Information Management and Business Review (ISSN 2220-3796)
Vol. 16, No. 4, pp. 27-33, Dec 2024

Exploring the Determinants of Financial Well-Being among Rural Households

[1]Suhailah Ibrahim*, [1]Suzana Ab Rahman, [1]Hamidah Norman, [1]Noor Azlin Abu Kasim,
[2]Intan Maizura Abdul Rashid
[1]Universiti Islam Melaka, Malaysia
[2]Universiti Teknologi MARA, Malaysia
*suhailah@unimel.edu.my
Corresponding Author: Suhailah Ibrahim

Abstract: Household financial well-being plays an important role in the B40 community. This study aims to explore the determinants of financial well-being. The literature proves that the level of financial skills and access to financial knowledge significantly influence household financial well-being among the B40 community. In addition, the influence of external factors such as access to financial services, social support, or financial development programs also affects household financial management practices B40 community. This study emphasizes the elements of digital financial literacy, financial socialization, and savings and investment toward the financial well-being of rural households. This kind of concept paper can contribute to knowledge, especially in guiding students, academics, and policymakers, to learn about the concepts of rural financial well-being that exist.

Keywords: *Financial well-being, financial literacy, financial socialization, saving, investment*

1. Introduction

This study will focus on the specific study of financial management factors that affect the financial well-being of households in the B40 community. Deeper research into aspects of financial management, income diversification, and its direct impact on financial stability in households forms the basis of this research.

There have been several studies in the last 5 years that examine the financial well-being of individuals and communities and its relationship to social and community development. Among them is a study on "Financial Management Practices among Urban Poor: A Case Study in Malaysia" (Yusof & Rahman, 2017). This study explores financial management practices in the context of urban poor communities in Malaysia. The main focus of the study is to outline the savings strategies used as well as aspects of debt management that are a priority in the financial life of the B40 community. This research emphasizes the factors that affect financial stability and the strategies used by the B40 community to ensure more stable finances in their daily lives.

The study conducted by Hamid & Ismail (2019) on "Factors Contributing to Financial Satisfaction among B40 Urban Households in Malaysia". It emphasizes the factors that contribute to financial satisfaction among B40 households in urban areas of Malaysia. Through a combination of socioeconomic and psychological aspects, this study recognizes the elements that have a significant impact on financial satisfaction in this community.

This study is in line with the study: "Determinants of Household Resilience in Low-Cost Homeownership Program in Malaysia" (Lim & Tan, 2018). This study focuses on the factors that affect household resilience in the low-cost homeownership program in Malaysia. The research approach uses the context of the homeownership program as a starting point to identify the important elements that make up the household's ability to deal with financial pressure and challenging situations.

In addition, the study "Financial Literacy and Financial Well-Being among the B40 in Malaysia: The Mediating Role of Financial Behavior" also examines the relationship between financial literacy, financial behavior, and financial well-being among the B40 community in Malaysia. Emphasis is placed on the influence of financial literacy on financial behavior as well as its impact on financial well-being in a community context (Che Hashim & Abdul Manaf, 2020).

Study Household financial well-being among the B40 community plays an important role in ensuring economic stability and family well-being. However, there is a need to better understand and study in depth the factors that influence the financial management practices of individuals in this community as well as their relationship with household well-being. Although previous studies have examined the relationship between financial literacy and household well-being, there is still a lack of understanding of the direct impact of certain factors such as effective financial management practices and income diversification on household financial well-being among the B40 community. A low-income family known as a B40 family is a family with a household income of RM 3855 per month and below. This group is very susceptible to high risk when there is economic pressure in a country.

Financial problems in the B40 group are often closely related to low income compared to the rising cost of living. This group often faces difficulties in meeting basic needs such as housing, education, health, and daily needs. The lack of access to good job opportunities and financial support is the main challenge for this group in producing prosperous finances Muhammad & Nasir (2023). Financial problems are among the factors that contribute to the B40 group and couples' self-pressure leading to the outbreak of domestic violence. The results of a previous study found that the pressure of financial problems faced in the household prompts husbands to commit various forms of abuse against their wives who are victims of domestic violence (Yusof et al, 2020).

