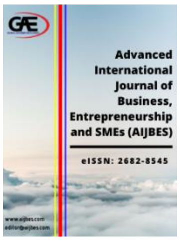
Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545

Volume 5 Issue 18 (December 2023) PP. 311-325
DOI 10.35631/AIJBES.518025



ADVANCED INTERNATIONAL JOURNAL OF BUSINESS, ENTREPRENEURSHIP AND SMES (AIJBES)
www.aijbes.com

GLOBAL ACADEMIC EXCELLENCE

FINANCIAL LITERACY ON PERSONAL FINANCE STABILITY AMONG LOW-INCOME COMMUNITIES

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Article Info:

Article history:
Received date: 31.10.2023
Revised date: 15.11.2023
Accepted date: 21.12.2023
Published date: 28.12.2023

To cite this document:

Abdullah, A., Ismail, W. A. A. Z. W., Muhammad, M. Z., Aziz, M. I., Zakaria, M. N., Kamarudin, M. K., Salleh, M. Z. M., & Shamma, S. H. (2023). Financial Literacy On Personal Finance Stability Among Low-Income Communities. *Advanced International Journal of Business, Entrepreneurship and SMEs, 5* (18), 311-325.

DOI: 10.35631/AIJBES.518025.

Abstract:

This study explores an essential the intersection between personal financial security and financial literacy within low-income households and its relationship in establishing and maintaining personal financial stability. The tendency of households for neglecting personal financial planning eventually subjecting themself to unforeseen catastrophe such as financial shocks and economics uncertainty. According to the Malaysian Department of Insolvency, during pandemic crisis in 2019 and 2020 there is 20,402 individuals being declared bankrupt in Malaysia. Therefore, a qualitative study was conducted to gain a deeper understanding of financial planning behaviour among working adults in low-income communities. The study included the participation of ten informants focusing on state Kelantan, Malaysia. However, the informants been purposively selected using 'snow-ball' sampling technique due to data population incompleteness. The outcomes of this study been expected to offer significant insights for policymakers, financial institutions and community leader to initiate robust initiative that empowers households financial literacy and foster long-term financial stability.

Keywords:

Financial Literacy, Planning Behavior, Stability.

Advanced International Journal of Business, Entrepreneurship and SME's
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Introduction

Undoubtedly, financial literacy is an essential competency that significantly impacts an individual's financial stability, comfort, and overall well-being in the very complicated financial environments of the twenty-first century (Miller, 2018; Sun et al., 2022). Financial literacy has defined by the Organisation for Economic Co-operation and Development (OECD) (2014b), pertains to the understanding of fundamental financial principles that enable individuals to make educated financial choices to meet their requirements. An educated financial choice entails considering both the immediate and long-term financial consequences, which may be favourable or unfavourable, of a given circumstance. Alternatively stated, financial literacy improves an individual's capacity to intend and manage his or her resources by that capacity (Xiao & O'Neill, 2018). Nevertheless, the primary objective of this research is to understand the complexxity of financial literacy and investigate the financial planning practices among low-income households in the state of Kelantan, Malaysia. This is because Kelantan has the lowest average monthly income in Malaysia, suggesting that a significant number of residents struggle to fulfil their daily financial obligations. (DOSM, 2019).

Expanding on this adage, this research concludes that financial planning serves as the umbrella that shields one from potential financial risks and shocks to guarantee financial stability. The financial industry has been preoccupied with the Fourth Industrial Revolution (IR 4.0) until recently, which encompass diverse financial services choices and associated risks. As well as inflation uncertainty has erode the value of money over time and consequently affect the price of goods in market (Mohamed, 2022). In situations where financial resources are constrained and subjected to adverse economic conditions, the absence of comprehensive financial planning increases the likelihood of individuals succumbing to financial stress (Riitsalu & Murakas, 2019). In this regard, the difficuty to cope with daily demands have detrimental effects on individuals social life and mental health. Thus, what measure been taken by low-income households to overcome those associated risks accordingly attempted to be unravel by this study.

