Adaptation of Behavior al Insights to Reduce Individual Indebtedness: A Case Study from Malaysian Context

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Abstract: This study examines the issue of bankruptcy in Malaysia with a focus on attitudes, debt-related behavior s, and subjective norms among individuals who have been declared bankrupt. Employing a qualitative interview-based approach, the study involved fifteen (15) informants, including bankrupt individuals and officers from relevant agencies. Data were collected through structured online interviews and analysed using Nvivo 10 software to identify categories, themes, and patterns of financial behavior . The findings indicate that rising living costs, income instability, and a lack of financial behavior al control are the main factors contributing to bankruptcy. The study also highlights the importance of subjective norms and individuals' perceptions of debt in shaping their financial decision-making. These findings contribute to a deeper understanding of the phenomenon of bankruptcy in Malaysia and provide recommendations for action plans and intervention strategies to assist individuals in managing debt more effectively.

Keywords: Bankruptcy, Financial Behavior, Subjective Norms, Insolvency, Qualitative Study,

INTRODUCTION

Bankruptcy refers to a process whereby a debtor is declared bankrupt through a court order, in which creditors are entitled to file bankruptcy proceedings if the total debt exceeds RM50,000 (Malaysian Department of Insolvency, 2021). The RM50,000 threshold reflects the amendment introduced under the Insolvency (Amendment) Act 2017, which increased the minimum debt requirement from RM30,000 to RM50,000 to provide greater protection to debtors and reduce premature bankruptcy filings. The selection of this threshold in the present study ensures alignment with the prevailing legal framework and narrows the sample scope to individuals facing legally significant levels of indebtedness rather than temporary liquidity constraints. Bankruptcy status is a matter of serious concern due to its significant implications for an individual's life, including social and economic consequences. The increasingly challenging economic conditions contribute to life stress, poor financial management, and an inability to repay debts, which ultimately increases the risk of bankruptcy. The rising cost of living and instability of household income are viewed as major factors contributing to debt burdens, particularly among young workers. The Malaysian Consumer and Borrower Protection Association (4PM) reported that many individuals aged between 30 and 45 were expected to face bankruptcy by 2022 following the end of government assistance and financial facilities, including various loans.

moratoriums, i-Sinar packages, and Employees Provident Fund (EPF) withdrawals (Malay Mail, 2021). 4PM receives nearly 900 calls daily regarding bankruptcy cases, equivalent to approximately 10,800 cases per year, and this figure only represents calls received directly by the association.

Recent statistics from the Department of Insolvency indicate that a total of 292,447 bankruptcy cases were registered up to June 2021, with 58,795 cases reported between 2017 and 2021. While the statistics cited above provide an overview up to 2021, recent post-pandemic economic adjustments, including inflationary pressures and subsidy rationalization, may further influence bankruptcy trends. According to the Malaysian Department of Insolvency, post-2022 data indicate a gradual increase in bankruptcy applications following the end of loan moratorium measures. Future updates of this manuscript may incorporate the most recent annual insolvency reports to ensure continued empirical relevance. Although the statistics cited above provide an overview up to 2021, post-pandemic economic developments have altered the financial landscape in Malaysia. The withdrawal of loan moratorium measures, rising inflation, and cost-of-living pressures have influenced household debt vulnerability. Recent updates from the Malaysian Department of Insolvency indicate a gradual increase in bankruptcy applications following the economic reopening phase. Therefore, bankruptcy trends must be understood within the broader context of post-COVID-19 financial restructuring.

States with the highest number of cases are Selangor, the Federal Territories, and Johor Bahru. Demographic analysis shows that the 35–44 age group recorded the highest number of cases, followed by those aged 45–54 and 25–34. The majority of individuals declared bankrupt are male, of Malay ethnicity, and are predominantly involved in personal loans as the highest category of debt.

It is important to distinguish between individuals who are merely at risk of bankruptcy and those who have experienced legally declared insolvency. This study specifically focuses on individuals with confirmed bankruptcy status, thereby examining lived experiences rather than hypothetical financial vulnerability.

This phenomenon raises important questions regarding individuals' attitudes, behavioral control, and subjective norms towards indebtedness. Based on these issues, this study aims to: (i) identify issues and problems related to attitudes and debt-related behaviors, (ii) assess the current state of indebtedness and subjective norms related to debt, and (iii) propose action plans and improvement measures to enhance the effectiveness of delivery systems related to debt issues.

These objectives are conceptually aligned with the Theory of Planned Behavior (TPB), which posits that behavior is influenced by attitudes, subjective norms, and perceived behavior al control (Ajzen, 1991). In the context of bankruptcy, attitudes refer to individuals' evaluations of indebtedness, subjective norms represent perceived social pressures in borrowing decisions, and perceived behavior al control reflects individuals' confidence in managing repayment obligations. This theoretical alignment strengthens the explanatory structure of the study.

LITERATURE REVIEW

Numerous factors contribute to bankruptcy among young people. A study conducted by Elangkovan and Ahmed Razman (2013) found that bankruptcy cases frequently occur due to unpaid credit card debt. The increasing number of individuals declared bankrupt due to credit card debt largely involves those under the age of 30. Another study by Nazni et al. (2012) also showed that credit card usage is a primary cause of debt problems leading to bankruptcy.

