

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter review the literature regarding indebtedness among youth. The chapter begins 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.

#### **2.2 Concept of Youth**

There are various concepts of youth in the literature. The Arabic translation of the word ‘youth’ is شباب (al-Shabab). The Holy Qur’an did not use the word ‘al-Shabab’ to describe ‘youth’. It instead used the word فتى (fatah) for male youth and فتاة (fatat) for female youth (Hamzah, 2017). In general, youth refer to those who have grown up, and puberty. They are old enough to marry and they are young community (Kamus Dewan, 2005; Aizan & Murni, 2017). According to psychologists, youth is a middle level of life between early childhood and middle age. Some educational psychologists have tried to be specific by defining the age of youth in terms of number of years and according to them, youth is an age between thirteen and forty (Hamzah, 2017). Another perspective defined youth in the context of Malaysia is within the age of 18

to 35 years old (Azira et al., 2017). According to Azira and colleagues (2017), normally youth in Malaysia finished their secondary school at 17 years old. Youth with the age are qualified to generate income by applying job vacancies in order to survive in their life. There are also researchers defined youth as an individual age group of 15 to 40 years old (Diana & Zariyawati, 2015).

### **2.3 The Characteristic of Youth**

Youth is the most potential and viable human resources to a nation. This generation is the source of manpower to their country because they are the heirs of the nation's leadership (Aizan & Murni, 2017). They are enthusiastic, courageous, have healthy body and always ready to accept new ideas. For this reason, they are called change agent. Youth is a major power in any society to make a change in socio-economic (Solaiman & Yasmin, 2012). In other words, youth play a significant role to contribute to the society and sacrifice their life. In addition, youth have high personality and they are smart in using knowledge for life progress (Jalaluddin, 2009). Moreover, youths are wise in their expenditure because they have extensive knowledge on organizing something. They will avoid wasting matter and do things that are not give a benefit. Youth are also good at managing their time and wealth well. They are also wise in finding sustenance by working or running their own business to cover daily expenses without having to owe it as it will give a big deal to them. Youth also has knowledge and try to figure out their religion and culture with the clear explanation and understanding. In addition, Muslim youth will obey to what Shariah plan and ask to do

without hesitation. They involve in everything that are permissible except that which are clearly declared Haram in the Holy Qur'an and Sunnah (Aizan & Murni, 2017).

On the other hand, youth do not have the complete control over their desires and get attracted and addicted to things which are disliked. They also might not interest in studying in order to help them to get any kind of job to make a life. They also might be failure in early studying before and make a fast decision by get a job instead of further their study in the next level. Moreover, youth also has a financial problem, so they are unable to continue study (Diana & Zariyawati, 2015).

They also lack soft skills and sometimes they might not have achievable goals in life. This is because they do not have long-term goal to achieve. They also lack workers' skills and low of behaviour (Habibah, 2013). They lack communication skills to communicate with other people. Youth sometimes may not interest to make a wide networking around the workplace. They also lack motivation and have an attitude problem that might lead them to not interest to get another job opportunity. Youth also have a low self-esteem because they did not convince themselves to be in front of people (Habibah, 2013). Sometimes they might have a high level of shyness to communicate because of the different of education level among colleagues.

In addition, youth also lack skills in technologies stuff. For example, they do not know how to use computer. They might not know how to be a talented worker. It is important to use the modern technology so that they can sustain the technology usage

for a long time (Syaripah Ruzaini et al., 2013). Moreover, they have a moderate level of creativity and productivity to handle some task or assignment (Habibah, 2013). They are not interested to explore what are the special functions of computer because they do not want to mess up with the kind of stuff. Undeniable, computer is hard to learn and explore but it is important matter in order to adapt the modernity of life. From the skills, they can create something new that can impress their manager or officemate about their skills and ability (Syaripah Ruzaini et al., 2013).

Youth also lack computer skills training in the area of presentation software, web or blog development, marketing skills and Internet usage (Habibah, 2013). These skills were very important to enhance their talent in various area of computer function. Surfing web and blog also can lead us to get new information and knowledge in certain topic. Software also can earn side income such as editing software to design a poster or figure for marketing sales. Most of the applications on computer must connect with Internet connection to get explanation further to access and easy to learn about other matter.

Many of youth also 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, which contribute to the issue of indebtedness among youth.

#### **2.4 Indebtedness**

The word indebtedness is similar with the concept *al-qard*. In general, the meaning of *al-qard* is something given by the owner to be paid. In specific, *al-qard* means to give property to others who will use it and return it later in the day without expecting a reward (Mardani, Fiqh Ekonomi Syariah: Fiqh Muamalah, 2012). According to the Compilation of Shariah Economic Law, *al-qard* is the provision of funds or bills between shariah financial institutions and the borrower which requires the borrower to make payment in cash or installments within a certain period. According to Abu Sura'i Abdul Hadi in the book entitle *Bunga Bank dalam Islam* referred *al-qard* as a transaction between two parties, where the first party gives money or goods to the second party voluntarily to be returned just as the second party receives from the first party with similar. Thus, it can be concluded that what is meant by *al-qard* (receivable debt) is an agreement in which the lender gives a loan to the borrower with the provision will return the loan at the agreed time together with the same amount when the loan is given.

