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## DEBT ON THE RISE: UNDERSTANDING YOUTH FINANCIAL VULNERABILITY

Nur Athirah Mohd Kamaruz zaman<sup>1</sup>, Nurul Izzah Mohd Shafir<sup>2</sup>, Shahriza Ilyana Ramli<sup>3\*</sup>

<sup>1</sup> Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA (UiTM), Kedah, Malaysia  
Email: 2022810004@student.edu.my

<sup>2</sup> Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA (UiTM), Kedah, Malaysia  
Email: 2022861872@student.edu.my

<sup>3</sup> Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA (UiTM), Kedah, Malaysia  
Email: ilyana@uitm.edu.my

\* Corresponding Author

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### Abstract:

This paper explores potential vectors of debt tendencies among youth using a cross-sectional quantitative design with snowball sampling technique to gather the data from undergraduate students at one of the university in Northern Peninsular Malaysia. The findings present financial attitude and income level are having significant relationship towards debt tendencies among youth with financial attitude being the most influential factor. This study aimed to create awareness about debt tendency among youth; as Malaysian Department of Insolvency indicates, there is approximately 25.22% of cases involving bankruptcy were individuals under the age of 34 while it keeps increasing until 2024. It is also highlighted the research limitation when some of the respondents have insecurities about their financial and lack of information about debt trends nowadays. By identifying these key determinants, this paper offers valuable recommendations for future researches to explore more in this issue and develop better solutions for managing debt among youth.

### Keywords:

Debt Tendencies, Financial Literacy, Financial Attitude, Income Level, Youth, Undergraduate Students

## Introduction

Debt is a longstanding issue that continues to attract global discussion as financial commitments increase across nations. Young people, in particular, incur debt for various purposes such as purchasing vehicles, pursuing higher education, financing vacations, or

covering daily expenses. Unexpected costs can also lead to borrowing, which often disrupts financial stability. In recent years, greater emphasis has been placed on debt management, especially among younger populations. In Malaysia, youth are defined as individuals between the ages of 15 and 30, and this group faces growing financial strain with significant social and economic implications. Rapid economic growth and the rise of consumer culture have increased challenges for young Malaysians, who must cope with higher living costs, accessible loan facilities, and, in many cases, inadequate financial literacy. These conditions frequently push youth into cycles of borrowing that jeopardize their financial security and the broader economy (theSun, 2023). The expansion of digital lending platforms has further complicated the situation, offering quick access to credit that is often tied to steep interest rates (theSun, 2024). Data from the Credit Counselling and Debt Management Agency (AKPK, 2024) show that student loans, credit card use, and lifestyle spending are the primary contributors to youth indebtedness. Putting focus on these pressures remains one of the most urgent challenges confronting Malaysia's younger generation.

The statistics released by Malaysian Department of Insolvency indicates, there are accounted approximately 25.22% of cases involving bankruptcy were individuals under the age of 34 while it keeps increasing until 2024 (theSun, 2024). The major reasons why youth tend to fall into debt is funding higher education with student loans or to establish credit they might also take out loans. Young people always have a perception that a college education is a means of obtaining better employment prospects and a higher salary in the future. However, borrowing becomes required because not everyone can afford these costs up front and one method of paying for college is through student loans (Montalto et al., 2013). Student debt, originally intended to enhance graduates' earning potential, had now become a financial challenge, with education loans constituting the second largest portion of the debt burden for young adults (Mud, Zaib, Nordin & Nordin, 2024). In the official website PTPTN had the annual report 2020 that showed the education loan scheme. It stated that, until 31 December 2020, 3.48 million loans which have been approved involve a total loan disbursement of RM 62.52 billion. In 2020, a total of 150,567 loans were approved by Annual Report 2020 PTPTN (2021). A total of 82,640 IPTA borrowers and 67,927 IPTS borrowers. There was an increase in data from 2020 to 2021 which is a total of 150,567 borrowers to 539,284 borrowers In Malaysia, there were over 539,284 borrowers from *Perbadanan Tabung Pendidikan Tinggi Nasional* (PTPTN), (Astro Awani, 2023). The purpose of this study was to identify the socioeconomic, psychological and behavioural aspects that influence young people's debt tendencies, thereby providing a foundation for future researchers.

