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Economic Well-being and Youth Quality of Life: Insights from the Malaysian Youth Index

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Abstract

Economic well-being is determinant of youth's quality of life amid escalating living costs, employment uncertainty and financial vulnerability. Drawing on Malaysian Youth Index 2024 (MYI'24), a quantitative approach using descriptive and comparative assessments evaluated the Economy domain. The Economy domain scored 70.70 in MYI'24, indicating a Moderate level of economic quality of life among youth. Although financial literacy was High at 77.27, Lower scores in financial security (59.41), debt-free status (57.83) and youth unemployment rate (6.10) show vulnerabilities. The findings provide actionable insights for decision-makers and stakeholders, supporting initiatives to promote sustainable improvements in youth's quality of life and well-being.

Keywords: Malaysian Youth Index; Economic Well-being; Youth Quality of Life; Economic Resilience

1.0 Introduction

Youth constitute a critical national asset and play a fundamental role in driving economic growth, innovation and sustainable development. As Malaysia advances towards becoming a high-income, inclusive and sustainable nation, ensuring the economic well-being of young people has become increasingly important. Economic well-being influences not only financial conditions but also employment opportunities, entrepreneurship, social mobility, psychological health, family formation and overall quality of life and well-being. Recognizing this, the Malaysian Youth Policy (MYP) 2015–2035 and Scenarios: Future of Youth 2035 adopts a holistic framework covering six domains: political, economic, social, technological, environmental and values. Within the economic domain, the policy prioritizes entrepreneurship, work culture, financial literacy, urban poverty and regional and international economic participation to strengthen youth resilience and competitiveness. In addition, the Twelfth Malaysia Plan (2021–2025) and the Madani Youth Development Model 2030 (MPBM 2030) further reinforce these priorities by promoting quality education and training, job creation and entrepreneurial transformation, youth well-being and active youth participation.

According to the Department of Statistics Malaysia (DOSM, 2024), Malaysia recorded 9.50 million youths aged 15–30 years in 2024 representing a significant demographic resource for national development. Despite relatively stable economic growth, Malaysian youth continue to face numerous economic challenges including graduate underemployment, skills mismatch, low starting salaries, housing affordability issues, rising household debt, income insecurity and rising living costs. Rapid technological advancement, digitalization and the expansion of the gig economy have created new employment opportunities but have also introduced greater employment uncertainty and financial vulnerability. These challenges demonstrate that youth economic well-being extends beyond employment and income to encompass financial capability, employment quality and long-term financial resilience.

The concept of economic well-being has evolved from a narrow focus on objective indicators such as income and employment towards a multidimensional perspective encompassing financial capability, financial behavior, financial security, debt management and resilience to economic shocks. The Organization for Economic Co-operation and Development (OECD) defines economic well-being as the ability to maintain an acceptable standard of living and financial security throughout life. At the same time, the Consumer Financial Protection Bureau (CFPB) emphasizes individuals' capacity to meet current financial obligations, withstand financial shocks, achieve future financial goals and enjoy financial freedom. In Malaysia, these multidimensional aspects are reflected in the Malaysian Youth Index (MYI), that has been developed by the Institute for Youth Research Malaysia (IYRES) which assesses youth quality of life and well-being across six development domains including the Economy domain.

The Malaysian Youth Index 2024 (MYI'24) reported an overall performance score of 73.59 exceeding the national target of 70.30 indicating positive progress in youth development. Nevertheless, the Economy domain recorded a Moderate level of achievement with persistent weaknesses in financial security, debt-free status and youth employment. Although national policies have prioritized youth empowerment and economic resilience, empirical research examining the Economy domain of the Malaysian Youth Index remains limited. Most existing studies focus on descriptive findings without comprehensively examining the relationships among financial literacy, financial capability, employment quality and youth economic well-being. Therefore, further research is necessary to provide evidence-based insights to support the implementation of the Malaysian Youth Policy 2015–2035, the Twelfth Malaysia Plan and the Madani Youth Development Model 2030 ultimately contributing to the sustainable economic development and well-being of Malaysian youth.

2.0 Literature Review

2.1 Economic Well-being and Youth Quality of Life

Economic well-being is increasingly recognized as a multidimensional concept that extends beyond income, employment or material wealth. Recent literature contends that economic well-being encompasses individuals' capacity to achieve financial stability, maintain adequate living standards, cope with financial shocks and pursue long-term economic goals (OECD, 2023). For youth, economic well-being is especially significant as it influences the transition from education to employment, the attainment of financial independence, family formation and social mobility.

