Comparison of People's Financial Wellbeing between China and Malaysia

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Abstract

The purpose of this study is to investigate the difference in people's financial wellbeing between China and Malaysia. Information was collected via self-administered questionnaires and distributed through a multistage sampling method. A total of 100 completed and usable questionnaires were compiled for people in China and Malaysia respectively. Simple regression was tested to analyse different variations on financial wellbeing and the correlation of each. T-test was used to identify the difference between people's financial wellbeing in China and Malaysia. Afterwards, the findings revealed that there were significant deviations of selected variables with the stage of financial wellbeing. In other words, this indicates that the level of financial wellbeing is influenced by income, employment status and financial knowledge. The findings of this study are limited by the area and location covered, and the absence of other variables to define the state of financial wellbeing.

Keywords: *Financial wellbeing, Income, Employment, Financial knowledge, China, Malaysia*

Introduction

Nowadays, China has become the most developed country in the world with its sudden economic development and the high increasing purchasing power of people. However, there is a great distance between income distributions. The government has developed numerous plans to support the poor people and to improve all of the people's financial wellbeing. In contrast, Malaysia has one of the best economic records as its GDP is growing at a rate of 6.5% per annum for over the last 50 years. The government of Malaysia works for the betterment of the country, and they have developed numerous policies to attract international companies. The growing economy over the last decade has influenced positively on people's financial wellbeing.

Serido, Shim & Tang (2010) said that the complicated perception of financial wellbeing includes the satisfaction, which comes from savings & income, ability to meet, awareness of the opportunities and sense of reward distribution system in the country. The people in the country who have high levels of financial wellbeing can keep their finances and have a stable lifestyle during their old age. The financial wellbeing of the public in a country depends on several factors. This study will provide an insight into the financial wellbeing of both countries, and it will highlight the determinants as well. Therefore, the study would focus on people's income, employment status, financial knowledge

to analyse their influence on the financial wellbeing of people in Malaysia and China depends. The information gathered will provide useful information to the social planners, government as well as other practitioners when highlighting the issues which are related to finances.

Literature Review

Parish & Cloud (2006) observed that "economic wellbeing is an individual's perception of satisfaction with their financial situation". This paper would focus on factors of financial wellbeing, including people's income level, employment status and financial knowledge. Some empirical studies in the past found a positive correlation between income and happiness. Lenzer (2008) proved that the rise in personal income, resulting in improvement of subjective wellbeing in the country. Pan, Rejesus & He (2009) also found that personal income is essential for subjective wellbeing, especially for poor people. In short, revenue has a vast and positive impact on the financial wellbeing, especially for low-income people.

Studies have shown that unemployment continued to have a significant negative impact on subjective wellbeing. Starrin, Rantakeisu, & Hagquist (1996) suggest that the lack of money under employment stimulates feelings of shame, degradation, and even stigmatisation, which in turn lead to declining wellbeing. Clark, Georgellis & Sanfey (2001) found wellbeing is lower not only for the current unemployed but also for those with higher levels of past unemployment. Also, Crowe, Kendall & McLoughlin (2010) proved that high unemployment reduces the likelihood of life satisfaction and overall wellbeing. This is because unemployment would result in declining economic resources, which limits the ability of individuals to plan and organise satisfying lifestyles.

Financial knowledge resembles the more popular term "financial literacy". Many research studies proved that financial literacy has shown that it is strongly related to people's financial wellbeing. Hilgert, Hogarth & Beverly (2003) showed a strong correlation between financial literacy and everyday financial management. Researchers have found that individuals with higher financial literacy tend to participate more in financial markets (e.g., Christelis et al. 2010; Van Rooij et al. 2011a). Van Rooij, Lusardi & Alessie (2011b) also showed that numeracy is related to successful retirement planning. Yin-Fah et al., (2010) stated that a lack of personal financial knowledge limits personal financial practices and may cause financial problems, resulting in lower financial wellbeing. Thus, higher levels of financial knowledge and financial management practices have been directly related to increased levels of financial satisfaction (Joo & Grable, 2004).

Methodology

Research Design

The research would be carried down into quantitative research. Questionnaires would be conducted to collect primary data from approving and clarifying the ambiguity findings in the literature review. The questionnaire has three sections, which would include the dependent variable, people's wellbeing in China and Malaysia, and its independent variables, which are income level, employment status and financial knowledge. Section 1 is only one question, which is designed to know the respondents' nation. Section 2 will be divided into three parts: A, B and C, which related to independent variables. Part A is about the income level, which could be measured by seven different levels from "$20,000 or less" to "more than $120,000" and scored 1-7 points. The higher score means a higher income level. Because the value of the Chinese yuan and Malaysia Ringgit is different, the

US dollar is used, and the exchange rate is given.

