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**FAMILY FINANCIAL MANAGEMENT IN HOUSEHOLD CONSUMPTION
AMONG MUSLIMS IN JOHOR**

MOHAMED ABU BAKER BIN M MOHAIDEEN



**MASTER OF ISLAMIC FINANCE AND BANKING
UNIVERSITI UTARA MALAYSIA**

2024

**FAMILY FINANCIAL MANAGEMENT IN HOUSEHOLD CONSUMPTION
AMONG MUSLIMS IN JOHOR**



MOHAMED ABU BAKER BIN M MOHAIDEEN

Thesis Submitted to

College of Business

Universiti Utara Malaysia

In Fulfilment of the Requirement for the Master of Islamic Finance and

Banking



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Calon untuk Ijazah Sarjana
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ABSTRACT

This study aims to evaluate family financial management in preventing unnecessary consumption among Muslim households. Poor financial planning, low financial literacy, and rising household debt are growing issues in Malaysia, especially among young Muslim families. Using a quantitative approach, primary data were collected through questionnaires distributed in Masai, Permas Jaya, and Pasir Gudang. The data were analyzed using SPSS version 29. Findings highlight five significant factors: household income, occupation, family background, financial literacy, and education level. The study supports the application of Islamic financial principles to guide responsible spending, avoid excessive debt, and promote effective household financial management in line with Islamic values.

Keywords: Family Financial Management, Household Income, Family Background, Financial Literacy, Education Level.

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ABSTRAK

Kajian ini bertujuan menilai pengurusan kewangan keluarga dalam mencegah penggunaan tidak perlu dalam kalangan isi rumah Muslim. Perancangan kewangan yang lemah, celik kewangan yang rendah, dan hutang isi rumah yang meningkat menjadi isu utama di Malaysia, khususnya dalam kalangan keluarga Muslim muda. Pendekatan kuantitatif digunakan dengan pengumpulan data utama melalui soal selidik yang diedarkan di Masai, Permas Jaya dan Pasir Gudang. Data dianalisis menggunakan SPSS versi 29. Dapatan menunjukkan lima faktor utama: pendapatan isi rumah, pekerjaan, latar belakang keluarga, celik kewangan dan tahap pendidikan. Kajian ini menyokong prinsip kewangan Islam dalam menggalakkan perbelanjaan berhemah dan mengelakkan hutang berlebihan.

Kata kunci: Pengurusan Kewangan Keluarga, Pendapatan Isi Rumah, Latar Belakang Keluarga, Celik Kewangan, Tahap Pendidikan.

\

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TABLE OF CONTENTS

ABSTRACT	iii
ABSTRAK	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vii
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE	12
INTRODUCTION.....	12
1.1 Introduction	12
1.2 Background of Study	13
1.3 Problem Statement.....	14
1.4 Research Question	16
1.5 Research Objective	16
1.6 Scope of the Study	16
1.7 Significance of the Study	17
1.8 Limitations of the Study	17
1.9 Key Definition of Terms	18
1.10 Organisation of the Study.....	19
CHAPTER TWO	21
LITERATURE REVIEW	21
2.1 Introduction.....	21
2.2 Conceptual Framework.....	21
2.3 Household Consumption	22
2.4 Household Income.....	24
2.5 Religiosity.....	27
2.6 Family Background	28
CHAPTER THREE	36
RESEARCH METHODOLOGY	36
3.1 Introduction.....	36
3.2 Research Design	37
3.3 Quantitative Research	38

3.3.1 Data and Sources.....	38
3.3.2 Primary Data.....	39
3.3.3 Research Instrument.....	39
3.3.4 Data Analysis and Interpretation	40
3.4 Multiple Regression Analysis	40
3.5 Summary.....	41
CHAPTER 4.....	43
FINDINGS AND ANALYSIS	43
DISCUSSION AND CONCLUSION	57
5.1 Introduction.....	57
APPENDICES	68
Appendix A: Questionnaires.....	68



LIST OF TABLES

	Page
Table 4.1: Demographic Profile	46
Table 4.2: Interpretation of Level According to Mean Value	48
Table 4.3: Descriptive Statistics for Religiosity	49
Table 4.4: Descriptive Statistics for Family Background	50
Table 4.5: Descriptive Statistics for Financial Literacy	51
Table 4.6: Durbin-Watson Statistics	55
Table 4.7: Regression Analysis Result	56
Table 4.8: Summarized Findings according to Research Questions	57