Quality of life has long been regarded as a multidimensional construct comprising physical, psychological, social, environmental and economic dimensions (WHO, 2021). Among these dimensions, economic well-being is a fundamental enabler as it influences access to education, healthcare, housing, transportation and opportunities for personal development. Inadequate financial resources may limit individuals' capability to participate fully in society thereby reducing overall quality of life. According to Sen's Capability Approach (1999), development should be evaluated not merely by economic growth but by individuals' capabilities to achieve valued life outcomes. This perspective suggests that economic well-being should be understood in terms of opportunities, choices and freedom rather than income alone. Consequently, youth with similar income levels may experience different levels of quality of life depending on employment security, financial resilience, debt burden and access to social support.

Numerous studies have identified positive associations between economic well-being and subjective life satisfaction. Individuals with greater financial security typically report lower stress, improved mental health, higher productivity and stronger community participation (Bruggen et al., 2017). In contrast, financial instability is linked to increased anxiety, delayed family formation, reduced social participation and poorer psychological outcomes. In Malaysia, economic well-being has become increasingly important following the COVID-19 pandemic. Although macroeconomic recovery has improved employment opportunities, many young people continue to face rising living costs, housing affordability challenges and growing household financial commitments. Therefore, understanding youth economic well-being requires a multidimensional assessment that goes beyond conventional economic statistics.

2.2 Youth Economic Challenges in Malaysia

Malaysia has maintained relatively stable economic growth over the past decade; however, several structural challenges continue to affect the economic well-being of youth. Consistent with the Malaysian Youth Policy (MYP) 2015–2035, economic issues affecting Malaysian youth extend beyond unemployment to include entrepreneurship development, work culture, urban poverty, financial literacy, regional and international economic participation and adaptation to the digital economy. Despite improvements in educational attainment, many young people continue to experience graduate underemployment, skills mismatch, relatively low starting salaries and limited opportunities for career advancement. According to the Department of Statistics Malaysia (DOSM, 2024), the youth unemployment rate remains consistently higher than the national average, while many graduates require longer periods to secure permanent employment and frequently accept jobs below their qualifications. These labor market challenges reduce productivity, limit income growth and weaken long-term economic mobility. The rapid expansion of the digital economy has created new employment and entrepreneurial opportunities through digital platforms and the gig economy.

Nevertheless, these forms of employment often provide limited social protection, retirement savings, paid leave and employment security contributing to income instability among young workers. At the same time, rising living costs, housing affordability issues, urban poverty, increasing transportation and healthcare expenses and growing financial commitments from educational loans, vehicle financing and consumer credit continue to weaken youth financial resilience. The increasing use of Buy Now Pay Later (BNPL) facilities further underscores the need to strengthen financial literacy and responsible financial management among young adults. In line with the

MYP 2015–2035, improving youth economic well-being therefore requires comprehensive strategies that promote quality employment, entrepreneurship, participation in the digital economy, financial capability, sustainable income generation and inclusive economic opportunities at both the regional and international levels.

2.3 Financial Capability Theory

The Financial Capability Framework offers a comprehensive theoretical explanation of financial well-being. In contrast to traditional financial literacy models, financial capability integrates financial knowledge, financial behaviour, financial attitudes and access to appropriate financial services (Kempson et al., 2017). Within this framework, financial literacy constitutes only one component influencing financial well-being. Individuals may possess sufficient financial knowledge yet still encounter financial difficulties due to limited income, unstable employment or adverse economic conditions.

Bruggen et al. (2017) conceptualize financial well-being as a state in which individuals perceive themselves as financially secure, capable of meeting current obligations, resilient to future financial shocks and able to pursue desired life goals. This conceptualization closely aligns with the Economy domain of the Malaysian Youth Index which assesses multiple dimensions of youth economic conditions beyond income alone. Similarly, the Consumer Financial Protection Bureau (2017) argues that financial well-being depends upon four interrelated capabilities:

i. Ability to meet current financial obligations;
ii. Capacity to absorb financial shocks;
iii. Progress towards future financial goals; and
iv. Freedom to make financial choices that improve quality of life.

These dimensions offer a robust theoretical foundation for interpreting MYI'24 findings. Although Malaysian youth exhibit relatively strong financial literacy, weaker outcomes in financial security and debt-free status indicate that financial knowledge has not yet translated into sustainable financial well-being.

