

**FAKTOR BERHUTANG DALAM KALANGAN BELIA MUSLIM
FACTOR OF INDEBTEDNESS AMONG MUSLIM YOUTH**Nurhamidah Jalil¹ Abdul Rahim Zumrah², Mohd Azmir Mohd Nizah³

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Abstrak

Hutang adalah masalah biasa dalam ekonomi moden negara kita. Kesukaran yang mungkin berlaku dengan pembayaran hutang walaupun dalam kes yang melampau cenderung mempengaruhi kesejahteraan harta benda dan kepuasan umum dengan pekerjaan semasa. Makalah ini meneroka faktor keberhutangan di kalangan pemuda Muslim di Malaysia. Kekurangan sumber ekonomi yang merupakan pendapatan akan menyebabkan pengguna memilih jalan hutang untuk memenuhi keperluan dan juga kemudahan lain untuk keselesaan seumur hidup. Data dikumpulkan berdasarkan penelitian literatur dan perpustakaan sebagai data sekunder. Dapatan kajian ini mengenai faktor hutang adalah kos sara hidup yang tinggi, sikap materialistik, tingkah laku tamak, pengurusan kewangan yang lemah, tahap pendapatan rendah, kad kredit dan pinjaman pendidikan. Kajian ini juga membincangkan batasan dan cadangan untuk kajian masa depan.

Kata kunci

Hutang, belia, pinjaman, tahap pendapatan, kewangan

Abstract

Debt is a common problem in the modern economy of our country. Difficulties that may occur with debt repayment even in extreme cases tend to affect property well-being and general satisfaction with current employment. This paper explores the factors of indebtedness among Muslim youth in Malaysia. The limited resources of the economy which is income will cause consumers to choose the path of debt to meet the needs and also other facilities for lifelong comfort. Data were collected based on literature and library research as secondary data. The finding of this study regarding the factors of indebtedness are high living cost, materialistic attitude, greed behavior, poor financial management, low income level, credit card and education loan. This study also discusses the limitations and recommendations for future studies.

Keywords*Indebtedness, youth, loan, income level, financial***1. Introduction**

Some youth have their own desire to have something beyond the reach. Youth who have low income but lives like a person with high income. They might get influence

from friends or neighbours about the unnecessary things. Furthermore, youth does not have a good patient in purchasing situations. They might have the desire to get something quickly at the same time they cannot afford it. In effect, they choose to make a loan or debt at all cost to get what their want. They also have dissatisfaction and gratitude for what they have are already fulfil their needs. Even if debt acquisition is allowed for Muslims, borrowing money from others is acceptable only in special circumstances. Islam has always emphasized the priority of borrowing to obtain basic needs, while loans to fulfill unnecessary wants is severely discouraged.

Another challenge faced by youth is a high rate of indebtedness. It is estimated that 41 Malaysian youths aged 21 to 40 years old become bankruptcy each day (Utusan Online, October 10, 2014). Statistics reveal that from 2012 to September 2016, 286,168 bankruptcy cases were recorded in Malaysia and most of the cases are among youth (Utusan Online, 21 January 2017). Therefore, although Islam allows debt as an inevitable and necessary in life, however, Islam considers debt as a serious commitment, both in its acquisition and settlement.

2. Problem Statement

Recent report by Malaysia Insolvency Department (Mdl) showed that 25.3 percent of the highest bankruptcy cases involved those aged 25-34 and 45-54 years old (Berita Awani Online, 17 October 2019). According to The Annual Report of Credit Counselling and Debt Management Agency (AKPK) 2018, total of 64,632 Malaysians went bankrupt in the last five years, reaching the young age from 18 to 44. Another statistic also shows that 97,215 bankruptcy cases in Malaysia were recorded during the period of 2012 to September 2016. From the total, 22,581 cases or 23 per cent involved individuals between the ages of 25 and 34 (Berita Harian Online, December 6, 2016). In addition, a statistics from 2010 to 2015 show that out of the 107,000 individuals declared bankrupt, 23,484 are from youths aged between 25 and 34 (Utusan Online, June 25, 2015).

The empirical study that explores the factors of indebtedness in the context of Malaysia is still limited. There was a study by Abdul Basit and colleagues (2014) figuring out that the factor of indebtedness was to fulfil the basic need requirements such as house, vehicles and children education. In other study, Azira et al., (2017) identified the factors affecting debt level among young adults in Malaysia. This finding suggested that money management skills and income level significantly influence the debt level of Malaysian young adults; yet this study was not representing the whole figure because it focused on the population in the center of northern area of Peninsular Malaysia. However, there is still no study associated with factors of indebtedness among youth in the area of Projek Perumahan Rakyat, Kuala Lumpur.

