

Exploring Household Financial Self-Efficacy Amid MCO

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ABSTRACT

The outbreak of the covid-19 pandemic had forced economies to implement movement restrictions that resulted in income shock to households. This study aims to gauge the impact of income shock due to movement control order (MCO). This study examined the factors that affect Malaysian household financial self-efficacy due to movement restrictions. A survey was conducted online from 1 April 2020 to 30 June 2020 to gather responses from households. Data collected were analysed using the KMO sampling adequacy test, Bartlett's test, reliability, and factor analysis. More than 46% of the respondents' income was significantly decreased or somewhat decreased due to MCO. Financial tools, lifestyle adaptation, contingency plan and realisation of the impact of MCO had significantly affected household financial efficacy.

SARI PATI

Merebaknya pandemi covid-19 telah memaksa perekonomian menerapkan pembatasan pergerakan yang mengakibatkan guncangan pendapatan bagi sektor rumah tangga. Penelitian ini bertujuan untuk mengukur dampak guncangan pendapatan akibat Movement Control Order (MCO). Penelitian ini mengkaji faktor-faktor yang mempengaruhi efikasi diri keuangan sektor rumah tangga di Malaysia akibat pembatasan gerak. Survei dilakukan secara online dari 1 April 2020 hingga 30 Juni 2020 untuk mengumpulkan tanggapan dari sektor rumah tangga. Data yang terkumpul dianalisis menggunakan uji kecukupan sampel KMO, uji Bartlett, reliabilitas, dan analisis faktor. Lebih dari 46% pendapatan responden menurun secara signifikan atau agak menurun karena MCO. Alat keuangan, adaptasi gaya hidup, rencana kontinjensi dan realisasi dampak MCO secara signifikan mempengaruhi keberhasilan keuangan sektor rumah tangga.

INTRODUCTION

The year 2020 was supposedly exciting. We expected Tokyo to host the 2020 Summer Olympics, the Union of European Football Associations (UEFA) to hold the UEFA European Football Championship (UEFA EURO 2020) in 12 European cities, the 2020 Copa América tournament and Visit Nepal 2020. The Summer Olympics, UEFA EURO 2020, 2020 Copa and Visit Nepal 2020 did not materialise in 2020.

The year 2020 was also a much anticipated year for Malaysians. It was the year that Malaysia supposedly achieved its Vision 2020. It was supposedly the Visit Malaysia Year 2020. Due to the outbreak of the deadly coronavirus worldwide, commonly known as the covid-19, there was no Visit Malaysia Year 2020 and all economic plans and policies had to be revised and redirected to apprehend the chaotic impact of the covid-19. Malaysia’s perfect Vision 2020 did not materialise, perhaps not entirely caused by the coronavirus outbreak, commonly known as the covid-19, pandemic.

Malaysia was among the few Southeast Asian countries to initiate a movement control order (MCO) to limit travelling and practice social

distancing due to covid19. When the covid-19 first hit Malaysia, it was assumed to be a several months’ disruption on businesses and economic activities. The MCO was either an extended, conditional or recovery MCO of several phases, multiples of 2 weeks each, which began on the 18th March of 2020. Unfortunately, after more than a year’s movement controls, Malaysia found it challenging to fight against the spread of the virus.

In 2020, schools were closed from 18 Mar to 15 July. However, schools in the Klang Valley and Sabah were closed again on 14 Oct due to the increased in the new numbers of covid-19 cases. In 2021, schools were closed since May 2021. It is still uncertain if schools and institutions of higher education will be able to open in stages beginning October 2021. The uncertainty was due to the deadly spread of Covid-19. The numbers of those infected with covid-19 and placed in the intensive care unit (ICU) increased since November 2020. Malaysia’s new number of covid-19 daily cases remained high, average more than 20,000 cases for the month of August 2021. The number of deaths due to covid-19 hit almost 600 on 11 September 2021. See Figure 1 for details.