#### 2.4.1 Islamic guidelines of indebtedness

The debt activity must be for good purposes. If you already have money, then there is no need to borrow even if there are parties who want to give a loan (Nik Mohd Zaim, Ishak & Munirah, 2012). Therefore, Islam requires its people to be indebted for certain and desperate needs. It is due to debt behavior can produce negative implication to the borrower. ‘Urwah bin Al-Zubair (a tabiin) has informed us, from ‘Aisyah RA the wife of the Prophet SAW, he has informed her (‘Urwah), that the Prophet SAW in his prayers often prayed:

اللهم إني أعوذ بك من عذاب القبر وأعوذ بك من فتنة المسيح الدجال وأعوذ بك من فتنة الحيا وفتنة  
الممات اللهم إني أعوذ بك من المأثم والمغرم

(O Allah, verily I seek refuge in You from the torment of the grave and I seek refuge in You from the slander of al-Masih ad-Dajjal and I seek refuge in You from the slander of life and slander of death. O Allah, verily I seek refuge in You from acts of sin and debt). Suddenly someone asked him: "Why do you ask for protection from debt?" The Prophet (peace and blessings of Allaah be upon him) replied: "Indeed, when a person is in debt he will tend to tell a lie and promise and then deny it." (Mutafaqun Alayhi, hadith narrated by al-Bukhari, No. 832, 2397, Muslim, No. 589, Abu Dawud, No. 880, an-Nasaie, No. 1309).

Islam also requires the creditor to give time 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.. As the words of Allah s.w.t in Surah al-Baqarah verse 280:

وَأِنْ كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَىٰ مَيْسَرَةٍ ۚ وَأَنْ تَصَدَّقُوا خَيْرٌ لَّكُمْ إِنْ كُنْتُمْ تَعْلَمُونَ

Meaning: And if someone is in hardship, then [let there be] postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew.

The above sentence explains about the deferral of debt payment by debtors who are in dire straits. Al-Qurtubi explained that this verse was revealed because the Bani Tha'qif demanded a debt from the Bani al-Mughirah and they requested a deferment of payment from the Bani Tha'qif until the time their fruits could be collected (Dr 'Abd Allah bin ' Abd al-Muhsin al-Turki, Mu ' assasah al-Risalah). While Dr Wahbah al-Zuhayli quoted the words of al-Kalbi, Bani al-Mughirah was in a crisis of life and asked for a deferment of debt payment until their fruits came to fruition but Bani Tha'qif refused to accept the deferment of debt payment, so this verse came down (Dr Wahbah al- Zuhayli, 1998).

The debtor must have the Intention to clear the debt because that is the main thing must be in the mind of the debtor. That intention will help facilitate the payment of the debt. In addition, the debtor must keep his promise. The debtor must strive to settle the payment of the debt according to the agreement, in terms of amount and duration. The agreement is best made in writing and there are witnesses to avoid any related disputes

later. Debtors can pay more than what was earned before, as long as it is not due to being asked by creditors. The extra payment is a sign of gratitude for the help extended creditors.

As creditors, they should provide debt as assistance. Individuals who are able to give debts should do so if there are other individuals who need the debt for good purposes. There are situations where creditors are obliged to give debts. For instance, in situations involving emergency matters which only in that way can avoid bad things happen to the debtor or things related to the purpose of the debtor, the person who is able to oblige the required debt. However, if it is known that the debtor wants to use what is owed for the purpose of being banned such as gambling, buying alcohol and committing immorality, then it is illegal to be given as a debt. The creditor will abet the sins committed by the debtor incurred as a result of the debt.

## **2.5 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 provided detail discussion on each factor.

### **2.5.1 High living cost**



The issue of high living cost was the global issue. 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.

### **2.5.2 Materialistic attitude**

Nowadays, materialistic trends are increasing among youth. One study revealed that the factors that contribute to materialistic trends are increasing materialism include social media, brand consciousness, self-centeredness, fake personality development and desire to be socially accepted (Masood et al., 2016). For example, someone who makes a purchase will show their stuff to all followers on social media such as Instagram, Facebook and WhatsApp application.

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 are 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). People who lived in poverty lifestyle were willing to enter into an expensive credit agreement in order to achieve the material good life depicted in the lives of the more affluent people around them (Azira et al., 2017). They would like to be youths who live in rich way that have afford to purchase anything that they want to show to relatives or friends like branded goods and electronic gadgets.

