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FINANCIAL PREPAREDNESS OF HOUSEHOLDS: A REVIEW

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Abstract

Since COVID-19 will hit the world in early 2020, households have been hit with unanticipated risks that lower their income, cause them to lose their jobs, or cause them to lose family members. This situation got worse when the Movement Control Order (MCO), which is slowing down the economy, was kept in place for longer. Businesses aren't running as usual, people are afraid to be in crowded places, and the virus's sudden change makes things worse. Malaysia was recently hit by a flash flood in December 2021. Selangor is an important part of Malaysia's economy, so the flash floods there have affected many economic activities. This flash flood was also written down as one of the worst flash floods ever, and it forced about 4,000 people to leave their homes. But most households in Malaysia aren't financially ready, so they depend a lot on government help. Financial preparedness is one of the important expect in having financial stability, especially during the occurrences of unexpected risk. The study on financial preparedness usually involving old age and retirement process. However, new study on financial preparedness based on health and unexpected event had emerged. This study review on the financial preparedness of households. SCOPUS database were used on identify the journals used for this study. This study identifies the types of financial preparedness and the factors contributing to the financial preparedness of households.

Research paper

Keywords: Financial Preparedness, Households, Covid-19

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Introduction

Physical preparedness is defined as a series of self-protective behaviours that can lessen the loss of life, property, or personal injury during a disaster (Lindell, 2013). It includes both preparatory actions and adaptive response. It is critical that those who are confronted with an emergency take the first step to avoid the danger's repercussions. Varied disasters necessitate slightly different responses to early warnings, urgent responses, evacuation to safe zones, evacuation routes, and disaster termination.

Aini et al (2011) and Becker, McBride & Paton (2013) has demonstrated that residents living in hazard-prone areas are aware of the danger yet are unprepared and continue to be so despite several efforts. Several research have explored natural disaster preparedness and the characteristics that promote the adoption of protective measures among individuals who live in high-risk zones in recent decades, despite the fact that these studies have primarily focused on seismic threats (Lindell et al, 2015). The majority of research suggests that natural disaster preparedness is linked to a variety of elements ranging from personal (risk perception, attitude, awareness, and knowledge) to community-related factors including trust in agencies, subjective norm, and feeling of community.

In tsunami, flood, wildfire, and volcanic disasters, the intention to prepare has been demonstrated to be a strong predictor of readiness (Becker et al, 2013; Soleimani et al., 2022; Dana et al., 2022). The most influential element, according to Syakura (2014), was sense of community, followed by subjective norm, trust, positive outcome expectancy, and risk perception, which explained 57 percent of the variance in intention to prepare for a tsunami disaster. Citizens' behavioural intentions are influenced by both affective and cognitive processes, according to a study on community flood preparedness (Terpstra, 2011). In some communities, affective factors such as sense of community, which is linked to feelings of belonging, security, and social duty, have been found to predict disaster preparedness (Paton et al., 2006; Kohn et al., 2012; Dheer & Salamzadeh, 2022; Salamzadeh & Dana, 2021, 2022). Factors influencing preparedness, attitudes, and behaviours are complex and multifaceted, according to the evidence (including demographic characteristics, trust in government efforts, previous disaster exposure, and the number of dependents in a household), and vary across population groups, households, and individuals, as well as disaster types (Pereira et al., 2021, Hameed et al., 2021; Rahman et al., 2021). This study focuses on the factors that affect financial preparedness.

Financial literacy

According to the findings of this study, financial literacy has a good correlation with retirement readiness. To be ready for retirement, an individual must have a basic awareness of financial concepts. In other words: Believing one has a high degree of financial literacy doesn't mean one actually has because confidence in one's ability to make sound money decisions differs from possessing the skills necessary to actually do so! In order to better comprehend and evaluate the many retirement plans and investments available to customers, financial literacy is deemed essential. This allows for earlier planning and savings efforts, as well as improved financial stability in retirement.

Additionally, it is thought to be beneficial to have a clear vision of your retirement goals. Preparing for retirement in advance is easier for those who know what they want out of life.

Gender

Women were more concerned about their health than men were when it comes to their issues or anxieties in life. This may be due to the fact that women who expected to live longer had to deal with the inevitable consequences of ageing, such as health issues in old age. A study by Pinquart & Söresson (2001) found that older women have more worry about their ageing process than older males because they have a more negative self-concept and expect chronic health problems as they grow older. Concerns about Alzheimer's disease and arthritis, as well as having to deal with discomfort as they become older, underlined women's preoccupation with their health, as evidenced by the large difference between them and men (Appelt et al., 2007). There is no doubt about it: women want to avoid being a financial burden on their families. The decision to live in an assisted living facility may be emotionally painful, but it would be a temporary solution until they regained their physical independence (Saunders & Heliker, 2008; Johnson, Popejoy & Radina, 2010). When it came to finances and living expenses, women and men had nearly identical levels of anxiety about post-retirement comfort despite women's higher health-related anxieties. To assure a pleasant retirement, women were more willing to cut back on their present costs, while men were more inclined to work longer hours. Lusardi & Mitchell (2008), Kock & Folk (2010), Almenberg & Säve-Söderbergh (2011) and Shanmugam & Zainal Abidin (2013) all found that present financial resources had a considerable beneficial impact on retirement preparedness. The majority of working respondents responded that they would continue to work as long as their mental and physical capabilities allowed them to. it.

According to the findings from Guptan et al. (2021), the biggest predictor of financial preparation for retirement was confidence in one's ability to take the necessary actions to build a nest egg for one's golden years. Individuals with higher levels of retirement self-confidence are more likely to engage in sound financial management practises that are crucial to their ability to retire comfortably, as seen by the favourable influence confidence had on their ability to do so in this study. Self-belief in one's competence to handle one's personal finances is an additional requirement for effective financial management.

