

CHAPTER 1

INTRODUCTION

1.1 Background of Research

Youth is a young man group in society. Youth age is between childhood and adult age. Youth are the strength of the nation. In other word, the strength of a country is assessed through the contribution and effectiveness of youth in a country (Husna, 2014). On the other hand, if youth today is not knowledgeable, morally wrong and have no personal superiority, they cannot continue the legacy of leadership (Utusan Online, 23 May 2016). In addition, the views of this group (youth) were important (Utusan Online, 27 March 2017). For instance, in Malaysia, youths have become a source of leadership change. For instance, youth are leading to a change of government leadership through the voting process in the 14th General Elections (PRU-14).

Despite the importance of youth to the development of nation, youth in Malaysia are facing many challenges nowadays. First, youth is the most important stage of life because this is the stage when the person chooses a path for their life. The path may be right or wrong. This is the stage whereby youth will have many divergences and

disturbance like watching porn movies, music, girls, cigarettes, games and other. Second, some youth think that this is the time to enjoy and once they come out of college, they will adopt the right track, but they do not know that coming back to the right part will become next to impossible and difficult to do so. Third, youth also have a problem in the education stage. For example, they have a problem with their assignment group members if one of the members did not want to give cooperation to complete the task given by their lecturer. As a result, they become stress with the inadequate assignment and their team member's behaviour. Furthermore, when they have to organize a Corporate Social Responsibility (CSR) program assignment, they have to deal with outsider authority to make an appointment, so they have to be more professional to deal with other parties like preparing paperwork and talking briefly in the presentation and consult with their supervisor to avoid problem happened.

Another challenge faced by youth is a high rate of indebtedness. Indebtedness becomes a challenge when it leads to over indebtedness (Dyan & Kohn, 2007). Over indebtedness will make youth living in uncomfortable life. They will be disturbed with indebtor once they want to collect the old debt even though youth still have another debt that have to pay at the same time. They also received provoke from the owner through blackmail messages or harsh reminder to get the money back. This situation will give stressed burden in youth life, which can affect their health. One previous study conducted by MyHealth Kementerian Kesihatan Malaysia (May 21, 2014) shows that debts can lead to mental health, where individuals with debt

problems will face depression. From the perspective of Islamic religion, failure to pay off debt is a serious sin and has consequences for one's soul after death.

Another implication of debt is bankruptcy. 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). According to (Malaysian Department of Insolvency, 2019, p.1) bankruptcy is a process where a debtor is declared a bankrupt pursuant to an Adjudication Order made by the High Court against the debtor if he is unable to pay his debts of at least RM50,000. A debtor is a person subject to the bankruptcy jurisdiction of the court within the definition of section 3(3) of the Insolvency Act 1967, and at the time the act of bankruptcy is committed personally present in Malaysia; or ordinarily resided or had a place of residence in Malaysia; or was carrying on business in Malaysia either personally or by means of an agent; or was a member of a firm of partnership which was carrying on business in Malaysia. There is no automatic discharge from bankruptcy in Malaysia. The individual may be discharged from bankruptcy by the Court or the Key Performance Indicators (KPI) subject to any creditor's objection. 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 give up assets including home and cars.

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. Therefore, Islam in verse 282 of Surah al-Baqarah has laid down some guidelines especially on the need to record all debts incurred. This is to prevent the debtor from forgetting or running away from his responsibility.