There are few problems in this case study that were discussed which are financial literacy, financial attitude and income level. When given a speculative situation involving financial choices, students were more inclined to maintain financial records if they knew more about financial knowledge and consequently be able to make right decisions than students with less financial knowledge (Zainol, Daud, Khairul Nizam, Abd Rashid & Alias, 2020). Other than that, according to research, those who have poor money management practices without having a solid plan were more likely to accumulate excessive debt (Mad, Omar, Ahmad & Meor Zawawi, 2024).

One of the financial habits that causes the younger generation to have severe debt issues is an addiction to buying (New Strait Times, 2024) or compulsive buying which refers to a persistent and uncontrollable desire to shop, often extending beyond genuine needs or available financial

resources. This tendency is increasingly visible among younger generations and is influenced not only by emotional triggers but also by peer pressure, persuasive marketing, and the widespread accessibility of credit. In countries such as Malaysia, where financial literacy levels remain low and financial attitudes are often underdeveloped, young people are especially at risk of engaging in unsustainable spending habits (Koran et al., 2006; Dittmar, 2005). Research indicates that many youths purchase impulsively as a way to relieve stress, reinforce their social identity, or seek immediate satisfaction. However, this behaviour frequently leads to growing liabilities, including credit card debt, personal borrowing, and reliance on digital credit platforms (Kukar-Kinney, Ridgway, & Monroe, 2009; Omar et al., 2014). Over time, compulsive consumption patterns may lock young consumers into cycles of indebtedness, undermining both their financial security and long-term economic prospects.

A study by Ong, Lau, and Zainudin (2021) finds that monetary attitudes such as prestige and anxiety indirectly fuel compulsive buying via heightened materialism among young adults. Locally, credit card misuse and excessive online shopping are identified as significant contributors to financial problems and compulsive buying behaviour in young, working Malaysians (Banu, N. (2024). These tendencies become even more concerning when viewed in light of broader socioeconomic data. According to AKPK, more than 53,000 Malaysian youths aged 30 and below are burdened with a combined debt of nearly RM1.9 billion, averaging approximately RM36,000 per individual; a notably high debt-to-income ratio for this segment (AKPK, 2024). Given the low financial literacy rate in Malaysia (only about 39%), combined with high household debt (89% of GDP), young adults are particularly susceptible to falling into a debt trap driven by compulsive buying Liew, W. K., Teh, K., & Rajespari, K. (2025).

Lastly, there are cases in Malaysia, due to the high expense of education, parents from low-income level might not be able to cover the cost of supplies and school fees (The Straits Times, 2024). This made the students affected with debt even after they have started working. Overall, these findings show that psychological, behavioural, and economic factors work together to trap many young Malaysians in a cycle of debt that is strongly linked to compulsive buying.

## Literature Review

### *Debt Tendencies among Youth*

Debt tendencies are one of the most concerning things to be focused on for youth to make sure this issue will not affect their future. Debt is anything that is owed by one party to another, generally money. Unless the lender waives the obligation, a debt must be paid back, typically with interest (Chen, 2023). While as for 'tendencies', the root word is 'tendency' and in vocabulary it's giving the meaning tendency is an inclination to do something. Generally, to put it simply, debt tendencies refer to patterns or habits in how individuals, businesses or governments accumulate and manage debt. This is according to the concept explained by Richard A. Brealey in his book "Principles of Corporate Finance". Research usually looks at debt tendency as part of behavioural finance, focusing on the psychological factors that influence borrowing behaviour.

According to Cwynar, Cwynar, Matejczuk and Betancort (2019) in their research, debt tendency in young individuals is higher. Young individuals, the previously stated income smoothing through loans and credits is especially crucial. According to the life cycle

hypothesis, people in their early adult years have the greatest need for borrowing. With the hope of repaying the debt in the future, youth resort to credit or loans to bridge the differences between their intended level of expenditure and inadequate present earnings. According to Jalil, Zumrah and Mohd Nizah (2020), certain youth have an innate yearning for something that is beyond their price range. Youth with little incomes who lead luxurious lifestyles. Friends or neighbors may encourage them to do things that aren't essential. In addition, youth are not very patient while making purchases. Despite their inability to pay, individuals may feel the desire to get things fast. In simple terms, individuals decide to take out a loan or take debt to have what they desire. They are also dissatisfied with what they have, which already meets their needs.