As abovementioned in the report of (Berita Awani Online, 17 October 2019), there were 45,147 out of 80,625 bankruptcy cases were among Malays. It means that it takes a lion share of 56% of the figure involving Malays as compared to other races which are Chinese, Indians and others with 26%, 11% and 6.7 % respectively. One study conducted by Nur Jannah, Keum Hyun & Aida, (2018) shows that more Malays belong to a group of low-income and middle compared with other races due to the Malays have lower incomes than other races, they have become a major contributor to the financial problems that caused them to fall into bankruptcy. However, this study was

referring to the statistics from Economic Planning Unit (2014) and there is no latest statistic associated to debt among lower income group. This research will identify the latest data among race that have lower income level who are staying in the area of Projek Perumahan Rakyat, Kuala Lumpur related to debt.

Bankruptcy is a serious matter and should be considered as a last resort. There are many restrictions imposed on bankrupts such as restriction to go abroad, acting as a director, carrying on business and requirement to contribute to your bankruptcy estate regularly for the benefit of the creditors. You will also have to give up your assets including your home and cars. There is no automatic discharge from bankruptcy in Malaysia. You may be discharged from bankruptcy by the Court or the Key Performance Indicators (KPI) subject to any creditor's objection.

3. Literature Review

Many of youth make financial loans especially for purposes that exceed the basic necessities of life. The phenomenon that causes worries in society is the existence of the attitude of some people who allow the habit of debt to control their lives so as to bring harm not only to themselves but also family members. Especially in today's world where various parties such as banks, cooperatives also provide loan services through channels that are not recognized by law such as unlicensed money lender companies or loan shark so easy to provide loans to the public through personal loan schemes, credit cards and so on.

3.1 Factor of Indebtedness

There are various factors of indebtedness such as high living cost, materialistic attitude, greed behaviour, social need, close people influence, poor financial management, low income level, credit card, education loan, personal loan, asset ownership and lack of discipline. The following sections will provide detail discussion on each factor.

3.1.1 High living cost

The issue of high living cost was take place in the global issue. Unfortunately, Malaysia is a country that facing high cost of living. According to the Worldwide Cost of Living Survey 2017, Kuala Lumpur has ranked 96th in the world's most expensive cities. The issue of rising cost of living in Malaysia is a recurring issue that has occur the country for a long time.

High cost living will drive people to make a debt to survive (Muhammad Nazreen, 2013). It is due to the monthly commitment has increase such as to pay for transportation, insurance, and basic need (Azira et al., 2017). Inflation of consumer prices also is increasing year to year, which enhancing burden on households. In addition, a study by Standard and Poors Rating Services (2013) shows that Malaysian society has a high household debt rate due to the rise in property values dramatically.

3.1.2 Materialistic attitude

People nowadays are competing each other to have some branding stuff and things. When a branding stuff was launched, they will be the first customer to buy it. Branding stuff must have an expensive price and they paying for the high prices willingly. Youth who are starting a new life with a materialistic attitude will lead them into a hardship lifestyle. Materialists can be described as consumers who are constantly looking for their next unnecessary investment (Fournier and Richins, 1991). People want to

purchase something expensive and keep on updating what the upcoming launched. For example, female who passion in blouse will keep watching the latest updated from boutique on Instagram account or website to get a new information. People also are looking for the expensive price because for them, most of the time, the expensive stuff is more quality from the cheaper, which can give a high satisfaction to themselves. A study conducted among students between 18 and 30 years old have found a positive relationship between material distinctiveness and students' level of happiness and life satisfaction (Sidhu and Foo, 2015).

Azira and colleagues (2017) identify that individual who are highly materialistic will have higher level of debt (Azira et al., 2017). Watson (1998) also concludes that people who are highly materialistic level have more favourable behaviour toward spending as well as more favourable behaviour toward indebtedness than people with low levels of materialism. Similarly, Zairani and colleagues (2016) argue, materialistic culture and living beyond the means are the main factors for debt problems faced by the youths. The possible reason is due to people with high levels of materialism love to spend beyond their income, more likely to borrow money from friends or agencies in order to achieve their material desires.

3.1.3 Greed behavior

Greed is a bad behaviour and if someone has greed he/she may lead to waste expenditure. Greed also make someone become selfish and did not pay attention to other people who are needing help (Belk, 1985). Greed in humanity is a major cause of the individual borrowing from illegal loan. Borrowing money from illegal *ceti* or loan shark will only harm to itself. If failing to pay the debt, criminal activities such as kidnapping, threats and murder are easy to occur. The impact of the debts is huge because it can undermine social harmony due to the fears raised through a series of reported media crimes (Kosmo Online, 19 December 2017).