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.

### **2.5.3 Greed Behavior**

Greed is a bad behaviour and if someone has greed, he/she may lead to waste expenditure. Greed also makes 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).

### **2.5.4 Social Need**

Social need is necessary for every range of age and of course it including youth. Social needs can be define as important basic human needs. To sustain wellbeing and

quality of life, youth must satisfy the social needs. When social needs are not satisfied, it can lead to mental and physical health problem. (Mair et al., 2016).

In addition, it was found out that social needs are connected to consumption behaviours such as branded clothes (Syrjala, 2015; Masood et al., 2016). In other word, the desires towards social need will influence the youth attitude in buying things. It became worse when there are the cases that show the youth will use pocket money given by parents to fulfilling their desires towards social need (Harian Metro, 14 October 2015).

In regards to marital status, Robb and Sharpe's (2009) study found married students had unique debt characteristics. Specifically, married students were found to carry larger balances versus single students but were found to be no more likely to revolve credit balances. Marital status was also found to be a factor in financial practices such as having a written budget, keeping bills and receipts, planning spending, shopping with a list, and saving regularly (Hayhoe et al., 2000).

#### **2.5.5 Close People Influence**

The close people also have capability to endorse an individual to do something out of the ordinary. As Dittmar and colleagues (2014) argue that peer, parents and family



members can enhance materialism attitude on an individual. These close people also can transfer an individual attitude of consumption (Chaplin, 2010).

#### **2.5.6 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).

Lack in financial management means the individual did not have knowledge on how to manage their financial budget. This attitude can cause individual a financial problem and will drive them into debt trouble. Once they involved in debt problem, it is hard to pass from the violent debtors. On the other hand, a study that was conducted

at Kedah and Perlis among 629 youth has identified that individual who has 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.

One of the reasons for the lack in money management skills is the use of credit card (The Banking Association of South Africa, 2014). Similarly, Maslan (2015) also stated that the use of credit card and failure to pay various loans became the cause of youths declared bankruptcy before age 35 (Maslan, 2015). Another reason could be lack of knowledge and awareness of bankruptcy regulations (Diana & Zariyawati, 2015; Faizal & Ashhari, 2015).

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.

An initiative to help youth in money management skills is through the advisory services such as the Credit Counseling and Debt Management Agency or commonly known as *Agensi kaunseling dan Pengurusan Kredit* (AKPK). According to the AKPK study, a total of 505,069 people came to obtain advisory services and credit management programs since AKPK inception in April 2006. The middle-aged people between 30 and 40 years old are the most heavily burdened with a high monthly commitment of 39.2 per cent. While the ages from 20 to 30, only 15 per cent burden with debt (Utusan Online, 21 January 2017).

#### **2.5.7 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). Likewise, Plagnol (2011) reported that income was positively associated with financial satisfaction. Additional research indicated that significant reductions in financial well-being occurred as personal debt levels increased (Norvilitis et al., 2006)



According to (Herispon, 2018) his study found a strong correlation between financial literacy and household debt as much as 96% because there are lot of purchased desire with debt such as credit card bills, non-cash transactions in a certain place that forces a person to debt even though he does not want debt.

#### **2.5.8 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).

#### **2.5.9 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 has 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). In addition, students coming from low-income families were more likely to use federal student loans as a main source of aid to finance college (Fenske et al., 2000).

#### **2.5.10 Personal loan**

Personal loan is another main reason of debt among youth (Ismail, 2015; Nurauliani et al., 2015; Liaw, 2014). There are various reasons for making a personal loan. First, they are making personal loan is for celebrating the wedding ceremony including cost of food, side door gift, sweets and more (Ismail, 2015). Sadly, the debt burden caused by the wedding ceremony has to be carried over for a long year. Second is due to personal loan is an easily accessible banking products. Third, youth also make personal loan to carry out daily activities to be more organized and to run smoothly such as financing the school's childcare expenses (Hodari, 2014).

#### **2.5.11 Asset ownership**

Asset ownership, especially owning a house and vehicle are something that raises a sense of ontological security (Nair et al., 2016). However, in Malaysia, asset ownership has become one of the reasons of debt due to housing and vehicle loan (Abdul Basit et al., 2014; Department of Insolvency, 2013; Debelles, 2004; Masturah et al., 2016; Jacobsen, 2004; Ismail, 2015; Nurauliani et al., 2015; Liaw, 2014; Diana, 2015). This scenario also occurs in developed country such as Norway (Jacobsen, 2004). Elangkovan (2012) stated that the household expenses on durable consumption goods, such as homes and cars is another contributing reason to personal bankruptcy.