LIST OF FIGURES

	Page
Figure 2.1: Theoretical Model on Household Consumption	23
Figure 2.2: Household Gross Income by State (2022)	25
Figure 2.3: Household Income Malaysia (2022)	26
Figure 2.4: Percentage of Household Income by Class Malaysia 2022	27
Figure 4.1: Histogram of Residuals	53
Figure 4.2: Scatterplot Standardized Residuals versus Predicted Values	54



LIST OF ABBREVIATIONS

SAC	Shariah Advisory Council
US	United States
BNM	Bank Negara Malaysia
OFE	Office of Financial Education
AKPK	Agensi Kaunseling Pengurusan Kredit
MEM	Ministry of Education Malaysia
GDP	Gross Domestic Product
AIF	Asian Institute of Finance
CCRC	Consumer Resource and Research Centre
IFWM	Islamic Family Wealth Management
HES	Household Expenditure Survey
DOSM	Department of Statistics Malaysia
PGK	Poverty Income Line
EPF	Employee Provident Fund
SPSS	Statistical Package for the Social Sciences
CFA	Confirmatory Factor Analysis
MLE	Maximum Likelihood Estimation
GLC	Government Linked Company

CHAPTER ONE

INTRODUCTION

1.1 Introduction

(Lusardi, 2019) identifies poor financial behavior as a key factor behind financial difficulties, with many individuals struggling to manage their finances efficiently. This issue has led to financial distress among employees, particularly in the U.S. (Mitchell and Lusardi, 2015). To address this, (Arsyianti and Kassim, 2018) emphasize the need for national financial inclusion programs to improve financial literacy.

In Malaysia, Bank Negara Malaysia (BNM) established Agensi Kaunseling Pengurusan Kredit (AKPK) in 2006 to provide free financial counseling and debt management services. The Ministry of Education Malaysia (MEM) also integrated financial education into the school curriculum, and BNM organizes financial awareness programs nationwide (Murugiah, 2016).

Despite these efforts, household debt in Malaysia remains a concern, with the highest private household debt among 14 Asian nations (Othman, Rahim, and Sabri, 2015). Unplanned spending is a major factor, as 40% of Malaysians under 35 struggle with debt due to reckless spending (Asian Institute of Finance, 2015). Additionally, 30% of employees' income is spent on debt repayments, and 15% have no savings (Consumer Resource and Research Centre, 2012). Consequently, over 94,000 Malaysians were declared bankrupt between 2013 and 2017 (Malaysia Department of Insolvency, 2017).

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APPENDICES

Appendix A: Questionnaires



Dear respondents,

You are invited to participate in this research entitle **FAMILY FINANCIAL MANAGEMENT IN HOUSEHOLD CONSUMPTION AMONG MUSLIM IN JOHOR**

Please be assured that all information obtained from this questionnaire WILL BE STRICTLY CONFIDENTIAL and will be used for academic purposes only. Your kind participation and assistance in making sure this study successful is highly appreciated.

INSTRUCTIONS:

- Please answer ALL questions and simply tick (✓), fill in or circle one of your preferred answer.
- There is no right or wrong answer but your careful consideration of each response, based on your own experiences and beliefs in sought.
- ALL information will be treated as CONFIDENTIAL and only statistical aggregations will be reported.

For further inquiry, please contact: Mohamed Abu Baker bin M.Mohaideen 010-6697015, Email: m.abubaker1992@gmail.com

Yours sincerely,

MOHAMED ABU BAKER BIN M MOHAIDEEN

Master of Islamic Finance and Banking (MIFB), UUM

INTRODUCTION

SECTION A: DEMOGRAPHIC INFORMATION

This section is on demographic details of the respondents. Direction: Please select the best option that describes you.

1) Gender

<input type="checkbox"/>	Male	<input type="checkbox"/>	Female
--------------------------	------	--------------------------	--------

2) Age

<input type="checkbox"/>	20-29	<input type="checkbox"/>	30-39	<input type="checkbox"/>	40-49	<input type="checkbox"/>	50 and above
--------------------------	-------	--------------------------	-------	--------------------------	-------	--------------------------	--------------

3) Employment sector

<input type="checkbox"/>	Government	<input type="checkbox"/>	Private	<input type="checkbox"/>	GLC	Others: _____ (please specify)
--------------------------	------------	--------------------------	---------	--------------------------	-----	--------------------------------

4) Employment Status

<input type="checkbox"/>	Permanent	<input type="checkbox"/>	Contract	<input type="checkbox"/>	Temporary
--------------------------	-----------	--------------------------	----------	--------------------------	-----------

