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Empowering Financial Well-Being through Life Skills: Enhancing the Economic Resilience of B40 Households in Malaysia

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ABSTRACT

In 2020, the B40 group in Malaysia, comprising around 2.7 million households earning less than RM 4,850 (US$1,045) per month, faced significant economic and social challenges. Key issues include limited access to education, healthcare, affordable housing, and rising living costs. Financial management is crucial for this group to achieve stability and well-being. This study explores the relationship between financial knowledge, locus of control, financial behaviour, life skills, and the financial well-being of B40 households. Data was collected through a cross-sectional study from 1,948 B40 households in five states across Peninsular Malaysia, Sabah, and Sarawak using cluster sampling. SEM-PLS analysis revealed a strong positive relationship between financial knowledge, locus of control, and financial well-being. Additionally, financial behaviour was found to mediate the link between financial knowledge, locus of control, and financial well-being. Life skills further moderated these relationships, emphasizing their importance in improving financial outcomes. The findings contribute to the theoretical understanding of financial well-being and provide actionable insights for policymakers and organizations to design programs aimed at enhancing the financial resilience of B40 households in Malaysia.

JEL Classification: G5, I31

Keywords: Financial well-being; Financial knowledge; Life skill; Financial behaviour; Locus of control

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INTRODUCTION

The socio-economic framework of our world today is complex and layered, with financial well-being assuming an ever-growing role in the health, happiness, and stability of individuals and families across the globe. Navigating the multifaceted socio-economic landscape of today's world is no small feat, with financial well-being playing a pivotal role in the overall health, happiness, and stability of individuals and families. Strikingly, based on the data from the World Bank, 1.7 billion adults remain unbanked globally as of 2021, without an account at a financial institution or through a mobile money provider (Kshetri, 2021). These statistics underscore the gravity of financial literacy and financial planning for socio-economic segments such as the lowest 40% of income earners (B40) group, which refers to the bottom 40% of the income distribution in each society.

Confronted with escalating living costs, increasing debt, and unpredictable employment opportunities, many of these households' grapple to meet basic needs, resulting in long-term repercussions on their socioeconomic mobility. It is reported that nearly half of Americans (49%) are concerned, anxious, or fearful about their current financial well-being, according to a survey by the National Foundation for Credit Counseling (NFCC) in 2021 (Packin, 2021). These statistics depict a harsh reality that necessitates an urgent emphasis on financial literacy and prudent decision-making. In Malaysia, this reality resonates particularly with the B40 group. As per a 2019 report by the Economic Planning Unit, the government of Malaysia, the B40 households confront an amalgamation of escalating living costs, spiraling debt, and volatile employment prospects. The ability to afford basic needs becomes a constant challenge, causing long-term implications on their socioeconomic mobility and well-being. For instance, in 2020, the Credit Counselling and Debt Management Agency (AKPK) stated that 24% of Malaysians use more than half of their salary to repay debts (Adnan et al., 2021).

Sound financial planning and strategies can offer a lifeline in these stormy economic waters. A study by the Federal Reserve Bank of St. Louis in 2021, found that those who plan for their financial future have more wealth than those who do not (Martin, 2020). Notably, a financial plan is more than just a budget; it is a tool for achieving milestones such as retirement, home ownership, or entrepreneurship. A sound financial strategy can provide hope amidst these challenging economic times. Nevertheless, achieving this level of financial well-being requires developing and applying critical life skills. Based on the Organisation for Economic Co-operation and Development (OECD, 2020) report and, Wang and Pulizzi (2022), key life skills such as problem-solving, decision-making, and goal-setting play significant roles in an individual's financial health. Further, these life skills can assist individuals in navigating the intricacies of everyday financial decisions, from budgeting to investing.

The development of life skills is not only logical but also beneficial and necessary for the B40 group in Malaysia, as it can significantly impact their financial well-being and overall quality of life (Alsousi and Dahlan, 2021). Life skills, including problem-solving, decision-making, critical thinking, and effective communication, can help individuals better understand, navigate, and improve their socioeconomic circumstances (Nasheeda et al., 2019). The need for these life skills becomes more apparent when we look at the financial landscape in Malaysia. As of 2020, the Bank Negara Malaysia (Central Bank of Malaysia) indicated that 52% of Malaysians need more emergency savings, while 33% have high credit card debts. This paints a grim picture of financial management among Malaysians, especially those within the B40 group, and emphasizes the need for essential life skills to make prudent financial decisions. For instance, problem-solving and decision-making skills can help individuals effectively manage their budgets, reduce unnecessary expenses, and handle financial crises (Blue and Grootenboer, 2019). Similarly, critical thinking skills can enable individuals to discern between different financial products and services, avoid predatory lending, and make investment decisions that could increase their wealth over time (Blue and Grootenboer, 2019; Klapper and Lusardi, 2020). Previous research also revealed that financial education interventions focusing on building these life skills positively impacted the financial behaviour of B40 households (Mansor et al., 2022). Participants were better at budgeting, saving, and reducing their impulsive spending. Moreover, the significance of life skills in employment cannot be understated. A report also mentioned the evolving job market, whereby life skills such as creativity, flexibility, and adaptability are most sought after by employers (Fadhil et al., 2021). These skills improve employability and income prospects, allowing for more excellent financial stability and resilience.

Despite the growing recognition of the importance of life skills in enhancing financial well-being and employability, there remains a significant gap in understanding how life skills specifically impact the financial behavior and well-being of Malaysia's B40 households. While prior research has highlighted the positive effects of financial education interventions, the precise role of life skills—such as problem-solving, decision-making, and critical thinking—in fostering long-term financial resilience within this vulnerable group is still underexplored. Furthermore, existing studies have not sufficiently examined how these life skills interact with financial literacy and behavior to improve financial outcomes, particularly in the context of Malaysia's unique economic challenges, including insufficient emergency savings and high debt levels. This study aims to address these gaps by investigating the intricate relationships between life skills, financial knowledge, and financial well-being among the B40 group in Malaysia.

This study adopts Family Resource Management (FRM), with Financial Knowledge and Locus of Control serving as input, Financial Behaviour as throughput, and Financial Well-Being as output. By utilizing this model's input-throughput-output sequential process, this study aims to investigate the inter-relationships between Financial Knowledge and Locus of Control, Financial Behaviour, and Financial Vulnerability while exploring Life Skill's influence through Social Learning Theory (SLT) and Capability Approach (CA). These align well with our earlier discussion, reinforcing that life skills, whether practical, vocational, or entrepreneurial, are fundamental human capabilities. Their development and application contribute to income generation and financial well-being. It also underscores the critical role of effective policy-making and societal structures in creating conditions conducive to realizing these capabilities, leading to successful skill performance, income generation, and overall well-being.