2.4 Conceptual Framework

Based on the Financial Capability Framework and the Capability Approach, this study posits that youth economic well-being is shaped by multiple interconnected components rather than a single economic indicator.

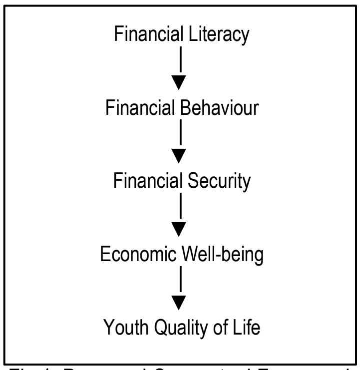

Fig 1: Proposed Conceptual Framework

The framework assumes that higher financial literacy promotes positive financial behaviour such as budgeting, saving, investment planning and responsible borrowing. These behaviours subsequently enhance financial security by increasing savings, reducing financial stress and strengthening resilience to unexpected economic shocks. Improved financial security ultimately contributes to greater economic well-being and a higher quality of life. However, this relationship is also affected by structural factors including employment opportunities, income stability, labour market conditions, inflation and housing affordability. Thus, improvements in financial literacy alone may not lead to higher economic well-being unless accompanied by supportive socioeconomic conditions. This conceptual framework establishes the theoretical basis for interpreting the MYI'24 Economy domain findings and underpins the subsequent discussion of policy implications.

3.0 Methodology

A quantitative research design was implemented using the i-GREAT survey instrument, along with document analysis and secondary data. The study targeted Malaysian youths aged 15 to 30 years with 5,426 respondents representing all states in Malaysia. Data collection was carried out by trained personnel under the IYRES Community Enumerator (ICE) programme which included 185 enumerators, 16 state supervisors and 5 pilot-study enumerators. Respondents were selected using the Enumeration Block (EB) and Living Quarters (LQ) sampling framework developed by the Department of Statistics Malaysia (DOSM) to ensure representative across states, localities, genders and ethnic groups. Data were analyzed using the Malaysian Youth Index 2024 (MYI'24) scoring methodology. Indicator scores were standardized to a 0–100 scale, aggregated into domain scores and then combined to produce the overall index score. Higher scores reflect greater youth well-being and quality of life as interpreted by the six MYI classification scale which ranges from very unsatisfactory to very satisfactory.

4.0 Findings

4.1 Overall Performance of the Economy Domain

The Malaysian Youth Index 2024 (MYI'24) recorded an overall score of 73.59, indicating a Moderate level of youth quality of life in Malaysia. Within the six domains assessed, the Economy domain achieved a score of 70.70, also classified as Moderate. While this score reflects an encouraging level of economic well-being among Malaysian youth, it also underscores persistent structural challenges that affect financial resilience. Comparisons with previous MYI editions reveal significant improvement since the COVID-19 pandemic, the Economy domain score increased from 59.07 (MYI'21) and 58.55 (MYI'22) to 71.99 (MYI'23) before recording 70.70 (MYI'24). The substantial increase between MYI'22 and MYI'23 corresponded with Malaysia's economic recovery following the reopening of economic sectors and improved labour market conditions. However, the slight decline in MYI'24 suggests that despite ongoing macroeconomic recovery, young people remain vulnerable to inflationary pressures, rising living costs and structural labour market constraints. This trend demonstrates that post-pandemic economic recovery has positively influenced youth economic well-being. Yet improvements remain uneven across indicators, suggesting that not all Malaysian youth have benefited equally from the economic recovery initiatives.

Table 1. Trend of Economy Domain Scores (MYI'21–MYI'24)

Malaysian Youth Index (MYI)	Score	Level
MYI'21	59.07	Less Satisfactory
MYI'22	58.55	Less Satisfactory
MYI'23	71.99	Moderate
MYI'24	70.70	Moderate

(Source: Institute for Youth Research Malaysia (2024))

Table 2. Performance of Economy Indicators (MYI'24)

Indicator	Score	Level
Financial Security	59.41	Less Satisfactory
Financial Literacy	77.27	Moderate
Debt-Free Status	57.83	Less Satisfactory
Employability	*61.10*	Moderate
Youth Unemployment Rate	6.10	-

(Source: Institute for Youth Research Malaysia (2024))