According to Mahdzan et al. (2020), personal financial instability is prevalent in Malaysia particularly among the low-income and middle-income populations due to unpreparedness. This conclusion is corroborated by data provided by the Malaysian Department of Insolvency (MDI), which indicates that 74,699 persons were declared bankrupt as a result of failing to adequately prepare financially for unforeseen circumstances. This scenario aligns with the little understanding and consciousness of financial planning that is prevalent among the Malaysian population (Bapat, 2020; Aziz & Kassim, 2020). Therefore without good financial planning, people of any age are particularly susceptible to long-term repercussions (Shariff & Naghavi, 2020; Abdullah et al., 2022). Extensive prior research has investigated and analysed financial behaviours in the context of personal financial planning, with a particular emphasis on the demographic of students and teens (Aladdin & Ahmad, 2017). Nevertheless, research about the financial planning behaviours of working people and retirees remains very limited (Seman & Ahmad, 2017; Hayati & Syofyan, 2021). However, there is limited studies that explore the financial literacy and financial planning behaviour specifically on low-income households whereas they are the most vulnerability categories. In addition, financial planning behavior

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does influence by individuals negative financial behaviour such as propensity to live in the now and let the future unfold as it pleases (Coskun & Dalziel, 2020).

The objective of financial planning is to guarantee the financial security of those whose spending decisions are contingent on the sufficiency of their income (Miller, 2018). Numerous digital platforms and channels assist people in planning, organising, documenting, and monitoring their income and spending, as is common knowledge (Risman et al., 2021; Hilaludddin et al., 2022). Nonetheless, the inability of some people to fully use the features and advantages of such platforms renders them inconsequential. Therefore, the research posits that by placing financial literacy as a focal point of an individual's financial knowledge, it is possible to stimulate a greater degree of long-term financial preparedness and management (Haron et al., 2019). Concurrently, the research contends that financial goods and services that are provided may be optimised. As an example, the research suggests that the Employees' Provident Fund (EPF) be considered an effective vehicle for retirement savings owing to the challenge of withdrawing funds before the fund reaches its maturity.

While, the stablity serve as key indicator of individual capability to sustain and maintain theirlifestyle. Technically, financial stability implies individuals financial capability in fulfilling their daily needs, plan for the future and withstanding unforseen risk without compromising their well-being. However, Malaysia has recorded more than 600,000 middle-income has shifted into lo-income categories due to crisis Covid-19 in 2019 (DOSM, 2019). Therefore, pandemic has underscore the vulnerability of households in terms of long-term financial stability to stood up the unexpected incidents. Thus, this study particularly conducted to loosen the question on financial knowledge, attitude and decision among low-income households in planning their personal finance as the most vulnerable individuals.

Literature Review
Financial literacy refers to an individual's knowledge and understanding of the state of their finances, allowing them to effectively manage and strategise their funds by their essential needs and financial capacity. Conversely, financial planning demonstrates the systematic process of distributing funds and assists people in effectively monitoring their earnings and expenditures. It is crucial to acknowledge that every person has distinct goals and ambitions that are influenced by their wants or dreams for their lifestyle. Effective financial planning requires individuals, families, organisations, and enterprises to have well-defined financial goals and objectives (Sabri & Alavi, 2019).

In contrast to the past perception of personal financial planning as optional, it is now crucial to promote this practice particularly among families with multiple members (Xiao & O'Neill, 2018). The reason for this is that a lack of success in financial planning may ultimately result in families falling into poverty or in more severe cases where people being officially declared bankrupt (Walker, 2019). The absence of extended financial safeguards, such as insurance and takaful might place significant financial strain on those with little financial means in the case of accidents resulting in disability or death (BSN, 2022; Hilaluddin et al., 2022). Furthermore, inadequate planning and allocation of financial resources might result in persons neglecting their necessities, such as food and shelter. Thus, there is three points need to be emphasized and elaborate in order to contain the context within this study.

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Definition of Financial Literacy

According to the Organisation for Economic Co-operation and Development (OECD), financial literacy refers to the financial knowledge in making well-informed financial decisions (OECD, 2014b). However, academicians extended the definition of financial literacy to also include the acts of managing and planning finances by balancing them against short- and long-term impacts (Ameer & Khan, 2020). Thus, financial literacy can be defined as the financial knowledge and understanding of financial concepts and terms in making well-informed financial decisions comprising short- and long-term well-being. However, financial knowledge can be influenced by financial attitude which is expressed through individual financial behaviour (Coskun & Dalziel, 2020). Both financial knowledge and financial attitude are thus reflected in financial behaviour through which financial decisions are consequently made by individuals and households. For example, a sense of responsibility in achieving personal financial stability will drive individuals and households to generate income to cover their living expenses.