In Part B, Respondents are required to choose "Yes" or "No" to identify their employment status and scored "1" or "0" for employed or unemployed respectively. In Part C, to identify respondents' level of financial knowledge, six multiple-choice questions are produced. Respondents are required to choose one answer which they think is right. First three questions are set to know respondents' financial general knowledge, including inflation rate & interest rate, GST and budget. On the other hand, respondents' knowledge of financial products is measured by the last three questions consisting of loan, investment and deposit. The total score is ranged from 0-15 points. Also, the greater score implies higher financial knowledge level.

In Section 3, people's wellbeing would be evaluated by the using of CFPB Financial Well-being Scale, which contains ten 5-point Likert questions and two multiple-choice questions. In this study, the respondents' scores ranged from 0 – 40 points. The respondent score will be converted to the financial wellbeing score according to the CFPB Financial Well-being Scale scoring worksheet, which is ranged from 14-95 points. The higher points indicate higher financial wellbeing. Moreover, the collected data from questionnaires would be analysed by using Microsoft Excel and Statistical Package for Social Science (SPSS). The descriptive tests will be conducted to highlight general information. Besides, the simple regression test would be used to identify the relationship between financial wellbeing and its determinants, including income, employment status, and financial knowledge. Also, the difference in financial wellbeing among people in China and Malaysia would be analysed by t-test.

Sampling

Random sampling method will be used to conduct this research. The result from Raosoft Sample Size Calculator (Figure 1) suggested that 68 is the minimum sample size of the survey (Margin of error = 10%, confident level = 90%). To provide more in-depth analysis for this study, the sample size of this research will be 200 respondents, of which 100 respondents will be selected for China, and another 100 respondents will be selected from Malaysia.

Results and Findings

Respondents' Profile

Table 1 shows that there are 100 respondents from China, and 100 respondents from Malaysia, occupying 50% of total respondents respectively. 71% of Chinese respondents are working adults, while 29% of them are older. On the contrast, working adults take less percentage in Malay respondents with 68% only. The left 32% are older.

Table 1: Respondents' Profile

Demographic Factor	Frequency		Percentage (%)	
Nation				
China	100		50%	
Malaysia	100		50%	
	China	Malaysia	China	Malaysia
Age				
18-61	**71**	68	**71%**	68%
62+	29	**32**	29%	**32%**

Administered				
Self	76	**89**	76%	**89%**
By someone else	**24**	11	**24%**	11%

76% of Chinese respondents read the questionnaire by themselves, and 24% are administered by others. Compared to respondents of Malaysia, only 11% of them are administrated by some else. This is possible because Malaysia respondents can read English better than Chinses respondents.

Frequency of Independent Variables

Table 2 shows that most respondents are located in the income level of $40,001 to $80,000 in China, while Malaysia's people earn income ranging from $40,001 to $60,000 mostly. Also, there are more China people has an income level of $60, 0001 to $80,000 and $100,001 or more.

Table 2: Percentage of Income Level by Respondents in China and Malaysia

	Percentage	
	China	**Malaysia**
$20,000 or less	8%	8%
$20,001 to $40,000	7%	**12%**
$40,001 to $60,000	23%	**25%**
$60,001 to $80,000	**23%**	19%
$80,001 to $100,000	11%	19%
$100,001 to $120,000	**11%**	6%
More than $120,000	**17%**	11%
Total	100%	100%

Table 3 indicates that 91% of Chinese respondents are employed, while 90% of Malaysia respondents have jobs currently.

Table 3: Percentage of Employment Status by Respondents in China and Malays

	Percentage	
	China	**Malaysia**
Unemployment	9%	10%
Employment	91%	90%
Total	100%	100%

Table 4 shows that more Malaysia respondents are giving the right answer about inflation rate & interest rate, occupying 94%. Moreover, it also implied that Malaysia respondents have a higher knowledge level about GST, occupying more than 95%. Besides, more respondents think budget is to a minimum the living expenses with 44% for China and 56% for Malaysia respectively. In conclusion, Malaysia respondents have a higher level of general financial knowledge, but the difference is significant.

