

Money SENSE: Malaysian Students' Grasp of Financial Matters

A survey on upper secondary students' financial literacy



In support of:

Acknowledgements

FINCO would like to express its gratitude to each student for taking the time and effort to respond to the questionnaire and to our financial industry members for their commitment to financial literacy through their support of this survey.


We would also like to thank the Financial Education Network for their input and Dr. Hemalata Alagan, HELP University for the guidance and contribution to data analysis.

About FINCO

The Financial Industry Collective Outreach (FINCO) is a collaborative initiative pioneered by the financial industry in Malaysia with the guidance of Bank Negara Malaysia. The collaboration was established in 2017 with the big goal of providing underprivileged children and youth with the guidance and educational tools they need to achieve their life goals.

Financial Industry Collective Outreach (FINCO)

(Company No.: 201701026533)

 Level 2, Bangunan AICB, 10 Jalan Dato' Onn, 50480, Kuala Lumpur

 info@finco.my

 finco.my

 finco_my

 fincomalaysia

 fincomy2843

Copyright © FINCO 2023

All rights reserved. No part of this publication may be produced, stored in or introduced into a retrieval system, or transmitted in any form or by any means (geographical, electronic, digital, photocopying, recording, taping or otherwise), without the prior permission of FINCO.

The cut-off date for the data included in this report was on 24 November 2022.

Table of Contents

Acknowledgements	2
Table of Contents	3
Introduction	4
Survey Design and Demographics	5
Key Findings	7
01 Financial Knowledge	8
02 Financial Awareness	9
03 Financial Behaviour	10
04 Financial Attitude	11
05 Overall Financial Literacy	12
Key Takeaways	14
References	16

Introduction

The current state of financial literacy among Malaysian youths is concerning with nearly 60% of Malaysians declared bankrupt from 2018 to 2022 being between the ages of 25 to 44 (Malay Mail, 2022). Additionally, almost 26% of youths below the age of 35 cannot survive beyond one month on their savings (Securities Commission Malaysia, 2022).

Under the National Strategy for Financial Literacy 2019-2023, a concerted effort to address persistent low levels of financial literacy has been made. One such effort, in line with Strategic Priority 1: Nurture values from young, saw the Ministry of Education Malaysia embedding financial education fundamentals into the curriculum for pre-school, primary and secondary school.

Despite this, not enough attention is given to teaching young people about how to manage their finances and there is a need to intervene and nurture the right values from young. Ensuring young people in Malaysia understand how money works so they are empowered to make sound financial decisions for long-term financial well-being is an urgent priority.

On behalf of its financial industry members, FINCO's Financial Literacy programmes also support Strategic Priority 1 of the strategy.

Whilst there is available data on financial literacy levels of youth aged 18 and over, in order to provide a glimpse into levels of financial literacy among upper secondary students and better support teaching and learning in relation to the national curriculum, FINCO carried out a survey to provide insights into how students are faring.

Objectives of the survey



Gain insights into the overall financial literacy levels of upper secondary school students



Provide FINCO and its financial industry members with insights to inform the design of future financial literacy programmes



Identify key trends in students' knowledge, awareness, behaviour and attitude towards money and financial products and services



Serve as a jumping off point for other studies to build upon and as a catalyst for discussions on approaches to improving students' financial literacy