Furthermore, the challenging financial dynamics and the evolution of the current financial landscape require individuals, households, entrepreneurs and organizations to equip and empower themselves with the skills of managing and planning finances in financial literacy. This is because financial literacy curbs the emergence of impulsive attitudes and behaviours around spending and instead encourages actions based on self-consciousness (Abdullah et al., 2022). Thus, financial literacy does not question an individual's financial capability, but instead assists one in discussing how to manage and plan one's finances to be sufficient to to meet one's life needs. A high level of financial literacy can help prevent individuals from becoming victims of financial crimes that are becoming increasingly acute (Nicolini, 2021). In other words, as various forms of financial crime and fraud such as money laundering and corruption are becoming rampant while financial literacy helps individuals to remain cautious and alert.

Financial Literacy in Financial Planning Behaviour

Financial behaviour in the context of financial literacy refers to an individual's ability to make financial decisions based on the information and knowledge obtained which subsequently leads to personal financial well-being and stability (Bongomin et al., 2018). In this regard, financial behaviours tend to be influenced by agents of socialization and surrounding financial cultures (Deenanath et al., 2019). Socialising agent denotes those in the social environments whom individuals know and communicate with such as family, friends, and co-workers, among others. Children tend to copy and imitate what they see and hear. Therefore, it is undeniable that teenagers also tend to copy and imitate their parents' financial behaviours in drafting their long-term financial plans (Marchant & Harrison, 2020). If the culture of saving money is normalised by parents, teenagers would accordingly assume and believe that saving money is a top priority instead of spending it mindlessly.

On top of that, individuals' demographics such as age, gender, education and residency also affect the formation of financial behaviour (Sharif & Nagahvi, 2020). As one grows older, one's financial commitment accordingly increases requiring one to manage and plan one's finances properly. Past studies have found that men tend to have higher financial knowledge and better financial behaviour when compared to women. This is due to the latter's lesser participation in financial decision-making and the lack of discussion about money management among them. Besides that, a high level of educational background indicates a high level of financial knowledge possessed by an individual (Lind et al., 2020). Even though a high level of financial knowledge encourages individuals to plan personal finances more efficiently, it

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does not guarantee positive financial behaviour where individuals are always assumed to act rationally (Urban et al., 2020). This is because other factors influence the financial behaviour of individuals apart from financial knowledge in which financial attitude acts as an affective domain.

The financial industry and financial experts often emphasise saving as a priority in planning personal finances, especially to secure long-term financial stability. This is because in unforeseen events such as car accidents, a large amount of money is always required. However, obtaining a huge sum of funds in a short period is difficult and almost impossible. For that reason, financial planning ensures that individuals are always financially prepared to face and overcoming unexpected unfortunate events such as the financial crisis during the COVID-19 pandemic. According to the Pertubuhan Keselamatan Sosial (PERKESO), a total of 140,608 individuals lost their jobs due to the COVID-19 pandemic from March 2020 to August 2021 (Rosli, 2021). This grim statistic shows that there is indeed a low level of financial awareness among Malaysians in personal financial planning to overcome financial risks or unexpected economic turns. In many of these scenarios, the low-income B40 group tends to be the most financially vulnerable economic group, frequently exposed to unexpected financial threats a result of which their basic needs will go unfulfilled. Past research shows that there exist a few components that need to be considered when making personal financial planning which are shown in the following Table 1.

Table 1: List of personal financial planning components.

Financial Component	Literature Review
Earning	Marchant & Harrison (2020), Ouchani et al. (2020), Sun et al. (2022)
Emergency Savings	Xiao & O'Neill (2018), Birkenmaier & Fu (2019), Marchant & Harrison (2020), Despard et al. (2020), Abdullah et al. (2022)
Retirement Savings	Xiao & O'Neill (2018), Haron et al. (2019), Jais & Asokumar (2020), Tan & Singaravelloo (2020), Abdullah et al. (2022)
Insurance/Takaful	Schneider (2018), Surendar & Sarma (2018), Ouchani et al. (2020), Biradar (2021), Abdullah et al. (2022), Hilaluddin et al. (2022)
Investment	Lusardi & Mitchell (2011), Sharif & Nagahvi (2020), Ouchani et al. (2020)

Earning

Earning referring onto individuals financial resources gained from sources whether from employment, investment or others. Earning is the foundation of income that deliberately being manage and allocate accordingly to individuals financial goals. The awareness and understanding showered onto complexity nature of income gained more likely encouraging individuals to review alternative option as a backup plan. While, the positive attitude would motivate individuals to set aside a certain amount of income for long-term financial resilience (Magendans et al., 2017). For example, the understanding of the unpredictable dynamics of agricultural work and the possibility for disease has compelled households to stash away funds as well as mentally prepare for it.