Table 4: Percentage of Financial Knowledge Level by Respondents in China and Malaysia (Note: C is for China, and M is for Malaysia)

Question & Statement		Percentage					
3		Yes		No		Don't know	
		C	M	C	M	C	M
	Inflation and Interest rate	17%	5%	75%	*94%*	8%	1%
4		True		False		Don't know	
		C	M	C	M	C	M
4.1)	National GST	78%	*99%*	2%	1%	20%	0%
4.2)		84%	*97%*	6%	3%	0%	0%
4.3)		79%	*100%*	1%	0%	10%	0%

5		A		B		C		D		E	
		C	M	C	M	C	M	C	M	C	M
	Budget for living expenses	*20%*	12%	44%	*56%*	26%	*31%*	*10%*	1%	0%	0%

6		Yes		No		Don't know	
		C	M	C	M	C	M
	Repayments on loan	*89%*	83%	4%	7%	7%	10%

7		A		B		C		D		E	
		C	M	C	M	C	M	C	M	C	M
	Range of shares	12%	*18%*	*48%*	*36%*	*32%*	28%	8%	*12%*	0%	*4%*

8		A		B		C	
		C	M	C	M	C	M
	Higher-level knowledge	5%	12%	*73%*	68%	22%	20%

Also, Table 4 shows that most China respondents provide the right answer for the repayments on loan with 89%. Besides, most respondents think "A range of shares" would have the highest return over the long term, respectively occupying 48% in China and 36% in Malaysia. Moreover, it shows that most people have correct knowledge about that "One-year term deposit at 7% interest per annum paid quarterly back into the term deposit" would pay the most interest. However, China respondents have a higher-level knowledge with a higher percentage of 73%. In conclusion, Chia respondents have a higher level of knowledge of financial products, but this difference is not significant.

Frequency of Dependent Variable

Table 5 shows that most of Malaysia respondents use "Very well" to describe the first situation that "I could handle a major unexpected expense" with 43% and the fourth situation that "I can enjoy life because of the way I am managing my money" with 53%, while most Chinses respondents describe the same situation with "Somewhat", occupying 44% and 54% respectively. Furthermore, it also implies that most of Malaysia respondents think the second situation that "I am securing my financial future" can be described as "very well" with 46%, by contrast, 48% of China respondents describe the situation as "Somewhat". Besides, it is funny to find that most of both China and Malaysia respondents use "Somewhat" to describe the third situation that "Because of my money situation, I

feel like I will never have the things I want in life" and the sixth situation that "I am concerned that the money I have or will save will not last", occupying 58% & 43% for China and 48% & 50% for Malaysia respectively. Also, 49% of Malaysia respondents consider their fifth situation that "I am just getting by financially" as "Somewhat", while 45% of China respondents choose "Very little" for this situation.

Table 5: Percentage of Financial Well-being by Respondents in China and Malaysia

This statement describes me	Completely		Very well		Somewhat		Very little		Not at all	
	C	M	C	M	C	M	C	M	C	M
1. I could handle a major unexpected expense	6%	8%	33%	*43%*	*44%*	39%	14%	10%	3%	0%
2. I am securing my financial future	8%	10%	40%	*46%*	*48%*	42%	4%	2%	0%	0%
3. Because of my money situation, I feel like I will never have the things I want in life	1%	0%	19%	24%	*58%*	*48%*	20%	28%	2%	0%
4. I can enjoy life because of the way I am managing my money	2%	4%	36%	*53%*	*54%*	41%	8%	2%	0%	0%
5. I am just getting by financially	9%	4%	7%	2%	32%	*49%*	*45%*	42%	7%	3%
6. I am concerned that the money I have or will save will not last	0%	0%	26%	33%	*43%*	*50%*	16%	12%	15%	5%
	Always		Often		Sometimes		Rarely		Never	
	C	M	C	M	C	M	C	M	C	M
7. Giving a gift for a wedding	6%	0%	*54%*	22%	22%	*38%*	14%	30%	4%	10%
8. I have money left over at end of the month	5%	15%	7%	*48%*	*50%*	35%	28%	2%	10%	0%
9. I am behind with my finance	4%	0%	*38%*	22%	32%	*40%*	22%	30%	4%	8%
10. My finances control my life	28%	2%	*44%*	34%	20%	*44%*	6%	16%	2%	4%

Besides, it indicates that most China respondents "Often" would have a strain on finances for giving gifts with 54%, while most Malaysia respondents only "Sometimes" would have financial pressure on presents giving. This is possible because China people usually should give a high-value gift for an occasion. Also, Malaysia respondents "Often" have money left at the end of the month, occupying 48%, while half of China respondents "Sometimes" have money left over a month. Besides, 38% of China respondents "Often" be behind with their finance, while most Malaysia respondents "Sometimes" behind with their finance, reflecting 40%. Finally, 44% of China respondents think their finances "Often" control their life, while 44% of Malaysia respondents think the finances "Sometimes" control their life.

