

A preliminary evaluation of financial literacy in Malaysia

ABSTRACT

Malaysians have been adversely affected by the greatly increased cost of living in the last decade. The majority of them are feeling as if they are not able to cope with the current standard of living relative to the level of income they are generating. Many have been forced to work two jobs and it is not surprising that these challenges have made them desperate and susceptible to financial fraud and falling victims to financial scams. Economic challenges have impacted the way Malaysians save, spend, manage risks and invest in order to preserve their normal daily livelihood. Among the factors for this are the lack of understanding of how best to manage their finances and financial literacy. This research aims to reveal the financial literacy of Malaysians with information regarding financial understanding, knowledge, and skills that respondents possess. It applies a quantitative study method with a self-administered questionnaire to obtain relevant data from a sample of 2000 respondents across a wide selection of: i) public sector employees; ii) private sector employees; iii) FELDA/rural area residents; and iv) youth in institutions of higher learning. Findings reveal that the majority of Malaysians believe that expenses can be higher than income and possess inadequate understanding of risks and investment.

Keyword: Cash flow; Credit; Financial literacy; Savings and investment