Emergency Savings

While, general savings categorized as emergency savings whether intended to buy something with it or to be employed in an emergency the role of saving is multifaceted in context of

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financial planning. It is crucial to avoid individuals falling into debt and mitigate the impact of unforeseen financial catastrophe. According to past research conducted, saving behavior does reflect by various factor as in table 2.

Table 2: Savings Influential Variables.

Variables	Connections
Consumption expenditure	√
Interest rate	√
Age dependency	X
Inflation rates	X
National income per capita	X

Source: Yousop et al. (2020).

Education background consequently arise individual awareness on consumption expenditure and the important of savings in life. More informed individual are comprehend to budgetting principles and grasp the importance of long-term financial planning (Xiao & Porto, 2017). Nevertheless, general sense of interest rate might cause into money value depreciation negatively impact individuals saving intention. While, individuals financial saving behavior is not directly dictate by age, inflation rates or national income per capita. However, a thorough comprehension of an individual's savings behaviours calls for taking consideration of a wider range of variables, discovering the complexity involved in making financial decisions.

Retirement Savings

An extensive studies examining the complex aspects of individual strategies for retirement savings to cover afterwards working life. Scholars have studied a variety of variables that affect retirement savings such as income levels, the availability of employer-sponsored plans and the importance of financial literacy (Lusardi & Mitchell, 2017; Mustafa et al., 2018; Rostamkalaei, 2019). Studies have also looked at behavioural variables including investment decisions, risk tolerance, and the impact of life events on retirement saving behaviour. This discussion expands on policy issues, reviewing the success of policies and schemes for retirement savings. The study discovered that although individuals and households are interested in saving for retirement, they are incapable to do so due to urgent financial needs and financial constraints. In essence, financial retirement savings serve as a financial safety net protecting individuals from potential pitfalls due to inadequate income through prudent savings management and accumulation to maintain their lifestyle.

Insurance/ Takaful Protection

Financial protection via Takaful (Islamic insurance) or conventional insurance reflects a comprehensive exploration of factors shaping individuals' ability to safeguard their financial well-being. A deeper understanding of financial principles in selecting and suscribing insurance products has intricate a complex relatonship between financial literacy and planning decision making. A higher financial literacy levels demonstrate an enhanced ability to assess risks and make informed insurance coverage decisions drive by risk perception and risk management behaviors that financial behaviour planning to ensure financial stability (Klapper & Lusardi, 2020).

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Investments

Investments are a flexible tool that provide avenues for long-term financial security, diversification, and wealth building. Confines the standard concepts of savings, investments provide opportunities to wealth accumulation capital appreciation. Thus, financial literacy studies from the past has shown that people's tendency to diversify their investment portfolios by limiting their exposure to unnecessary risks has boosted stability and resilience against market fluctuations (Arianti, 2018; Mudzingiri et al., 2018). In addition, the generation of passive income through certain investments further enhances financial stability by providing a consistent revenue stream.

Financial Planning Behavior ensures Financial Stability

In general, personal stability illustrates a smooth-functioning individual in managing his or her daily affairs (Crockett, 1996). However, financial stability in particular refers to the sufficiency of budget allocation to enhance economic processes, managing financial risks as well and absorbing financial shocks (Schinasi, 2004; Battiston et al., 2021). In this regard, a high level of financial knowledge resolves wholesome financial planning by covering both its short- and long-term purposes. Meanwhile, financial planning behaviours are mainly driven and influenced by surrounding agents of socialization, primarily family and close friends (Deenanath, Danes & Jung, 2019).

For instance, financial planning behaviours can help individuals optimise their capital structures without over-allocating them (Hussain et al., 2018). Meanwhile, a personal perspective of financial planning allows individuals to meet their personal needs by encouraging them to adjust their consumption to their financial capacity. In this context, individuals carefully identify the amount of money that can be spent and meticulously plan on the purchases that can meet their set budget range. The ability to accordingly allocate budget to personal financial capabilities ensures individuals' financial stability (Alghamdi et al., 2021).