In this regard, Malaysia has a greater indulgence score than other Southeast Asian nations, including Singapore according to Geert Hofstede's dimensional model of culture. According to Heydari (2020), indulgence is the willingness of cultures to fulfil their desires and inclinations in order to enjoy life and have pleasure. The higher indulgence outcome suggests that Malaysians value leisure time more, behave whatever they like and spend money anyway they please. This type of culture might be a factor in Malaysian's high debt levels, especially among the younger ones.

### ***Financial Literacy***

Financial literacy can be broadly described as the knowledge and skills required to handle money effectively, including budgeting, saving, borrowing, and investing (Lusardi & Mitchell, 2014; Remund, 2010). Hilgert & Luttrell (2023) argue that it may also be defined simply as financial knowledge, while other scholars note that it should include the ability to plan finances, manage debt and retirement, and maintain long-term wealth. Furthermore, financial literacy might encompass the attitudes, behaviours, and awareness that enable individuals to make sound financial decisions (Chong, Sabri, Mohamed, Wijekoon & Abdul Majid, 2020). Fernando (2024) adds that it can also represent the capacity to comprehend and apply a wide range of financial skills, such as personal financial management and investing. For young people, these competencies should be considered crucial because they can strongly influence financial behaviour during the transition to adulthood. A lack of financial literacy may cause poor decisions, such as overspending, credit misuse, or failing to anticipate the long-term consequences of borrowing. These weaknesses might increase the likelihood of youth becoming trapped in debt (Lusardi & Mitchell, 2014). Ultimately, financial literacy can be seen as a central element that determines whether young people will manage their resources wisely or fall into financial difficulty.

One way to develop financial literacy and prevent a heavy debt load is to read books, listen to podcasts or consult an expert. The meaning offered by the Organization for Economic Co-operation and Development (OECD) is extensively recognized. The capacity to make a smart choice in different financial circumstances, improve one's personal and the financial health of society and support economic cooperation is referred to as financial literacy. Along with the knowledge and comprehension of financial ideas and threats, it also includes the ability, drive and confidence to apply such information and understanding (Lusardi, 2019). Previous study has often identified poor money management abilities as one of the predictors of debt (Norvilitis et al., 2006). According to Walker et al. (1992), significant debtors frequently describe themselves as having inadequate approaches to money management (Lea, Webley & Walker, 1995). According to a study by Donnelly et al. (2012), student's credit card debt is

negatively impacted by their money management abilities, with those who possess strong money management abilities having lesser credit card debt (Adzis, Abu Bakar & Kadir Sahar, 2017).

The dissemination of transferable knowledge to direct and assist youth towards responsible financial management practices is recognized as financial education (Bakar, Abu Bakar & Hadi Ayub, 2020). Youth who are well-versed in finance are more likely to manage their personal funds responsibly, which improves their financial results and lessens their propensity to take on debt at such a young age (Zainol et al., 2020). According to Choong, Liew, Loo, Ong and Than (2019), he highlighted the significance of debt management, which can enhance psychological functioning and decision-making through the implementation of a debt-relief program.

### ***Financial Attitude***

Financial attitude refers to an individual's mindset or belief about money management and financial matters. It means financial attitude related to saving, spending, borrowing and planning for the future (Magli, Sabri & Abdul Rahim, 2020). Young people have behaviours that fulfil their lifestyle that affect their attitudes towards self-control in spending (Rahim, Munir, Zainal & Kasim, 2022). Positive financial attitude brings to a better financial management less unnecessary spending, but negative attitude can lead to habit of spending that leads to excessive indebtedness (Rahim et al., 2022). Another study reveals financial behaviour in three dimensions such as spending behaviour, self-control, overconfidence and financial literacy (Abdullah et al., 2022).

Attitude toward money has a relationship on giving impact to their life including saving habits, financial knowledge and spending habits (Rahim et al., 2022). It means changing attitude will affect changing behavior toward money (Murthy & Mariadas, 2017; Rahim et al., 2022). Other than that value toward money may develop the individual attitude and behaviour as it is created by the individual managing the money (Abdullah, Mohamad Fazli & Muhammad Arif, 2019). Additionally, the culture of "buy now, pay later" with zero interest and social media foster spending habits (theSun, 2024). This practice has developed among the young generation, and these schemes allow them to pay in tiny amounts, causing them to spend more without risk in the long-term period (theSun, 2024). This is because young people, particularly students, are more aware of these schemes than the older age.