The question remains, can we wrest control of our financial situation by investing in these skills and thereby secure our financial future, particularly within the B40 population in Malaysia? This study aims to delve into the relationship between financial literacy, life skills, and financial well-being, shedding light on strategies for empowering individuals, particularly in the B40 group, to take charge of their financial health. We can improve financial literacy, thus providing a greater sense of control over financial circumstances and securing a more stable financial future. We aim to investigate the intricate relationship between financial knowledge, locus of control, financial behaviour, life skills, and financial well-being. We propose strategies that empower the B40 group to achieve financial resilience and prosperity. However, achieving this degree of financial well-being requires more than just fiscal knowledge; it requires essential life skills. These skills play a significant role in day-to-day financial decisions, enabling individuals to navigate their economic challenges adeptly.

LITERATURE REVIEW

Theoretical Background and Hypotheses Development

The Family Resource Management (FRM) model, developed by Deacon and Firebaugh (1988), originates from the Systems Theory and serves as the backbone for the research model in the personal finance area. This model has been validated and utilized in previous studies within personal finance, including the works of Hira (2012) and Mimura (2014). The Systems Theory forms the basis for understanding the interactive dynamics between a system and its environment. At the same time, the Family Resource Management model, built upon this understanding, provides a robust framework for examining and managing resources within a family system in pursuit of its goals, a significant aspect of which is often financial well-being. These academics have identified three principal elements of the model: input, throughput, and output. These elements demonstrate how families tactically plan and allocate resources to meet consumption requirements. Researchers like Van Campenhout (2015) and Kumar et al. (2023) underscored the necessity of considering these three elements for a comprehensive understanding of financial decision-making and its subsequent outcomes. These scholars emphasized the importance of understanding the interconnection between input, throughput, and output factors when investigating financial decisions and their effects. Deacon and Firebaugh (1988) pointed out three essential elements that make up the concept of the FRM. Lastly, the output, the third component, relates to the results of the undertaken planning and actions, serving as a comprehensive evaluation of goal attainment.

The Social Learning Theory (SLT) by Albert Bandura is a model that aims to facilitate the acquisition of skills, demonstrating the application of these skills and providing opportunities for their practice. Albert Bandura is renowned as the progenitor of the Social Learning Theory. In the decade of the 1960s, he carried out a nowiconic experiment known as the Bobo doll experiment, which eventually inspired his formal articulation of the Social Learning Theory in 1977. As previously mentioned, life skills are the capabilities that promote adaptive and positive actions, empowering individuals to handle the demands and challenges of daily life effectively (Hellström and Beckman, 2021). Life skills fundamentally represent the competencies that foster mental health and adeptness in individuals as they navigate life's realities. Experts in the development field generally agree that life skills are often applied in areas related to health and social issues. Life skills, defined by the World Health Organization (WHO) as abilities for adaptive and positive behaviour that enable individuals to deal effectively with the demands and challenges of everyday life, play a pivotal role in fostering financial well-being by facilitating income generation (WHO, 1994). From this perspective, life skills are not just about promoting mental well-being and competency in young individuals navigating life's realities. They also encompass skills that can directly support income generation and financial well-being, including various practical, vocational, and entrepreneurial abilities (Burchi et al., 2021; Hu and Huang, 2021). Practical skills like time management, organization, and communication can enhance productivity and employability, making an individual a desirable candidate in the job market.

The Capability Approach (CA), initially introduced by an Indian economist and Nobel laureate Amartya Sen and further developed by the American philosopher Martha Nussbaum, offers compelling theoretical support to our previous discussion on life skills and income generation. Sen, known for his persistent engagement with global inequality, argues for maximizing individual and collective potential to address disparities (Anand et al., 2018; Anderson and Isabelle, 2017). His fundamental proposition encourages a focus on developing human capacity as a pathway to achieving well-being. Both Nussbaum and Sen endeavored to establish an objective measure of well-being, identifying a set of fundamental human capabilities integral to full human functioning. Their approach assesses well-being and the effectiveness of development policies by the extent to which an individual is positioned to actualize these capabilities (Nussbaum and Sen, 1993; Schramme, 2017).

Financial Well-Being

Financial well-being refers to an individual or household's financial health and stability. It encompasses various aspects of one's financial situation, including income, expenses, savings, debt, and overall financial security (Bank Negara Malaysia, 2022). Financial well-being is how an individual feels content and at ease with their financial situation. This includes covering current expenses using income, saving money, managing debt responsibly, effectively addressing financial challenges, and overall satisfaction with one's financial condition (Agyei et al., 2019; Bank Negara Malaysia, 2022). Beyond the objective measures of financial stability, financial well-being also encompasses subjective satisfaction and contentment with one's financial condition. It involves a sense of peace of mind, confidence in financial decision-making, and overall satisfaction with one's financial state (Mahdzan et al., 2022).

In this study, financial well-being in the low-income group (B40) refers to individuals or households with limited financial resources who can effectively manage their finances and improve their financial situation. It involves having access to basic financial services, meeting essential needs, and making ends meet with their available income (Rahman et al., 2021). Extensive research has been conducted on the financial well-being of the B40 income group in Malaysia, aiming to understand the unique difficulties and intricacies these households face. One notable study focused on the socio-economic factors that impact the well-being of this demographic. Findings revealed that factors such as income levels, employment status, education, and household size play a significant role in shaping the financial well-being of B40 households (Munisamy et al., 2022). Financial well-being in the low-income group is not solely focused on the amount of income earned but also on the ability to optimize the resources available and make informed financial decisions. For individuals in the low-income group, financial well-being may involve strategies such as budgeting, saving, and prioritizing expenses to ensure basic needs are met (Bank Negara Malaysia, 2022). It may also involve seeking out opportunities for additional income, accessing financial assistance or social support programs, and developing skills to enhance employability and increase earning potential.