Methodology

A research methodology aims to explain how particular research is carried out. Thus, this study intentionally opted for the qualitative research approach to obtain in-depth knowledge and insight into individuals' state of financial literacy and financial planning behaviour. The study selected 10 informants among the low-income B40 group from around the state of Kelantan, deemed responsible for managing their finances and having their sources of income, whether it is on a daily, weekly, monthly or uncertain basis. Thus, this study purposively selecting informants through 'snow ball' sampling technique due to unreachable population data also it is suggested to researcher when the study start with a small numer of initial contacts. In addition, the size of informants based on Holmes (2012) recommendation supported by previous study successful (Parker et al. 2019). In this study, a group discussion was conducted in Kelantan, Malaysia as this state recorded the lowest average montly income in Malaysia. However, this study focuses on particular region which is Tumpat that boast the highest rate of home ownership indicate a long-term sustainability.

Furthermore, this study used the thematic analysis model to analyse and interpret research data that were broad and largely subjective. The thematic analysis model codifies the gathered data into themes and sub-themes to interpret and correlate them. In this regard, the researchers used the Atlas ti. software to analyse extensive research data more efficiently and effectively. Throughout the course of this study, researcher was faced language difficulties since Kelantan

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have a thick accent. However, researcher referring to expert to ensure the tranparency of analyzed data does not stray from the actual meaning.

Result and Discussion

Regardless of the economic opportunities, the factor that differentiates individuals' financial stability is their level of financial literacy and financial planning behaviour. Thus, using the financial planning components derived from past studies, this study seeks to identify and discuss the financial planning behaviour of low-income communities in Kelantan based on their level of financial literacy.

Earning

In terms of income, the study found that most of those from the low-income B40 group in Kelantan tend to have uncertain sources of income; this applies especially to those who are self-employed. This is because apart from being considered one of the poorest states in Malaysia, Kelantan is mostly composed of rural areas with limited job opportunities. In addition, self-employed Kelantanese are most likely to generate income based on current demand, which in principle that mostly undetermined and unsettled. Based on that reason, most Kelantanese possess a reduced level of financial capability where they tend to prioritize the need to fulfil essential life needs such as food, drinks and children's school fees first before anything else. Despite the unsatisfactory level of financial capability, the people of Kelantan are largely not motivated to do more than one job to increase their side income.

Table 3: Summary of Research Findings on Earnings.

No.	Details	Interview Extraction
1	Rely on one income resources	*....kawe tak dey masa nak buat lebih daripada satu kerja sebab muga benda tu jah kita panda....*
		I am not good at multitasking. I can only do one job at a time…
2	Ucertain sources of income	*....kita buat kijo berdasarkan permintaan ore, macam tu lah kijo kampung ni…*
		...In this community, I do my duties by the demands of individuals...
3	Constrained by other responsibility	*...kalu ore puan mace ambo ni tak leh nak buat dua kijo sebab nak urus keluarga pulak…*
		...I am unable to work two jobs since I am also responsible for the care of my family...
4	Focus in fulfilling essential needs	*....keutamaan kita bila dapat pitih kita sipe untuk beli barey dapur dan belanja anak sekolah....*
		...whenever I earn money, I save it aside for kitchen necessities and school expenditures for my children…

Emergency Savings

By definition, saving is evidence of financial planning behaviour at present to enjoy its revenue in the future. In this regard, the study revealed that informants tend to save if there is excess money after spending instead of putting it away into savings once they receive their pay. This

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means that low-income households in Kelantan mostly do not have emergency savings because there is no surplus. However, any medical issues occur would not be a restrained due to government clinic low-cost. Meanwhile, gauging the perspective of the informants themselves, many of those from the low-income B40 group tend to not take savings seriously and instead regard them as just a bonus if there is surplus money. Thus, they are susceptible to mortgage any assets owned like gold jewellery if they fall into desperation.

Table 4: Summary of Research Findings on Emergency Savings.