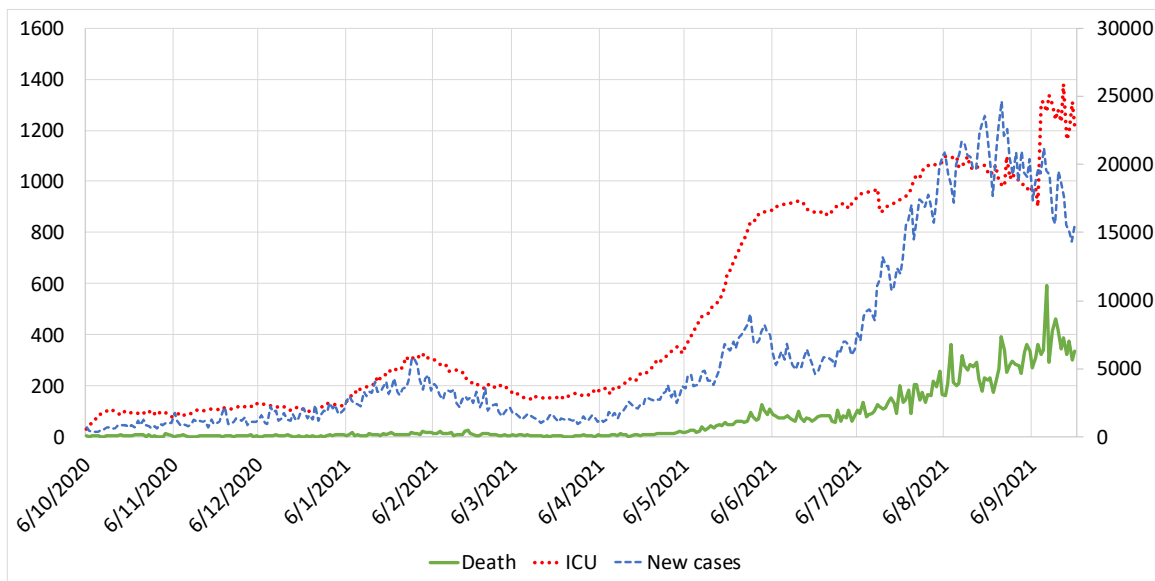


Figure 1. Covid-19 ICU Cases and Deaths in Malaysia
 Source: Ministry of Health, Malaysia. The Y-axis on the left panel refers to the number of covid-19 death and ICU cases.

The MCO's main objective was to break the cycle of the covid19 infection through social distancing but the consequences of such action include supply chain disruption, a slowdown in economic activities and obstructing economic growth. The economic impact of the MCO has taken its toll on sales revenue due to reduced or total closure to businesses. Malaysia's gross domestic product (GDP) recorded the lowest growth rate of negative 17% for Q2 2020, since the Asian Financial Crisis in 1998. In Q3 and Q4 of 2020, Malaysia's GDP declined by 2.7% and 3.4%, respectively. In Q1 of 2021, the GDP of Malaysia recorded a smaller decline of 0.5%.

All economic policy and development plans were still unclear. The level of economic uncertainty due to a global outbreak of the disease was never experienced before. The decline in Malaysia's GDP, increased government spending on economic stimulus and the covid-19 vaccine were the priority of Malaysia's economic policy. Malaysia needs a clearer direction and policy plan to steer the development of its economy out of covid-19 catastrophe. The draft of the 12th Malaysian development plan was long overdue.

At the micro-level, economic lockdown due to the outbreak of the covid-19 pandemic had caused income shock, food insecurity and worsening of dietary quality (Kansiime et al., 2021), especially in low-income households (Janssens et al., 2021). Households were not prepared for the sudden restrictions on economic activities that affected their income. A study on household financial efficacy is vital to gauge the impact of income shock due to economic restrictions and MCO.

The motivation of this study is two folds. First, to gauge the impact of MCO on household income. Second, to ascertain the determinants of household financial efficacy due to MCO. The next section of this paper discussed the household financial efficacy, followed by research methodology and findings. The paper ended with some discussions and concluding remarks.

Financial Self-Efficacy

Self-efficacy refers to an individual's confidence in carrying out a particular task (Amatucci & Crawley, 2011). It is a psychological belief of self-confidence and competency to perform an activity (Zhu, 2019). Financial self-efficacy is self-belief financial capabilities to use financial tools to make correct financial decisions and ultimately achieve their financial goals (Tang et al., 2019). It is how an individual assesses their financial capabilities and financial position when faced with financial stress. Financial self-efficacy measures the behavioral traits of financial management (Lown, 2011) to maintain a sustainable financial position. It was found to be an essential element that positively affected financial inclusion (Mindra, 2017a), collective household financial self-efficacy (Stevenson, Costa, Wakefield, Kellezi, Stack, et al., 2020), investment and savings products (Farrell et al., 2016). Financial self-efficacy was also the mediator of financial attitude and literacy that foster financial inclusion (Mindra, 2017b).