There are number of reasons to explain how asset ownership can cause debt. First, 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. So it is not surprising if the findings show that most of young people make loans to buy a house (Hodari, 2014). Second is due to the lifestyle of Malaysians who seen as a conspicuous symbol of riches through the type of houses and automobiles owned by them (Ching, 2012).

#### **2.5.12 Lack of Discipline**

Discipline plays an important role in the formation of individual character. It is one of the important components in the education system that is closely related to morals.



According to the *Kamus Dewan*, discipline means training of thought and action in order to self-control and to adhere to discipline. Discipline also refers to an organized way of thinking and consequently leading to the rational nature and self-confidence of the person.

The weak of discipline regarding financial management is the factor why many youth in Malaysians today carry major debts and face a high probability of bankruptcy (Diana & Zariyawati, 2015). Youth love to spend too much beyond their ability without thinking about the effects. They make a purchase variety of stuff without using a good strategy and planning. They do not organize important things as needed. Sometimes, they are affected by the current advertisement displayed at the time of purchase because it is interesting and eager to try the latest product.

## **2.6 Projek Perumahan Rakyat (PPR)**

PPR is a government program to accommodate all squatters and meet the housing needs of the low-income group. The National Housing Department (JPN), Ministry of Housing and Local Government are the implementing agencies for PPR projects throughout the country.

The purpose of this PPR was introduced is to achieve the goal of zero squatters in 2000. This program was started to accommodate squatters involved in government development projects around the Federal Territory of Kuala Lumpur (WPKL) and the Klang Valley, Selangor which has been gazetted by the government for new

development. Low cost housing is a comprehensive government effort to address the problems of the low -income group.

The housing development program aims to eradicate poverty and foster national unity among a multi-racial society which is the goal of the government. The National Housing Policy (DRN) is designed to ensure that the country's housing development process can grow rapidly in line with socio -economic progress and community development.

The government through the Ministry of Housing and Local Government (KPKT) provides low cost housing with the following features; 700 square feet with three bedrooms, two bathrooms, kitchen, area for drying clothes and tiled floors. There are also facilities such as community halls, children's playgrounds, kindergartens, shops, stalls, mosque, car parking spaces and other public spaces so that residents can enjoy a healthy quality and living environment. All of this is a result of the guidelines introduced to ensure that the housing is built with space, comfort as well as finishes and fittings that comply with standards and specifications (Junaidi et al., 2018).

Since PPR was introduced in 1998 until 31 December 2012, the Federal Government through KPKT (now the Ministry of Urban Wellbeing, Housing and Local Government (KKBPKT) has built 67 projects consisting of 64,771 PPR units (rented) and 23 projects consisting of 3,109 PPR units (owned). These PPR units are leased to applicants who meet the conditions and criteria at a rental rate of RM124 per month or

sold at a price of RM30,000 to RM35,000 each.<sup>67</sup> of PPR projects (leased) have been built throughout the country in Perlis, Kedah, Penang, Perak, Selangor, Negeri Sembilan, Johor, Sabah, Sarawak, and Kuala Lumpur while 23 PPR projects (owned) are all located in Pahang.

PPR is a housing development program for people in urban areas who do not have houses either for rent or owned by area. This housing program benefits the city dwellers to live in a comfortable condition which in turn can provide well-being.

Baharuddin (2007) in his study on the implementation of PPR in Peninsular Malaysia found that the poor and low-income groups are satisfied with the housing conditions and social environment in PPR housing areas and they plan to buy the PPR houses they occupy. Urban poverty stems from the problem of squatters due to the high cost of living in the city which hampers their efforts to own a comfortable home which in turn causes serious social problems among the squatters Hassan (2012).

Aishah (2013) Settlement program in PPR is a good step to address the issue of squatters in urban settlements. On the positive side, a more orderly social way of life while from an economic point of view, rising costs are experienced especially in achieving a better quality of life. The system and culture of living in the city is more complex which requires the community in PPR to be equally committed and work hard to achieve well-being in life.

Lejeune et al. (2016) in a study on housing quality in Belgium found that poor people live in low -quality housing in densely populated neighborhoods and households bear the brunt of environmental degradation outside the home. The results of the study revealed an interesting point about the inequality of the environment and the internal characteristics of housing were found to differ widely between the poor and the rich from the surrounding environment.

Perfect housing is one that can meet the needs of the occupants, provide well -being to the household and catalyze the improvement of quality of life. In addition, there are six features of quality housing despite of to fulfilling the basic function as a shelter, namely the house provides a comfortable, cozy, cool, luminous atmosphere and provides good air circulation. From the aspect of safety, it includes a house that is safe in terms of design, a tightly controlled outdoor environment and an orderly indoor environment. Social impact refers to the impact that involves the relationship and social perspective between neighborhood relations and the various problems that exist as a result of the implementation of PPR.