The results of the 5th Population and Family Study found that one of the main causes of divorce in a marriage is normalized by poor financial planning among young people. Young people now make the 'trend' of marriage with unstable finances. This can be seen through statistics from the National Registration Department showing that financial problems are one of the main causes of divorce cases in Malaysia, which is 17,359 cases (Nadzri, 2020).

The Malaysian Marriage and Divorce Statistics Report in 2020 shows that the number of divorces among the people of this country increased by 12 percent which is 56,975 divorce cases recorded in 2019 compared to 50,862 in the previous year. According to the Malaysian Marriage and Divorce Statistics Report (2020), about 80 percent of the total number of divorce cases in this country involve the B40 group such as small traders, restaurant assistants, and factory workers and some are self-employed (Che Hashim et al, 2020).

Financial management in B40 community households plays an important role in ensuring economic stability and family well-being. However, there is a need to better understand and study in depth the relationship between financial management and household financial well-being. Although previous studies have examined the relationship between financial literacy and household well-being, there is a lack of understanding of the direct impact of certain factors such as effective financial management and income diversification on household financial well-being among the B40 community.

2. Literature Review

Financial Well-Being Among Rural Area

Financial well-being among rural communities is strongly influenced by several key factors, including digital financial literacy, financial socialization, and savings and investments. The following is a discussion of how each of these factors affects the financial well-being of rural communities: Digital financial literacy refers to an individual's ability to understand and use financial information through digital platforms. Among rural communities, digital financial literacy is important because it facilitates access to financial information, digital banking services, and investment opportunities. According to the study, the increase in digital financial literacy among rural residents is closely related to the increase in financial well-being because it allows them to make better financial decisions and reduce the risk of financial fraud Muhammad & Nasir (2023). Financial socialization involves the process by which individuals learn financial values, norms, and practices through social interactions with family, friends, and community. In rural areas, where access to formal education may be limited, financial socialization plays an important role in shaping financial understanding and behavior. Studies show that effective financial socialization through family and community can improve financial knowledge and financial management practices, which in turn contribute to better financial well-being. Ahmad & Zainal (2023) The addition is through Lim & Lee (2024) Savings and investments are the main determinants of financial well-being. Among rural communities, savings are generally lower than in urban communities, largely due to lower incomes and limited investment opportunities. However, initiatives to promote savings and investment, including the use of technology

The relationship of digital financial literacy to financial well-being

Digital financial literacy plays an important role in improving the financial well-being of households by enabling them to manage their finances more efficiently, protect themselves from financial risks, and take advantage of access to various financial services. Through this literacy, households can track expenses, save money, and invest better, as well as identify and avoid digital financial scams that can damage their well-being. In addition, digital financial literacy also expands access to financial services, including microloans and insurance, which previously may have been difficult to access, especially for the underprivileged. Overall, these skills contribute to the financial stability and improved living standards of households in the growing digital age.

Table 1: Literature Review for the relationship of digital financial literacy to financial well-being

Author & Year	Subjects Researched Study	Findings	Relationship to Financial Well-Being
Rahayu, R., Juita, V., & Rahman, A. (2024)	Studies show that digital financial literacy significantly influences financial behavior, including saving and spending habits, which in turn improves the financial well-being of women in Indonesia.	Digital financial literacy improves an individual's ability to better manage finances, leading to improved financial well-being through smarter savings and spending management.	Digital financial literacy improves an individual's ability to better manage finances, leading to improved financial well-being through smarter savings and spending management.
Lee, K., & Kim, S. (2023)	Digital Financial Literacy and Financial Well-Being in South Korea	Studies have found that digital financial literacy is closely related to financial well-being, especially among those who can protect themselves from digital fraud and make better financial decisions.	Digital financial literacy helps protect individuals from digital financial risks such as fraud, while improving overall financial well-being.
Singh, R., & Malik, S. (2022)	Financial Inclusion and Digital Financial Literacy in India	The results of the study show that digital financial literacy and financial inclusion are important factors that affect financial well-being. Digital financial literacy helps in improving access to financial services.	Digital financial literacy improves access to financial services, which is important for improving financial well-being, especially among disadvantaged communities.

