227 respectively. This indicates that the most influential factor is financial experience and the lowest is family characteristics.

4.2 Pearson Correlation Coefficient

Table 4.2. Pearson Correlation Coefficient

Variables	Pearson Correlation	Sig. (2-tailed)	Degree of Correlation
Financial Education	0.574**	0.000	Moderate Positive
Financial Experience	0.549**	0.000	Moderate Positive
Family Characteristics	0.469**	0.000	Moderate Positive
Geographical Locations	0.590**	0.000	Moderate Positive

**. Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 4.2, financial education, financial experience, family characteristics and geographical locations have a statistically significant linear relationship ($p<0.001$) with personal financial literacy. In analysing the strength of association and direction of the variables, all of them have a moderate positive relationship with personal financial literacy at $0.40 < r < 0.59$ (Chowdhury, Debsarkar & Chkrabarty, 2015).

4.3 Multiple Regression Analysis

Table 4.3. Multiple Regression Analysis

Variables	Beta	t	p-values
Financial Education	0.159	1.807	0.073
Financial Experience	-0.098	-1.014	0.312
Family Characteristics	0.092	2.018	0.045
Geographical Locations	0.249	2.961	0.004
F			38.81
R Square			0.499
Adjusted R Square			0.481

From Table 4.3, the R square of personal financial literacy is 0.499. This means that 49.90% of the variance in personal financial literacy of young adults in accounting firms of Malacca is explained by financial education, financial experience, family characteristics and geographical location. Further, the adjusted R square is 0.481. Geographical location has the highest predictive power ($p= 0.004 < 0.05$) towards personal financial literacy, followed by family characteristics ($p= 0.045 < 0.05$). This shows that the prediction constructs are statistically significant at 0.05. In contrast, financial education ($p= 0.073 > 0.05$) and financial experience ($p= 0.312 > 0.05$) are statistically insignificant. Hence, the regression model can be expressed as: Personal Financial Literacy = 1.193 + 0.159 Financial Education – 0.098 Financial Experience + 0.092 Family Characteristics + 0.249 Geographical Locations + error (ε).

5. Discussion

Based on the empirical findings of this study, it is suggested that geographical location and family characteristics have a significant influence on personal financial literacy of young adults who are working in accounting firms of Malacca. This finding is consistent with the results of Bumcrot et al. (2013), Clark (2014), Peng et al. (2018), Agarwalla et al. (2014), Grohmann et al. (2015) and Hanson and Olson (2018). Those studies claim that geographic location, sociodemographic location and conversations within the family have a significant effect on financial literacy. Young adults' identity is often shaped by extensive advice from peers, parents and other influencers. Obviously, parents influence young adults' financial skills, knowledge and behaviours (Bamforth & Geursen, 2017). Family communications regarding financial matters provide important financial knowledge to college students and improve their financial decision making. Parents who are classified as socialisation agents stimulate young adults in shaping their saving attitudes, credit attitudes, gathering financial information and cultivating good behaviour (Sohn et al., 2012; Grohmann et al., 2015). They may teach their children by discussing finances with them and shopping together. As such, their parenting styles eventually affect their child's economic socialisation. Furthermore, their characteristics may have an indirect influence on their children's financial decision making such as risk taking and trust attitudes (Grohmann et al., 2015). Moreover, geographical location is another factor influencing young adults' financial literacy. The residual geographic location display large differences in financial literacy. For instance, the trading location has a positive effect on individual Chinese investors' herding behaviour (Baker, Kumar, Goyal & Gaur, 2018). In a small geographic area such as Malacca, the language border permits cultural differences to coexist in the sense of preferences, norms and attitudes that could influence financial literacy (Brown, Henchoz & Spycher, 2018). However, the young adults working in accounting firms in Malacca have not been affected by financial education and financial experience. This result is consistent with previous evidence presented by Hastings, Madrian and Skimmyhorn (2013) and Sohn et al. (2012) which states that there is no relationship between financial education, financial experience and individual financial literacy in youth. School-based financial education is considered insufficient to improve financial literacy among young adults. Those school financial education initiatives must integrate practical and attitudinal components. This could lead young adults to experience the real world in which people are often encountered with daily financial decisions (Sohn et al., 2012).

6. Conclusion

Efforts to change attitudes are an important aspects in enhancing the financial education process. Less financial knowledge and financial experience results in higher debt levels. Young adults may not understand the impact of obtaining debt such as via credit cards. A lack of personal financial education may also contribute more to an increase in an individuals' consumer credit debt (Delaune et al., 2010). To improve this, young adults should gain more knowledge in the financial domain if they practice prudent financial activities (Sohn et al., 2012; Teeni-Harari, 2016). This study aims to create awareness of the importance of financial knowledge particularly for young working adults who will make financial decisions such as repaying study loans and engaging mortgage loans. Financial education programmes should be enhanced in schools or even in higher tertiary levels supported by the government. This may assist parents and young adults to obtain more financial knowledge and guidance in managing their personal finances. The contribution of this research can assist the relevant authority in developing policy aimed at increasing young adults' financial well-being and encouraging them to take positive action.

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