Adolescents are the largest resource in the country and have the potential to contribute to the development of the country. The ability to mobilize the energy of the youth will determine the strength and resilience of the country's social, economic and political development.



The youths living in the People's Housing Project (PPR) area who are still in the early phase of life development need to be given attention and empowered as this group also has the potential to contribute to the development of the country.

PPR adolescents are exposed to various structural influences such as limited economic opportunities, neighborhood disorder, unsuitable housing environment conditions that can cause stress (Mohd Nasir et al. 2012)

## **2.7 Effect of Indebtedness**

There are various effects of indebtedness such as source of crime, poverty, lack of social interaction, marriage trouble, lack of focus in organization, and mental health problem. The following section provided details discussion on each effect.

### **2.7.1 Lack of focus in organization**

Individual who are burdened with debt do not feel calm and free. One of the reason is due to half of their income has to be used to pay for various types of debt. In addition, when individual depressed about the debt burden, they will face difficulties to sleep, cannot focus on current work (Harian Metro, December 5, 2018) and low self-esteem (Mutsonziwa & Fanta, 2019). Moreover, people who are burdened with debt will feel more stressful and affect their quality of work due to the problem of cash shortage, part time or corrupt acts and breach of trust (Mohd Noor, 2009).

### **2.7.2 Lack of social interaction**

Individuals who have debt for unimportance matter or unnecessities will make them to be less socialized between themselves and people around them. This is because they have to do two jobs to earn more income to payback their debt. So, the time spend with family for instance will be less because of the work duty (Harian Metro, 5 December 2018).

### **2.7.3 Source of crime**

Debt does not actually lead to wealth, but it leads to badness and happiness in our lives. This is proven by the incident of ruthless murder at an oil station causing from drug debts (Berita Harian Online, 22 December 2017). In Harian Metro Online (December 6, 2017), Senior Assistant Commissioner of the Kedah Criminal Investigation Department Farid Al-Athrash Wahid said that one of the murders caused by a debt of RM2,000 failed to payback, causing a 19-year-old man stabbed a man who was found dead with a stab injury on the left chest.

### **2.7.4 Poverty**

Indebtedness also one of the reasons that lead to poverty (Kemal, 2001; Naeem & Sherbaz, 2016; Mutsonziwa & Fanta, 2019). According to Ngerebo (2014) in his research in Nigeria from year 1986 until 2012 had showed there are long-term

relationship between poverty and domestic debt. Similarly, a study by Shiekh and Alam (2013) about poverty in Pakistan from 1985 to 2010 has proven that internal debt and external debt servicing are the reason for poverty in Pakistan. In addition, it has been found that the issue of poverty in the urban area is due to the hardship of life because of responsible about their children needs, and the debt burden (Berita Harian Online, February 2, 2018).

#### **2.7.5 Marriage trouble**

Debt also can affect household harmony (Mutsonziwa & Fanta, 2019). In specific, the debt has been regarded as one of the reason why married couples divorced. A study found that one over five respondents agreed that the problem (debt) was the biggest cause of marital issue (Little, 2018). Other study argue that debt is the most frequent source of arguments in marriages (Kamleitner, Hoetzl, & Kirchler, 2012). In addition, a study conducted by Dew (2007) found that the presence of credit alone had a significant impact on the extent of marital conflict. Those who were separated, divorced, widowed, or who had never married reported being less financially stable than married persons. That is because they had much higher mortgage rates in comparison to household income.

The possible reason how debt can cause marriage trouble is due to if the married couple give more attention to think about debt, it will influence their relationship

because of they not focused about the direction of relationships and ignoring the family needs.

#### **2.7.6 Health problem**

Previous studies revealed that young people have more experience in debt stress and anxiety than older groups (Drentea, 2000; Dwyer et al., 2011). It is due to at the age of youth, they have to make their own living and they have to pay for it. For instance, youth wants to go to work have to prepare the cost of the vehicles and if they use a car as their transportation, they have to consider the cost for gas, toll and parking ticket. They might have a way for saving by using the second hand type but still they have to owe for the car cost and it will drive to debt and causing stress and anxiety among youth.

Indebtedness situation also can lead to the mental health problem (Mutsonziwa & Fanta, 2019) and financial stress (MyHealth Kementerian Kesihatan Malaysia, May 21, 2014). Financial stress happens when an individual start to feel uncomfortable when he incompetent to fulfil financial requirement, and unable to buy daily necessities. Financial stress are the causes to lack of self-esteem, lessen of mental health and have tendency to rise depression and hatred (Davis & Mantler, 2004). According to Murray and colleagues (2016), almost 86 per cent of the respondents in research conducted by Money and Mental Health Policy Institute stated that their mental health become worse because of their financial difficulty.