A study conducted by the Consumer Research and Resource Centre (CRRC) on the financial behavior and habits of young workers revealed that the highest percentage of bankruptcy or insolvency cases among youth involved vehicle loans (25.21%), followed by personal loans (13.15%), housing loans (12.31%), business loans (11.26%), and credit cards (4.9%). Other contributing factors include a lack of knowledge in financial management and weak financial planning. Based on findings related to financial behavior and habits among young workers, 37% of this group admitted to spending beyond their monthly income.

According to a study by the Malaysian Department of Insolvency (2014), another factor contributing to bankruptcy among youth is business loans. Engaging in business is a positive endeavor; however, due to a lack of knowledge and experience, some businesses operated by young individuals fail, resulting in an inability to repay debts. This situation has contributed to bankruptcy and is a cause for serious concern.

Financial literacy and financial management practices also contribute to the indebtedness of young workers. In addition, individuals who excessively follow their desires to the point of losing control may also face problems in financial planning. Therefore, planning in the acquisition and utilization of resources is necessary to ensure an individual's financial well-being (Husniyah et al., 2015).

Financial management practices encompass aspects of debt, investment, insurance, retirement, and estate planning (Jodi & Phyllis, 2018). A lack of knowledge regarding personal finance and imprudent financial management practices contribute to poor debt management. According to Dowling, Corney, and Hoiles (2019), based on a study among young workers in Australia, the level of financial problems faced by individuals can be determined by their financial management practices. Previous studies have also shown that financial management practices have a significant positive relationship with financial well-being (Zaimah, 2020). It is important to conceptually distinguish financial literacy from psychosocial sustainability.

Financial literacy refers to knowledge and understanding of financial concepts such as interest rates, loans, and budgeting. In contrast, psychosocial sustainability encompasses long-term psychological resilience, coping mechanisms, emotional regulation, and social support systems that enable individuals to navigate financial stress. While financial literacy may provide cognitive competence, psychosocial sustainability determines behavioral endurance during financial adversity. The interaction between these constructs remains underexplored in bankruptcy studies.

Poor debt management stems from inadequately managed financial problems. The relationship between debt management and financial problems is supported by a study by Williams, Haldeman, and Cramer (2016), which found that individuals experiencing numerous financial problems tend to face serious debt management issues. Findings from Roberts and Jones (2001) indicate that young workers record the highest statistics in financial problems and financial dissatisfaction. It was found that 60% of young adults in the United States aged between 18 and 39 face a high burden of educational debt to the extent that they are unable to repay it (Whitsett, 2012). Meanwhile, according to Thums, Newman, and Xiao (2018), young adults aged 20–24 experience financial problems and lack confidence in debt management.

Although international evidence highlights similar debt-related patterns among young adults, the Malaysian socio-economic context presents unique structural characteristics. Malaysia records one of the higher household debt-to-GDP ratios in Southeast Asia, influenced by housing financing structures, vehicle ownership patterns, and dual banking systems (conventional and Islamic finance). Cultural expectations surrounding family financial support and social mobility aspirations may also shape borrowing behavior differently compared to Western contexts. Therefore, findings from international literature cannot be directly generalized without contextual reinterpretation. Regional studies in Southeast Asia also indicate rising household indebtedness, particularly in Thailand and Singapore, where easy credit access and property financing contribute to elevated personal debt levels. However, comparative qualitative investigations examining the lived experience of bankruptcy remain limited across the region. This further underscore the relevance of conducting in-depth qualitative analysis within Malaysia.

While previous studies consistently identify credit card usage, personal loans, and weak financial planning as primary contributors to bankruptcy, much of the existing literature remains largely quantitative and descriptive in nature. There is limited qualitative exploration examining how individuals cognitively justify indebtedness or how socio-cultural expectations influence borrowing decisions in the Malaysian context. Moreover, most studies treat financial literacy as a direct predictor of financial well-being without sufficiently addressing the behavioral gap between knowledge and action. This indicates the need for a more integrative behavior all perspective to understand why financially knowledgeable individuals may still experience bankruptcy.

Despite extensive discussions on financial literacy and debt management, there is a clear research gap in understanding how behavior al constructs, developmental career stages, and psychosocial factors interact in shaping actual bankruptcy experiences in Malaysia. Most existing studies rely on survey-based approaches and regression models, with limited attention to narrative accounts of legally declared bankrupt individuals. This study addresses this gap by integrating behavioral theory with qualitative empirical evidence to provide a deeper contextual understanding of indebtedness and bankruptcy.

THEORIES RELATED TO INDEBTEDNESS ISSUES

3.1 Super’s Five Life and Career Development Stages Theory

Elements of Super’s Career Development Theory were first introduced by Donald E. Super in 1952. This theory is a continuation of Ginzberg’s Career Development Theory introduced in 1951. Super’s Career Development Theory is based on the concept of self-concept within an individual, as it assumes that an individual’s self-concept influences career choice and career satisfaction (Zunker, 2002). According to Super, self-concept refers to an individual’s evaluation of themselves. Individuals assess themselves by identifying their strengths and weaknesses. A person views themselves from various aspects, including physical, mental, and emotional maturity; potential; innate talents; interests; values; moral and ethical self; family self; social self; behaviours; and self-satisfaction. Self-evaluation occurs naturally, sometimes consciously and sometimes unconsciously. In other words, individuals seek to understand themselves and act according to their own capabilities (Sidek, 2001).