No.	Details	Interview Extraction
1	Insufficient resources	*….kita tak dok simpanan lain kecuali untuk makey jah dan anak sekolah….*
		….we have no other savings except for food and school children's expenses….
2	Utilize government facilities	*….kalu sakit demam saya bawak anak saya ke klinik kerajaan, bayar seriyal jah…*
		…when my child falls ill, I take them to the government clinic where I only have to pay RM1 for the treatment…
3	Mortgage assets owned	*…kalu terdesak sangat tak dok duit kita akan gadai emas atau kalu ada lembu kita jual lembu untuk tampung perbelanjaan…*
		…If we're truly desperate and have no money, we'll either pawn our jewelry or sell our cows to cover expenses…

Retirement Savings

According to the Employees' Provident Fund (EPF), there are still many Malaysians who are late in saving for old age, also known as retirement savings. This is because the study found that there is indeed a low level of financial awareness towards the notion of retirement savings which is strongly associated with the limited financial resources in the hands of most Kelantan households, especially those who are categorized as members of the low-income B40 group. It is important to note that the the study presented the above finding acknowledging that most Kelantan households are self-employed, this means that they are not subject to salary deduction obligation for savings in EPF, therefore having insufficient or no retirement savings at all. Even though, part of the informants does saving for retirement but they tend to reuse it to fulfill daily necessities. Beside, informants shows the tendency to rely on their children as they older instead.

Table 5: Summary of Research Findings on Retirement Savings

No.	Details	Interview Extraction
1	Depend on childrens	*....kita tak dok simpanan untuk hari tua, sebab kita harapkan anak kita bantu kita bila tua nanti....*
		…We have no savings for old age because we rely on our children to support us…
2	Inconsistent savings	*....ambo ada sipey sikit, tapi bila keadaan terdesak ambo akan wak tubik pulak untuk guna pada masa tu...*
		…I have some savings for my old age, but in case of an emergency, I will use it….

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3	Employee's Provident Fund	*...macey ambo penah kijo nga ore, memey ada simpanan dalam EPF, jadi tak rusing sangat pasal ni...*
		...Previously, I was employed by a firm; I had EPF funds, therefore this is not a major concern...

Insurance/Takaful

Insurance and takaful are products and services established by the financial industry to financially protect individuals in the event of unexpected unfortunate circumstances. Insurance is a protection plan that uses conventional concepts while takaful applies Islamic values and concepts. In this regard, the study found that Kelantan households, especially those from the low-income B40 group emphasize less on taking insurance or takaful as they cannot afford it. However, the study also notes that the Malaysian government has also implemented the mySalam, a financial protection scheme which is directly financed and borne by the government and is aimed at financially assisting individuals affected by the COVID-19 pandemic.

Table 6: Summary of Research Findings on Insurance/Takaful.

No.	Details	Interview Extraction
1	Incapable of monthly payment	*...kita tak dok duit nak bayar buley-buley ko syarikat takaful…*
		…We don't have enough funds to pay the monthly premiums to the takaful company…
2	Aware by government policy	*...ambo tahu pasal MySalam ni, penah juga try buat tapi payah nak dapat…*
		... I know about MySalam, I tried to do it but it's hard to get it...
3	Prioritizing expenses for daily needs	*…ambo tak beli lah takaful ni, nak beli rano, makey ambo sekeluarga pun tak cukup…*
		...I don't buy this takaful, how am I going to buy it, I don't even have enough food for my family...
4	Insufficient resources	*….perbelanjaan bulanan kita pun cukup-cukup hidup, macam mana nak beli goni, ambo tak mampu nak tanggung….*
		...our monthly expenses are enough to live on, how do you want this thing, I can't afford it...

Investment

The investment serves as an alternative platform that helps to generate income, requiring individuals to initially advance their own money before enjoying the results in the long term. In this regard, the study shows that low-income Kelantanese are less likely to invest as they struggle to gain sufficient capital to start investing. Besides, the study also noted how low-income working adults in Kelantan refused to venture into financial investments such as stocks and foreign exchange as they were not equipped with the necessary knowledge.

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Table 7: Summary of Research Findings on Investments.