In addition, they also stated adults with debt problem have high of tendency to develop major depression. At the same time Jenkins and colleagues (2009) stressed out that people with low income are easier to have mental disorder. In fact, people with mental health problem will face difficulty to handle and control their debt and financial issues. It is because the level of awareness to solve the debt and financial issues is minimal. They also found that most of respondents mentioned that most of them having difficulty to handle their financial when in mental health problem condition.

Furthermore, according to a study by Wrosch, Heckhausen, and Lachman (2000), health was a more significant source of stress in older individuals with financial stress being mentioned more often by young adults and middle aged individuals. Grable and Joo (2006) also found that African-American students were more likely to hold higher amounts of credit card debt and report higher levels of financial stress than other students.

#### **2.7.7 Work-life Balance**

Many organizations in western recognize the importance of work-family culture and adopt work-life balance policies such as flexible working schedules to increase the satisfaction of employees (Sivatte, Gordon, Rojo & Olmos, 2015).

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).

Work-life balance can be achieved by minimizing the conflict among the roles and tasks by balancing these two domains (Kumarasamy, Pangil & Isa, 2015). In other words, a person who experiences lower work-family conflict can be concluded as work-life balance.

#### **2.7.8 Retention**

Retention in this study refers to employees' intention to stay in the organization (Langford, 2009). Retention is considered as one of the positive work attitudes because this type of attitude enable organization to keep key workers for a longer period to achieve competitive advantage (Frank et al., 2004). Retention also is a continuation of the employment of the workers, particularly high-caliber and productive workers. On the other hand, retention in an organization relies upon the way the organization maintains its human resource management practices to discuss the issues and requests of its employees.

### **2.7.9 Job Satisfaction**

Job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences (Saari & Judge, 2004). Spector (1997) argues job satisfaction is associated with how people perceive, think, and feel their jobs. Recent researchers indicate job satisfaction is the general behavior and employee's attitudes towards his job (Robbins et al., 2010). It also can be defined as general emotion about its workplace and job. It measures his approach towards the job and the extent to which the job is gratifying the employee's needs (Javed et al., 2014).

Low job satisfaction leads to low morale, and low loyalty to the organization. Therefore, an employee needs to find way to avoid low job satisfaction. An employee can prevent from the higher debt leads to higher wages and lower job satisfaction.

### **2.8 Theoretical Framework**

The concept of materialism has been viewed from a number of perspectives. Economists for example, view materialism as "an individual's real and desired relationship with economic goods". Sociologists describe materialism as "a personal value that encompasses concern with material things, competitiveness, and emphasis on making profit as opposed to human and societal well-being" (Flouri, 1999:708) in (Duh, 2015). The most prominent conceptualizations of materialism are those of consumer researchers like Belk (1985) who sees materialism as a personality trait, Richins & Dawson's (1992) regard of materialism as a value. Materialism can play

important positive roles in life of people, such as identity builder (Burroughs & Rindfleisch, 1997) in (Duh, 2015). Shrum et al. (2013, p. 1180) define materialism as “the extent to which individuals attempt to engage in the construction and maintenance of the self through the acquisition and use of products, services and experiences”.

Russell W. Belk is a one of consumer behavior researcher in the 1980s built on the work of modern materialism research (Fellows, 2012). He had distinct approaches to materialism, and created scales that typify these approaches. Belk (1984), defined materialism in a simple manner: “The importance a consumer attaches to worldly possessions” (p. 265). The main thing that Belk’s view of the belief that materialism is a personality trait. His materialism scale was consisting of three character traits which are possessiveness, non-generosity, and envy. These three subcomponents were also reflected as the three subscales in his measure. Possessiveness is the desire to have and maintain ownership over tangible things. Non-generosity is the aversion to sharing with others. Envy is the resentment toward those who have what you want (Fellows, 2012).

On the other hand, Richins and Dawson (1992) in (Fellows, 2012) saw materialism as a personal value, or fundamental belief about what is important, rather than as a personality trait. Therefore, Richins (1994) defined materialism as placing importance on having material things. Although their definition of materialism sounds similar to Belk’s, Richins and Dawson (1990) suggest that materialism is different than a personality trait because it is rooted in societal conditions and may change with age.



Fellows (2012) mentioned in her study the reason that materialism is suspected to be associated with reduced well-being because materialistic people value material things more than other things which actually do produce happiness, such as positive interactions with health and others.

Richins and Dawson 1990 also assert that this value leads to distinct patterns of behavior which set materialists apart from less materialistic individuals. Richins and Dawson's materialism scale is also divided into three components, but they represent different dimensions than those introduced by Belk. The dimensions are acquisition centrality, acquisition as the pursuit of happiness, and possession-defined success. Acquisition centrality is the belief that possessions play a central role in life. Acquisition as the pursuit of happiness is the idea that owning things makes one happier. Possession-defined success is the belief that you can determine someone's success by the things that they own Richins and Dawson, 1990 in (Fellows, 2012). Individuals should recognize the reverence of material goods is not beneficial to individual. the thought of believing that material goods are an indicator of life success, believing that material things will make someone happy and envying the things that other people appear should be considered.