The relationship of financial socialization to financial well-being

Financial socialization plays an important role in financial well-being among households by forming the basis of behavior and financial decisions taken throughout life. Financial socialization that begins in childhood, through exposure to family financial conversations, involvement in family financial management, and examples of financial behavior by parents or guardians, helps build strong financial values and norms. Studies show that individuals who receive good financial socialization from early on tend to make smarter financial decisions, which leads to stability and increased financial well-being in adulthood. This financial socialization also helps in the formation of a strong financial identity, which in turn contributes to the ability to manage finances effectively and achieve long-term financial goals.

Table 2: Literature Review The relationship of financial socialization to financial well-being

Author & Year	Subjects Researched Study	Findings	Relationship to Financial Well-Being
Young, J. H., Copeland, C. W., & Hudson, C. R. (2024)	Financial Socialization and Financial Well-Being Among Young Adults in the United States	This study found that financial socialization from childhood through parents, friends, and teachers has a significant impact on the financial well-being of young adults.	Strong financial socialization in childhood increases the ability to make better financial decisions in adulthood, leading to better financial well-being.
LeBaron, A. B., & Kelley, H. (2023)	The Role of Financial Socialization in the Formation of Financial Identity	This study shows that financial socialization from the family influences the formation of a strong financial identity, which in turn contributes to the individual's financial well-being.	A strong financial identity assists individuals in managing their finances more effectively, increasing their ability to achieve financial goals and overall financial well-being.
Danes, S. M., & Yang, J. (2022)	Childhood Consumer Experiences and Their Influence on Financial Well-Being	This study found that consumer experiences during childhood, such as exposure to family financial management, play an important role in shaping financial behavior in adulthood.	Financial experience from an early age through observation and involvement in family finances helps build the foundation for responsible financial behavior, which supports financial well-being later in life.

The relationship of digital financial literacy to financial well-being

The relationship between savings and investment plays an important role in determining a person's financial well-being. Savings are the basis of financial stability, providing savings that can be used for emergencies, paying short-term expenses, or as capital to start investments. (Bialowolski et al., 2024) Without sufficient savings, a person may face financial difficulties in the event of unexpected expenses. Such as medical costs or job loss. Next, investment is a step taken after having stable savings. Through investment, money saved can grow faster than just leaving it in a savings account. Investments in instruments such as stocks, bonds, or real estate have the potential to generate higher returns, which in turn can increase wealth and provide additional sources of income in the future (Jhonson et al., 2023).

The relationship between savings and investment is complementary, where savings provide a secure base against uncertainty, while investment offers opportunities to increase wealth. Individuals who have sufficient savings are usually more daring to invest because they have savings to face any risk. Financial well-being is achieved when there is a good balance between savings and investments. Adequate savings ensure financial security, while wise investment can lead to sustainable wealth growth. This balance allows individuals or families to enjoy peace of mind as well as financial stability while improving the overall well-being of life.