Survey Design and Demographics

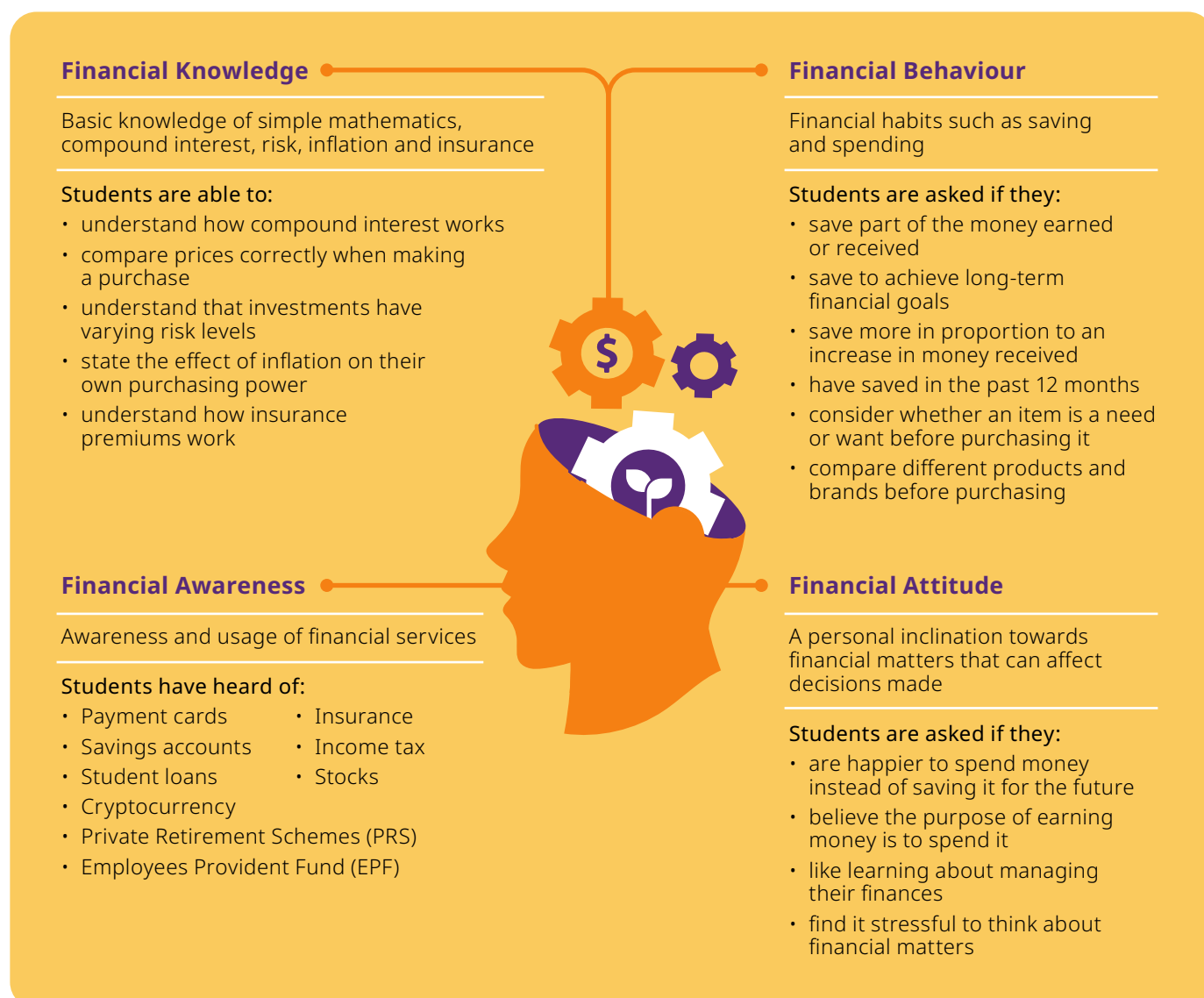
Definitions and Concepts

The survey asked questions related to the most common concepts of each component to provide a holistic understanding of students' financial literacy levels as well as more detailed insights.

The components tested in the survey reflect the OECD's definition of Financial Literacy.