Individuals with a positive self-concept are often associated with high academic achievement, good career choices, and excellent leadership styles. In contrast, individuals with a low self-concept are associated with poor academic achievement, less favourable and unstable careers, and weak and disorganised leadership styles (Sidek, 2001). According to Sidek (2001), Super preferred using an approach rather than a rigid theory and proposed three approaches: differential, developmental, and social phenomenological psychology. Differential refers to individual differences in interests, tendencies, abilities, and personality. Development refers to the development of self-concept, which is divided into five stages: growth (birth–14 years), exploration (15–24 years), establishment (25–44 years), maintenance (45–64 years), and decline (65 years and above).

These five stages greatly influence an individual’s career choice and career stability. Social phenomenological psychology refers to the process of career development involving external compromises between individuals and the world of work, as well as internal compromises between individual needs, parental influences, and cultural factors.

There are five factors influencing an individual’s entry into the workforce: (i) abilities, interests, and personal traits; (ii) identification of available occupational fields and their requirements; (iii) competence in a particular occupation; (iv) a high degree of interest in occupational activities; and (v) the ability to derive satisfaction from the chosen occupation (Mohamed Fadzil, 2009).

In addition, there are nine other factors influencing an individual's engagement in employment: (i) fulfilling interests, (ii) testing abilities and competencies, (iii) seeking satisfaction, (iv) seeking financial resources, (v) fostering social support, (vi) building identity and self-esteem, (vii) seeking status, (viii) contributing to society, and (ix) fulfilling religious obligations (Mohamed Fadzil, 2009).

Thus, based on this theory, individuals attempt to balance career satisfaction with satisfaction derived from life. One element of career satisfaction is measured through monthly wages and salaries, particularly for workers in the public and private sectors. Confusion arises among individuals facing financial management problems when they attempt to fulfil career satisfaction demands that are not balanced with life satisfaction demands. This situation leads them to spend beyond their income. Consequently, high levels of indebtedness occur due to the failure to align life satisfaction with limited repayment capacity.

Although Super's theory was originally developed to explain career choice and vocational development, its life-span perspective provides valuable insight into financial commitment patterns across adulthood. In particular, the establishment stage (25–44 years) is characterised by career consolidation, family formation, asset acquisition, and upward social mobility aspirations. These developmental tasks often require significant financial commitments, including housing loans, vehicle financing, and business investments. Consequently, individuals at this stage may experience heightened exposure to debt accumulation if financial expectations exceed income stability. Integrating Super's developmental lens with indebtedness behaviour allows bankruptcy to be understood not merely as financial mismanagement, but as a developmental imbalance between career aspirations, self-concept, and repayment capacity.

The integration of Super's developmental framework with the Theory of Planned Behaviour provides a more comprehensive explanatory structure. While Super's theory explains why individuals at certain life stages may pursue financial expansion due to developmental aspirations, the Theory of Planned Behaviour explains how such aspirations translate into borrowing behaviour through attitudes, subjective norms, and perceived behaviour al control. Together, these frameworks bridge developmental motivations and behavioural execution, thereby strengthening the theoretical coherence of this study.

3.2 Theory of Planned Behaviour

The Theory of Planned Behaviour (TPB) asserts that human behaviour is influenced by three constructs: attitude, subjective norm, and perceived behaviour al control. TPB, developed by Ajzen (1991), is a theory that has been widely used in behaviour al studies (Crespo & Bosque, 2008; Park et al., 2011). It is an extension of the Theory of Reasoned Action (TRA) (Ajzen, 1991). TRA was developed by Fishbein and Ajzen (1975) and consists of attitude and subjective norm as predictors of behaviour al intention (Ajzen, 1991; Ramayah et al., 2010). However, Ajzen (1991) explained that the Theory of Planned Behaviour is used to predict behaviours that are under volitional control.

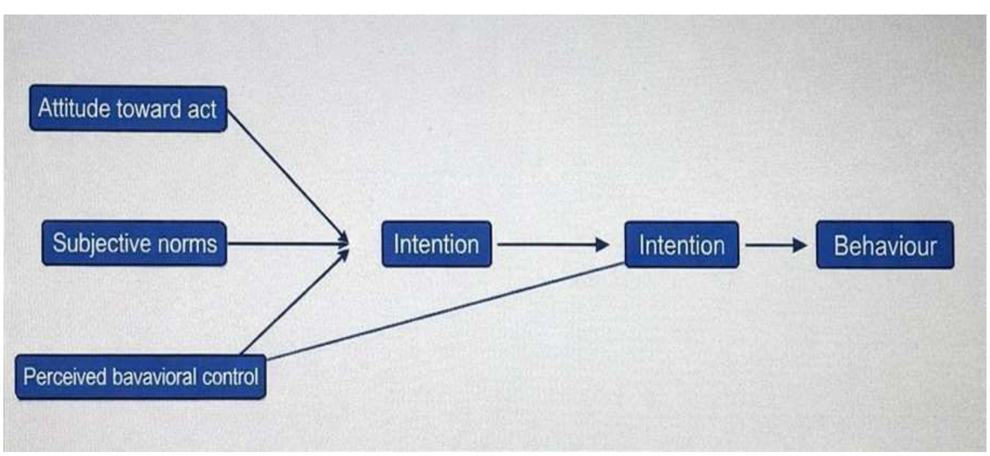

Figure 1: Theoretical framework of the Theory of Planned Behaviour (TPB) by Ajzen (1985)