Young people engage in more materialism, particularly in luxury, by purchasing online with credit cards and loan in order to maintain their standard of living by shifting demand from basics such as food and education to luxury sources such as technologies products, higher food and education quality (Suhaimi & Mohamad, 2023). The high materialistic attitude person has more intention toward borrowing money such as installment credit and having the loan than a person low materialistic like to invest to increase the fund. (Adzis et al., 2017). This argues that young people enjoy incurring debt to meet their lifestyle demands. People nowadays compete with each other to have their own branding items and want to be the first to do so, even if they are willing to pay a high price because people see money as a means of gaining power and attention in order to impress others, and they will purchase goods in order to gain high status and social influence (Jalil et al., 2020).



Most graduates recently became bankrupt due their attitude towards money (Rahim et al., 2022). A bad attitude toward money affects a person to taking money without their awareness. (Abdullah, Mohamad Fazli & Muhammad Arif, 2019). It demonstrates that materialism boosts their motivation in their life by raising their level of living without making it easy to give up (Suhani & Mohamad, 2023). Financial attitude is identified as one of factors leading to high burden debt (Magli et al., 2020). For instance, a young person who understands financial concepts but cannot control spending may still face financial stress. By contrast, youth who have balanced attitudes toward saving and borrowing are more likely to avoid debt and achieve stability. This shows that financial attitude is an important part of financial management and plays a key role in shaping the financial future of young people.

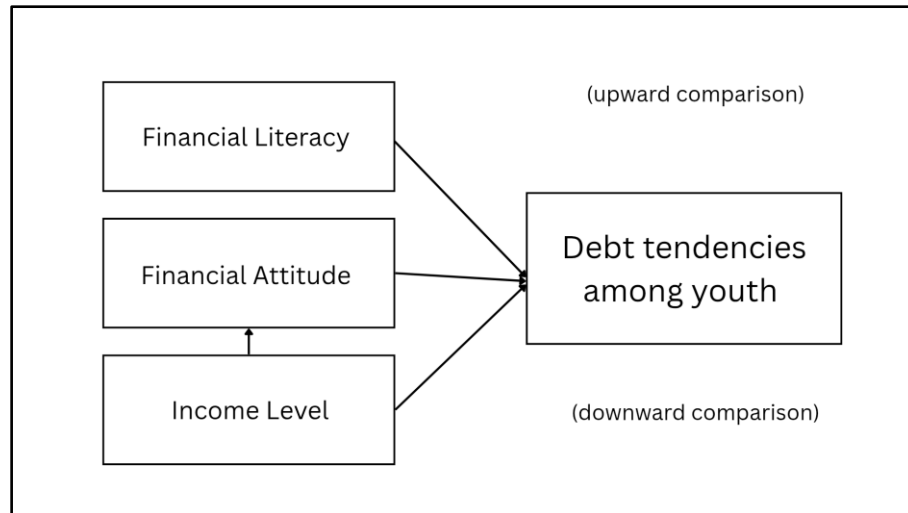
### ***Income Level***

Income level classifies individuals or households based on their monetary earnings, which represent their financial status and standard of living. According to the World Bank in 2022, income levels are often classified as low, middle and high-income levels. There are two debt tendencies groups which are low income and middle income. According to Sarip, Shaari, Royo, Rusbadrol and Abdul Wahab (2022), most young people have a lower income level, causing them to rely on borrowing to meet basic necessities.

Income levels significantly affect debt patterns among Malaysian youth. Low-income individuals frequently rely on loans to cover essential expenses such as education, housing, and daily necessities (Abdullah et al., 2022). Study suggests youth with lower income level always struggle in financial management that have tendencies to take the debt (Abdullah et al., 2022). Research has shown that individuals who have annual income lower than RM20, 000 usually do not have the savings, whether in minimum such as RM1,000 for saving like emergency saving (Sabri et al., 2023). This financial pressure can push them to borrow through credit cards, personal loans, or digital lending platforms. Over time, these commitments may grow into long-term debt, especially if repayments are missed or interest rates are high. In this sense, lower income levels increase the risk of financial vulnerability and debt accumulation (Norvilitis et al., 2006). This situation shows they are heavily reliant on debt. In contrast, middle- and high-income youth often accumulate debt to finance lifestyle-related expenditures, including travel and luxury goods. Individuals who have higher income have the greatest capacity in taking debt especially using credit card facilities because this group can afford to repay back (Adzis et al., 2017).