5) Position

<input type="checkbox"/>	Non- Executive
<input type="checkbox"/>	Supervisor
<input type="checkbox"/>	Executive
<input type="checkbox"/>	Manager
<input type="checkbox"/>	Business Owner

6) Level of Education

<input type="checkbox"/>	Diploma
<input type="checkbox"/>	Bachelor Degree
<input type="checkbox"/>	Master's or Doctoral Degree

Others: _____ (please specify)

7) Marital Status

<input type="checkbox"/> Single	<input type="checkbox"/> Married	<input type="checkbox"/> Divorced	<input type="checkbox"/> Widow
---------------------------------	----------------------------------	-----------------------------------	--------------------------------

8) Monthly Income (in RM):

<input type="checkbox"/>	Less than 3,000
<input type="checkbox"/>	3,001 – 5,000
<input type="checkbox"/>	5,001 – 7,000
<input type="checkbox"/>	More than 7000



9) Household Consumption (Monthly):

<input type="checkbox"/>	0 - 1,000
<input type="checkbox"/>	1,001 – 2,000
<input type="checkbox"/>	2,001 – 3,000
<input type="checkbox"/>	3,001-4,000
<input type="checkbox"/>	4,001 and above

SECTION B: Descriptive Statistics for Religiosity, Family Background, and
Financial Literacy

Direction: Please circle the number of your answer that relates your opinion.

Religiosity

1	2	3	4	5
Strongly Disagree	Slightly Disagree	Partly Agree	Slightly Agree	Strongly Agree

No	Religiosity	Strongly Disagree					Strongly Agree				
		1	2	3	4	5	1	2	3	4	5
10.	I pray five times a day	1	2	3	4	5	1	2	3	4	5
11.	I fast regularly in the month of Ramadhan	1	2	3	4	5	1	2	3	4	5
12.	I pay zakat every year whenever I fulfil the prescribed criteria	1	2	3	4	5	1	2	3	4	5
13.	I follow Islamic injunctions in all matters of my life	1	2	3	4	5	1	2	3	4	5
14.	I feel sad if I did not read/recite the Al-Quran everyday	1	2	3	4	5	1	2	3	4	5
15.	I always try to avoid minor and major sin	1	2	3	4	5	1	2	3	4	5
16.	I always keep myself away from earning through haram (prohibited) means	1	2	3	4	5	1	2	3	4	5
17.	I always spending on unnecessary items to show off	1	2	3	4	5	1	2	3	4	5
18.	The Sunnah traditions of Rasulullah are applicable and practicable at all times	1	2	3	4	5	1	2	3	4	5
19.	All mankind's deeds will be judged and rewarded accordingly after death	1	2	3	4	5	1	2	3	4	5

Family Background

1	2	3	4	5
Strongly Disagree	Slightly Disagree	Partly Agree	Slightly Agree	Strongly Agree

No	Family Background	Strongly Disagree					Strongl	
		y Agree						
20.	My parent educate me on how to save money	1	2	3	4	5		
21.	My parent is very careful in spending their own money	1	2	3	4	5		
22.	During my childhood, my parent gives reward every time I manage to save money	1	2	3	4	5		
23.	My parent is my example when it comes to money management	1	2	3	4	5		
24.	My parent/ family have strong financial background	1	2	3	4	5		

Financial Literacy

Direction: Please circle the number of your answer that relates your opinion.

1	2	3	4	5
Strongly Disagree	Slightly Disagree	Partly Agree	Slightly Agree	Strongly Agree

No	Financial Literacy	Strongly Disagree Strongly Agree				
25.	I have sufficient knowledge on financial management	1	2	3	4	5
26.	I have sufficient knowledge on financial management	1	2	3	4	5
27.	I am able to prepare my own monthly budget	1	2	3	4	5
28.	I understand of my financial needs during retirement	1	2	3	4	5
29.	I have knowledge in calculating my monthly consumption	1	2	3	4	5
30.	I can differentiate between necessary and unnecessary consumption	1	2	3	4	5

THANK YOU

Descriptives

Descriptive Statistics							
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Std. Error
Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Religiosity	71	3.78	5.00	4.7355	.33564	-1.224	.285
Family_Bground	71	3.50	5.00	4.5201	.36962	-.734	.285
Financial_Lit	71	2.17	5.00	4.1056	.67214	-.491	.285
Valid N (listwise)	71						

Descriptive Statistics			
	Kurtosis		
	Statistic	Std. Error	
Religiosity	.422	.563	
Family_Bground	-.086	.563	
Financial_Lit	-.172	.563	
Valid N (listwise)			