The concept of financial self-efficacy is useful in studying the economic behaviour of households. Households make financial decisions based on their financial self-efficacy position. A sense of financial self-efficacy could lead households to make better financial decisions (Muhamad et al., 2021). Financial self-efficacy and financial knowledge were found to be positively related. Financially literate households would have a stronger sense of financial self-efficacy (Asmin et al., 2021). As a result, these households would have better financial management behaviour.

It is also true for lower-income households. Financial self-efficacy was a significant factor in improving the financial well-being of lower-income households (Sabri et al., 2020). Households with better financial cognitive were found to be positively associated with better financial self-efficacy and financial outcome (Tang, 2021).

Financial self-efficacy would be appropriate to

assess how households perceived their financial position and managed their finances during the trying times of movement control order. It would gauge how households managed their income shock due to limited or no economic activities due to the outbreak of the covid-19 pandemic.

Based on the concept of financial self-efficacy, the hypothesis of this study was stated as follows: -

H1: The impact of MCO on household income

H2: The determinants of household financial self-efficacy due to MCO.

METHODS

The questionnaire was designed using a google form to explore financial self-efficacy among households in Malaysia. A survey was conducted online using the snowball method from 1 April 2020 to 30 June 2020. This was the period where Malaysia first initiated its first MCO, commonly known as MCO 1.0

During MCO 1.0, most people were shocked and could not cope with the sudden halt in economic activities. Nobody had ever experienced the challenges of working and schooling from home. No one was certain of the length of the MCO and its extensions.

Thus, it was challenging to gather data during MCO 1.0 and only a total of 54 completed responses were received. All responses were analysed using the KMO sampling adequacy test, Bartlett's, reliability, and factor analysis. Based on the GPower estimation, a sample size of 54 with an effect size of 0.2 had a predictive power of 0.7065.

RESULTS AND DISCUSSION

Most respondents were in Selangor, Kuala Lumpur and Melaka. The respondents were made up of 1 to 2, 3 to 4 and 5 to 7 family members in each household. Most households were employed in the private sector, which was moderately or highly affected by the outbreak of the covid-19 pandemic. More than 46% of the respondents' income was

significantly decreased or somewhat decreased due to MCO. About 24% of the respondents were not sure of their income shock due to MCO. The demographic distribution of respondents is shown in Table 1.

Table 1. Demographic Distribution

Location	Numbers of respondents
Johor	2
Kelantan	1
Kuala Lumpur	13
Melaka	6
Negeri Sembilan	1
Pahang	1
Penang	1
Putrajaya	2
Sarawak	1
Selangor	26

Number of family members	
1 - 2	11
2 - 4	27
5 - 7	16

Employment	
Private firms	28
Public sector	13
Self-employed	13

Impact by Covid-19	
Total change	1
Great	12
Moderate	21
Slight	11
Nil	4
Not sure	5

Income shock	
Greatly decreased	6
Somewhat decreased	19
No impact	16
Not sure	13

Both KMO sampling adequacy and Bartlett's tests indicated sufficient sampling to proceed with factor analysis. See Table 2 for details.

The factor analysis' rotated component matrix generated four main factors that affected household financial self-efficacy in Malaysia. Factor loadings of more than 0.5 for items of the factor analysis were

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.633
Bartlett's Test of Sphericity	Approx. Chi-Square	163.848***

Note : ***(**) denotes 1% (5%) level of significance.

retained. First, financial tools affected household financial self-efficacy most. Due to Covid-19, the respondents preferred to use cashless payment tools such as e-wallet and cards. The preference for cashless payment tools would reduce physical contact when respondents shop. Moreover, many respondents have also opted to trade online.

Second, lifestyle adaptation would also affect household financial self-efficacy. Many of the respondents changed their jobs and applied for the Government's economic stimulus package (Bantuan Prihatin Nasional). Respondents were also looking forward to more Government economic stimulus packages in the future.