To improve financial well-being (FWB) among the low-income group (B40), the government emphasizes the need for skills development in their lives to enhance their livelihoods (Basir et al., 2020). The government has implemented various skill-building initiatives through agencies and communities. These initiatives aimed to equip the community and employees from the B40 household income group or vulnerable groups with specific skills and knowledge to increase employability skills, gain entrepreneurship skills, and drive self-employment outcomes. Examples of these skill-building programs include technical skills, entrepreneurial skills, and professional skills. By offering these courses, individuals from the B40 group can learn relevant skills in demand in the job market, thereby improving their employment prospects or business opportunities. By emphasizing skills development and implementing these programs, the government aims to provide broader opportunities for the B40 group to enhance their capabilities, reduce financial disparities, and achieve better financial well-being. According to the World Bank Group (2024), skill development is vital in tackling unemployment and underemployment, improving productivity, and raising living standards. Supporting individuals in acquiring and enhancing their skills brings economic advantages.

The problem is whether individuals in the B40 group are acquiring sufficient and capable skills to enhance their financial well-being through skills (Mansor et al., 2022). There are several factors that can influence this, including access to suitable skills development programs, the quality of training received, and individuals' ability to apply and leverage their skills in the context of work and business. Besides, individuals need to focus on and master the skills they already possess rather than constantly pursuing new skills. It is advisable not to follow trends when acquiring skills solely. Instead, individuals should focus on acquiring skills relevant to their needs and livelihood demands. It is essential to prioritize personal growth and skill development based on individual goals and aspirations rather than simply following others. By honing their existing skills, individuals can develop expertise and proficiency in specific areas, leading to greater effectiveness and success in their chosen field and indirectly enhancing their financial well-being.

Financial Knowledge

Current literature highlights the essential impact of financial knowledge on an individual's financial well-being. Zhang and Chatterjee (2023) emphasise that financial literacy assists individuals in setting realistic and achievable financial objectives. Recognising the significance of goal-setting enables individuals to prioritise their financial objectives, including retirement savings, property acquisition, or debt elimination. This clarity enables them to formulate successful strategies and allocate resources appropriately, promoting progress and improving financial well-being. Financial literacy equips individuals with the essential knowledge and skills to create and manage a budget (Goyal and Kumar, 2021; Kaiser et al., 2022). By understanding income, expenses, and efficient management strategies, individuals can make informed judgements on expenditure, savings, and investments. Budgeting allows individuals to adhere to their financial limits, avoid debt, and develop financial resilience. Goyal et al. (2021) defined financial knowledge as the comprehension of personal finance and the capacity to implement that comprehension in practice.

Additionally, financial literacy includes comprehension of several financial goods and services, including bank accounts, credit cards, loans, mortgages, and investment alternatives (Sujaini, 2023). Equipped with financial acumen, individuals can assume control of their finances, facilitating effective management of daily expenses, establishment and maintenance of an emergency fund, planning for their children's education, and securing a financially stable retirement (Sabri et al., 2021; Goyal and Kumar, 2020). Furthermore, enhanced financial literacy enables individuals to more effectively recognise fraudulent schemes and protect themselves against fraud (Suleiman et al., 2022). It enhances their awareness of common frauds, fosters critical thinking skills for evaluating financial opportunities, and provides knowledge about financial goods and identity theft prevention methods. Financial literacy provides individuals with the knowledge, skills, and confidence necessary to manage their finances effectively. It facilitates goal setting, budgeting, debt management, saving, investing, risk protection, and educated financial decisions (Chakraborty, 2018). The first hypothesis of this study is as follows:

H_1. Financial knowledge significantly affects financial well-being.

Locus of Control

Locus of control refers to an individual's belief in the degree of control over their lives and the events that occur (Ward and Kennedy, 1992). It is classified into two main orientations: internal locus of control and external locus of control. Individuals with an internal locus of control believe they have control over their actions and outcomes, while those with an external locus attribute events and outcomes to external factors such as luck or fate (Hoffman et al., 2000). Numerous studies have provided evidence for the predictive ability of locus of control with various life outcomes, including financial well-being. Individuals possessing an internal locus of control generally demonstrate prudent financial habits, including budgeting, saving, and making informed financial choices. They strongly assert that their activities and decisions directly affect their financial prosperity. In contrast, those possessing an external locus of control are more vulnerable to financial difficulties, since they ascribe their financial results to external forces outside their influence. This attribution may result in feelings of helplessness and a deficiency in proactive financial management (Magli et al., 2021; Sabri and Aw, 2020). Furthermore, studies have shown that individuals with an internal locus of control are more likely to participate in long-term financial planning, create emergency funds, and exhibit elevated levels of financial knowledge. They assume accountability for their financial circumstances and pursue possibilities for growth and stability. Conversely, those possessing an external locus of control may face difficulties in financial decision-making, demonstrate impulsive spending habits, and experience issues in managing debt and financial responsibilities (Churchill and Smyth, 2021; O'Connor and Kabadayi, 2020). Locus of control is not a fixed trait; it may be developed and influenced by various interventions, such as financial education programs and counselling (O'Connor and Kabadayi, 2020). By fostering an internal locus of control and empowering individuals to assume control over their financial lives, it becomes possible to enhance financial behaviours, promote financial well-being, and alleviate financial challenges among individuals and communities (Sehrawat et al., 2021; Tyler et al., 2021).

The extensive literature consistently highlights the significant role of locus of control in shaping financial behaviour. Individuals characterized by an internal locus of control consistently exhibit responsible financial behaviours and display a greater tendency to make well-informed financial decisions. Locus of control refers to an individual's belief in the extent to which they have control over their financial management and behaviours. It can significantly influence financial behaviour and decision-making (Adiputra, 2021). Individuals with an internal locus of control adopt a proactive stance towards their finances, actively participating in financial activities such as budgeting, saving, and investing. They are more likely to seek out financial knowledge, make informed financial decisions, and take steps to improve their financial situation. They believe they control their financial situation and are more likely to take responsibility for their financial well-being.

On the other hand, individuals with an external locus of control believe that external factors, such as luck or fate, largely determine their financial outcomes (Galvin et al., 2018; Hampson et al., 2021). Individuals with a pronounced external locus of control are more susceptible to financial vulnerability, which can harm their overall well-being. They perceive less control over their financial situation and may feel helpless or resigned. This may lead to a passive approach to financial management, impulsive spending behaviours, and a lack of long-term financial planning. In this study, the author examines the concept of locus of control as an attribute that can contribute to resilience and coping among individuals in the B40 socio-economic group. Having the role locus of control can empower individuals in the B40 group to take initiative, make proactive decisions, and persevere in pursuing their goals. By fostering a sense of internal locus of control through targeted interventions and empowerment initiatives, individuals in the B40 group may be better equipped to overcome obstacles and achieve their aspirations. This, in turn, can contribute to their overall well-being and socio-economic advancement. Based on the above, the second hypothesis is formulated as follows:

H_2. Locus of control significantly affects financial well-being.