Table 3: literature review of the relationship of digital financial literacy to financial well-being

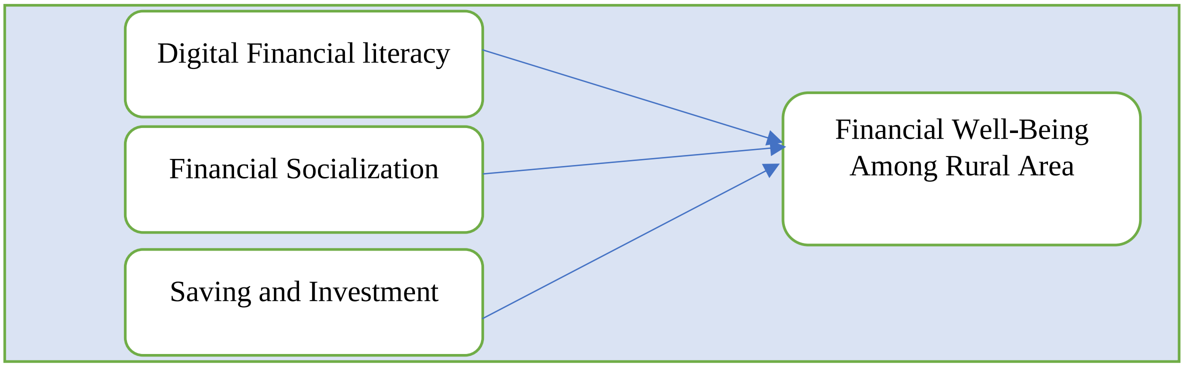
Author & Year	Subjects Researched Study	Findings	Relationship to Financial Well-Being
Mankiw, N. G. (2019)	Principles of Economics - Savings and Investments	Stating that savings is the foundation of financial stability, while investing allows money to grow faster through higher returns.	Savings provide savings for emergencies and short-term expenses, while investments increase wealth, both of which contribute to financial stability and long-term well-being.
Bodie, Z., Kane, A., & Marcus, A. J. (2014)	Investment and Wealth Growth	Investments in stocks, bonds, and real estate have the potential to provide higher returns than regular savings, which can increase wealth and additional income.	Successful investments can increase one's income and wealth, which contributes to financial well-being by providing an additional source of income for the future.
Modigliani, F., & Brumberg, R. (1954)	Life Cycle Theory - The Relationship between Savings, Investments, and Financial Well-Being	Suggests that individuals tend to save at a young age and invest for financial well-being in old age, balancing savings and investments throughout life.	Support the importance of a balance between savings and investment to ensure lifelong financial well-being, especially in the face of financial challenges in old age.
Keynes, J. M. (1936)	Theory of Aggregate Demand - Savings and Investment	Arguing that high savings without investment can lead to a decline in aggregate demand, which in turn can weaken the economy and overall financial well-being.	Emphasizes the need for investment to balance savings, ensuring that the economy continues to grow, which is essential to maintaining financial well-being in the long term.

3. Methodology

The proposed conceptual framework for determinants of financial well-being among households in rural areas in Malaysia is based on the underpinning theories of the Planned Behaviour Theory and Theory Acceptance Model, as well as past literature. Using systematic search methods, past literature was evaluated. This technique was constructed with three sub-processes—identification, screening, and eligibility—to ensure exhaustive and methodical searching. This procedure can be accurately described in the review to the extent that all database searches can be repeated. The current study follows a methodical examination of literature published on financial well-being. This study examines the literature published using keywords such as "financial well-being", "digital financial literacy", "financial socialization", "saving and investment" and "rural area" using the Boolean operator "AND" and "OR". Specifically, the combination of keywords has primarily centered on financial well-being and rural areas. The first step is identification, during which time the researcher seeks out alternate forms of keywords such as synonyms, antonyms, and related terms. From the beginning of 2017 until the end of 2024, all databases were searched using Boolean operators, phrase searches, truncation, wild card, and field code functions, either individually or in combination, based on the primary and enhanced keywords: ("FINANCIAL WELL-BEING*" OR "FWB" OR "FINANCIAL WELLBEING) AND ("RURAL AREA"). Scopus and Web of Science were selected as the two primary databases to search for relevant articles and materials for the review. Four (4) different databases were accessed to provide more context. It was decided to use Google Scholar, Research Gate, Mendeley, and university libraries. Only 29 of the articles were selected and the rest of the duplicate records were from multiple databases.