Furthermore, financial challenges, strength wage growth, and increasing living costs further exacerbate debt burdens, particularly through personal loans and credit card usage (Ismail & Zainal, 2018; Sarip et al., 2022). These patterns highlight the pressing need for targeted financial education and policy measures to encourage responsible borrowing and reduce the socio-economic consequences of youth debt (Sarip et al., 2022). In Malaysia, where youth often face high living costs and stagnant wages, the mismatch between income and expenses has become one of the major drivers of indebtedness (Liew, Teh, & Rajespari, 2025). Therefore, income level should be studied together with financial literacy and financial attitude to understand why young people are at risk of being trapped in debt.

### Theoretical Framework



**Figure 1: The Framework of Social Comparison Theory**

Source: Caliskan et al., 2024;Festinger, 1957

The Social Comparison Theory (SCT) offered a useful framework for understanding the debt behaviors of youth by exploring the interplay among financial literacy, financial attitude and income levels that react to social comparison processes. SCT suggests that individuals evaluate their financial standing by comparing themselves in comparison targets such as upward, downward and lateral comparison and self-evaluation motivation with others (Caliskan et al., 2024;Festinger, 1957) and in this study influences their financial decision and debt patterns. Financial literacy also helps to mitigate the consequences of social comparison on debt behaviour. Individuals with more financial literacy, for example, are more likely to grasp the long-term consequences of debt and to resist social pressures to spend excessively. Studies regularly reveal a positive relationship between financial literacy and sensible debt management, emphasizing the relevance of education in encouraging responsible financial behaviours (Kaur & Singh, 2022). Financial attitude also influences debt tendencies within the SCT framework. Youth who adopt responsible practices, such as budgeting and saving, are less affected by social comparisons and tend to prioritize financial attitude, often driven by a desire to conform to perceived social norms, resulting in unnecessary purchase and elevated debt. Research emphasizes the importance of sound financial attitude in enhancing financial well-being and reducing debt accumulation (Cwynar et al., 2019). Income level further shapes the relationship between social comparison and debt.

Youth from lower income households often face greater pressure to bridge the gap between their economic reality and societal expectations. . This situation can lead to higher debts as they attempt to replicate the consumption patterns of wealthier peers, facilitated by easy access to credit. Studies indicate that income inequality is linked to lower saving rates and increased borrowing to maintain social status, emphasizing the impact of social comparison on financial decisions (Cheung & Lucas, 2016). SCT, when integrated with these variables, suggests that social comparison acts as both a mediator and moderator in the connection between financial literacy, financial attitude, income levels and debt patterns.

## Methodology

This study used a quantitative method and a cross sectional design to accomplish its objective. According to Sekaran and Bougie (2009), since data will be gathered at a time to fulfil all research objectives, cross-sectional surveys will be employed (Khalid, Abdullah & Kumar, 2012). The quantitative research method will also be used in this study, and it will be founded on primary data from a survey regarding the things that affect debt tendencies among youth. As stated by Sekaran & Bougie (2009), the unit analysis is the level of grouping that the study focuses on understanding the precise unit of analysis is crucial for this research (Khalid et al., 2012). This study will concentrate on the debt tendency among youth that is specifically designed to access the debt tendency. To evaluate the debt tendency among youth, the youth will receive a questionnaire which will be answered on an individual basis. Therefore, all the data collected will represent the individual's answer regarding the individual's factor affecting the debt tendency among youth respectively. Every student who falls under the category of youth was chosen to participate in the study.

The students in USM had around 34,000 admission in 2024, since it is a big population the study was conducted using Roscoe's guidelines (1975). The researcher used Roscoe's (1975) guidelines to calculate the appropriate sample size for data collection and analysis in this study (Memon et al., 2020). According to Roscoe (1975) a sample size of 30 to 500 respondents is adequate for the majority of investigations and in this study we chose N=100 respondents. The respondents must fulfil the requirement which is students aged 18 until 25 years old and the respondents must be undergraduate and study in University Sains Malaysia. A snowball sampling technique will be used because the tendency to get more respondents will be higher rather than other sampling techniques that is why in this study the snowball sampling technique has been chosen. A snowball sampling technique will be used where current members find potential new participants through their networks or friends. Google Forms will be utilized to construct an online structured questionnaire with a consent form attached. Contacts of the researchers will receive the link to the questionnaire by social media, WhatsApp, Telegram and email. Participants in the survey will be encouraged to share it with as many people as they can. The Statistical Package for Social Science (SPSS) will be used to analyse this study because it will provide information that describes a set of factors in a situation.