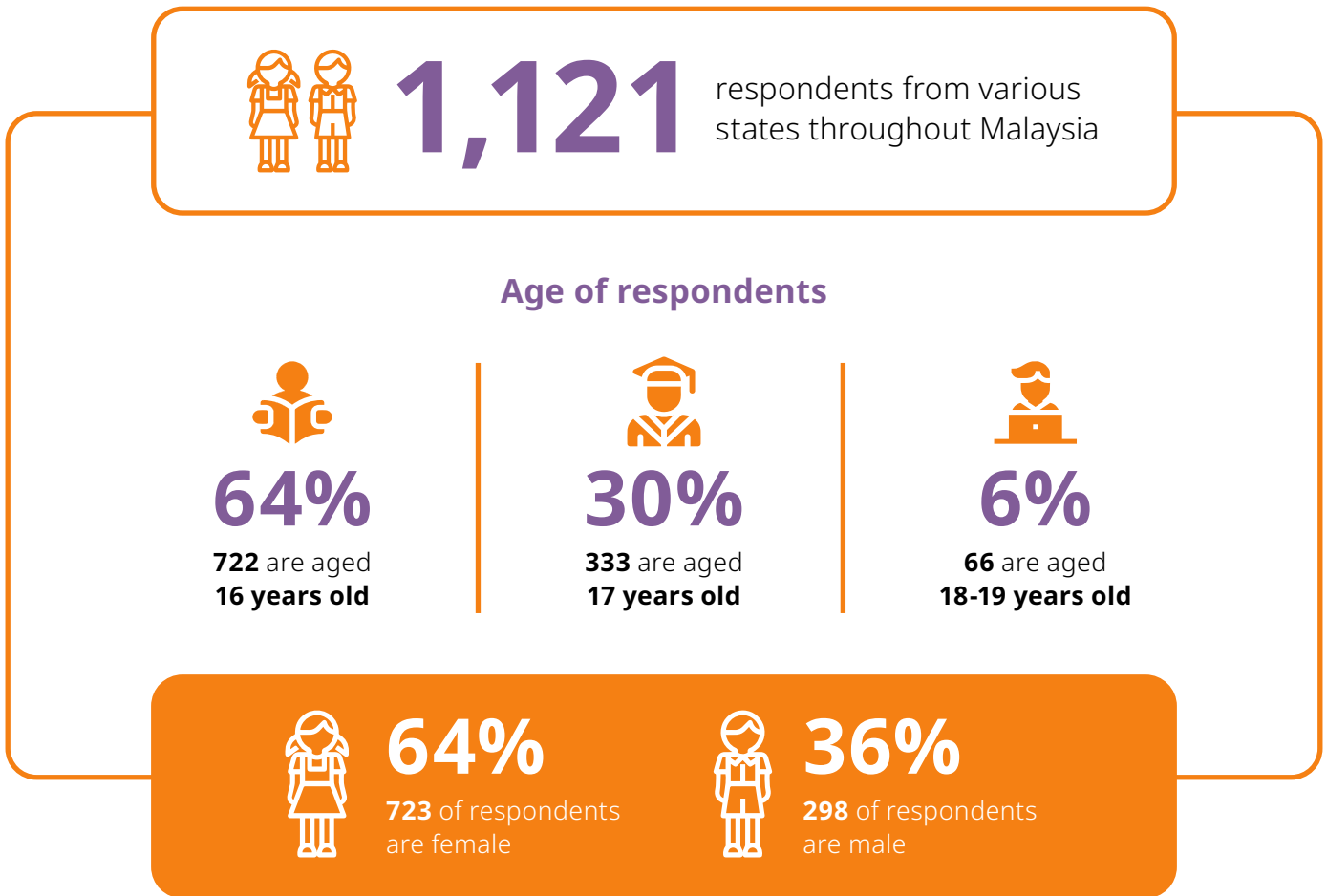


“Financial literacy is defined as the awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions.” - OECD, 2016.



Demographic Data

Survey data was collected via an online and offline questionnaire completed by a sample size of 1,121 upper secondary students nationwide in both rural and urban areas, primarily within B40 communities.



Key Findings



1 Financial Knowledge

The majority of secondary students demonstrate low or medium financial knowledge.

- Students lack the knowledge to make financial decisions that require long term planning such as investments.



2 Financial Awareness

The majority of students have low or medium financial awareness.

- Students lack awareness of financial services that might be pertinent to them in the short term such as student loans.



3 Financial Behaviour

The majority of students do not exhibit healthy financial behaviours.

- Despite the majority (95%) indicating they save for long-term financial goals, 18.8% of students had not been able to save money in the past 12 months.