However, most researchers view materialism as an inescapable and an undesirable aspect of consumer culture (Burroughs & Rindfleisch, 1997), which leads to a number of negative consequences. It include rising and unmanageable consumer debt, depleted savings, consumer bankruptcy, depression, unhappiness, life dissatisfaction

(Roberts et al., 2005; Roberts & Clement, 2007; Tsang et al., 2014) and even economic crisis (Kasser, 2008). According to Tsang et al. (2014) in (Duh, 2015), materialists are less satisfied with their lives because they have less gratitude. This means that instead of being satisfied with what they have, they focus on what they do not have, thus making them to less likely appreciate positive aspects of their lives. In addition, focusing on material goods can detract from other activities and pursuits that actually do bring happiness, such as positive relationships with others, learning, maintain good physical health and others. Materialistic individuals appear to use their financial resources in a different way, which is destructive to less materialistic individuals. They accumulate higher debt and do not have a saving (Goldberg et al., 2003; Watson, 2003; (Fellows, 2012).

Previous studies have investigated consumption, materialism and indebtedness considering the context of high income consumers (Hudders and Pandelaere, 2012). In other study conducted by Matos et al. (2019), investigating the low-income individuals who live with minimal wages is scarce. They proposing and testing a conceptual framework that combines the main antecedents of consumer indebtedness, using materialism as a mediator.

It is suggested that a higher level of materialism increases the tendency to indebtedness because consumers who are more materialistic feel they need to buy more material goods to achieve happiness (Matos et al. 2019; Garðarsdottir and Dittmar, 2012; Gutiérrez-Nieto et al., 2016 ;Ponchio and Aranha, 2008; Watson, 2003).

Because of the increased purchases, consumers might engage in more obligations, interests and fees and as consequence, increase their level of indebtedness (Lachance, 2012) (Matos et al., 2019).

The more positive the low-income consumers' attitude toward credit card, the higher the possibility of buying products without having money for satisfying short-term happiness (Bridges and Disney, 2004; Segev et al., 2015). Thus, attitude toward credit card should affect materialism (Lachance, 2012) because low-income consumers need to have material goods to enhance their self-image and possessions (Gardarsdottir and Dittmar, 2012; Matos2019.) It is probably for individuals who struggle with materialism to make efforts to remove themselves from materialistic environments. For example they start to unsubscribe the daily deals emails, cancelling subscriptions to fashion or celebrity magazines, and limiting the amount of time spent watching television programs on "dream homes." Besides, hobbies like shopping or reading blogs about the latest electronics can be replaced with more productive activities (Fellows, 2012).

The theory adopted in this study was Self Perception Theory (Plotnik and Kouyoumdjian, 2008) which explains that an individual's attitude can change over time as a result of experience and utility gained from debt. In this case, households that can manage debt repayment on a regular basis may tend to have a pro -debt attitude. Testing this theory involved direct variables, namely youth on their ability to handle regular monthly loan repayments as well as economic variables namely total credit facilities (total debt) and number of credit cards owned.

The above statement is based on past studies that found that those who are pro debt have diverse credit card usage behaviors and tend to own more than one number of credit cards (Wang et al., 2011; Hayhoe et al., 2005). Similarly, the findings of studies by Wang et al., (2011) and Kim and DeVaney (2001) that those who are pro debt will tend to have a high amount of debt because they have a view that debt is not something negative.

## 2.9 Conceptual Framework



**Table 1 : Conceptual framework**

Table 1 depicts the conceptual framework of this research that seeks for the relationship between factors of indebtedness with working behaviour. Independent variables for this study are factors of indebtedness consist of credit card loan, vehicle loan and personal loan. The dependent variables is working behaviour consist of job satisfaction, retention and work life balance. The rationale of researching the indebtedness in relation with working behaviour is when debt will make someone in bad condition. If they involved in debt problem, it will affect their life and family.



Especially when someone does not pay off his owe at the due time even the creditor asked for it. Youth has poor financial planning and lack of knowledge on money management so it can lead to debt problem at a young age due to excessive spending.

Independent variables for this study are factors of indebtedness. Firstly, factor that related to credit card loan is a convenient mode of payment for goods and other services. However, as time passes, individuals who are struggling to keep pace with their household bills are treating credit cards as a source of long term borrowings (Rashidah & Normah, 2016). Credit cards function as a tool for consumers to fulfill the ever-evolving standards of living by allowing consumers to experience a lifestyle beyond their immediate financial means. However, it is often noted that some credit card holders “misuse” their cards. The main purpose of the card issuers is to encourage users to spend more (Cohen, 2007). Therefore, it is important for the credit card holders to understand the terms and conditions of credit card usage. In most credit card transactions, the users are allowed to pay only the minimum amount on credit cards every month. But, some users cannot even settle the minimum monthly payment by the due date. As a result, they will be penalized with high interest charges on outstanding balance in addition to some late payment fees (Bankinginfo, 2007).