يَا أَيُّهَا الَّذِينَ آمَنُوا إِذَا تَدَايَنْتُمْ بِدَيْنٍ إِلَى أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ وَلْيَكْتُب بَيْنَكُمْ كَاتِبٌ بِالْعَدْلِ وَلَا يَأْبَ كَاتِبٌ أَنْ يَكْتُبَ كَمَا عَلَّمَهُ اللَّهُ فَلْيَكْتُبْ وَلْيُمْلِلِ الَّذِي عَلَيْهِ الْحَقُّ وَلْيَتَّقِ اللَّهَ رَبَّهُ وَلَا يَبْخَسَ مِنْهُ شَيْئًا فَإِنْ كَانَ الَّذِي عَلَيْهِ الْحَقُّ سَفِيهًا أَوْ ضَعِيفًا أَوْ لَا يَسْتَطِيعُ أَنْ يُمْلَئَ هُوَ فَلْيُمْلِلْ وَلِيُّهُ بِالْعَدْلِ وَاسْتَشْهِدُوا شَهِيدَيْنِ مِنْ رِجَالِكُمْ فَإِنْ لَمْ يَكُونَا رَجُلَيْنِ فَرَجُلٌ وَامْرَأَتَانِ مِمَّن تَرْضَوْنَ مِنَ الشُّهَدَاءِ أَنْ تَضِلَّ إِحْدَاهُمَا فَتُذَكَّرَ إِحْدَاهُمَا الْأُخْرَى وَلَا يَأْبَ الشُّهَدَاءُ إِذَا مَا دُعُوا وَلَا تَسْأَمُوا أَنْ تَكْتُبُوهُ صَغِيرًا أَوْ كَبِيرًا إِلَى أَجَلِهِ ذَلِكُمْ أَقْسَطُ عِنْدَ اللَّهِ وَأَقْوَمُ لِلشَّهَادَةِ وَأَدْنَىٰ أَلَّا تَرْتَابُوا إِلَّا أَنْ تَكُونَ تِجَارَةً حَاضِرَةً تُدِيرُونَهَا بَيْنَكُمْ فَلَيْسَ عَلَيْكُمْ جُنَاحٌ أَلَّا تَكْتُبُوهَا وَأَشْهِدُوا إِذَا تَبَايَعْتُمْ وَلَا يُضَارَّ كَاتِبٌ وَلَا شَهِيدٌ وَإِنْ تَفْعَلُوا فَإِنَّهُ فُسُوقٌ بِكُمْ وَاتَّقُوا اللَّهَ وَيُعَلِّمُكُمُ اللَّهُ وَاللَّهُ بِكُلِّ شَيْءٍ عَلِيمٌ

(Al-Baqarah 2:282)

Meaning: “Believers! Whenever you contract a debt from one another for a known term, commit it to writing. Let a scribe write it down between you justly, and the scribe may not refuse to write it down according to what Allah has taught him; so let him write, and let the debtor dictate; and let him fear Allah, his Lord, and curtail no part of it. If the debtor be feeble-minded, weak, or incapable of dictating, let his guardian dictate equitably, and call upon two of your men as witnesses; but if two men are not there, then let there be one man and two women as witnesses from among those acceptable to you so that if one of the two women should fail to remember, the

other might remind her. Let not the witnesses refuse when they are summoned (to give evidence). Do not show slackness in writing down the transaction, whether small or large, along with the term of its payment. That is fairest in the sight of Allah; it is best for testimony and is more likely to exclude all doubts. If it be a matter of buying and selling on the spot, it is not blameworthy if you do not write it down; but do take witnesses when you settle commercial transactions with one another. And the scribe or the witness may be done no harm. It will be sinful if you do so. Beware of the wrath of Allah. He teaches you the Right Way and has full knowledge of everything”.

Ibn Kathir explained that this verse is a guide from Allah SWT to His believing servants to write or record if they deal in a delayed manner (in debt) (Tafsir Ibn Kathir, 1/411). Imam al-Sa'di stated that this verse contains a great law and benefits from debt recording activities to avoid greater harm (Tafsir al-Sa'di, 1/118). Imam al-Maraghi mentioned that this kind of instruction is more to tell his believing servants to take care of their debts including loan contracts and greetings (Tafsir al-Maraghi, 1/551).