4 Financial Attitude

Attitude towards money

- Most students exhibit attitudes that indicate they prioritise short term gratification over long term planning.

Attitude towards financial literacy

- Regardless of financial literacy levels, the majority of students possess an interest in learning more but find it a stressful subject.



5 Overall Financial Literacy

The majority of students have low or medium financial literacy levels.

- Financial literacy generally improves with age and academic grades but this is not necessarily the case for students with low financial literacy levels.
- Gender and parents' qualifications (used as an indicator of income) do not seem to play a big role.



01 Financial Knowledge

Students were asked 5 questions to measure their financial knowledge levels based on:

- Q1: Calculating Compound Interest
- Q2: Comparing Prices
- Q3: Varying Investment Risk Levels
- Q4: The Effect of Inflation
- Q5: Insurance Premiums

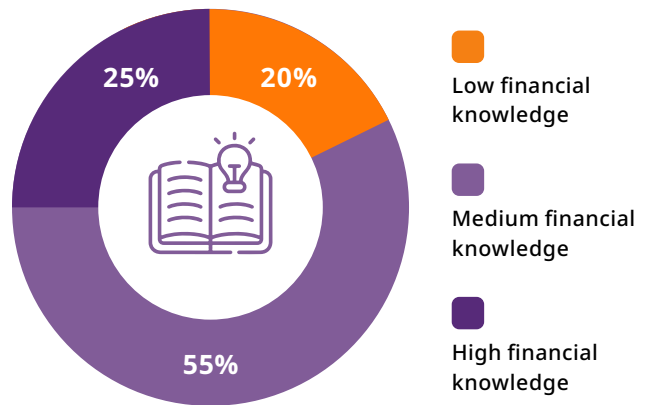
Indicators of Financial Knowledge Level


- Answered 0-1 questions correctly = low financial knowledge
- Answered 2-3 questions correctly = medium financial knowledge
- Answered 4-5 questions correctly = high financial knowledge





The majority of secondary students demonstrate low or medium financial knowledge.

Only 25% of students surveyed could answer 4 to 5 questions correctly which indicates that very few have high financial knowledge levels, consistent with the finding that Malaysian youths aged 18-40 years old largely have poor financial literacy (Securities Commission Malaysia, 2022).





Students lack knowledge required to make financial decisions that require long term planning

 <p>78% understand how compound interest works if they deposit money in a savings account</p>	<ul style="list-style-type: none"> • Routine financial matters • Requires minimal planning
<p>67% can compare prices when making a purchase</p>	
 <p>Only ...</p> <p>40% understand that investments have varying risk levels</p> <p>39% can relate the effect of inflation to their own purchasing power</p> <p>37% understand how insurance premiums work</p>	<ul style="list-style-type: none"> • Long-term impact and less routine • Requires more planning

02 Financial Awareness

Students were asked to select all the financial services they are aware of from a list of 10:

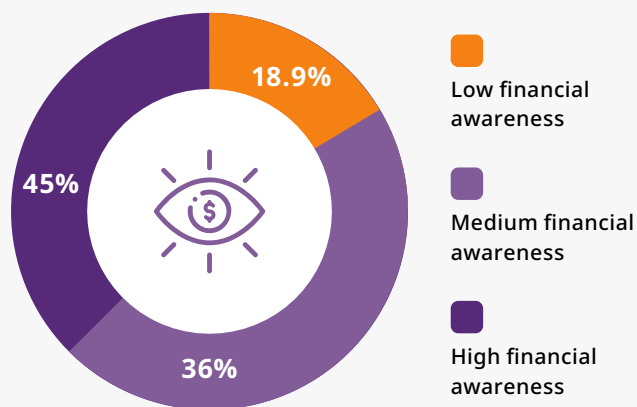
- | | | | |
|-----------------|--------------|-------------------------------|---------------------------------|
| Credit card | Insurance | Stocks | Cryptocurrency |
| Debit card | Income tax | Employee Provident Fund (EPF) | Private Retirement Scheme (PRS) |
| Savings account | Student loan | | |

Indicators of Financial Awareness Level

- Aware of 0-3 financial services = low financial awareness
- Aware of 4-6 financial services = medium financial awareness
- Aware of 7-10 financial services = high financial awareness

The majority of students have low or medium financial awareness.