Mediation Effect of Financial Behaviour

Regardless of personal wealth, individuals need to practice financial responsibility consistently. This involves a spectrum of actions, such as creating a budget, managing cash flow, devising a spending plan, promptly meeting financial obligations, effectively handling credit, and preparing a retirement plan (Goyal et al., 2021; Grable et al., 2020). Engaging in risky financial behaviours, such as impulsive or unnecessary spending or excessive borrowing, can markedly heighten an individual's exposure to financial difficulties, especially when their debt load becomes unmanageable (Pandey, 2023). Much research has demonstrated that embracing responsible financial behaviours leads to enhanced financial well-being and reduces the chances of encountering financial hardships (Magli et al., 2021; Sabri and Zakaria, 2015). Chong et al. (2021) emphasized that indulging in risky financial practices can compromise financial well-being and result in unfavourable outcomes. Financial well-being is not confined to individuals with lower incomes; it influences people across various income levels.

Furthermore, Daud et al. (2019) and Castro-González et al. (2020) identified that variables such as income, marital status, education, and financial behaviour significantly influence an individual's financial well-being. These findings emphasise the significance of engaging in prudent financial practices to improve financial well-being and reduce the likelihood of adverse outcomes. Considering the significant impact of financial behaviour on financial well-being, policymakers must develop policies and activities to promote prudent financial habits from a young age (Rahman et al., 2021). This is especially relevant for those in the B40 wage range, who may face unique financial challenges. Policymakers can enhance the financial well-being of B40 individuals by implementing specialised programs focused on financial literacy, budgeting skills, and responsible financial management.

In addition, the principles of locus of control can be directly applied to behaviour influenced by life skills, particularly for the B40 income group in Malaysia, which represents the bottom 40% of households in terms of income. Individuals in the B40 group with a strong internal locus of control are more likely to display responsible financial behaviours. This is because they believe they have the power and ability to influence their financial conditions despite external economic conditions or other influences. They are likely to exhibit self-control, use efficient money management skills, resist temptations for unwise spending, and effectively handle challenging financial tasks (Arifin and Anastasia, 2017). Conversely, B40 individuals with a pronounced external locus of control might engage in less responsible financial behaviours, attributing their financial status to external factors like luck or the decisions of others rather than their actions. This mindset could hinder the development of essential life skills related to financial management and self-reliance. By leveraging this understanding, targeted interventions can be made to equip the B40 group with the necessary life skills to manage their finances effectively, promoting financial independence and resilience amidst economic challenges.

Studies have consistently shown that individuals who adopt responsible financial behaviours experience better financial well-being. They report lower levels of financial stress, increased satisfaction with their financial situation, and greater control over their financial future (Hayhoe et al., 2000; Xiao et al., 2009). Furthermore, these individuals are better prepared to handle unexpected financial emergencies, have improved access to financial opportunities, and are more likely to achieve long-term financial goals. This research highlighted the importance of responsible financial behaviours among the B40 group in promoting better financial well-being and reducing the likelihood of financial difficulties. These behaviours can assist individuals in effectively managing their income, minimizing the risk of excessive debt, and enhancing savings and long-term financial well-being. By embracing budgeting, saving, and debt management practices, the B40 group can establish a solid financial foundation, enhance financial security, and experience greater financial resilience. Based on the previous discussion and findings, we put forth the following hypotheses:

H_3: Financial knowledge significantly influences financial behaviour.
H_4: Locus of control significantly influences financial behaviour.
H_5: Financial behaviour mediates the relationship between financial knowledge and financial well-being.
H_6: Financial behaviour mediates the relationship between locus of control and financial well-being.

Moderation Effect of Life Skill

The WHO defines life skills as "abilities for adaptive and positive behaviour that enable individuals to deal effectively with the demands and challenges of everyday life". Life skills consist of multiple interconnected components that collaborate and strengthen each other. These crucial skills play a significant role in helping adolescents navigate their ongoing challenges while also promoting their self-efficacy, self-esteem, psychosocial competence, and overall personal growth.

Practically, life skills frameworks or definitions may emphasize practical, vocational, or entrepreneurial skills, or a combination of all three, while often stressing the psychological foundations required for successful performance (Thornhill-Miller et al., 2023). Within this research scope, researchers are exploring life skills that can be converted into income-generating abilities that have the potential to achieve financial well-being. For instance, researchers could investigate life skills that can be transformed into viable sources of income. This might involve analyzing practical skills that enhance employability and productivity, vocational skills that open up industry-specific opportunities, or entrepreneurial skills that facilitate business creation and growth. The focus often lies in identifying and understanding the psychological components contributing to successful skill performance and income generation. Cultivating life skills enables individuals to transform their knowledge, attitudes, and values into health-promoting behaviours (Jeyarani, 2022). This includes developing abilities to minimize specific health risks and adopt healthier habits that enhance their overall quality of life. These could include resilience, self-confidence, problem-solving, or the ability to learn from failure, which is crucial in successfully applying these skills in real-world scenarios for economic gain. Steel et al. (2018) found a positive correlation between life skills and wealth, suggesting that individuals with well-developed life skills are more inclined to accumulate wealth over time. Life skills contribute to personal development and self-efficacy. Individuals with solid life skills are likelier to set goals, persevere through challenges, and take calculated risks (Cottrell, 2021). This proactive approach to life, coupled with the ability to adapt to changing circumstances, enhances individuals' opportunities for career advancement, entrepreneurship, and income growth, ultimately leading to increased wealth accumulation. The last hypothesis is formulated as follows:

H_7: Life Skill moderates financial behaviour toward financial well-being.

Conceptual Framework

Figure 1 displays each element of the conceptual framework in detail by stating the constructs and mediating and moderating variables for the proposed research model. Financial knowledge and locus of control are the independent variables in this conceptual framework. Life skills are the moderating variable, while financial behaviour is the mediating variable. Finally, financial well-being is the dependent variable in this model.