4. Proposed Conceptual Framework

Figure 1: Proposed Conceptual Framework On Financial Well-Being In Rural Area



Based on the findings of previous studies, it has been shown that elements of digital financial literacy, financial socialization, and savings and investment affect financial well-being among rural communities.

5. Discussion and Conclusion

Financial well-being among rural households is influenced by several key factors, including digital financial literacy, financial socialization, as well as savings and investment practices. Digital financial literacy plays an important role in empowering rural households to access financial information, use financial technology, and make better financial decisions. Although access to technology may be limited, those who are digitally literate have the opportunity to take advantage of mobile banking applications, e-wallets, and online investment platforms, which can increase their financial stability and growth.

Financial socialization forms the basis of financial values and behavior which is important in managing household finances. In rural contexts, this socialization often occurs through interactions with family and community members, where the roles of parents, friends, and teachers are very important. Households exposed to good financial socialization tend to be smarter in making financial decisions, such as managing daily expenses, saving money, and investing.

Savings and investments are two critical elements that complement each other in achieving financial well-being. Households that practice savings consistently have a stronger financial foundation, which allows them to survive in emergencies. At the same time, investing in productive assets can increase wealth and provide additional income. Although access to investment opportunities may be more limited in rural areas, good financial literacy and financial socialization support can encourage households to find and take advantage of these opportunities.

Conclusion: Financial well-being among rural households can be improved through a combination of digital financial literacy, effective financial socialization, and smart savings and investment practices. All these factors are interrelated and together contribute to improving the quality of life and long-term financial stability of rural households.

Acknowledgment: The published article is the result of research funding awarded by Universiti Islam Melaka through the Incentive Research Grant (IRG).

References

Ahmad, N. H., & Zainal, A.(2023). Financial Socialization in Rural Households: Implications for Financial Behavior and Well-being. International Journal of Financial Studies.

Aziz, A. R. A., & Musa, N. N. (2023). Pengurusan Krisis Rumah Tangga dalam Mencapai Kesejahteraan.Malaysian Journal of Social Sciences and Humanities (MJSSH), 8(1), e002168-e002168.

Aziz, N. A., & Zainal, N. Z. (2018). The Development of Socioeconomic Classification Model for B40 Group in Malaysia. International Journal of Engineering & Technology, 7(3.25), 180–183.

Bialowolski, P., Xiao, J. J., & Weziak-Bialowolska, D.(2024). Do All Savings Matter Equally? Saving Types and Emotional Well-Being Among Older Adults: Evidence from Panel Data. Journal of Family and Economic Issues, 45(1), 88–105. https://doi.org/10.1007/s10834-023-09891-2

Bodie, Z., Kane, A., & Marcus, A. J.(2014). Investments. McGraw-Hill Education.

Che Hashim, R., & Abdul Manaf, N. H.(2020). Financial Literacy and Financial Well-Being among the B40 in Malaysia: The Mediating Role of Financial Behavior. Jurnal Pengurusan, 58.

Collins, J. M., & O'Rourke, C. M. (Eds.). (2010). Financial Education and Capability: Research, Education, Policy, and Practice. Oxford University Press.

Danes, S. M., & Yang, J.(2022). Financial Socialization, Childhood Experiences, and Financial Well-being.

Hamid, S., & Ismail, R. (2019). Factors Contributing to Financial Satisfaction among B40 Urban Households in Malaysia. International Journal of Economics, Management and Accounting, 27(1), 151–174.

Ibrahim, S., & Tan, L. H. (2020). Income Diversification and Household Stability: A Study among B40 Communities. Journal of Finance and Economics, 8(2), 112-127.