Only 45% of students surveyed demonstrate high financial awareness levels.



Students lack awareness of financial services that might be pertinent to them

Students generally have good awareness of common services. However, it is concerning that a significant portion are not aware of income tax, student loans and EPF, all three of which are financial services students might have to consider when leaving school or entering the workforce.

Overall, only 45% of students surveyed have high financial awareness

<p>Most known 75%-90% students</p>	Credit card Debit card	Savings account Insurance
<p>Less known 50%-60% students</p>	Income tax Stocks	Student loan EPF
<p>Least known 10%-30% students</p>	Cryptocurrency	PRS

Additional info!

The majority of students are aware of and use e-wallets as a payment system

In addition to financial services, students were also tested on their awareness of payment systems. They were asked about their awareness and utilisation of mobile banking, internet banking, payment card and mobile payment (e-wallets).



49

students surveyed have shared bank account details with close friends



42

students surveyed would consider sharing bank account details with strangers in exchange for money

03 Financial Behaviour

Students were asked a total of 6 behaviour questions, 4 of which are related to saving and 2 related to spending.

Indicators of Financial Behaviour

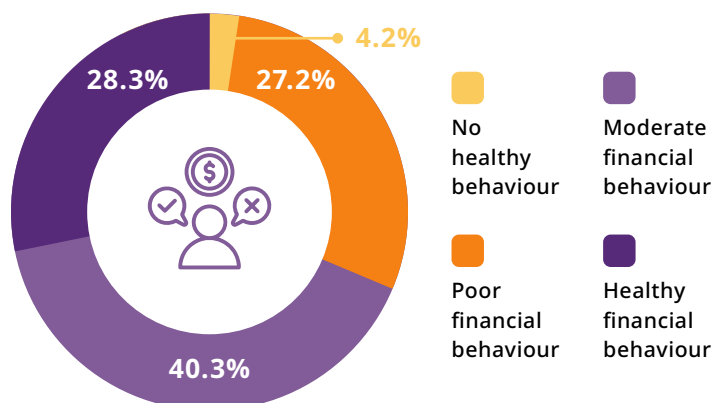
- Responded positively on 0 = No healthy financial behaviour
- Responded positively on 1-2 questions = Poor financial behaviour
- Responded positively on 3-4 questions = Moderate financial behaviour
- Responded positively on 5-6 questions = Healthy financial behaviour