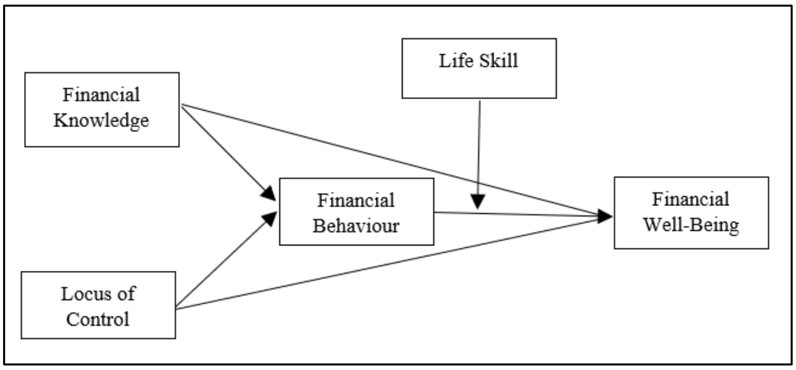

Figure 1 Conceptual framework

METHODOLOGY

Data Sampling

A cross-sectional study was conducted to gather data to achieve the research objective. A multistage sampling method was employed to select respondents from B40 households across Malaysia. The researchers used the National Household Sampling Frame (NHSF) and followed the Department of Statistics Malaysia (DOSM) guidelines to obtain information from the respondents. Cluster sampling was employed for this research. Malaysia was divided into five zones to ensure representation from different regions, and a state was randomly selected from each zone through a ballot. The selected states were Pulau Pinang for the North zone, Johor for the South zone, Pahang for the East zone, Selangor for the West zone, and Sabah and Sarawak for the East Malaysia zone. In total, 400 respondents from each state were included, resulting in a total of 2000 respondents. After addressing missing values and rectifying errors, 1948 data points were deemed acceptable and used for analysis. Along with the G-power analysis, a sample size of 210 respondents is considered appropriate for conducting a path analysis, given an alpha value of 0.05 and a desired power of 0.95. It is worth noting that having a larger sample size is advantageous, as Najib (1999) emphasized, as it enhances the reliability and validity of the study. This research collected data through self-administered questionnaires, enabling respondents to complete the task independently without any researcher interruption. The questionnaire was designed to be completed in approximately 20 minutes, and after respondents finished answering the questions, they returned the completed questionnaire. The researchers performed descriptive analysis and path analysis to examine the demographic characteristics of the respondents and evaluate the proposed hypotheses. Structural Equation Modeling (SEM), specifically Partial Least Squares (PLS-SEM), was utilized to analyze the relationships between different variables in the study. This approach enabled a thorough exploration of the interconnectedness among the variables. The primary purpose of employing PLS-SEM was to evaluate the efficacy of a theoretical model in estimating the covariance matrix for a given sample dataset and its capacity to explain the variance observed in endogenous variables. PLS-SEM is widely recognized as the optimal analytical approach for studying direct and indirect paths, as it facilitates examining relationships among independent, mediator, moderator, and dependent variables (Hair and Ringle, 2011). Moreover, this research framework allows for integrating new variables into established theories. Consequently, given the research conducted by Henseler et al. (2009) and Hair et al. (2013), PLS-SEM is considered the most suitable analysis approach for the present study and is consistent with prior research that examines complex behavioural models, such as Simanjuntak et al. (2020).

Data Measurement

The questionnaire encompasses demographic information items and the respondents' socioeconomic backgrounds. It also includes sections addressing financial knowledge, locus of control, financial behaviour, life skills, and financial well-being. Ten confirmed or false questions were employed to assess the financial knowledge level among participants. A set of questions was formulated to evaluate different domains of financial knowledge, such as savings, investment, general financial knowledge, credit cards, and financial products. The scale used for these questions was derived from a study conducted by Jariah (2007) in Malaysia. A higher score on the scale signifies more correct answers, indicating a higher level of financial knowledge. In assessing the locus of control, the measurement items employed in this study were developed by Sumarwan and Hira (1993). The questionnaire included internal and external locus of control items, which aimed to assess individuals' beliefs regarding their control over various situations. Respondents were asked to indicate their level of agreement with the provided statements using a four-point Likert scale, ranging from Strongly Disagree (1) to Agree (4) Strongly Agree. The scale's internal consistency was assessed using Cronbach's Alpha, and a value of 0.83 was obtained, indicating good reliability. In evaluating the financial behaviour of the B40 group, the statements from the financial behaviour item developed by Kapoor et al. (2001) were employed. The scale consisted of 10 statements designed to encompass different dimensions of financial behaviour. The scale's internal consistency was assessed using Cronbach's Alpha, resulting in a reported value of 0.781, indicating a satisfactory level of internal consistency. To evaluate the financial well-being (FWB) of B40 households, eight items were adapted from a questionnaire specifically designed for the Malaysian context. The Malaysian Financial Well-Being Scale (MFWBS), initially developed by Garman and Jariah (Jariah, 2007), was employed in a study conducted by Mokhtar and Husniyah in 2017 (Mokhtar and Husniyah, 2017). This questionnaire assesses multiple facets of financial well-being, encompassing overall financial satisfaction, and ability to cover daily expenses, financial planning, recent financial satisfaction, and financial sustainability. The scale comprises eight items with positive wording, and respondents rate their agreement on a 4-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree" (1 to 4).

A higher total score indicates a higher level of financial well-being (FWB) among the respondents. When validating an instrument, content and face validation primarily focus on the relevance of the addressed material, the accuracy of the questionnaire's wording, and the suitability of the selected items for measuring the construct (Ary et al., 2010). In this study, two subject matter experts, selected from ethics committee boards, played the role of reviewing experts. Their task was to assess the content validity of the items, explicitly evaluating their clarity and readability.

RESULTS AND DISCUSSION

Profile of Respondents

Table 1 presents the demographic characteristics of the study participants. The most significant proportion of respondents was 41-60 years old, accounting for 45.32% of the sample. Males were more prevalent in the study, constituting 67.8% of the participants compared to females. Regarding ethnicity, a significant portion of the respondents, approximately 69.8%, are Malay, indicating that most of the participants belong to the Malay ethnic group. Moreover, a notable percentage of the participants, 69.7% of the total sample, reported being married. Additionally, a detailed analysis reveals that a substantial proportion of the participants, precisely 77.24%, had completed their secondary education, suggesting that the majority had attained at least a secondary school education level. The data indicates that over 54.4% of participants had an income level of less than RM2000, while only 0.3% reported an income of more than RM6001. This implies that a significant proportion of the participants had relatively low-income levels, while a negligible number had higher income levels than the rest of the sample.