## Findings

### *Profile of Respondents*

In this study, it showed the demographic composition of 100 respondents. Among them, there are 19.0 percent male while the remaining 81.0 percent are female students. Most respondents 75.0 percent fall under 21 until 23 age range, followed by 15.0 percent aged 24 until 25 age and 10.0 percent aged between 18 until 20 years old. As for the marital status, around 95.0 percent were single while the rest 5.0 percent were married. In terms of education, most respondents had a bachelor degree around 85.0 percent and 15.0 percent for the diploma level only. The data also showed that the monthly income of the respondents were high for the category of less than RM2500 which is 96.0 percent, and equally fall to 2.0 percent fall under the category of RM2500 until RM4500 and more than RM4500 For the last category, most respondent sources of income were family which is 21.0 percent, next is loan which is 14.0 percent and lastly for the part time job equal to 9.0 percent. For this question, they can have more than one answer as their source of income. So, 56.0 percent of respondents answered more than one question as their resources.



**Table 1: Demographics Profile of the Respondents**

		Frequency	Percentage
Gender	Male	19	19.0
	Female	81	81.0
Age	18-20 years old	10	10.0
	21-23 years old	75	75.0
	24-25 years old	15	15.0
Marital status	Single	95	95.0
	Married	5	5.0
Education	Bachelor Degree	85	85.0
	Diploma	15	15.0
Income	<RM2500	96	96.0
	RM2500-RM4500	2	2.0
	>RM4500	2	2.0
Sources of Income	Family	21	21.0
	Loan	14	14.0
	Part Time Job	9	9.0
	More Than One	56	56.0
	Answer		

*Descriptive Statistics***Table 2: Result of Descriptive Analysis**

Items	Mean	Std. Deviation	Mean Score Range
Have you ever want to take any loan/debt	1.430	0.498	Low
I resort to taking on credit card loans in the hope of repaying them in the future	2.000	1.303	Low
I tend to loan in order to accommodate my standard of living	2.180	1.313	Low
I was influenced by my parents' financial socialization process to take on debt in order to have my desired car	1.800	1.351	Moderate
It is necessary for me to take students loans in order to pursue my studies	3.450	1.242	Moderate
I prefer to do part time job in order to avoid taking any kinds of loan	2.418	3.928	Low

Table 2 states that the mean value for the highest mean is for “It is necessary for me to take student loans in order to pursue my studies” (Mean = 3.650), while the lowest is for “Have you ever taken any loan or debt” (Mean = 1.430). Overall, the total data fall within the low range,

meaning that debt tendencies among youth respondents, total means is 2.418, indicating that the lowest mean showed youths relatively low tendencies to borrow in the future. This suggests caution rather than a categorical rejection of borrowing.

### *Pearson Correlation*

**Table 3: Relationship between Financial Literacy and Debt Tendency among Youth**

Variable	Pearson's Correlation	P-value	Decision
Correlation between financial literacy and debt tendencies	0.140	0.166 ( $p > 0.05$ )	Accepted  Positive but no relationship

The result in Table 4.8 revealed that the output of Pearson's correlation was  $p = 0.166$  ( $p > 0.05$ ) with a correlation coefficient of  $r = 0.140$ . This indicates the rejection of the hypothesis and showing that there is no significant relationship between financial literacy and debt tendency among youth.

**Table 4: Relationship between Financial Attitude and Debt Tendency among Youth**

Variable	Pearson's Correlation	P-value	Decision
Correlation between financial attitude and debt tendencies	0.587	0.001 ( $p > 0.05$ )	Rejected Positive and moderate relationship

The result in Table 4.9 revealed that the output of Pearson's correlation was statistically significant with  $p = 0.001$  ( $p < 0.05$ ), the correlation coefficient of  $r = 0.587$ . This indicates that the hypothesis is accepted and shows a moderate and positive relationship, showing there is a significant relationship between financial attitude and debt tendency among youth.