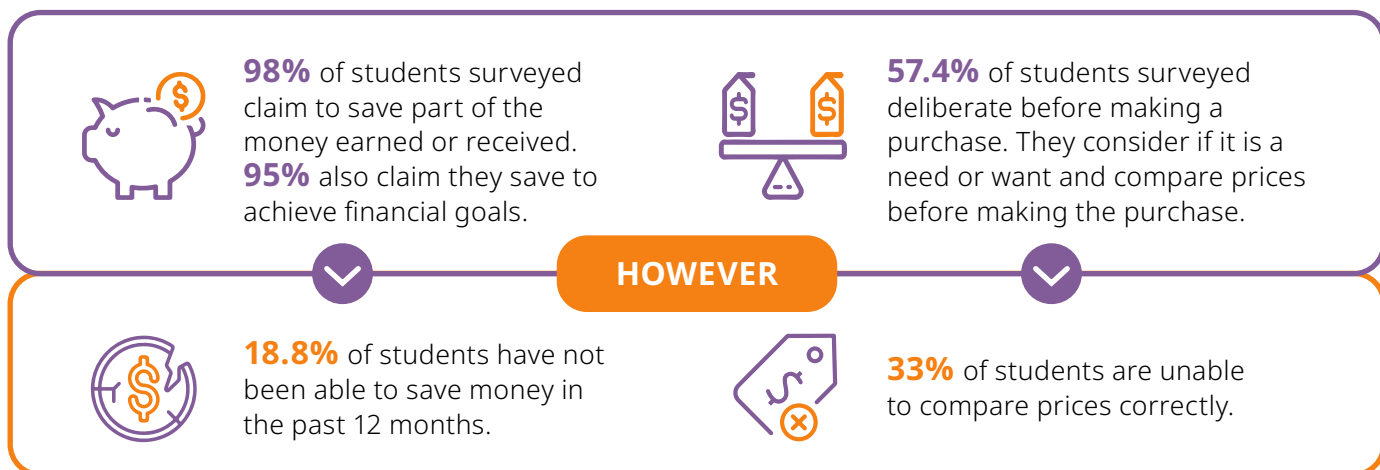


The majority of students do not exhibit healthy financial behaviour.

Only 28.3% of students surveyed exhibit healthy financial behaviour and 4.2% exhibit no healthy financial behaviour at all.

It was observed that although students indicated practising some healthy financial behaviour, there were inconsistencies such as indicating that they prioritise saving but then fail to actually save money.





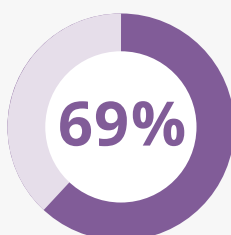
It is possible that despite students' best efforts, financial or external circumstances, or their own lack of financial knowledge could prevent them from saving and spending wisely.

04 Financial Attitude

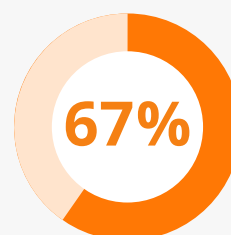
Students were asked a total of 4 questions related to their attitude towards spending, saving and learning about how to manage their finances.

Attitude towards money

More than 65% of students surveyed prioritise short term gratification over long term planning.



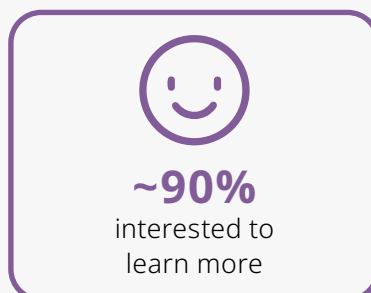
are happier to spend money they have instead of saving it for the future



believe that the purpose of earning money is to spend it

Attitude towards financial literacy

Most students expressed an interest in learning more about how to manage their finances but admitted they find it a stressful subject to engage with.



05 Overall Financial Literacy

Students' overall financial literacy levels are measured based on their total scores across financial knowledge, financial awareness and financial attitude, with the assumption that all components carry equal weightage.

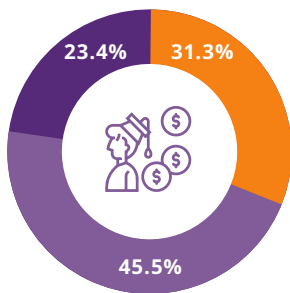
The following scores are assigned across all components:

Low = 0 Medium = 1 High = 2

Indicators of Financial Literacy Level

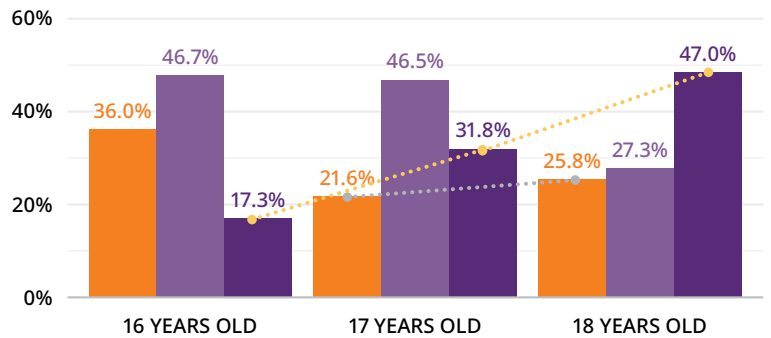
- Total Score of 0 to 2 = Low financial literacy level
- Total Score of 3 to 4 = Medium financial literacy level
- Total Score of 5 to 6 = High financial literacy level

The majority of students have low to medium overall financial literacy levels.