Jhonson, B., Andriani, R., Noviana, I., & Tamara, D. (2023). Influence of Digital Financial Literacy on Financial Well-Being Through Spending, Saving, and Investment Behavior in Indonesia. Journal of Business Studies and Management Review, 6(2), 157–168. https://doi.org/10.22437/jbsmr.v6i2.24793

Keynes, J. M.(1936). The General Theory of Employment, Interest and Money. Macmillan.

Lee, K., & Kim, S.(2023). The Impact of Digital Financial Literacy on Financial Well-being in South Korea. SpringerLink.

LeBaron, A. B., & Kelley, H.(2023). Financial Socialization: A Decade in Review. Journal of Family and Economic Issues.

Lim, C. K., & Tan, T. H. (2018). Determinants of Household Resilience in Low-Cost Homeownership Program in Malaysia. Journal of Construction in Developing Countries, 23(2), 89–104.

Lim, S. Y., & Lee, H. C.(2024). Savings and Investment Behavior in Rural Areas: The Role of Financial Technology. Asian Journal of Economic and Financial Research.

Mankiw, N. G. (2019). Principles of Economics. Cengage Learning.

Maslow, A. H.(1943). A Theory of Human Motivation. Psychological Review, 50(4), 370–396.

Modigliani, F., & Brumberg, R.(1954). Utility Analysis and the Consumption Function: An Interpretation of Cross-section Data. In K. K. Kurihara (Ed.), Post-Keynesian Economics (pp. 388-436). Rutgers University Press.

Mohammad, C. A., Mustapha, A. S., Ismail, F. H., Kirin, A., & Masruri, M.(2022). The Pengurusan Kewangan Islam: Ke Arah Kesejahteraan Kewangan Institusi Keluarga di Malaysia Semasa Pandemik Covid-19. Jurnal Islam Dan Masyarakat Kontemporari, 23(1), 282.

Muhammad, A. I., & Nasir, R.(2023). Digital Financial Literacy and Financial Well-being: A Study of Rural Communities. Journal of Rural Development and Financial Innovation.

Nadzri, S. I. M. (2020). Polemik Perceraian di Malaysia. Terengganu: TSIS.

O'Neill, B., & Xiao, J. J. (Eds.). (2016). Financial Behavior: Players, Services, Products, and Markets. Oxford University Press.

Rahayu, R., Juita, V., & Rahman, A. (2024). Digital Financial Literacy, Financial Behaviour, and Financial Well-being of Women in Indonesia. Atlantis Press.

Ramlan, A. F., & Ismail, N. (2018). The Impact of Financial Management Practices on Household Resilience: Evidence from B40 Families in Malaysia. International Journal of Management Studies, 5(1), 78-91.

Singh, R. & Malik, S. (2022). Financial Inclusion and Digital Financial Literacy: Do They Matter for Financial Well-being? Social Indicators Research.

Sulaiman, M. F., & Nasohah, Z. (2023). Sorotan Literatur Punca Perceraian Awal Perkahwinan di Malaysia [Literature Review on the Causes of Early Marriage Divorce in Malaysia]. BITARA International Journal of Civilizational Studies and Human Sciences, 6(4), 28-39.

Young, J. H., Copeland, C. W., & Hudson, C. R. (2024). Factors Mediating the Association between Financial Socialization and Financial Well-being. Financial Services Review.

Yassin, S. N. N. S., & Alma'amun, S. (2018). Pengurusan Kewangan Keluarga Dan Kursus Pra Perkahwinan Muslim di Malaysia. In 5th International Research Management & Innovation Conference.

Yusof, M. M., Azman, A., Bahrin, F. K. & Yahaya, M.(2020, March). Hubungan konflik kewangan terhadap kesejahteraan sosial mangsa wanita dalam isu keganasan rumah tangga. In Proceeding International Conference On Social Work (ICSW) (pp. 133-143).

Yusof, N. & Rahman, N. A. (2017). Financial Management Practices among Urban Poor: A Case Study in Malaysia. International Journal of Academic Research in Business and Social Sciences, 7(8), 414–427.