In conclusion, based on the value of "mean", Table 6 shows that China's respondents have a higher income level compared to Malaysia's. Furthermore, more Chinese are work currently. Besides, it indicates that Malaysia respondents have a higher level of financial knowledge. Also, it can be concluded that Malaysia's people have a high level of financial wellbeing.

Table 6: Comparison of Respondents of China and Malaysia

Variables	Mean		Standard deviation	
	China	Malaysia	China	Malaysia
Income level	**4.23**	3.91	**1.814**	1.700
Employment status	**0.91**	0.90	0.288	**0.302**
Financial knowledge level	6.8	**7.0**	**4.149**	4.015
Financial wellbeing	55.63	**56.85**	**18.196**	18.059

Independent Variable

As shown in Table 7, the R square value (0.30) suggests that income level explain 30% of the variation in China people's financial wellbeing. This also means that 30% of China people's financial wellbeing is predicted by income level. For Malaysia's respondents, R square value (0.27) suggests that income level explain 27% of the variation in Malaysia people's financial wellbeing. This also means that 27% of Malaysia people's financial wellbeing is predicted by income level. By comparison, China people's financial wellbeing is more influenced by income level. Besides, the R square value (0.30) suggests that employment status explain 30% of the variation in China people's financial wellbeing. This also means that 30% of China people's financial wellbeing is predicted by employment status.

Table 7: Summary of Simple Regression Analyses for Independent Variables

Independent variables	R Square		Significance F	
	China	Malaysia	China	Malaysia
Income level	**0.30**	0.27	0.00	0.00
Employment status	0.30	**0.36**	0.00	0.00
Financial knowledge	**0.42**	**0.42**	0.00	0.00

For Malaysia's respondents, R square value (0.36) suggests that employment status explain 36% of the variation in Malaysia people's financial wellbeing. This also means that 36% of Malaysia people's financial wellbeing is predicted by employment status. By comparison, China people's financial wellbeing is less influenced by employment status. Also, the R square value (0.42) suggests that financial knowledge level explain 42% of the variation in China and Malaysia people's financial wellbeing. This also means that 42% of China and Malaysia people's financial wellbeing is predicted by financial knowledge level.

To conclude, the above R square indicates that income level, employment status and financial knowledge level would significantly affect China and Malaysia people's financial wellbeing. Moreover, the significant level (0.00<0.05) in Table 7 shows that there is a significant relationship between people's income level, employment status, financial knowledge level and financial wellbeing in China and Malaysia. Thus, income levels, employment status, and financial knowledge could influence the financial wellbeing of people in China and Malaysia.

Dependent Variable

Table 8 shows that T-stat (-0.4759) > T-critical (-1.972), thus there is no significant difference in financial wellbeing among people in China compared to Malaysia.

Table 8: t-Test of People's Financial Well-being in China and Malaysia

	Variable 1	Variable 2
Observations	100	100
df	198	
t Stat	-0.475890295	
t Critical two-tail	1.972017478	

Conclusion and Recommendations

The study concludes that: there is a significant relationship between the variables of study as conceptualised. The independent variables (income level, employment status and financial knowledge level) significantly impact people's financial wellbeing in China and Malaysia. The study can provide some useful information such as the efforts and initiatives, which are taken by the government to improve the financial wellbeing of people. The government could take effort to increase people's income and help people be employed to improve their financial wellbeing. Also, the government can take some measures to enhance people's awareness of financial knowledge's impact on financial wellbeing. It is suggested that financial education programs should be addressed so that they can make correct decisions related to financial matter. (Yin-Fah et al., 2010).

Besides, people could try to learn some financial knowledge, which could help them manage money and assets. Besides, there is no significant between people's financial wellbeing in China and Malaysia. Thus, these countries' governments can learn from each other such as policies or measures and take effort to improve people's financial wellbeing together. However, the results of this study are limited to China's people mainly in Shandong Province and Malaysia's people in Seri Kembangan area, not all over China and Malaysia. There is a need for further research to investigate other factors such as financial attitude, financial problems and financial practices that influence people's financial wellbeing using a wide spectrum of variables, and try to find more measures to improve people's financial wellbeing in China and Malaysia.

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