Table 1 Descriptive Analysis

Variable	Frequency	Percentage (%)
Age Group		
< 20	12	14.76%
20-40	737	37.8%
41-60	883	45.32%
61-80	305	1.56%
>81	11	0.56%
Gender		
Male	1320	67.8%
Female	628	32.2%
Ethnicity		
Malay	1360	69.8%
Chinese	157	8.1%
Indian	162	8.3%
Bumiputera Sarawak	68	3.5%
Bumiputera Sabah	124	6.4%
Others	6	4.1%
Marital Status		
Single	298	15.29%
Married	1358	69.7%
Divorced	249	12.8%
Widow/ Widower	43	2.2%
Level of Education		
Secondary Education	1463	77.24%
Tertiary Education	431	22.76%
Income		
No Income	306	15.7%
Less than RM2,000	1060	54.4%
RM2,001-RM4,000	529	27.2.%
RM4,001-RM6,000	49	2.5%
Above RM6,001	4	0.3%

Measurement Model

The measurement model aims to assess the reliability and validity of the items. In a reflective measurement model, three criteria should be considered: internal consistency reliability, convergent validity, and discriminant validity. Reliability is evaluated using metrics such as Cronbach's Alpha (CA) and composite reliability (CR). The results for Cronbach's Alpha (CA) and composite reliability (CR) for Locus of Control (LOC) (0.778, 0.95), Financial Behaviour (FB) (0.856, 0.89), Financial Well-Being (FWB) (0.891, 0.91), Financial Knowledge (FS) (1.00, 1.00), and Life Skill (LS) (1.00, 1.00) are presented in Table 2. The reported values of CR and CA meet the established criteria set by Hair and Ringle (2011), as they exceed 0.7, indicating acceptable internal consistency reliability. This study calculated the Average Variance Extracted (AVE) values to assess convergent validity. The AVE values were found to be 1.00 for Financial Knowledge (FS), 1.00 for Life Skill (LS), 0.44 for Locus of Control (LOC), 0.46 for Financial Behaviour (FB), and 0.57 for Financial Well-Being (FWB). According to Fornell and Larcker's (1981) recommendation, if the average variance extracted (AVE) values are below 0.5, but the composite reliability exceeds 0.6, the convergent validity of the construct is deemed acceptable. Discriminant validity was assessed using the heterotrait-monotrait ratio (HTMT) recommended by Fornell and Larcker (1981). The HTMT values were examined to determine whether they surpassed the threshold of 0.85, as suggested by Kline (2023). As reported in Table 3, all HTMT values exceeded the specified threshold, indicating that the reflective measurement model met the criteria for discriminant validity.

Table 2 Measurement Model

Constructs	Loadings	A	CR	AVE
Locus of Control (LOC)				
G2	0.678			
G3	0.689			
G4	0.685			
G5	0.693	0.778	0.95	0.44
G6	0.596			
G7	0.627			
G8	0.572			
Financial Behaviour (FB)				
F1	0.533			
F2	0.690			
F3	0.726			
F4	0.734			
F5	0.728	0.856	0.89	0.46
F6	0.703			
F7	0.691			
F9	0.593			
F10	0.700			
Financial Well-Being (FWB)				
F1	0.670			
F2	0.778			
F3	0.674			
F4	0.818	0.891	0.91	0.57
F5	0.797			
F6	0.762			
F7	0.751			
F8	0.762			
Financial Knowledge (FK)				
FK1	1.00	1.00	1.00	1.00
Life Skill (LS)				
LS1	1.00	1.00	1.00	1.00

Note: Average variance extracted (AVE); Cronbach's alpha (CA); Composite Reliability (CR).

Table 3 Heterotrait-Monotrait ratio (HTMT)

Heterotrait-Monotrait Ratio (HTMT)					
Construct	**FB**	**FK**	**FWB**	**LS**	**LOC**
FB					
FK	0.011				
FWB	0.904	0.010			
LS	0.018	0.001	0.016		
LOC	0.857	0.010	0.900	0.018	

Note: Financial Behaviour (FB); Financial Knowledge (FK); Financial Well-Being (FWB); Life Skill (LS); Locus of Control (LOC).

Assessment of Structural Model

Following the completion of the measurement model, the structural model was evaluated to depict the underlying concept of the path model. By evaluating the structural model, this study can assess the level of support provided by the empirical data for the concepts proposed in the research framework. The structural model aims to explore the relationships among the constructs as outlined in the research model. The evaluation of the structural model in PLS-SEM involves several essential criteria: addressing collinearity issues (Step 1), examining the significance of path coefficients (Step 2), analyzing the R^2 value (Step 3), assessing the effect size (f^2) (Step 4), and evaluating the predictive relevance (Q^2) (Step 5). In this study, the evaluation of the structural model involved the utilization of 5000 bootstraps.

Table 4 provides the VIF (Variance Inflation Factor) values for all constructs in the structural model. The findings indicated that collinearity issues were absent within the model, as all VIF values were 1.00, below the recommended threshold of <5, as suggested by Hair et al. (2017). The significance of the path coefficients for all constructs in the current study is presented in Table 5. The results demonstrated that Financial Knowledge (FK) and Locus of Control (LOC) are significantly positive to Financial Behaviour (FB) with path coefficients of (β=0.019, $p<0.05$) and (β=0.857, $p<0.001$), respectively. Additionally, the results revealed that Financial Behaviour (FB) made a positive contribution to Financial Well-Being (FWB) with a path coefficient of (β=0.304, $p<0.001$). However, it was found that Life Skills (LS) had a negative and significant effect on Financial Well-Being (FWB) with a path coefficient of (β=-0.037, $p<0.05$).

Table 4 Variance Inflation Factor (VIF) of all constructs

Exogenous Variables	FB	FWB
FB		1.00
FK	1.00	
LS		1.00
LOC	1.00	

Note: Financial Behaviour (FB); Financial Knowledge (FK); Financial Well-Being (FWB); Life Skill (LS); Locus of Control (LOC).

Table 5 Path Coefficient Result (Direct Effect)

Relationship	Original Sample	Sample Mean	Standard Deviation	t-value	p-value	Decision
LOC→FB	0.857	0.852	0.088	9.735	0.000	Significant
FK→FB	0.019	0.019	0.009	2.023	0.043	Significant
FB→ FWB	0.304	0.901	0.071	12.771	0.000	Significant
LS→ FWB	-0.037	-0.037	0.015	2.450	0.014	Significant

Note: Financial Behaviour (FB); Financial Knowledge (FK); Financial Well-Being (FWB); Life Skill (LS); Locus of Control (LOC).