Intervention

Unexpected Events

Only the first two steps of crisis management—signal detection and preparation/prevention—are addressed in the current study, as previously described in the delimitation section. These two stages of crisis management will be studied in terms of organisational performance, owner-manager prior experience with economic crises, business environment, and leadership style. A person's attitude toward risk-taking in the decision-making process will also have an effect on the quality of these relationships, as will their overall perception of risk. The diagram depicts the conceptual model. Hypotheses Developed: The following assumptions have been created to help answer the research issue and assess the theoretical model:

H1: The organization's crisis management readiness competencies are positively correlated with prior economic crisis experience.
H2: There is a favourable correlation between an organization's performance and its crisis management readiness capabilities.
H3. CEO traits have a beneficial impact on the organization's ability to respond to a crisis.
H4: The organization's crisis management readiness skills are linked to the company's risk-taking attitude.

Health

It has been investigated in various circumstances, but the function that mental health plays in individual financial planning behaviour has yet to be examined. Many Malaysians are ignoring their own mental health issues, which is a direct result of their gloomy attitude toward financial planning. This has led in irrational risk-taking in the financial sector. For many elderly Malaysians, the country's tradition of relying on younger generations for financial support has shaped their outlook on life. As a result, a country's growing reliance on its citizens puts additional strain on families and the economy as a whole. For the most part, there have been little studies on the role of mental health as a moderator in the association between familiarity bias and financial planning behaviour in western countries. In Asian countries, such as Malaysia, there is relatively little debate of this issue. Depending on the country, the financial planning habits of Malaysians may differ from those of people in other countries. Additionally, the quantitative method, notably the survey method, will be employed. Future researchers are urged to use a variety of methods, such as the qualitative approach and focus group interview, to gain a deeper understanding of the subject matter. A strong knowledge of this study's interrelationships could help policymakers create more appealing policies for the benefit of Malaysians in the field of financial planning.

Does Shocks effects Financial Preparedness

Consequently, we believe that both mitigation and adaptation are necessary as a response to climate change in order to effectively address current and future climate impacts. Mitigation for emission reductions will thus address root causes of the atmospheric buildup of GHGs, while adaptation will deal with the impacts of climate hazards such as floods, typhoon and heat waves. It is impossible to completely prevent natural disasters, but it is possible to decrease their impact on the environment while also increasing the resilience of natural ecosystems and man-made infrastructure. It is not usually what happens in a tiny country that counts most, but the emission of neighbouring countries and the globe as a whole. Since we know that climate change will have far higher repercussions than natural regional phenomena like the Monsoon and El Nino–Southern oscillation, Indian Ocean dipole, and MJO, we believe each country has a role to play, no matter how little that part may appear to be." Reduce and manage this greater risk is what is required. In practical terms, we could also define risk more broadly to cover all major sustainable development challenges, for example, those "slow-onset high-impact" phenomena like poverty and biodiversity loss, and advocate that, here again, risk reduction and management approaches will reduce adverse impacts considerably. This strategy necessitates proactive measures through coordinated and long-term actions because disasters can be classified as risks that have been realised.

With the benefit of hindsight gained from a decade of funds, the majority of which came from global agencies, and on the basis of the analysis of existing international financial mechanisms, the primary goals for an effective and efficient financial architecture for a climate agreement should include the following: (1) ensuring that adequate support is provided for early preventive action; (2) cultivating a sense of collaborative ownership of climate change responses to be implemented by both developed and developing countries; and (3) ensuring that there is coherence between the climate actions that are taken, international funding, and national development strategies; (4) addressing properly the range of investments for adaptive and mitigating needs, technical assistance, capacity building and support for policy design and implementation; (5) ensuring effective partnerships to leverage global financing in a harmonised manner; and (6) including sound financial management and monitoring and evaluation arrangements.

Conclusion

Figure 1 shows the types of financial preparedness. The financial preparedness are divided into old age security, unexpected events and health. This then further being classified based on different factors. Financial preparedness is important for the households. Financial preparedness helps the households for preparation during their downtime and serve as a cushion for the financial preparedness.

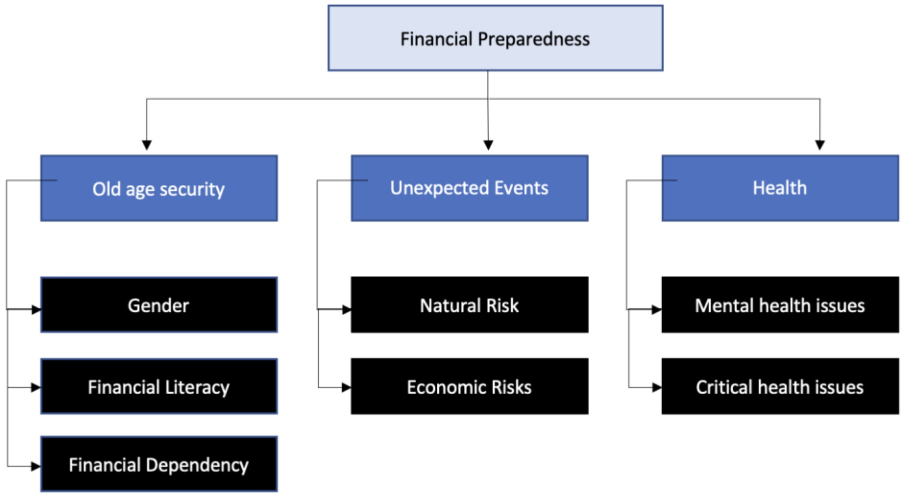

Figure 1. Review of financial preparedness and the factors affecting financial preparedness.

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