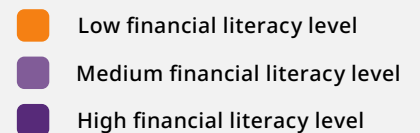


Financial literacy and students' age

Older students aged 18 to 19 demonstrate higher levels of financial literacy than their younger peers.



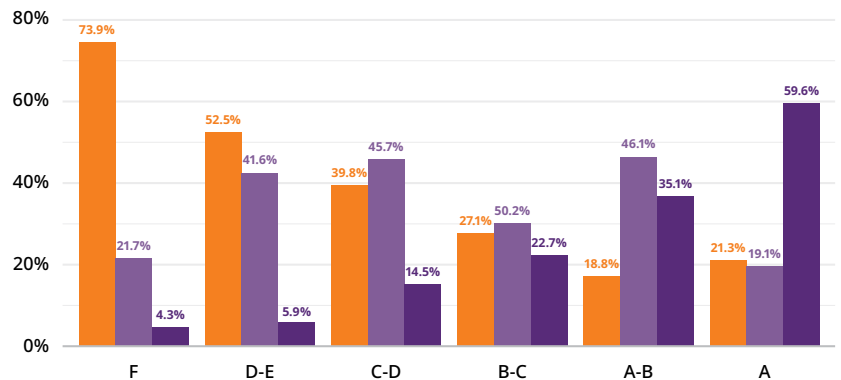
While it appears that financial literacy improves with students' age, this is not necessarily the case for students with very low financial literacy levels who may not gain the same ground as their peers who are more financially literate from young.



Financial literacy and students' academic performance

Students were asked to provide their average grades for English Language, Malay and Mathematics.

Those scoring Grade A in all subjects are more likely to have high financial literacy levels compared to their peers.



59.6% of students who scored Grade As possess high levels of financial literacy. In contrast, only 4.3% of students who are failing these subjects fall into the same category, which could be due to a general lack of investment in their own learning and growth, different learning abilities or a number of external factors.

Financial literacy and students' gender and economic status

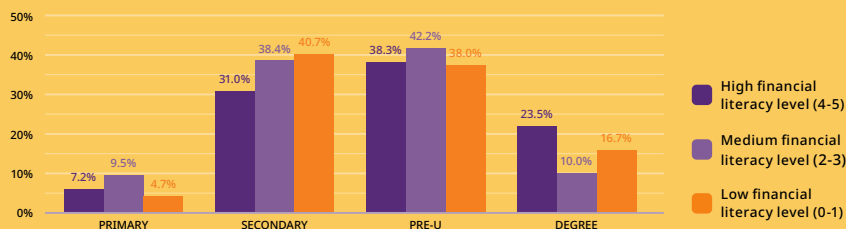
Overall, students' gender plays only a minor role in their levels of financial literacy with both male and female students showing similar trends.



There is only a slight difference in students' awareness of financial services. Among male respondents, student loans are one of the least known services while female students are more familiar. This might indicate that many male students are considering work instead of further education, in line with findings from From Classroom to Career: Students' Post-SPM Decision Making: A Survey on Malaysian Students' Transition from Form 5.

There is no clear correlation found between students' financial literacy and their economic status. Regardless of background, the majority of students demonstrate low or medium financial literacy.

Parent's Qualification vs Financial Literacy

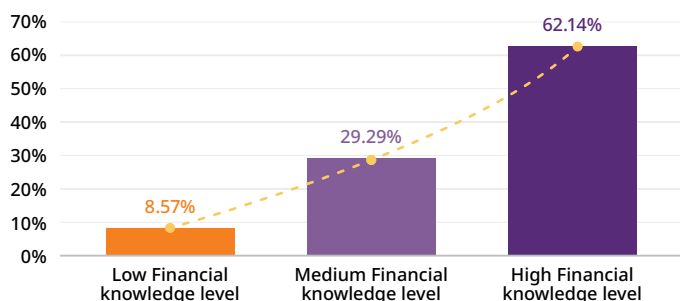


Financial knowledge correlates positively with students' financial awareness, behaviour and attitude.