Frequencies

Statistics							
	1. Gender	2. Age	3. Employment Sector	4. Employment Status	5. Position	6. Level of Education	
N	Valid	71	71	71	71	71	71
	Missing	0	0	0	0	0	0

Statistics

		7. Marital status	8. Household income	9. Household Consumption (Monthly)
N	Valid	71	71	71
	Missing	0	0	0

Frequency Table

1. Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	30	42.3	42.3	42.3
	Female	41	57.7	57.7	100.0
	Total	71	100.0	100.0	

2. Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	10	14.1	14.1	14.1
	30-39	41	57.7	57.7	71.8
	40-49	14	19.7	19.7	91.5
	50 and above	6	8.5	8.5	100.0
	Total	71	100.0	100.0	

3. Employment Sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government	48	67.6	67.6	67.6
	Private	13	18.3	18.3	85.9
	GLC	10	14.1	14.1	100.0
	Total	71	100.0	100.0	

4. Employment Status

		Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Permanent	63	88.7	88.7	88.7
	Contract	8	11.3	11.3	100.0
	Total	71	100.0	100.0	

5. Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non-executive	23	32.4	32.4	32.4
	supervisor	4	5.6	5.6	38.0
	executive	39	54.9	54.9	93.0
	manager	5	7.0	7.0	100.0
	Total	71	100.0	100.0	

6. Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	8	11.3	11.3	11.3
	Bachelor's Degree	46	64.8	64.8	76.1
	Master's or Doctoral Degree	8	11.3	11.3	87.3
	Other	9	12.7	12.7	100.0
	Total	71	100.0	100.0	

7. Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	9	12.7	12.7	12.7
	Married	61	85.9	85.9	98.6
	Widowed	1	1.4	1.4	100.0
	Total	71	100.0	100.0	

8. Household income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than RM3,001	8	11.3	11.3	11.3

RM3001- RM5,000	21	29.6	29.6	40.8
RM5,001- RM7,000	14	19.7	19.7	60.6
More than RM7000	28	39.4	39.4	100.0
Total	71	100.0	100.0	

9. Household Consumption (Monthly)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	RM 0-RM1000	3	4.2	4.2	4.2
	RM 1001-RM2000	10	14.1	14.1	18.3
	RM 2001-RM3000	17	23.9	23.9	42.3
	RM 3000-RM4000	16	22.5	22.5	64.8
	RM 4001 and above	25	35.2	35.2	100.0
	Total	71	100.0	100.0	

Descriptives

Descriptive Statistics

	N	Mean	Std. Deviation
10. I pray five times a day	71	4.87	.476
11. I fast regularly in the month of Ramadhan	71	4.94	.29
12. I pay zakat every year whenever I fulfil the prescribed criteria	71	4.93	.31
13. I follow Islamic injunctions in all matters of my life	71	4.73	.51
14. I feel sad if I did not read/recite the Al-Quran	71	4.46	.81

everyday			
15. I always try to avoid minor and major sin	71	4.70	.52
16. I always keep myself away from earning through haram (prohibited) means	71	4.83	.70
17. I always spending on unnecessary items to show off	71	4.61	.67
18. The Sunnah traditions of Rasulullah are applicable and practicable at all times	71	4.54	.67
19. All mankind's deeds will be judged and rewarded accordingly after death	71	4.87	.38
Valid N (listwise)	71		

Descriptives

Descriptive Statistics

	N	Mean	Std. Deviation
20. My parent educate me on how to save money	71	4.27	.86
21. My parent is very careful in spending their own money	71	4.28	.91
22. During my childhood, my parent gives reward every time I manage to save money	71	3.21	1.12

23. My parent is my example when it comes to money management	71	4.03	1.00
24. My parent/ family have strong financial background	71	3.20	1.13
Valid N (listwise)	71		

Descriptives

Descriptive Statistics

	N	Mean	Std. Deviation
25. I have sufficient knowledge on financial management	71	3.73	.93
26. I am able to manage my credit card usage	71	3.82	1.29
27. I am able to prepare my own monthly budget	71	4.23	.83
28. I understand of my financial needs during retirement	71	4.34	.81
29. I have knowledge in calculating my monthly consumption	71	4.21	.79
30. I can differentiate between necessary and unnecessary consumption	71	4.31	.75
Valid N (listwise)	71		

Descriptives

Descriptive Statistics

	N	Mean	Std. Deviation
Religiosity	71	4.74	.34
Family_Bground	71	4.52	.37
Financial_Lit	71	4.11	.67
Valid N (listwise)	71		

PLUM - Ordinal Regression

Warnings

There are 267 (79.7%) cells (i.e., dependent variable levels by observed combinations of predictor variable values) with zero frequencies.