No.	Details	Interview Extraction
1	Lack of knowledge	*....ambo tak tahu gapo gapo pasal pelaburan ni, ambo tak masuk gapo-gapo....*
		...I am completely ignorant about investments and do not participate in any investment schemes...
2	Insufficient resources	*....dok ehh, ambo sekeluarga pun nak makan pun tak cukup, ni pulak nak melabur...*
		...even the whole family doesn't have enough to eat, where can we invest...
3	Refused to engage	*...ambo sekeluarga tak dok ilmu pasal pelaburan ni, jadi ambo tak masuk lah...*
		...since my family lacks knowledge of investments, I did not participate in any investment schemes...
4	*Amanah Saham Bumiputera* (ASB)	*....kita ada melabur dalam ASB tapi sikit jah, ambo simpey jika tak dok duit sangat baru ambo wak tubik untuk guna....*
		...Although a little investment has been made in ASB, I will use the funds I save if necessary at that time...

Proposed Framework

Therefore, this study proposes a model framework related to individual financial literacy that also works in the context of financial planning behaviour. The model is illustrated in Figure 2 as follows.

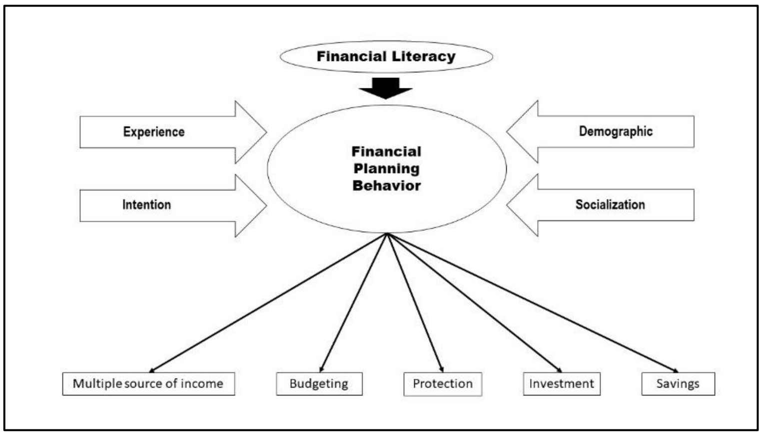

Figure 2: Proposed Model Of Financial Literacy And Financial Planning Behaviour.

Figure 2 above shows a significant cycle of financial planning behaviour that most likely to enhance individual personal finance stability. Financial literacy presence forming individual planning behaviour however it is influence by eternal factor which is demographic, socialization, intention and experience. The positive nature of these external factor would eventually resulting into wholesome financial planning which is multiple sources of income, budgeting, protection, investments and savings.

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DOI 10.35631/AIJBES.518025

Conclusion

Multiple studies have demonstrated that financial literacy plays a crucial role in enhancing the financial stability of low-income communities. For example, the Federal Reserve Bank of St. Louis conducted a study that revealed individuals with higher financial literacy levels were more inclined to save and invest, thereby leading to better financial outcomes (Lusardi and Mitchell, 2014). Furthermore, research conducted by the Center for Financial Services Innovation (CFSI) on 2015 found that individuals with greater financial knowledge were more likely to manage their debts effectively and maintain a positive credit score (Thomas, 2019).

Policymakers have recognized the importance of financial literacy in maintaining personal financial stability. As a result, they have been focused on creating financial education programs that target low-income communities. These programs aim to teach fundamental financial skills, such as budgeting, saving, and debt management. They are delivered through various channels, including schools, community centres, and online platforms. One notable policy contribution is the establishment of the National Financial Educators Council (NFEC), which provides financial education resources and training to educators, financial institutions, and community organizations. This organization has played a significant role in increasing the availability of financial literacy resources for low-income communities (NFEC, 2021).

As a whole, this study explaining the lackness of financial literacy exacerbated by financial constraint hit low-income households into a long-term instability. Even though households shows a desire and compassionate to secure long-term financial stability, they are constraint by a lack of basic necessities. They eventually use their financial incapacity as a lifeline, living for the moment and preparing for another day at another time. In this regard, there is gap in this study while comprehending correlation between financial literacy and personal financial stability among low-income groups. Thus, further studies could investigate the most effective means of providing financial education to disadvantaged communities, as well as the long-term effects of financial literacy programs on their financial stability. It is also important for researchers to continue examining the impact of various socioeconomic factors, such as education, employment, and access to financial services, on the financial stability of low-income communities. (Lusardi and Dynan, 2011).

Acknowledgement

Acknowledgement to the Ministry of Higher Education (MOHE)/Kementerian Pendidikan Tinggi (KPT) for funding under the Fundamental Research Grant Scheme (FRGS) (FRGS/1/2021/SSI0/UMK/02/4)

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