4.2 Financial Security

Financial Security recorded a score of 59.41 representing one of the weakest indicators within the Economy domain. This outcome suggests that despite improvements in financial literacy, many Malaysian youths continue to experience financial insecurity. Financial security encompasses the ability to meet daily financial obligations, maintain emergency savings, manage unexpected expenses and plan for future financial needs. The relatively Low score indicates that many young people remain financially vulnerable, even when participating in the labour market. Several structural factors contribute to this situation such as wage growth among younger workers not keeping pace with rising living costs and inflation increasing essential expenditures such as food, transportation, childcare, healthcare and housing, thereby reducing disposable household income. Employment instability is also prevalent with many youths engaged in contract-based work or the gig economy where income is inconsistent and employment benefits are limited. Additionally, many young households have relatively low financial reserves increasing their vulnerability to unexpected financial uncertainties such as illness, unemployment or emergency family expenses.

4.3 Financial Literacy

These findings suggest that strengthening youth financial security requires comprehensive policy interventions extending beyond financial education. Among all indicators in the Economy domain, Financial Literacy recorded the highest score of 77.27. This finding indicates that Malaysian youth generally possess satisfactory knowledge of personal financial management including budgeting, saving, investing, responsible borrowing and financial planning. The improvement in financial literacy is likely attributable to continuous financial education initiatives implemented by Bank Negara Malaysia, the Financial Education Network (FEN), educational institutions and financial service providers. The widespread use of digital banking applications, financial technology and online investment platforms has also increased access to financial information among younger generations. However, although financial literacy has improved considerably, international studies consistently demonstrate that financial knowledge alone does not necessarily guarantee financial well-being. According to Brüggen et al. (2017), financial well-being depends upon an individual's ability to translate financial knowledge into effective financial behavior. Similarly, Kempson et al. (2017) argue that financial capability comprises both knowledge and behavioral competence. Individuals who understand financial concepts may still experience financial difficulties if they are constrained by low income, unstable employment or unfavorable macroeconomic conditions. The MYI'24 findings strongly support this theoretical perspective where Malaysian youth exhibit relatively high financial literacy but comparatively lower financial security suggesting that financial knowledge alone is insufficient to improve economic well-being.

4.4 Debt-Free Status

The Debt-Free Status indicator recorded a score of 57.83 representing one of the lowest-performing indicators within the Economy domain. The findings suggest that debt remains an important financial challenge for Malaysian youth. Youth frequently begin their working lives with multiple financial commitments including educational loans, vehicle financing, housing loans, personal financing and consumer credit. Although borrowing often facilitates education and asset ownership, excessive indebtedness may reduce financial flexibility and increase long-term financial stress. High debt obligations may delay major life decisions including home ownership, marriage, entrepreneurship and retirement planning. The increasing popularity of Buy Now Pay Later (BNPL) facilities has further expanded access to consumer credit. While BNPL services improve short-term purchasing power, inappropriate use may contribute to excessive debt accumulation among financially vulnerable youth. These findings indicate that future financial capability programs should increasingly emphasize responsible borrowing, debt management and long-term financial planning.

4.5 Employability and Youth Unemployment Rate

Employment remains the primary determinant of youth economic well-being. Although Malaysia has experienced a gradual labor market recovery following the COVID-19 pandemic, youth unemployment continues to exceed the overall national unemployment rate. Young graduates frequently encounter prolonged school-to-work transitions, skills mismatch and relatively low starting salaries. According to the OECD (2024), graduate underemployment remains one of Malaysia's major labor market challenges. Many graduates are employed in occupations below their qualification levels reducing productivity and slowing income progression. Platform-based employment has created flexible income opportunities but has simultaneously introduced greater employment insecurity. Gig workers frequently lack access to retirement contributions, social protection, paid leave and healthcare benefits limiting their long-term economic security. These labor market characteristics partly explain why improvements in financial literacy have yet to yield equivalent gains in financial security.

Employment remains the primary determinant of youth economic well-being. Although Malaysia has experienced gradual labour market recovery following the COVID-19 pandemic, youth unemployment continues to exceed overall national unemployment rates. Young graduates frequently encounter prolonged school-to-work transitions, skills mismatch and relatively low starting salaries. According to the OECD (2024), graduate underemployment remains one of Malaysia's major labour market challenges. Many graduates are employed in occupations below their qualification levels reducing productivity and slowing income progression. Furthermore, digitalization has transformed employment patterns. Platform-based employment has created flexible income opportunities but has simultaneously introduced greater employment insecurity. Gig workers frequently lack retirement contributions, social protection, paid leave and healthcare benefits limiting long-term economic security. These labour market characteristics partly explain why improvements in financial literacy have yet to produce equivalent improvements in financial security.