There are various factors of debt. Some youth have their own desire to have something beyond the reach. In particular, the 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. In addition, 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 they want. They also have dissatisfaction and gratitude for what they have already fulfil their needs. Furthermore, youth are vulnerable with negative surrounding which are related to social conformity. Youth want to be seen ideal in the eyes of society; they will do anything at all costs to fulfil their desires. Youth are tempted to be competing to each other and to be seen updated in terms of material things for the seek of social conformity. In the context of indebtedness, it is stemmed by the failure of youth in controlling desire. They want to show their new car or new house to other people. In fact, behind the scenes they carried a lot of burden to fit the specifications of ideal life, prescribed by the society.

Materialism is another factor that may influence indebtedness behaviour among youth (Ponchio & Aranha, 2008; Nga et al. 2011; Gardarsdottir & Dittmar, 2012). Materialism is a negative behaviour, and it is not suitable attitude practiced by youth. It shows youth are seeking for a material stuff with a popular brand's name to satisfy themselves with the proud feeling of collecting luxury items. For female youth usually they always collecting latest design of blouse, handbag etc. and for male commonly always bought brands of watch, sport shirt, shoes etc.

Another factor that may affect debt attitude is money management skills (Elliot, 2005; Kim et al., 2003; Norvilitis et al., 2006; Donnelly et al., 2012). Some people may have a mistaken skill to manage their finance flow. They did not train themselves on how to manage money since middle school. They are limited in management knowledge and

education. Without understanding the concept of debt and financial management, it can be hard to help people to make a saving by their own action.

Previous studies also found income level as the factor that leads to debt behaviour (Robb & Woodyard, 2011; Garðarsdóttir & Dittmar, 2012 & Teoh et al., 2013). Some people with low income did not realize their limited expenditure. With the low income, people must realize and consider their expenses. They must be a smart consumer with planning their monthly budgeting to avoid expenditure dragged too much over the income.

The final factor that leads to debt is a high living cost. Youth must pay for the variety of expenses for instance paying electric bill, mobile bill, basic need like food, clothes and others. In addition, for those who have a family, they have additional commitment like children's education fee, spending the children's co-curriculum activities fee such as camping and need to pay for their clinical fee. When family become bigger where has a lot of children and the expenses also bigger as well. In addition, they still need to pay transportation monthly payment, insurance, personal loans, being a guarantor and credit card debt trap (Azira et al., 2017).

1.2 Problem statement

A statistic 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). 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, 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 years old. Moreover, recent report by Malaysia Insolvency Department 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 Datuk Seri Azalina Othman Said, a former Minister in the Prime Minister's Department (JPM), among the major reasons for bankruptcy were the failures to pay off the vehicle purchasing loan that involved 26,801 cases, or 27.6 per cent, followed by personal loans of 22,153 cases, or 22.8 per cent and housing loans 18,819 cases, or 19.4 per cent (News Straits Times Online, 18 November 2016). Similarly, other source also indicated that car loan debt has been identified as the leading cause of bankruptcy (Sinar Online, 7 April 2017). From the statistics shown, indebtedness is the main cause that leads to bankruptcy.

Therefore, there is a need to understand the factors of indebtedness. However, based on the literature review, there is still lack of empirical study that explore the factors of indebtedness, especially among Muslim youth. Most of previous studies discussed this issue from the perspective of youth in general. For instance, a study by Abdul Basit

and colleagues (2014) among youth 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 and colleagues (2017) identified the factors affecting debt level among young adults in Malaysia. The study suggested that money management skills and income level significantly influence the debt level of Malaysian young adults.

Conducting research to examine the factors of indebtedness among Muslim youth is essential because the bankruptcy cases are high among Malays. A statistic shows that there were 45,147 out of 80,625 bankruptcy cases were among Malays. In percentage, 56% of the figure involving Malays as compared to other races which are Chinese, Indians and others with 26%, 11% and 6.7 % respectively (Berita Awani Online, 17 October 2019). According to Nur Jannah, Keum Hyun and Aida (2018), there are more Malays belong to a group of low-income and middle compared with other races, which could become a major contributor to the financial problems that caused them to fall into bankruptcy.