3.1.4 Poor financial management

People spend money and they must take care of their needs and enjoy spending it. If they are good in saving, they are able to save some as well. But more often than not, many people end up spending all that they have without thinking of the consequences, and frustrated when they really need the money. Money is an important need especially in this time and it is natural that they have to fulfil their basic necessities. However, we must strike a balance so that we are able to pay off our expenses, save some for emergencies, and also have a little extra to enjoy.

According to Operation General Manager, Credit Counselling and Credit Management Agency (AKPK), Nor Fazleen Zakaria, among the factors that can be attributed to debt burden are lack in financial management (Utusan Online, 21 January 2017). Empirical studies also found that weak in financial management skills are one of the factors of debt among the Malaysian young adults (Elliot, 2005; Kim et al., 2003; Lea et al., 1995; Norvilitis et al., 2006; Walker et al., 1992). On the other hand, a study that was conducted at Kedah and Perlis among 629 youth has identified that individual who have good money management skills will have lower debt (Azira et al., 2017). In other word, someone who is success to manage their financial will live in a smooth way and can save them from debt problem.

Low level of knowledge and awareness of bankruptcy regulations can create negative attitude towards debt (Nair et al., 2016). The third reason is due to the individual cannot differentiate between the needs and desires. The fourth reason is because when the youth in higher education institution, they are not forced to deal with responsibilities such as planning expenses, preparing budgets, savings and so on (Yasmin & Anuar, 2017).

In previous study by (Archuleta, K.L, Dale, A. and Spann, S. M., 2013), financial knowledge related to either general financial knowledge or specific areas of financial knowledge (e.g., credit card annual percentage rate). Financial knowledge is associated with a variety of financial behaviours such as cash-flow management, credit management, saving, and investing (Hilgert, Hogarth, & Beverley, 2003; Perry & Morris, 2005).

Norvilitis and MacLean (2010) found that college students' financial knowledge was a predictor of debt and overall financial well-being. Another study by Norvilitis et al. (2006) found that lower financial knowledge was significantly related to increased debt levels. Robb and Sharpe (2009) suggested that college students have relatively low levels of financial knowledge. Contrary to previous research, their study found that higher financial knowledge was significantly related to higher levels of credit card debt.

3.1.5 Low income level

Another common issue among youth is low income level. Youth sometimes make more expenditure from their income. The lower income cannot support the demands from youth because they love to buy something unnecessary and they try to fulfil their requests without thinking further what the negative effect from the bad behaviour is. A study conducted among students in the United States showed that mostly students borrow money not only for the lack of necessities but also to fill up their lifestyle desires (Harrison et al., 2015). Similarly, other researchers also agreed that youth emphasize on lifestyle and the attitude to meet what they want despite it being beyond their ability (Abdul Basit et al., 2014; Sabri, 2014). The ability to pay back debt is not taken into consideration (Zairani et al., 2016). Therefore, youth have to generate their side income to exit from the poor condition by seeking part time jobs or make a small business.

Azira and colleagues (2017) identify that people with low income level will have higher debt. This is possible due to any expenditure that exceeds individual income will make them involved in debt. Thus, youth from lower income families should try to minimise the amount of debt they accumulated. For instance, by choosing alternative accommodation such as living with their parents during study or using savings and a part-time salary as a substitute for the loan (Clark et al., 2017).

3.1.6 Credit card

The credit card circulation in Malaysia is 9.9 million pieces as of December 2017. 8.8 million are major cards and 1.1 million are additional cards (Berita Harian Online, March 14, 2018). The increase of credit card is because it easier and beneficial for user to pay with credit card than bring cash with them. Another reason is because the qualification criteria for collecting credit cards have been changed, which now easily obtained by individuals regardless of their income or other measures of financial wellbeing. Unlike previously, the credit cards were only issued to qualified or successful

business persons by card issuing companies (Elangkovan & Razman, 2013). In addition, the rewards given have attracts users to apply and use a credit card such as air miles, reward points to rebates and discounts. Moreover, credit cards help the user to make purchases without having to use cash, and allowing some adaptability in the amount and schedule of repayment, which can be particularly attractive to youth who may expect higher incomes in their near future (Draut, 2006; Dwyer et al., 2011).