Based on this theory, the behaviours of individuals facing bankruptcy issues can be predicted based on their attitudes, subjective norms, and perceived ability to control their own behaviours. The combination of these three elements forms a set of tendencies that ultimately shape consistent behaviours. Thus, based on TPB, it can be concluded that individual indebtedness issues leading to bankruptcy do not occur over a short period. Instead, they develop over a relatively long period as a result of the presence of these three elements, as described.

In the context of bankruptcy, attitudes toward debt may involve beliefs that borrowing is necessary for social mobility or business expansion. Subjective norms may include family expectations, peer comparisons, and cultural pressures to demonstrate financial success. Perceived behavioural control reflects individuals' confidence in their ability to repay debts based on income projections and asset ownership. When perceived control is overestimated, individuals may engage in excessive borrowing despite underlying financial vulnerability. This behavioural miscalibration aligns with findings from behavioural economics, which suggest that individuals frequently overestimate future income stability and underestimate financial risk.

METHODS

This study employed a qualitative approach with an interview design to understand bankruptcy issues from the perspectives of affected individuals and officers from relevant agencies. According to Creswell (2009), research design is a planning process that integrates research philosophy, research strategies, and methodology to ensure that the data obtained are relevant and systematic. Interviews were selected as the primary method because they enable researchers to obtain in-depth descriptions, trace the chronological flow of individual experiences, and provide respondents with the opportunity to express their views freely (Yin, 2002; Silverman, 2009).

The study population consisted of individuals who had been declared bankrupt by the court. Sampling was conducted using purposive sampling, whereby informants were selected based on specific characteristics relevant to the study objectives (Bernard, 2002). Informants were recruited through collaboration with officers from the Malaysian Department of Insolvency and through a controlled snowball referral process. The inclusion criteria required participants to: (i) have been legally declared bankrupt under Malaysian law, (ii) be within the working-age category (25–55 years), and (iii) voluntarily consent to participate in the study. Agency officers were selected based on their direct involvement in managing bankruptcy cases. These criteria ensured that participants possessed direct experiential or professional knowledge relevant to the research objectives.

A total of fifteen (15) informants were selected, including thirteen (13) bankrupt individuals and two (2) officers from relevant agencies. The number of respondents was not determined by quantity but rather aimed at gaining an in-depth understanding of social experiences and behavioral dynamics related to bankruptcy (Md Azree, 2012). Data collection proceeded until thematic saturation was achieved, whereby no substantially new categories or themes emerged from subsequent interviews. Saturation was observed after the thirteenth interview, and two additional interviews were conducted to confirm stability of thematic patterns. This approach is consistent with qualitative research standards that emphasize depth rather than numerical representativeness (Guest, Bunce, & Johnson, 2006).

Data were collected through a combination of primary and secondary sources. Primary data were obtained through virtual face-to-face structured interviews using a set of structured questions designed to ensure the collection of relevant information. Secondary data were obtained from previous studies, books, journals, academic publications, official government documents, and relevant online sources. The interview questions were developed based on the study objectives and adapted from previous theses and journal articles on bankruptcy issues to ensure the robustness and validity of the information obtained. The structured interview protocol was reviewed by two subject-matter experts in financial counselling and behavioral research to ensure content validity and clarity. Minor refinements were made to improve question sequencing and reduce ambiguity. A pilot interview was also conducted to test the appropriateness and comprehensibility of the instrument before formal data collection commenced.

Ethical approval was obtained from the university research ethics committee prior to data collection. All participants were provided with informed consent forms outlining the purpose of the study, voluntary participation, confidentiality assurances, and the right to withdraw at any time. Pseudonyms were used to anonymize informants' identities, and all digital recordings were securely stored with restricted access. Given the sensitivity of bankruptcy status, interviews were conducted in a manner that prioritized psychological comfort and non-judgmental engagement.

Data analysis was conducted using Nvivo 10 software. Audio interview data were transcribed into written form and manually checked prior to analysis. The analysis process involved the formation of categories, as suggested by Miles and Huberman (1994), to refine the data and reflect actual conditions based on informants' experiences. The resulting categories enabled the researchers to identify patterns, themes, and phenomena related to individuals' attitudes, behavior s, and subjective norms regarding bankruptcy.

RESULTS

5.1 Financial Literacy Knowledge

All informants stated that they possessed knowledge related to financial matters, such as how to manage finances and understanding various types of loans. In addition, some informants had previously worked in banks and therefore had diverse knowledge of financial matters. As reflected in the feedback provided by the informants, the statements are presented in Table 1

Table 1:

Informants' Statements on Financial Literacy Knowledge

Informant	Interview Excerpt
1	I know a bit.
3	At that time, I attended training. That was when I learned about management. Strong. Correct. Necessary. Education must be practiced and is important.
4	Yes. I worked at a bank before. While doing business. I borrowed loans when I worked at the bank. That knowledge.
5	Yes, I paid attention to it.
10	I knew before because I worked at TEKUN and Bank Rakyat. I understood finance and loans.