Indebtedness is not only contributed to bankruptcy. It is also having other negative consequences, particularly to employees in the organization. According to the Official Portal of Muamalat and Islamic Finance under the Department of Islamic Development Malaysia (JAKIM, 2019, para. 18), employees will have less productivity in workplace when they involved in debt. They are unable to use all the inputs provided in the optimal and efficient manner. In addition, debt problems also will cause serious health effects (Shen et al., 2014; Turunen & Hiilamo, 2014; Matos

et al., 2019; Clayton et al., 2015; Matos et al., 2019), and less satisfied with their health that require them to get consultation from psychiatrists more often (Grzegorz & Agnieszka, 2017). Moreover, indebtedness can give impact on employees' mentality and psychology. Jacoby (2002) found out that employees with high indebtedness showed a high level of pressure. It is due to the employees who were involved in indebtedness have to find the best method to pay the debt by on time and they must recognize their expenses between basic needs and desires that lead to debt. Similarly, other studies also reveal that indebtedness can affect high level of mental sickness and physical health weaknesses (Cannuscio et al, 2012; Lenton & Mosley, 2008). This study will extend this line of research by exploring the effect of indebtedness on employee work attitude and behavior in organization. Exploring such relationship is essential because previous researcher has stated that indebtedness have potential to influence work attitude and behavior (Gurchiek, 2008).

To address the issue that previously discussed in this section, this study is conducted among Muslim youth who stay at *Projek Perumahan Rakyat (PPR)* in Kuala Lumpur. This context is selected because majority of residents are Muslim youth (Dewan Bandaraya Kuala Lumpur) and most debtors in Malaysia are common from middle-class (Utusan Online, 21 January 2017).

1.3 Research Question

- 1) What are the factors of indebtedness among the Muslim youth in the area of *Projek Perumahan Rakyat (PPR)* in Kuala Lumpur?
- 2) What is the relationship between the factors of indebtedness and Muslim youth working behaviors (job satisfaction, retention, work-life balance)?

1.4 Research Objectives

- 1) To identify the factors of indebtedness among the Muslim youth in the area of *Projek Perumahan Rakyat (PPR)* in Kuala Lumpur.
- 2) To examine the relationship between the factors of indebtedness and Muslim youth working behaviors (job satisfaction, retention, work-life balance).

1.5 Significant of the Study

This study provides important information about the factors of indebtedness among Muslim youth in Malaysia. Conducting research to examine the factors of indebtedness among Muslim youth is essential because the bankruptcy cases are high among Malays (Berita Awani Online, 17 October 2019). In addition, conducting research related to indebtedness among Muslim youth can expand the existing

discussion about this issue that mostly focusing on indebtedness from the perspective of youth in general (Abdul Basit et al., 2014; Azira et al., 2017).

This study will extend the discussion about the consequences of indebtedness on Muslim youth, particularly on their working behaviors (job satisfaction, retention, work-life balance). This issue is relevant to be explored because researcher has stated that indebtedness has a potential to influence work attitude and behavior (Gurchiek, 2008). However, till date, there is still lack of empirical evidence to support the link between indebtedness and work attitude and behaviour. It is due to previous studies have explored the effect of indebtedness on youth productivity (Department of Islamic Development Malaysia, 2019), health (Shen et al., 2014; Turunen & Hiilamo, 2014; Matos et al., 2019; Clayton et al., 2015; Matos et al., 2019), mentality and psychology (Jacoby, 2002; Cannuscio et al., 2012; Lenton & Mosley, 2008).

This study will help government especially the Ministry of Youth and Sport about the factors of indebtedness among Muslim youth in Malaysia, particularly in the area of *Projek Perumahan Rakyat (PPR)* in Kuala Lumpur due to most debtors in Malaysia are common from middle-class (Utusan Online, 21 January 2017).