Case Processing Summary

		N	Marginal Percentage
9. Household Consumption (Monthly)	RM 0-RM1000	3	4.2%
	RM 1001-RM2000	10	14.1%
	RM 2001-RM3000	17	23.9%
	RM 3000-RM4000	16	22.5%
	RM 4001 and above	25	35.2%
5. Position	Non-executive	23	32.4%
	supervisor	4	5.6%
	executive	39	54.9%
	manager	5	7.0%
6. Level of Education	Diploma	8	11.3%
	Bachelor's Degree	46	64.8%
	Master's or Doctoral Degree	8	11.3%
	Other	9	12.7%
8. Household income	Less than RM3,001	8	11.3%
	RM3001-RM5,000	21	29.6%
	RM5,001-RM7,000	14	19.7%
	More than RM7000	28	39.4%
Valid		71	100.0%

Missing	0
Total	71

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	205.275			
Final	160.907	44.368	11	<.001

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	189.085	253	.999
Deviance	159.521	253	1.000

Link function: Logit.

Pseudo R-Square

Cox and Snell	.465
Nagelkerke	.491
McFadden	.215

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[@9.HouseholdConsumptionMonthly = 1]	-5.010	3.599	1.938	1	.164
	[@9.HouseholdConsumptionMonthly = 2]	-2.223	3.480	.408	1	.523
	[@9.HouseholdConsumptionMonthly = 3]	-.314	3.486	.008	1	.928
	[@9.HouseholdConsumptionMonthly = 4]	1.006	3.488	.083	1	.773

Location	Family_Bground	.641	.718	.797	1	.372
	Financial_Lit	.134	.394	.115	1	.735
	[@5.Position=1]	-1.300	1.142	1.295	1	.255
	[@5.Position=2]	-.610	1.432	.182	1	.670
	[@5.Position=3]	-1.441	1.129	1.628	1	.202
	[@5.Position=4]	0 ^a	.	.	0	.
	[@6.LevelofEducation=1]	-2.001	1.005	3.963	1	.047
	[@6.LevelofEducation=2]	-.953	.890	1.147	1	.284
	[@6.LevelofEducation=3]	-1.146	1.076	1.134	1	.287
	[@6.LevelofEducation=4]	0 ^a	.	.	0	.
	[@8.Householdincome=1]	-5.535	1.167	22.500	1	<.001
	[@8.Householdincome=2]	-1.933	.607	10.131	1	.001
	[@8.Householdincome=3]	-.523	.691	.573	1	.449
	[@8.Householdincome=4]	0 ^a	.	.	0	.

Parameter Estimates

		95% Confidence Interval	
		Lower Bound	Upper Bound
Threshold	[@9.HouseholdConsumptionMonthly = 1]	-12.064	2.043
	[@9.HouseholdConsumptionMonthly = 2]	-9.042	4.597
	[@9.HouseholdConsumptionMonthly = 3]	-7.147	6.519
	[@9.HouseholdConsumptionMonthly = 4]	-5.831	7.842
Location	Family_Bground	-.766	2.048
	Financial_Lit	-.638	.905
	[@5.Position=1]	-3.539	.939
	[@5.Position=2]	-3.416	2.196
	[@5.Position=3]	-3.654	.772
	[@5.Position=4]	.	.

[@6.LevelofEducation=1]	-3.971	-.031
[@6.LevelofEducation=2]	-2.697	.791
[@6.LevelofEducation=3]	-3.255	.963
[@6.LevelofEducation=4]	.	.
[@8.Householdincome=1]	-7.823	-3.248
[@8.Householdincome=2]	-3.123	-.743
[@8.Householdincome=3]	-1.879	.832
[@8.Householdincome=4]	.	.

Link function: Logit.

a. This parameter is set to zero because it is redundant.

Test of Parallel Lines^a

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	160.907			
General	145.164 ^b	15.744 ^c	33	.995

The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.^a

a. Link function: Logit.

b. The log-likelihood value cannot be further increased after maximum number of step-halving.

c. The Chi-Square statistic is computed based on the log-likelihood value of the last iteration of the general model. Validity of the test is uncertain.

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	71	100.0
	Excluded ^a	0	.0
	Total	71	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.766	10

Reliability

Scale: ALL VARIABLES



Case Processing Summary

		N	%
Cases	Valid	71	100.0
	Excluded ^a	0	.0
	Total	71	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.855	5

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	71	100.0
	Excluded ^a	0	.0
	Total	71	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.827	6