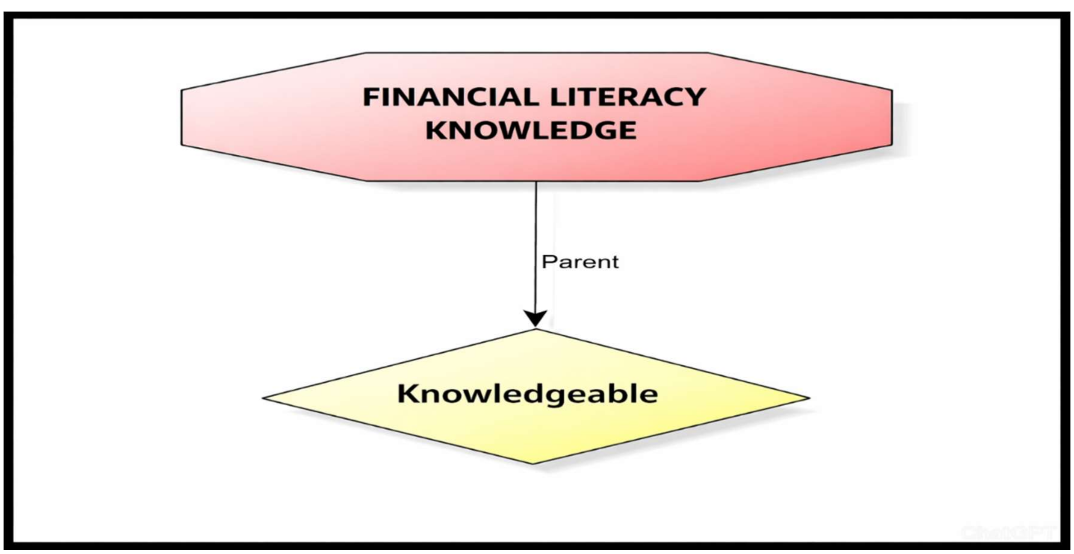

Figure 2: Pattern of Theme Development for Financial Literacy Knowledge

5.2 Debt Behavior

Based on the interviews conducted, the majority of informants stated that their debt behavior was primarily intended to facilitate "convenience." According to the informants, convenience referred to starting a business, using vehicles for commuting to work, and meeting other basic needs. These findings are supported by several informant statements, as shown in Table 2

Table 2:

Informants' Statements on Debt Behavior from the Aspect of Convenience

Informant	Interview Excerpt
1	There was indeed planning for work purposes.
3	For convenience to develop the business.
4	Personal loan for business. That convenience was to start the business at that time.
5	For convenience. Because financial problems involved guaranteeing employees who resigned. We had to bear their debts.
7	For my needs. To facilitate mobility. That is why I took a vehicle loan.
11	For commuting to work.
13	For convenience to do various businesses after I took early retirement.

In addition, informants stated that debt behaviour was also influenced by easy access to borrowing opportunities offered by banks. Family members, spouses, and business partners also took advantage of the informants. Feedback from Informants 2, 10, and 12 is presented in Table 3.

Table 3:

Informants' Statements on Debt Behaviour from the Aspect of Opportunity

Informant	Interview Excerpt
2	Actually, the salesperson approached us and offered a microcredit scheme. At that time, we needed capital injection for the business. We applied, and fortunately, we got it.
10	My ex-husband planned to do business. The loan process happened suddenly when the agent handled it. At that time, it seemed like an opportunity. When problems occurred with my husband, everything stopped there.
12	I was deceived by my own mother. I gave her money, but she did not repay it.

Informants also stated that debt behaviour occurred due to the ability to increase asset ownership. According to the informants, before being declared bankrupt, they were capable of acquiring additional assets because they were able to meet repayment commitments. These statements are shown in Table 4

Table 4:

Informants' Statements on Debt Behaviour from the Aspect of Asset Expansion Capability

Informant	Interview Excerpt
6	With Alliance Bank, I bought a house—a studio unit in Subang. At that time, it was for investment and rental purposes. It was adding assets.
9	Because I bought a house and a vehicle. At that time, I had the capacity to increase ownership.