The results presented in Table 6 indicated that the R^2 value for Financial Behaviour (FB) was 0.735, indicating that 73.5% of the variance in Financial Behaviour (FB) could be explained by Financial Knowledge (FK) and Locus of Control (LOC). Furthermore, for Financial Well-Being (FWB), the R^2 value was 0.818, suggesting that 81.8% of the variance in Financial Well-Being (FWB) could be accounted for by Financial Behaviour (FB) and Life Skill (LS). The effect size results indicated that Financial Knowledge (FK) had no effect size on financial vulnerability (FV). Similarly, Life Skills (LS) exhibited a similar outcome to Financial Well-Being (FWB). However, Locus of Control (LOC) demonstrated a large effect size on Financial Behaviour (FB) with a value of 2.771. In contrast, Financial Behaviour (FB) displayed a large effect size on Financial Well-Being (FWB) with a value of 4.482. The Q^2 values for Financial Behaviour (FB) and Financial Well-Being (FWB) were 0.710 and 0.785, respectively. These results indicate that the research model exhibits good predictive relevance, as the Q^2 values are more significant than zero.

Table 6 Indices of Structural Model

Relationship	Coefficient Determination (R^2)	Effect size (f^2)	Predictive relevance (Q^2)
LOC→FB	0.735	2.771	0.710
FK→FB		0.000	
FB→ FWB	0.818	4.482	0.785
LS→ FWB		0.000	

Note: Financial Behaviour (FB); Financial Knowledge (FK); Financial Well-Being (FWB); Life Skill (LS); Locus of Control (LOC).

The mediation results presented in Table 7 indicate that Financial Behaviour (FB) significantly mediates the relationship between Financial Knowledge (FK) and Financial Well-Being (FWB) with a path coefficient of β=0.775, p<0.05. Additionally, it was found that Financial Behaviour (FB) also mediates the relationship between Locus of Control (LOC) and Financial Well-Being (FWB) with a path coefficient of β=-0.017, p<0.05. The indirect effect of 0.775, 95% Boot CI: [LL=0.433, UL=1.000] indicates that Financial Behaviour (FB) positively mediates the relationship between Financial Knowledge (FK) and Financial Well-Being (FWB). Similarly, the indirect effect of 0.017, 95% Boot CI: [LL=0.004, UL=0.030] suggests that Financial Behaviour (FB) positively mediates the relationship between Locus of Control (LOC) and Financial Well-Being (FWB).

Table 7 Mediating Effect Result (Indirect Effect)

Path	OS	SE	SD	95% Bias Corrected Confidence Interval		t-value	p-value	Mediation
				LL	UL			
FK→FB→FWB	0.775	0.773	0.130	0.433	1.000	5.384	0.000	Partial mediation
LOC→FB→FWB	0.017	0.017	0.007	0.004	0.030	2.430	0.013	Partial mediation

Note: Financial Behaviour (FB); Financial Knowledge (FK); Financial Well-Being (FWB); Locus of Control (LOC); Original Sample (OS); Sample Mean (SM); Standard Deviation (SD).

The moderating effect analysis revealed a significant difference in Financial Behaviour (FB) between Life Skill (LS) and Financial Well-Being (FWB) as reported in Table 8. The findings indicate that Financial Behaviour (FB) negatively moderates the relationship between Life Skills (LS) and Financial Well-Being (FWB). The R^2 value for Financial Behaviour (FB) was 0.818, indicating that 82% of the variance in Financial Behaviour (FB) could be explained by Financial Knowledge (FK) and the Locus of Control, moderated by Life Skill (LS). However, the results of the effect size analysis indicated that the interaction between Financial Behaviour (FB) and Life Skill (LS) had no effect size on Financial Well-Being (FWB). The result contradicts the findings of Fauzi et al. (2020) and Baryła-Matejczuk et al. (2020), which demonstrated that financial behaviors significantly influence relationship quality and overall life satisfaction. Their studies suggest that effective financial behaviors contribute to enhanced subjective well-being. The inclusion of life skills as a moderating effect makes this study more unique and produces different outcomes compared to previous studies. Specific life skills enable us to focus on particular abilities that can help generate ideas for income, thereby indirectly enhancing an individual's financial well-being.

Table 8 Moderating Effect Result

Relationship	**Beta**	**Standard Error**	**t- value**	**p-value**	**Decision**	**Coefficient Determination (R^2)**	**Effect size (f^2)**
LS*FB →FWB	-0.516	0.130	2.717	0.007	Significant	0.818	4.482

Note: Life Skill (LS); Financial Behaviour (FB); Financial Well-Being (FWB).

DISCUSSION

The study findings offer insights into Malaysian low-income households' financial behaviour and well-being. The results showed that locus of control and financial knowledge positively influence financial behaviour. People with an internal locus of control tend to believe that their financial outcomes result from their actions and decisions. In the context of financial knowledge, individuals with higher levels of financial knowledge are more likely to make informed financial decisions, understand the risks and benefits associated with various financial products and investments, and engage in responsible financial behaviours. They have the necessary knowledge to manage their finances effectively, avoid financial pitfalls, and plan for their future goals. The results align with Mutlu and Özer (2021) and O'Connor and Kabadayi (2020), who found that locus of control and financial knowledge positively correlate with financial behaviour. Individuals with an internal locus of control who possess financial knowledge have a higher sense of empowerment and confidence in managing their finances. They are more likely to seek financial information, participate in financial education programs, and continually update their knowledge to adapt to changing economic circumstances.

When we extended the analysis from behaviour to financial well-being, we observed that financial behaviour and life skills are significant determinants of financial well-being. The study found that financial behaviour positively and significantly influenced financial well-being. This showed that respondents who exhibited responsible financial behaviours, such as budgeting, saving, and making informed financial decisions experienced better financial well-being. It is widely recognized among researchers, particularly in financial well-being, that financial behaviour plays a crucial role in determining an individual's financial well-being (Respati et al., 2023; She et al., 2021). Researchers have found that individuals who engage in responsible financial behaviours tend to experience better financial outcomes and greater financial well-being. These behaviours contribute to financial stability, reduced financial stress, and the ability to achieve financial goals. On the other hand, the study also revealed that life skills had a negative and significant determinant of financial well-being. This suggests that individuals who reported lower levels of life skills tended to have high levels of financial well-being. Individuals with fewer skills often recognize the importance of maximizing their existing skills and becoming highly proficient. These individuals can become experts in their chosen areas by enhancing their existing skills through their life experience or self-directed learning. Instead of trying to learn many different skills, they recognize the importance of focusing on a specific area and becoming experts in it to generate income through their business.