5.0 Discussion

The findings of the Malaysian Youth Index 2024 (MYI'24) demonstrate that youth economic well-being in Malaysia has improved considerably since the COVID-19 pandemic improvement reflects Malaysia's post-pandemic economic recovery including the reopening of the labour market, increased economic activity and greater employment opportunities. Nevertheless, the Moderate overall score indicates that economic recovery has not translated into equally strong financial resilience among Malaysian youth. This finding supports previous studies (Brüggen et al., 2017; OECD, 2023), which argue that economic well-being is multidimensional and cannot be adequately assessed using employment or income indicators alone. The findings further support the Financial Capability Framework proposed by Kempson et al. (2017) which posits that financial capability extends beyond financial knowledge to encompass financial behavior, financial security and access to economic opportunities. Although Financial Literacy recorded the highest score, Financial Security and Debt-Free Status remained among the weakest indicators. This disparity suggests that possessing financial knowledge alone does not necessarily improve financial well-being when structural constraints such as low wages, unstable employment, inflation and high living costs persist. The findings therefore reinforce the argument that financial capability requires both individual competencies and supportive socioeconomic environments.

The study also aligns with Sen's Capability Approach (1999) which emphasizes that development should be evaluated in terms of individuals' capabilities to achieve valued life outcomes rather than solely by economic resources. Malaysian youths may possess adequate financial knowledge and educational qualifications yet their opportunities to achieve financial independence remain constrained by graduate underemployment, skills mismatch, housing affordability and insecure employment conditions. These structural barriers limit their ability to accumulate savings, purchase homes, establish families and plan for long-term financial security. Consequently, improvements in youth economic well-being require both individual capability development and structural labor market reforms. From a policy perspective, the findings are consistent with the priorities outlined in the Malaysian Youth Policy (MYP) 2015–2035, the Twelfth Malaysia Plan (2021–2025) and the Madani Youth Development Model 2030 all of which recognize that youth economic resilience depends on quality employment, entrepreneurship, financial literacy, digital economy participation and inclusive economic opportunities. While current initiatives have successfully enhanced financial literacy, greater emphasis should now be placed on strengthening financial security, reducing debt vulnerability and improving employment quality. Such efforts are essential to ensure that improvements in financial knowledge are translated into sustainable economic well-being and a higher quality of life for Malaysian youth.

6.0 Conclusion & Recommendations

This study examined the Economy domain of the Malaysian Youth Index 2024 (MYI'24) to assess the current state of youth economic well-being in Malaysia. Although the overall MYI score improved to 73.59, the Economy domain remained at a Moderate level indicating that economic resilience among Malaysian youth is still constrained. While financial literacy recorded the strongest performance, financial security and debt-free status remained relatively weak, suggesting that financial knowledge alone has not translated into sustainable financial well-being. These findings support the Financial Capability Framework and Sen's Capability Approach which emphasize that the interaction of financial capability, employment quality, income stability, debt management and broader socioeconomic conditions shapes youth economic well-being. The study therefore reinforces the importance of multidimensional indicators such as the Malaysian Youth Index for evaluating youth quality of life and provides empirical support for implementing the Malaysian Youth Policy 2015–2035, the Twelfth Malaysia Plan and the Madani Youth Development Model 2030.

Based on these findings, strengthening youth economic well-being requires integrated policy interventions that extend beyond improving financial literacy. Greater emphasis should be placed on enhancing employment quality by addressing graduate underemployment, skills mismatch and school-to-work transition through stronger industry–education collaboration, apprenticeships and digital skills development. Financial capability initiatives should also promote practical financial behaviors including budgeting, saving, debt management and the responsible use of consumer credit such as Buy Now Pay Later (BNPL). Furthermore, policies should strengthen youth financial security by expanding access to affordable housing, social protection for gig and contract workers, support for entrepreneurship and sustainable income opportunities in the digital economy. Future research should employ advanced analytical approaches such as structural equation modeling (SEM) or longitudinal studies to examine the complex relationships among financial capability, employment quality and economic well-being, thereby providing stronger evidence for evidence-based youth policy and program development.

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