However, credit card has been identified as the main reason of debt, especially among youth (Ismail, 2015; Nurauliani et al., 2015; Liaw, 2014). Credit card holder will face the burden of unpaid outstanding amount and the continuously revolving credit interest if they delay in making payment (Theong et al., 2018). Many individuals are declared bankrupt because of this commitment, which contribute 64.7 per cent to monthly commitment, follow by personal loans with 26.4 per cent (Utusan Online, 21 January 2017). Specifically, empirical studies in Malaysia reported that, more young executives were declaring bankruptcy because of their excessive usage of credit cards (Nazni et al., 2012). Similarly, another study also reveals that young professional aged 30-40 years old are having problem with credit card default due to unnecessary expenditure (use of credit cards on entertainment, online shopping) and inclination to make minimum payments on their outstanding credit card bills (Rashidah & Normah, 2016).

3.1.7 Education loan

Education loan is another caused that increases indebtedness among youth (Abdul Basit et al., 2014). According to Diana and Zariyawati (2015) in their study revealed that most youth filed for bankruptcy as a result of student loans, because many of them did not settle their student loans upon graduation. In fact, there is evidence of many graduates who have breached the contract of The National Higher Education Loan Fund (PTPTN). These trends are worrisome because they could lead to a lack of financial security, deterioration of quality of life and social problems in the future that can inhibit the process of national development.

Youth apply the education loan to pursue study in higher institution because they believe better education is significant to get a good standard or status. However, the parent financial was limited. The decreasing ability of parents to financially support their children's college education have created a problematic situation for contemporary young adults. In addition, there are rising cost of higher education (Arnett, 2004; Kim et al., 2012). The higher education has increased the fees between 18 and 20 per cent to cover the deficit experienced by the institution. Therefore, the institution raises the tuition fees and non-academic fees such as hostel fees, registration fees and service fees (Malaysia Kini Online, 26 November 2014).

4. Islamic Perspective

Islam requires people to be indebted for certain and desperate needs. Yet the changing times have seen that today's debtors involve not only the poor but also the elite and the middle class. Islam also requires the creditor to give space to the debtor who is in difficulty to pay off his debt and the best is that he willingly removes part of the debt or all the remaining debt of the debtor to get a better reward in the sight of Allah s.w.t. furthermore, consumer education program needs to be applied to consumers in order to manage finances more prudently for a life free from the excessive burden of debt.

There are several things must be complied with on the part of the debtor which are they must bare in mind that the debted is doing for good purposes. They also must have a good intention to clear debt. Meanwhile, they must keep the promises that are built from the agreement of debt. Lastly, they must have follow the rules of obligatory to pay the debt.

5. Methodology

This finding was developed based on the literature and library research including the factors of indebtedness. Ramesh (2008) described library research as a process dealing with the analysis of evidences such as historical records and documents. Similarly, it means gathering data from library materials which includes textbooks, both published and unpublished academic documents such as journals, conference proceedings, dissertations and theses. Library research also includes information gathered from internet search. Data gathered via library research is categorized as the secondary data. Secondary data means the data is readily available and is used by anyone besides researchers. This means that secondary data is not originally collected but rather obtained from published or unpublished sources. In this research, the secondary data is used in literature review and in chapter two. The literature view consists of data gathered from numerous journals regarding factor of indebtedness.

6. Conclusion

Indebtedness is a serious problem for Muslims in Malaysia. Without proper management, the problem of over-borrowing will lead some to the brink of bankruptcy. Debts need to be controlled and structured according to individual needs and abilities. One's intellectual potential needs to be improved to ensure that decisions are wisely made. This authority can also set a borrowing guideline based on the needs and abilities of a person or society to prevent them from uncontrolled indebtedness. The establishment of bodies such as the AKPK is also a great step to helping those with debt burdens.

From the finding, researcher can conclude the factors of indebtedness are high living cost, materialistic attitude, greed behavior, poor financial management, low income level, credit card and education loan. Thus, the major transactions that are barely applied in making loan are by purchase credit card to make a financial loan. In addition, this study used only a sample of youth-based respondents, so this study does not reflect the overall low-income population in Malaysia. Future study can carry out the larger respondents with variety of groups of age to present the human being reflection of debt problem in our society.

Proper financial strategies in money managing, credit card managing, and saving were positively associated with the social life and work life balance. Therefore, financial education programs will be recommended to uplift positive financial practices in order to improve the well-being of employees directly. A positive money attitude helps people be cautious in expenditures via budgeting, and planning for their upcoming financial necessities. Therefore, this activity will feature the significance of financial practices as essential talents for workers to train them on how to improve, and continue well financial behavior, and practices for well-being.

The financial knowledge improving projects, for example, cluster workshops on appropriate financial practices or individual programs between financial counselors, and employees, might help employees effectively. Borden et al., (2008) presumed that successful financial training given in a workshop set-up might be both advantageous, and open to a more extensive group of employees. It might be compelling in encouraging financial well-being in Malaysian employees. Decreased financial stress also might assist employees to be more focused at the work environment, thus benefiting companies.

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