**Table 5: Relationship between Income Level and Debt Tendency among Youth**

Variable	Pearson's Correlation	P-value	Decision
Correlation between income level and debt tendencies	0.355	0.001 ( $p > 0.05$ )	Rejected  Positive and weak relationship

The result in Table 4.10 revealed that the output of Pearson's correlation was statistically significant, with  $p = 0.001$  ( $p < 0.05$ ), the correlation coefficient of  $r = 0.355$ . This indicates that the hypothesis is accepted and shows a weak and positive relationship, showing there is a significant relationship between income level and debt tendency among youth.

## Multiple Regression

**Table 6: Demographics Profile of the Respondents**

Variables	Standardized Coefficients Beta	Sig.	Decision
Total financial literacy	0.107	0.194, $p > 0.05$ (no significant)	
Total financial attitude	0.559	0.001, $p < 0.05$ (significant)	Based on the Beta value, reliability is the most influential factor for debt tendency among youth among undergraduates students.
Total income level	0.041	0.657, $p > 0.05$ (significant)	

Table 6 states the finding from the multiple regression analysis, it revealed that financial attitude is the most significant factor that influences the debt tendencies among youth. This can be concluded from the highest standardized beta value for reliability, which is 55.9% surpassing the standardized beta values for financial literacy variable at 10.7% and income level variable at 4.1%.

## Discussion

In this study, to evaluate the quantity of debt among young people, descriptive analysis was utilized to explore relationships and hypotheses. According to table 2, results show low to moderate response from respondents. The highest positive means comes from “It is necessary for me to take student loans in order to pursue my studies” with a value of 3.650 indicating most of the respondents have the tendency to take debt in order to pursue their future. Meanwhile, the lowest is for “Have you ever taken any loan or debt” with a value 1.430 indicating that youths have relatively low tendencies to borrow. Overall, the total data fall within the low range, meaning that debt tendencies among youth respondents, total means is 2.418.

The descriptive analysis’s findings, with an overall mean score of 2.418 show that young respondents typically exhibit a low tendency toward debt. Among all the items it shows borrowing is only for educational purposes, while the other items like the desire to take debt on maintaining lifestyle, credit card or family influence were notably low. Borrowing becomes required because not everyone can afford these costs up front and one method of paying for college is through student loans (Montalto, Phillips, McDaniel & Baker, 2013). These descriptive findings are consistent with earlier studies, like Boatman, Evans and Soliz (2017), which found that although young people are typically reluctant to take out loans, they do accept them under certain conditions when they are specifically linked to their academic objectives. According to Abdullah et al. (2022), the findings showed it is acceptable to incur debt for students to further their education. It is logical that not everyone can afford to pay thousands of Ringgit Malaysia in cash to get an education, which can be considered important and worthwhile to spend money on.

The other objective was conducted to identify the relationship between financial literacy, financial attitude and income level with debt tendencies among youth, and the respondents who were selected were undergraduate students from one of the public universities in Northern Peninsular Malaysia. In these research findings, the Pearson correlation was used to analyse the relationship between two variables which are financial literacy and debt tendency among youth. The results showed that the hypothesis is rejected. As shown in Table 3, there is no significant correlation between financial literacy and debt tendencies among youth p-value is 0.166, ( $p > 0.05$ ) and there is no significant relationship as r-value is 0.140, supporting the rejection of  $H_{a1}$  and showing that there is no relationship between financial literacy and debt tendencies.

The findings emphasize that the factor of financial literacy in effecting the tendency of youth on taking debt is weak, highlighting the negative relationship between financial literacy and debt tendency among youth is not strong. This happens because financial literacy is not affecting the debt tendencies among youth even though they have the management abilities. Previous study has often identified poor money management abilities as one of the predictors of debt, but in this study the result shows a different result. Financial literacy is not meaningfully related to debt tendency in this study. According to Donnelly et al. (2012), student's credit card debt is negatively impacted by their money management skills, with those who possess strong money management skills having lesser credit card debt. However, in this study it showed that even when financial literacy is high it affects less on lowering the youth on taking debt. This study's findings indicate that when youth feel more comfortable managing credit systems, literacy may also increase debt tendencies. Assistant Commissioner Mohd Azwan Ramli said his spending patterns of using credit cards and paying it at the end of the month also showed a good behaviour in spending money (New Strait Times, 2023).