Third, a contingency plan was an important element in household financial self-efficacy. Employers' business continuity plan and respondents' savings of 6 months' buffer will affect household financial

self-efficacy. Finally, respondents' realisation of the impact of MCO on their earning ability and time spent at home will also contribute to financial self-efficacy.

The reliability test of alpha values were 0.78, 0.63, 0.63 and 0.36 for financial tools, lifestyle adaptation, contingency plan and realisation of the impact of movement control, respectively. See Table 3 for details of the factors affecting household financial self-efficacy.

The total variance explained was found to record an acceptable cumulative percentage of rotated sums of square loadings of 69.12%. Out of the four variables, the percentage variance of the rotated sums of squared loadings for financial tools was 20.6%, the most substantial element influencing financial self-efficacy. Lifestyle adaptation was

Table 3. Rotated Component Matrix

Measurement	Variables Factor Loading			
	Tools $\alpha = 0.780$	Adaptation $\alpha = 0.672$	Plan $\alpha = 0.623$	Realisation $\alpha = 0.358$
My company has a business continuity plan in response to covid19			0.853	
Due to MCO, my income in the next 6 months will be affected				0.753
Due to MCO, I have changed my job (eg to hawkers, delivery)		0.705		
Due to MCO, I have to depend on the Government stimulus packages		0.873		
Due to MCO, I hope the Government will provide more economic stimulus packages		0.649		
Due to MCO, I can spend more time with my family				0.743
Due to Covid-19, I prefer branch banking		0.572		
Due to Covid-19, I prefer e-wallet payments	0.714			
Due to Covid-19, I prefer card payments	0.864			
Due to Covid-19, I prefer online trading	0.838			
I have sufficient savings to sustain the next 6 months' expenses			0.673	

Table 4. Total Variance Explained

Variables	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Tools	2.852	25.932	25.932	2.272	20.658	20.658
Adaptation	2.220	20.185	46.116	2.173	19.754	40.412
Plan	1.431	13.007	59.123	1.717	15.607	56.018
Realisation	1.100	9.996	69.120	1.441	13.101	69.120

found to affect household financial self-efficacy by 19.7%. Contingency plan and respondents' realisation of the impact of MCO on their earning ability were found to affect household financial self-efficacy by 15.6% and 13.1%, respectively. Therefore, all four variables of financial tools, lifestyle adaptation, contingency plan and realisation of the impact of movement control would affect household financial self-efficacy by more than 69%. See Table 4 for details.

MANAGERIAL IMPLICATIONS

Due to Covid-19, the MCO was implemented in Malaysia to restrict close contact by limiting economic activities. People were advised to stay at home so that the spread of the covid-19 could be reduced and the front liners in hospitals would not be stressed out. Unfortunately, the prolonged movement control and restricted economic activities began to adversely affect household income.

The closure of non-essential economic activities meant business revenue will be affected. A reduction in business revenue will force companies to lay off their workers to cut cost. As a result, household income will be affected due to the disrupted economic activities. Households without sufficient financial self-efficacy will not be able to sustain the harsh reality of a prolonged income shock.

This study found that more than 46% of the respondents' income was significantly decreased

or somewhat decreased due to the first MCO. About 24% of the respondents were not sure of their income shock due to MCO.

This study also found that financial tools, lifestyle adaptation, contingency plan, and realization of MCO's impact had significantly affected household financial self-efficacy. A household that could use cashless payment, adapt to the change in lifestyle to the new norm, develop a contingency plan and assess their financial position would be financially efficient in managing their income and expenses.

CONCLUSION

The first MCO initiated in Malaysia caused an income shock to more than 46% of the respondents. Financial tools, lifestyle adaptation, contingency plan and realisation of the impact of MCO were important factor to influence households' financial efficacy.

The limitation of this study is the limited sample size. Data were collected mid-2020 where the first MCO was initiated in Malaysia. Thus, future research could collect a larger sample size and examine household financial self-efficacy in Peninsular Malaysia, Sabah and Sarawak. A study on joint family financial self-efficacy (Stevenson, Costa, Wakefield, Kellezi, & Stack, 2020) might provide insight into the financial well-being of households facing financial stress due to restrictions in economic activities and movement control. ■

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