

FINANCIAL CAPABILITY AND UTILIZATION OF FINANCIAL ADVISORY SERVICES: COUNTRY EXPERIENCE

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ABSTRACT

Malaysia was adversely affected by the Global Financial Crisis in 2008 but recovered rapidly, posting growth rates averaging 5.7% since 2010. Furthermore, the increasing cost of living experienced by Malaysians in recent years has made individuals and families more frugal in their spending. At the same time, all these challenges have made Malaysian more desperate and prone to making imprudent financial decisions, with a number resorting to seeking quick and easy ways to make money. Malaysians generally lack clear understanding of financial risk and return, resulting in their not being able to make rational financial decisions. Many Malaysians are still susceptible to financial fraud, falling victim to financial scams. For example, there are numerous get rich quick schemes which promise high returns within a very short period of time. Many Malaysians, low income earners as well as middle income earners and professionals, continue to invest in these schemes. The objectives of the survey are to investigate the general financial literacy and financial capability of Malaysians and to understand Malaysians' preferences with regard to financial advisory services. The sample population for the survey comprised a wide section of the population and was separated into four categories (i.e. public sector employees; private sector employees; rural area residents; and youth in institutions of higher learning). The findings of the survey reveal that the respondents generally lacked financial capability as they admitted not knowing how to manage their money and did not plan ahead financially. In addition, only a small percentage had an understanding of financial products; and a majority had little confidence in financial planners and did not stay informed of changes in the financial landscape. The survey findings underscore the critical need to raise the financial literacy of Malaysians through financial education, empowering them to become smart consumers, manage their debt, set short-term and long-term financial goals, take the necessary actions to achieve their financial goals and to plan for a more secure financial future. Most importantly, financial education will prevent them from falling into the debt trap and falling prey to illegal investment scams, resulting in financial and emotional distress for them and their households. Now the challenge thus is to raise the financial literacy of Malaysians from all walks of life, particularly those for whom existing information resources are inaccessible or inadequate.

Keywords: Financial Capability, Financial scams, Financial education, Financial literacy.

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