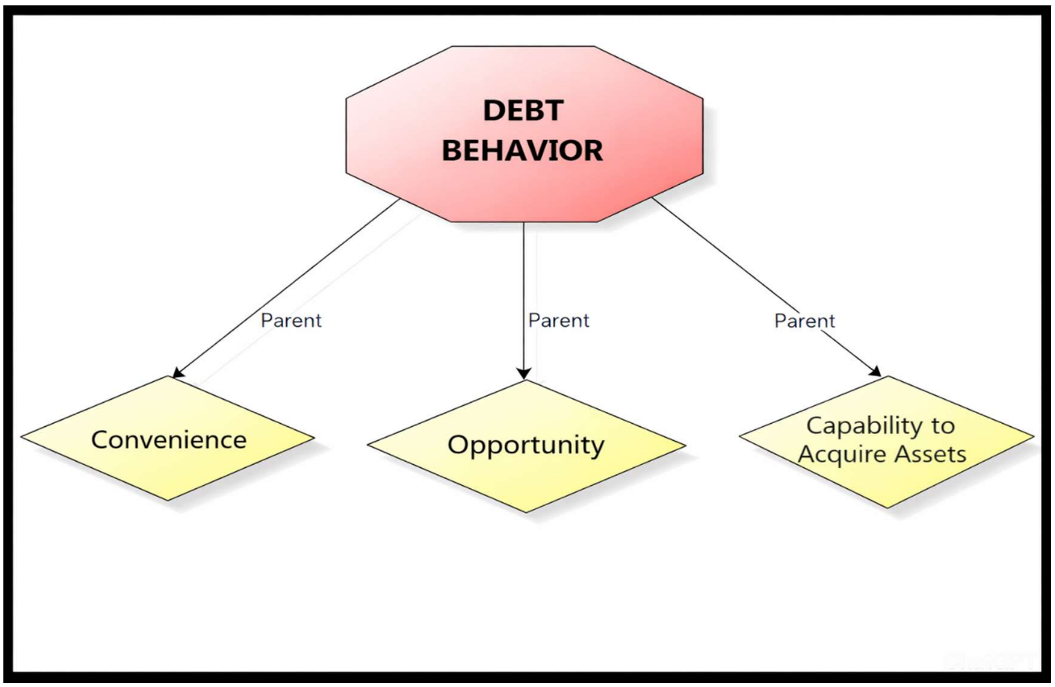

Figure 3: Pattern of Theme Development for Debt Behavior

5.3 Causes of Indebtedness

Regarding the causes of indebtedness, most informants stated that the cause originated from themselves, primarily for personal convenience such as purchasing vehicles, houses, expanding businesses, and settling existing debts.

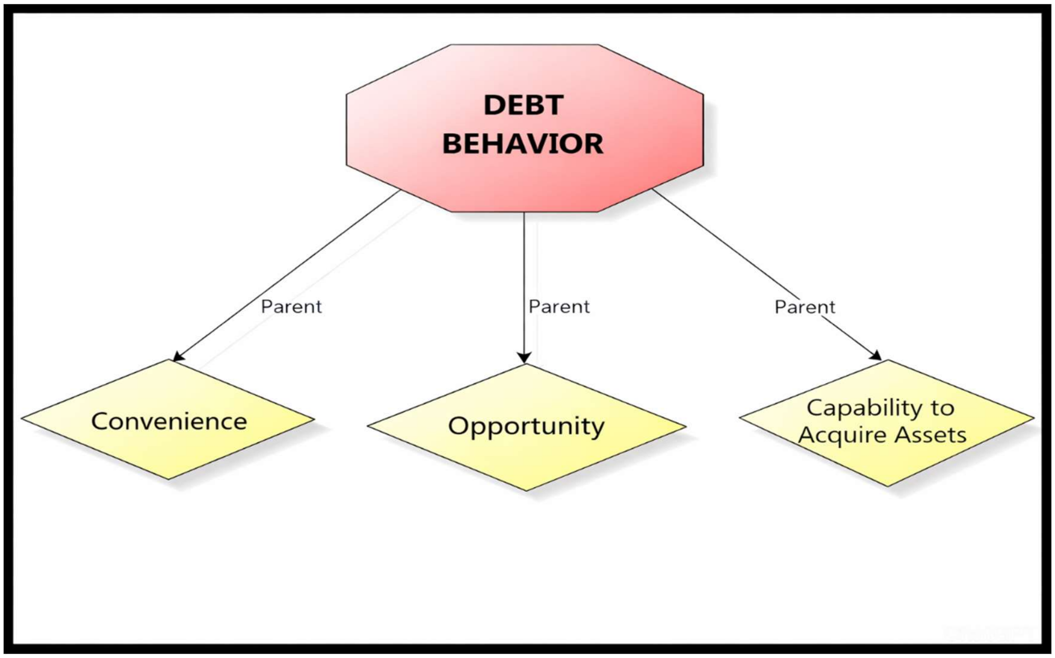

Figure 4: Pattern of Theme Development for Debt Behavior

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DISCUSSION

6.1 Behavioural Insights (BI) Approach in Addressing Bankruptcy Issues

Individuals are often exposed to situations that lead them to make inaccurate or poor decisions in managing their lives. At times, the decisions made deviate from reasonable judgment, ultimately resulting in insolvency or bankruptcy. In several bankruptcy cases faced by respondents, this situation was quite evident. For example, some respondents resigned from permanent positions in the government sector to venture into business; however, poor planning and misguided actions led them into severe debt. As highlighted by Ariely (2008), individuals often act outside their own economic planning frameworks.

An important finding of this study is that all informants reported possessing basic financial knowledge, yet bankruptcy still occurred. This suggests the presence of a knowledge–behaviour gap. Financial literacy does not automatically translate into prudent financial behaviour. Behavioural economics literature explains that cognitive biases such as optimism bias, overconfidence, and present bias often override rational financial planning (Ariely, 2008; Kahneman, 2011). Individuals may believe that future income growth will compensate for present borrowing, leading to systematic underestimation of financial risk. Therefore, bankruptcy cannot be attributed solely to lack of knowledge but must be understood within broader behaviour al and psychological dynamics.

