

RinggitPlus

Malaysian Financial Literacy Survey 2020



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FOREWORD

As the leading financial aggregator in the country, RinggitPlus is the perfect platform to raise awareness and at the same time play a role in raising financial literacy standards among Malaysians. In 2018, we launched the first RinggitPlus Malaysian Financial Literacy Survey (RMFLS) in an effort to shine a light on the state of financial literacy in Malaysia.

Now in its third year, the RMFLS 2020 continues to reveal shocking truths about our financial habits, such as a neglect for retirement planning, an ignorance towards saving up for emergencies, and an overall poor grasp of financial management. We are thankful that our efforts have cast a light on this serious issue, with local news outlets sharing our survey results and even academic papers quoting our data in their research – which meant that more Malaysians are aware of their poor financial habits and strive to improve them.

We are extremely proud that our humble efforts in raising financial literacy standards in Malaysia has been recognised by partners who share a similar vision. We worked with Visa in the 2019 RMFLS, and this year we are honoured to work with the Financial Education Network (FEN), an inter-agency group co-chaired by Bank Negara Malaysia (BNM) and the Securities Commission (SC) tasked with raising financial literacy standards in the country via the 5-year National Strategy For Financial Literacy 2019-2023.

In some ways, the RMFLS 2020 results justified our steadfast vision of saving Malaysia, one wallet at a time. Its results also provided many useful insights in our content strategy, as we aimed to improve financial literacy head-on via our RinggitPlus Blog, which

provides useful guides, informative articles, product recommendations, as well as personal finance news that deserve our readers' attention.

We will not stop there, of course. The RMFLS initiative will remain an annual project at RinggitPlus, alongside new projects that are designed to help Malaysians take control of their financial health. We recently launched myRinggitHealth, a mobile-first channel that gives users an overview of their financial health and useful tips to improve them. This free service is already available via our WhatsApp chatbot. Moving forward, we will also be launching digital licensed financial planning services, aiming to democratise a service that was previously inaccessible for most Malaysians. Stay tuned for our official announcement on this.

Financial literacy is a topic that needs to be taken seriously, and it is my personal hope that RinggitPlus – through the RMFLS and other activities – continues to play an active role in improving the financial wellbeing of all Malaysians.

Hann Liew
Co-Founder & Director,
RinggitPlus

EXECUTIVE SUMMARY

This survey was developed to find out the financial behaviours of Malaysians among various income levels and age groups. Specifically, the focus was on three key aspects: how Malaysians manage their money, their perception and knowledge of financial products, and their readiness to face financial uncertainties. Respondents were profiled according to age, location, and income level. In addition, this survey also aimed to see if the Covid-19 pandemic has changed any financial habits of Malaysians.

Participants were asked about their spending and saving habits, retirement plans, as well as debt management. On top of that, participants were also asked about their financial decisions made during the current Covid-19 situation, such as the adoption of cashless payments and the six-month automatic loan moratorium.

This survey was conducted using a self-administered questionnaire online. 10,628 surveys were submitted by Malaysians nationwide. The key findings of this survey are described on page 7 and 8.

The 2020 RinggitPlus Financial Literacy Survey concluded that in comparison to last year (2019), Malaysians' personal financial habits have not

improved. The lack of retirement planning among Malaysians remains a concern. This is despite the slight improvement in the number of Malaysians who manage to save every month, in addition to 76% claiming that they are in control of their money. The survey has also revealed the impact of Covid-19 on the spending behaviour among Malaysians, where the most noticeable trends are the increased preference for cashless payments and online transactions since Covid-19 hit Malaysia. The survey also found that the pandemic has also highlighted the importance of having an emergency fund.

This year's RMFLS also included a special focus on the Malaysian youths and millennials to see if there are any differences in financial behaviours compared to the general population.

Overall, this year's RMFLS further highlights the worrying levels of financial literacy standards in the country, and suggests that more initiatives are required. The introduction of the National Strategy for Financial Literacy 2019-2023 could not have come at a better time, and we hope that 2021 will see some positive changes in our survey results.

METHODOLOGY

The survey was conducted in 3 languages which are English, Bahasa Malaysia, and Chinese, covering all Central, Southern, Northern and East Malaysian regions. The data reported was based on a stratified sampling of 2,588 respondents from the total 10,628 respondents. The data from 10,628 respondents were funnelled according to demographics (age, income, and location) which were then sampled to capture financial sentiments related to financial behaviour and financial well-being illustrative of Malaysians across demographics and strata.

The key findings are outlined on page 7 and 8.