1.6 Scope of the Study

This study only focused on two issues. First, the factors of indebtedness among Muslim youth who are staying in the *Projek Perumahan Rakyat (PPR)* in Kuala

Lumpur. Second, the relationship between factors of indebtedness and Muslim youth working behaviors (job satisfaction, retention, work-life balance).

This study focused on Muslim youth who stay at the *Projek Perumahan Rakyat (PPR)* in Kuala Lumpur. PPR in Kuala Lumpur can be divided into 4 zones known as Cheras, Ampang, Wangsa Maju dan Bukit Jalil. All Muslim youth who stay in PPR Kuala Lumpur are the population in this study. Muslim Youth are referring to Muslim with range of age between 18 to 40 years old.

1.7 Definition of Concept

a) Indebtedness

An activity of debt involved an amount of money borrowed by one party from another. It is used by many corporations and individuals as a method of making large purchases that they could not afford under normal circumstances. A debt arrangement gives the borrowing party permission to borrow money under the condition that it is to be paid back later, usually with interest.

b) Muslim Youth

Muslim Youth in this study are Muslim with age between 18 to 40 years old, who stay at the *Projek Perumahan Rakyat (PPR)* in Kuala Lumpur.

c) Projek Perumahan Rakyat (PPR), Kuala Lumpur

Projek Perumahan Rakyat (PPR) is a government initiative to provide house for individual with low income in Kuala Lumpur. PPR is a flat house that has 5 to 18 level. Each house has 3 bedrooms, 2 bathrooms, a kitchen and guest hall. The rental fee is RM 124 per month. Individual with low income can make an application through the Kuala Lumpur City Council.

d) Working Behavior

Working behavior in this study are referring to job satisfaction, retention and work-life balance.

Retention in this study refers to employees' intention to stay in the organization (Langford, 2009).

Work-life balance included roles and responsibilities in work and non-work domain. In specific, work-life balance consist of three components. First, time balance (time dedicated equitably to work and family responsibilities). Second, involvement balance (equitable psychological involvement in work and family roles). Third, satisfaction balance (the equitable satisfaction level that individuals get from work and family responsibilities) (Greenhaus, Collins & Shaw, 2003).

Recent researchers indicate job satisfaction is the general behavior and employee's attitudes towards his job (Robbins et al., 2010).

1.8 Thesis Outline

Chapter one provides discussion about the research background and problem statement of this study. Following this, the chapter explains about the research question and the research objective of this study. Then, the chapter provides discussion about the significant of this study, the scope of this study and the definition of the concept.

Chapter two review the literature regarding indebtedness among youth. The chapter begin with an introduction to the concept of youth and the characteristic of youth. Then, the chapter review the factors of indebtedness. Following this, the chapter discuss about the consequences of indebtedness.

Chapter three describes the method used in this study to ensure valuable data are occupied. It provides information concerning the method that used in undertaking this research. The method and procedure in this research have been designed and planned accordingly to make sure the research objective can be achieved. This chapter begin with the introduction to research design of this study. Then, the chapter explain about

population and sample of this study. Following this, the chapter elaborated about data collection method and procedure. Finally, the chapter describes the measurement include in this study and the data analysis method and procedure.

Chapter four discusses the result of data analysis. The chapter begin with the explanation of respondents' background, including their gender, age, education level, marital status, race, work experience, number of children, income and occupation sector. Following this, the chapter explains about the factors of indebtedness. Finally, the chapter explains about the relationship between the factors of indebtedness and work attitude and behavior (i.e job satisfaction, retention, work-life balance).

Chapter five provides a discussion about the analysis results in previous Chapter 4. The chapter begins with a discussion about the factors of indebtedness, and the relationship between factors of indebtedness with working behavior (job satisfaction, retention, work-life balance). Following this, the chapter explains the implications of this study. Finally, the chapter explains about the limitation and suggestion for future study.