According to Ariely (2008), "we fail to understand the profound effects of our emotions on what we want, and we overvalue what we already own." Consequently, individuals tend to make various mistakes due to internal 'systems' that continuously lead them toward errors. This condition explains why individuals can become trapped in excessive debt, eventually resulting in bankruptcy.

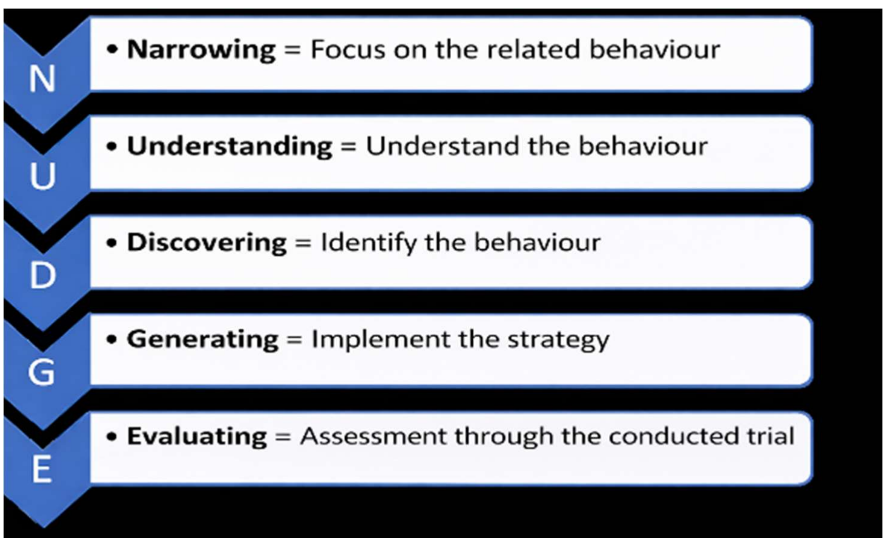
Therefore, individuals facing bankruptcy issues require constructive assistance. One such approach is the use of Behavioural Insights (BI) as an intervention in managing cases involving indebted individuals. BI was originally widely applied in economics, psychology, and sociology. In psychology, it is influenced by behaviourism or behaviour al approaches. Hence, this study proposes several modified behavioural approaches that align with the key aspects of BI. Through this approach, the proposed changes involve low costs and are implemented on a free-to-choose basis, placing responsibility for change on the individuals experiencing bankruptcy issues.

The findings are consistent with the Theory of Planned Behaviour, as attitudes toward borrowing were generally positive when debt was perceived as necessary for social mobility.

Subjective norms were evident in family expectations and peer influence. Perceived behavioural control appeared inflated among participants who believed that stable income or asset ownership guaranteed repayment capability. The interaction of these constructs appears to shape sustained indebted behaviour over time. From a developmental perspective, the majority of informants fell within the establishment stage of adulthood as proposed by Super. At this stage, individuals typically pursue career consolidation, asset acquisition, and family stability. These developmental tasks often involve substantial financial commitments. The findings suggest that bankruptcy may emerge when developmental aspirations exceed financial capacity, thereby reinforcing the relevance of Super's life-span framework in explaining indebtedness patterns

6.2 The NUDGE Framework

NUDGE is an approach identified within Behaviour al Insights. Its framework encompasses several key elements



6.3 The E.A.S.T Approach in Behaviour al Insights (BI)

EAST is an approach proposed to design the implementation of strategies for behaviour al insights (BI) related to indebted behaviour. The approach includes several key aspects

ACTION PLAN

Based on the research findings, several improvement measures and action plans are proposed to enhance the efficiency of the delivery system related to indebtedness issues, as outlined below:

Attitude Toward Indebted Behaviour

To address attitudes toward indebted behaviour, three phases are proposed:

Short-term Phase (3 to 6 months)

This phase focuses on self-change contracts and psychoeducation, targeting individuals who have been declared bankrupt. For example, self-change contracts emphasize achieving personal transformation goals among bankrupt individuals and proper financial planning after being discharged from bankruptcy.

Under the psychoeducational approach, action plans include establishing support groups with specialized training to assist with financial issues. Additionally, the Insolvency Department should collaborate with public universities to provide exposure and create awareness (through special programs) among prospective graduates. Roadshow programs should also be emphasized to promote public awareness of financial health.

For example, in the United States, Financial Counselling programs under the Association for Financial Counselling and Planning Education (AFCPE) aim to educate communities about financial habits, debt management, and social support. Practitioners are required to complete recognized executive training and pass special examinations to obtain qualifications in this field.

Medium-term Phase (6 to 12 months)

This phase involves behavioural intervention-based approaches focusing on individuals with high debt status.

Long-term Phase (12 months and above)

For the long term, approaches may include information dissemination through education, campaigns, briefings, and booklets. At this stage, the target group includes individuals and borrowers in normal financial conditions.

All phases should be implemented by key stakeholders, including counsellors, financial planners, MDI, individuals, and NGOs.

Subjective Norms of Indebtedness

For subjective norms of indebtedness, three phases are proposed:

Short-term Phase (3 to 6 months)

This phase focuses on repeated messaging (e.g., via social media), self-financial assessment inventories, as well as workshops and training on income management, cash flow, and savings. The target group consists of individuals who have been declared bankrupt.