The findings also indicate the relationship between financial attitude and debt tendency among youth using Pearson correlation. The result indicates that the hypothesis is supported. According to table 4, there is a relationship with p-value is 0.001, which is less than 0.05 ( $p < 0.05$ ), the correlation coefficient of  $r = 0.587$ . Therefore,  $H_{a2}$  is accepted, suggesting a significant relationship between financial attitude and debt tendency among youth, agreeing financial attitude influences the debt patterns. Although the correlation was weak, the findings answer the research objective by demonstrating that financial attitude cannot be overlooked when addressing youth debt issues.

Previous study also states attitude toward money has a relationship on giving impact to their life including saving habits, financial knowledge and spending habits (Rahim et al., 2022). Young people have more reflection towards their lifestyle and have the tendency to influence their behaviour in controlling spending the money (Rahim et al, 2022). This agrees with Abdullah et al. (2019) when the financial attitude of young people in managing money by reflecting money as a lifestyle. As youth they have more tendencies toward materialism particularly in luxury by purchasing online using credit cards and loans for maintaining their standard of living. These can be summarized from the previous studies that financial attitude has a relationship with debt tendencies among youth.

Furthermore, the finding has also indicated that the investigation on the relationship between income level and debt tendency among youth. The result indicates that the hypothesis is supported. According to table 4.10, there is a relationship with p-value is 0.001, which is less

than 0.05 ( $p < 0.05$ ), the correlation coefficient of  $r = 0.355$ . Therefore, the hypothesis is accepted, suggesting a significant relationship between income level and debt tendency among youth.

Additionally, this finding is consistent with previous research suggesting individuals who have low income levels frequently rely on loans to cover their essential expenses, especially the necessities like education, housing and daily purchase (Abdullah et al., 2022). According to studies, youth with lower income levels more likely to face the struggle in financial management will have tendencies in taking the debt (Abdullah et al., 2022). It is supported by other studies that give examples such as individuals who have annual income less than RM20,000 usually not have the savings of only RM1,000 for emergencies (Sabri et al., 2023). This phenomenon reflects the financial vulnerability faced by low-income youth, especially students who often lack the necessary cash flow to meet day to day needs without borrowing.

The last objective is to be the most significant factor that contributes to debt tendencies among youth. To determine it multiple regression analysis was conducted and the results showed in Table 4.12, the financial attitude is the most significant factor in debt tendencies among youth with the result for Beta value is 0.559 equal to 55.9%. This finding suggests that financial attitude has more influence on debt tendencies among youth than financial literacy and income level. The results have confirmed that financial attitude is the most significant factor that influences the tendency.

In summary, financial attitude is the most important and significant factor determining youth debt tendencies is supported by these recent studies taken together. Therefore, in addition to enhancing financial literacy, interventions meant to lower youth debt should also encourage responsible financial conduct through attitude training, self-control techniques and habit building. The high materialistic attitude has more attention to borrowing money (Adzis et al., 2017) because youth always believe that expensive items are higher quality than inexpensive items, because they are more satisfied (Jalil et al., 2020). Moreover, due to new schemes such as BNPL schemes it drove youth to make short term debt to fulfill their standard of living (theSun, 2024). This tendency suggests that youth attitude is more likely to incur debt to impulsive purchasing behavior and desire for immediate gratification through high value items.

## Conclusion

The study set out to examine the factors influencing debt tendencies among youth, with specific focus on financial literacy, financial attitude and income level among undergraduate students. The objective of this study was achieved as the finding shows that financial attitude and income level play a significant role in shaping youth debt patterns, with financial attitude playing the most influential factor. These results indicate that poor money management practice and limited income increase the youth to fall in debt. Hence the implications of this study extend beyond individual financial struggles. Rising youth debt could affect long-term consequences for social well-being and economic stability, particularly when this group enters the workforce. Therefore this study contributes to enhancing the knowledge of the influencing factors of debt tendencies among youth to foster financial awareness and literacy to decrease their tendency toward taking debt in the future. Although this study provides useful information it is limited by its focus on undergraduate students in one of the university in Northern Peninsular Malaysia and not the overall population of youth in Malaysia which may limit the generalizability of the result of youth population, the study employed a cross sectional design which capturing the



data at a single point of time because it prevented examination of how these variables may change or influence each other over time limiting causal inference and the last limitation was non reliability finding when some respondents feel insecure when asked about debt because feeling uncertainty, embarrassment and lack of confidence that could contribute to hesitancy. Future research could expand the sample size and diversity and adopt a longitudinal research design to enable researchers to observe how variables change and impact one another over time. Overall, the study objective is achieved with every findings results.

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