Vehicle loan is a type of debt financing that available for vehicles, education and others (Ahmad Hidayat 2009: 5). The Malaysian Insider, (9 July 2013) in article entitle “*Gaya Hidup Rakyat Malaysia Dorong Hutang Tidak Berpenghujung*” said that most of people are involved in debt problems such as house loan, vehicle and credit

card. They are forced by applying second job for supporting their income to pay off the debt (Lee Shi-an 2013) in (Abdul Basit, 2014). Young workers use their income to pay off debt for home financing, vehicles, education, personal and insurance. At the same time, there are those who spend too much for a healthier lifestyle and are in debt.

Materialism is an inherent trait in people's lives that prioritizes the desire to pursue material things. In fact, this materialism is increasingly absorbed into the people who seek pleasure with the material around them. Instead of make own saving, they are preferred to make a personal loan. There are people who have debt and personality traits. They also do not feel guilty about making loans in other words involved in debt. Some of them make personal loans to pay up front for home and car purchases. Flexible and long-term repayment facilities make them less anxious to repay the loan. Banking institutions have also imposed low income requirements to enjoy the convenience of making loan (Mohd Azam & Abd Basir, 2018). These independent variables answering the research question 1.

Dependent variable for this study is work behaviour. Researcher divides the dependent variable into three items. The first is work satisfaction. Locke (1976) defined job satisfaction is “. . . a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences” (p. 1304). Implicit in Locke's definition is the importance of both affect, or feeling, and cognition, or thinking (Saari & Judge, 2004).

Employee job satisfaction is associated with how people perceive, think, and feel their jobs (Spector, 1997). According to Robbins et al., (2010), job satisfaction is the general behavior and employee's attitudes towards his job (Javed, Balouch & Fatima, 2014). It also can be defined as general emotion about its workplace and job. It measures his approach towards the job and the extent to which the job is gratifying the employee's needs (Javed et al., 2014).

Low job satisfaction leads to low morale, low loyalty to the organization. Workers who accumulate wealth to support their unemployment time while looking for a better job are less likely to be in debt. People can prevent from the higher debt leads to higher wages and lower job satisfaction. In dissertations and doctoral studies by Jones 2015, she recommends a further study which discuss on understanding of perceptions of the role of debt collectors and factors that may affect job satisfaction among debt collectors.

Secondly, retention can be defined when employee has an ability to retain in organization. When the employee felt they are love to work there, love to do the entire task given he can remain the job perfectly. The important of retention is how the employee meets the give and take from the organization. The good attitude given from the employee also determine the changes to stay in the organization. For instance, employee found the organization that he works with has a good colleague, systematic management and satisfied salary then he might retain in the same organization for five years more.

The need to retain employees is that, since the organization has incurred costs for hiring and has invested large sums of money for each employee for providing training to develop it to suit the organization and to improve employee efficiency, so clearly it is the organization's hope to capitalize on training results for its expansion (Kamalaveni et al., 2019).

In addition, work life balance. As Ronda, Lopez, and Goni-Legaz (2016) in Wong, Nur Fatihah & Jamayah (2017) quoted Greenhaus, Collins, and Shaw (2003), Work-family balance must contain the following three components which are time balance. It is refer to time dedicated equitably to work and family responsibilities. Next, the involvement balance refer to equitable psychological involvement in work and family roles as well as satisfaction balance refer to the equitable satisfaction level that individuals get from work and family responsibilities (p.7).

Work-life balance can be achieved by minimizing the conflict among t roles and tasks by balancing these two domains (Kumarasamy, Pangil, & Isa, 2015). In other words, a person who experiences lower work-family conflict can be concluded as work-life balance. Work-life balance included roles and responsibilities in work and non-work domain. Many organizations in western recognize the importance of work-family culture and adopt work-life balance policies such as flexible working schedules to increase the satisfaction of employees (Sivatte, Gordon, Rojo, & Olmos, 2015).



Hence, work life balance can be determined by the right behavior. These dependent variables answering the research question 2. The relationship among the factor of indebtedness towards the working behavior can be seen based on the theory of materialism as discussed in theoretical framework above.

## **2.10 Chapter Summary**

This chapter has reviewed the literature regarding indebtedness among youth including the factors of indebtedness and its consequences. This chapter also explained theoretical and conceptual framework of this research. The next chapter 3 will discuss about the methodological aspect of this study.