In terms of mediating effect, financial behaviour mediates the relationship between both variables (financial knowledge and locus of control) to financial well-being. Previous research consistently indicates that the mediating effect of financial behaviour plays a crucial role in the relationship between locus of control, financial knowledge, and overall financial well-being (Iramani and Lutfi, 2021; She et al., 2021). Having good financial knowledge and locus of control is essential, but it is equally crucial to emphasize the role of good financial behaviour. While financial knowledge and locus of control contribute to financial well-being, financial behaviour plays a significant role in achieving financial well-being. By practicing good financial behaviour, individuals can translate their financial knowledge and locus of control into tangible outcomes contributing to financial well-being. For moderating results, life skills negatively moderate the relationship between financial behaviour and well-being. This suggests that someone might have good life skills that could potentially lead to better financial well-being, but if their financial behavior is poor, such as impulsive spending or failing to save, it can diminish or negate the positive effects of those life skills. Thus, financial behavior acts as a barrier or reduces the overall benefit of life skills in improving financial well-being. This is aligned with the findings of Singh and Malik (2022), that highlighted that improving financial knowledge and behaviors, individuals are better equipped to manage their finances effectively, ensuring that life skills can fully contribute to improving financial well-being, without being hindered by poor financial behaviour.

These individuals understand the significance of sharpening their skills and becoming highly proficient. They prioritize specialization in a specific area rather than trying to acquire numerous skills. They can generate income through their business by honing their expertise and focusing on their strengths. This focused approach contributes to their overall growth, productivity, and potential for financial well-being. In the paper by Goyal and Kumar (2021), the authors stated basic financial literacy is crucial for managing day-to-day finances and preparing for retirement. Individuals with a minimum level of financial knowledge, including skills like budgeting, saving, and understanding interest rates, generally have better financial well-being. Similarly, it was supported by prior research by Sherraden et al. (2011) that highlights possessing basic financial capabilities, such as managing bank accounts, budgeting, and saving contributes significantly to financial well-being, especially among economically vulnerable populations. They stress the importance of providing financial education that builds these essential life skills.

CONCLUSION

Household skills are not just about effectively managing a home; they can also be a source of income. This is particularly valuable for Malaysia's B40 income group, where additional income can significantly improve financial stability and well-being. Behavioural economics can play a role in guiding individuals toward monetizing their household skills. By understanding market demand and consumer behaviour, individuals can make strategic decisions about what products or services to offer. For example, someone skilled in cooking or baking could establish a home-based food business catering to Malaysia's rising demand for homemade and delivery food services.

Continuous learning is also important for income-generating household skills. Trends, technologies, and consumer preferences change over time. Staying updated can help individuals adapt their products or services to meet market demands. For instance, a person with gardening skills can shift from growing common plants to cultivating rare or exotic plants that fetch higher prices in the market. Hands-on experience is critical when turning a skill into a business. Whether it is learning how to market homemade pastries, understanding how to price handyperson services, or navigating the logistics of a home tutoring business, practical experience is invaluable. Income-generating household skills might include cooking, baking, gardening, home maintenance, sewing, and teaching. In Malaysia, where the cost of living is steadily increasing, these skills can provide a valuable source of additional income. Encouraging and supporting the development of these skills and understanding how to market them can contribute significantly to improving financial stability and well-being, particularly for those in the B40 income group.

Additional to that, this study highlights the pivotal role that both Social Learning Theory (SLT) and the Family Resource Management (FRM) model play in shaping financial well-being. The findings suggest that even a minimum level of skills, when learned within the family environment through observation and imitation, can significantly contribute to financial well-being. The FRM model emphasizes the importance of managing resources effectively, and when combined with the behavioral learning mechanisms of SLT, it becomes clear that families serve as crucial environments for fostering financial literacy and responsible decision-making.

The managerial implications of this study are significant, particularly for organizations and policymakers focused on enhancing financial literacy and well-being among employees, consumers, or the general public. Based on the findings, several key implications can be drawn. Harnessing household skills that generate income can significantly improve the B40 income group, elevate individuals out of poverty, and improve their financial well-being. By recognizing the potential within their homes, individuals can transform their skills into profitable ventures, such as cooking, gardening, home maintenance, sewing, and teaching. This study highlights that a minimal skill is needed to achieve financial well-being. Hence, empowering specific skills that generate income is way better than having too many skills that could later be burdensome. The government's role in supporting these endeavors is also crucial. Through financial literacy programs, skill development initiatives, access to microcredit, tax incentives, social safety nets, and digital inclusion efforts, the government can empower the

B40 group to thrive and create a better future. In addition to financial literacy, the government can also focus on skill development and training programs. By offering accessible vocational training, entrepreneurial education, and workshops focused on income-generating household skills such as cooking, gardening, or home maintenance, B40 households can acquire the necessary knowledge and skills to improve their job prospects or start their businesses. By embracing single-household skills as income-generating opportunities, individuals within the B40 group can unlock their potential and build sustainable livelihoods. This elevates them from poverty and fosters a sense of self-reliance, resilience, and empowerment. As household skills generate income, individuals can experience improved financial stability, access to better opportunities, and an enhanced quality of life. This positive trajectory contributes to the overall well-being of the B40 group, lifting them out of poverty and paving the way for a brighter future. Through a collective effort between individuals, communities, and the government, the B40 group can seize the potential of their household skills, break the cycle of poverty, and create a prosperous future with improved financial well-being.

Furthermore, managers can implement financial wellness programs that target basic financial literacy skills, such as budgeting, saving, and debt management. By fostering these essential skills, organizations can enhance employees' financial well-being, which has been shown to reduce stress and improve productivity. Policymakers also can leverage these findings to design targeted interventions for low-income or financially vulnerable populations. Programs that provide basic financial education within family settings or community groups can help individuals improve their financial well-being through social learning, even with limited formal education. The integration of family-focused financial resource management strategies would further enhance the effectiveness of these policies. Therefore, this research underscores the need for future interventions to focus not only on individual financial education but also on strengthening the family unit as a foundation for sustainable financial well-being.

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