Medium-term Phase (6 to 12 months)

This phase involves providing self-report inventories (with the assistance of financial counsellors), accompanied by financial counselling management training focusing on individuals with high debt status.

Long-term Phase (12 months and above)

In the long term, approaches should include emergency fund campaigns, financial planning monitoring systems, and financial counselling training. The target group includes individuals and borrowers in normal financial conditions.

All phases related to subjective norms of indebtedness should be implemented by counsellors, financial planners, MDI, individuals, and NGOs.

Perceived Behavioural Control

In terms of behavioural control, the following approaches are proposed:

Short-term Phase (3 to 6 months)

This phase focuses on income source monitoring systems and expenditure control, targeting individuals who have been declared bankrupt.

Medium-term Phase (6 to 12 months)

Borrowers should undergo a bankruptcy simulation process, focusing on individuals with high debt status.

Long-term Phase (12 months and above)

Long-term approaches may include psychoeducation on bankruptcy-related case studies, regulation of financial loan offers, and explanations of bankruptcy risks. The target group includes individuals and borrowers in normal financial conditions.

All phases should be implemented by counsellors, financial planners, MDI, individuals, and NGOs.

Intention and Indebted Behaviour

For intention and indebted behaviour, the following approaches are proposed:

Short-term Phase (3 to 6 months)

This phase focuses on social support group (advocator) approaches, where former bankrupt individuals share experiences with newly declared bankrupt individuals. The target group consists of individuals who have been declared bankrupt.

Medium-term Phase (6 to 12 months)

Advocacy groups should be utilized to provide awareness and guidance to individuals at risk of bankruptcy, particularly those with high debt status.

Long-term Phase (12 months and above)

In the long term, advocacy groups should conduct community-level sharing sessions at various levels of financial counselling training. The target group includes individuals and borrowers in normal financial conditions.

All phases related to intention and indebted behaviour should be implemented by counsellors, financial planners, MDI, individuals, and NGOs.

CONCLUSION

This study set out to explore the issue of individual bankruptcy in Malaysia by examining attitudes, debt-related behavior s, subjective norms, and perceived behavior al control through a qualitative lens. Drawing on interviews with bankrupt individuals and agency officers, the findings demonstrate that bankruptcy is not a sudden occurrence but rather the outcome of accumulated behavioral patterns, financial misjudgments, and social influences over time. Although most informants reported possessing basic financial literacy knowledge, such knowledge did not necessarily translate into prudent financial practices. This gap between knowledge and behavior underscores the complexity of indebtedness issues. It should be emphasized that the conclusions drawn from this study are interpretive and context specific. As a qualitative inquiry involving a limited number of informants, the findings are not intended for statistical generalization but rather for analytical generalization within similar socio-economic contexts.

The findings reveal that debt behavior was largely driven by the pursuit of convenience, asset expansion, business ventures, and the perception of repayment capability. Easy access to credit facilities and social influences, including family and business partners, further reinforced borrowing decisions. These patterns align with the constructions of the Theory of Planned Behavior, where attitudes toward debt, subjective norms, and perceived behavior al control collectively shape behavior all intentions and actions. The study confirms that individuals' indebted behavior develops gradually as these psychological and social elements interact over time. Empirically, the study contributes narrative-based evidence illustrating how indebted behavior develops gradually through the interaction of cognitive evaluations, social expectations, and perceived control. By focusing on legally declared bankrupt individuals, this research provides rare qualitative insight into post-insolvency experiences in Malaysia.

In addition, insights from Donald E. Super's career development perspective help explain how career satisfaction, income expectations, and self-concept influence financial commitments. The imbalance between career aspirations and financial capability may lead individuals to overextend themselves financially, particularly during the establishment stage of adulthood. This suggests that bankruptcy is not solely a financial issue but is also closely linked to developmental, psychological, and social dimensions. Theoretically, this study advances the application of the Theory of Planned Behavior by situating it within a legally defined bankruptcy context, while simultaneously incorporating Super's developmental perspective. This integrative approach demonstrates that indebtedness behavior is not solely a function of financial literacy deficits but also of developmental aspirations and psychosocial dynamics. Such integration broadens behavioral insolvency literature within emerging economy settings.

Importantly, the study highlights the relevance of Behavior al Insights (BI) approaches in addressing indebtedness issues. Through frameworks such as NUDGE and EAST, low-cost, choice-preserving interventions can be designed to reshape financial decision-making processes. Rather than relying solely on punitive measures or legal enforcement, behavioral strategies emphasize subtle environmental restructuring, repeated messaging, psychoeducation, advocacy support, and financial monitoring systems. The proposed multi-phase action plan covering short-, medium-, and long-term strategies provides an integrated model for stakeholders, including counselors, financial planners, the Malaysian Department of Insolvency, and NGOs, to collaboratively reduce bankruptcy risks.

In conclusion, this study contributes to the understanding of bankruptcy in Malaysia by integrating behavior al theory with qualitative empirical evidence. It demonstrates that addressing bankruptcy requires more than financial restructuring; it necessitates behavior al modification, strengthened subjective norms, enhanced self-control mechanisms, and sustained community support. Future research may expand this work by employing mixed-method or longitudinal designs to evaluate the effectiveness of Behavior al Insights interventions in reducing indebtedness rates at a broader national level

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