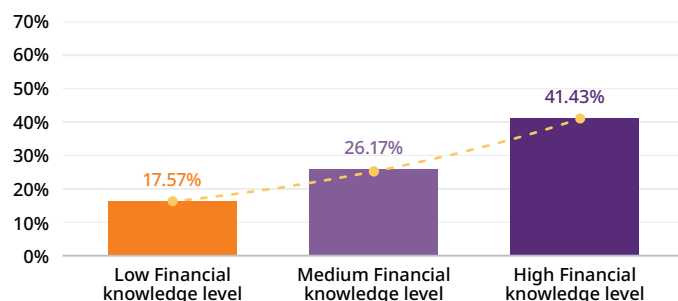
62.1% of students with high financial knowledge levels have a high awareness of financial services.

Similarly, students with high financial knowledge levels (41.3%) also tend to exhibit healthy financial behaviours.

Financial awareness level



Healthy financial behaviour



Students with high financial knowledge levels further demonstrate positive attitudes:



93.2%

of students with high financial knowledge value saving more than spending



81.8%

students with high financial knowledge also tend to believe that the purpose of earning money is not necessarily just for spending

Additional info!

61% of students with high financial knowledge view insurance as an important financial service and 88% have utilised insurance services.



Therefore, improving students' knowledge of financial matters could help them become more aware of the financial services available to them, cultivate healthier saving and spending habits and develop a more positive attitude towards financial management.

Key Takeaways



Age matters

The earlier students have the opportunity to learn about money, the more chance they have of achieving a good understanding by the time they leave school and transition into work or further education. This may go some way to reducing some of the issues around debt which are prevalent amongst Malaysian youth.



Low achievers need targeted support

The findings reveal that Malaysian students who are achieving low grades across a number of subjects also have low levels of financial literacy. Whilst financial education should be available to all students, without targeted intervention these students run the risk of maintaining low levels of financial literacy even as they mature.



Financial education should be relevant and timely

Due to a poor understanding of the basics such as personal budgeting, understanding their salary and deductions, student loans, and how compound interest works, many students risk getting into debt at an early stage of their careers or missing opportunities made available to them which enable greater financial inclusion. Financial education needs to be timely and relevant to each student community.



Financial knowledge is key

The findings indicate that financial knowledge positively correlates to other components of financial literacy. Through financial education which goes beyond awareness raising, financial knowledge can be improved so that students are equipped to make sound financial decisions as they transition into adulthood.

References

Financial Education Network (FEN) (2019). *Malaysia National Strategy for Financial Literacy 2019 – 2023*. Available at: <https://financialcapability.gov.au/files/malaysia-national-strategy-for-financial-literacy2019-2023.pdf>

Malay Mail (2022). "Insolvency Dept data shows 60pc bankrupts between age 25-44; personal loan is top reason." Available at <https://www.malaymail.com/news/malaysia/2022/06/23/insolvency-dept-data-shows-60pc-bankrupts-between-age-25-44-personal-loan-is-top-reason/13786>

OECD (2019). "OECD/INFE International Survey of Adult Financial Literacy Competencies." OECD, Paris. Available at: www.oecd.org/finance/OECD-INFE-International-Survey-of-Adult-Financial-Literacy-Competencies.pdf

Securities Commission Malaysia (2022). *Youth Capital Market Survey: A Malaysian Perspective*. Available at <https://www.sc.com.my/api/documentms/download.ashx?id=9f1ac661-f250-4b0d-8706-c45cbac9906e>



Financial Industry Collective Outreach (FINCO)

Level 2, Bangunan AICB, 10 Jalan Dato' Onn, 50480, Kuala Lumpur

 info@finco.my  [finco_my](https://www.instagram.com/finco_my)  [fincomalaysia](https://www.facebook.com/fincomalaysia)  [fincomy2843](https://www.youtube.com/channel/UC...)

finco.my