ABOUT THE RESPONDENTS



Age

Below 24 - 7%

25-34 - 44%

35-44 - 31%

45-54 - 13%

55 and above - 5%

Location

Central - 27%

Northern - 21%

East Coast - 15%

Southern - 17%

East Malaysia - 20%

Income

< RM2,000 - 22%

RM2,000-RM4,999 - 37%

RM5,000-RM10,000 - 28%

> RM10,000 - 13%

KEY FINDINGS

Malaysians' personal finance habits have not improved much since 2019

- a. 53% of respondents cannot survive more than 3 months with their savings, if they lose their job. Good news is that there is a slight improvement in the number of respondents who do not save any money each month (19% vs 21% in 2019).
- b. Otherwise, not much else positive, showing no improvement since last year's survey (also 53%).
- c. Compared to last year's 43%, more Malaysians are spending exactly what they earn or more - an increase of 3% to 46% this year.
- d. Despite all these, most respondents (76%) still claim that they are in control of their money.

Covid-19 impact:

- a. Increased contactless payments (via e-wallets & credit cards) - 88% consciously use contactless payment / cashless payment methods since Covid-19 hit Malaysia.
- b. e-wallet introduction from 2018-2019 just nicely timed as it is now widely used and accepted (Covid being one of the catalysts for this increased rate of adoption). 90% of respondents own e-wallets, and the most used e-wallet is Touch 'n Go eWallet, followed by Boost and then GrabPay.
- c. Covid also accelerated a shift towards online transactions for various activities/transactions. The two biggest financial habits formed due to the effects of the pandemic were doing more transactions online (39%), and the realisation of the importance of an emergency fund (27%).

Loan moratorium impact:

- a. A noticeable uptick for those saving RM2k and above, suggesting that the loan moratorium did help put more money in people's pockets at a challenging time (but not for all income groups). 14% of respondents managed to save RM2,001 and above compared to last year at 9%.
- b. The loan moratorium highlighted the importance of prudent financial management, including building an emergency fund (27% of Malaysians noted this as the most important takeaway).
- c. Interestingly, 16% of respondents indicated that they are not prepared to resume their loan repayments after the moratorium period. According to ABM, over 7.7 million borrowers took the loan moratorium, which means that there are as many as 1.2 million borrowers who will need post-moratorium assistance. Currently, there have only been about 640,000 borrowers who have applied for the assistance - and that means there's potentially another 580,000 borrowers out there who are at risk of defaulting on their loans.
- d. The loan moratorium introduced Malaysians to new financial terms, eg "loan moratorium", "debt restructuring", "R&R", etc, which generally helps raise awareness on the topic. For example, almost 61% do not know or are unsure of what R&R is.

A lack of retirement planning among Malaysians remains a concern

- a. Almost 68% of respondents believe that their EPF savings can only last them for less than 10 years.
- b. 70% of respondents think that their EPF savings alone is not sufficient for retirement,

but 45% of this group have still not started any retirement planning.

Financial literacy among youths/millennials (respondents below age 35)

- a. Digitally savvy: 30% use 3 or more e-wallets.
- b. Digitally savvy: almost 93% own at least 1 e-wallet.
- c. Financially illiterate: more than 64% do not know what is R&R (national avg 61%).
- d. Financially illiterate: almost 29% only realised the importance of emergency funds since the MCO started.
- e. Worse than national average on:

- i. Surviving only on savings: almost 26% cannot survive beyond 1 month (survey average 22%).
- ii. Surviving only on savings: almost 60% cannot survive beyond 3 months (survey average 53%).
- iii. Overspending: almost 47% spend exactly or more than what they earn (survey average 46%).
- iv. Overspending: almost 23% spend more than what they earn (survey average 21%).
- v. Retirement planning: almost 50% have not started retirement planning (survey average 39%).

FINANCIAL LITERACY SURVEY RESULTS

About half of them have at least 1 credit cards, and 35% indicate they do not have any.

ACTION ▾

Q1 Do you have a credit card?



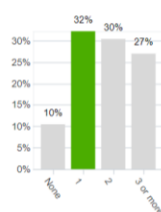
Base = All Respondents.



Majority (90%) say that they use at least one e-wallet.

ACTION ▾

Q2 How many e-wallet apps do you use?

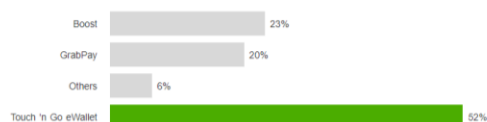


Base = All Respondents.

52% say their Touch 'n Go e-wallet is the one they use most often.

ACTION ▾

Q35 Which is your most used e-wallet app?



Base = Respondents who use e-wallet.

Being conscious of COVID-19 hitting Malaysia, 88% of consumers actively use contactless / cashless payment methods when making purchases.

ACTION ▾

Q4 Do you consciously try to pay using contactless / cashless payment methods (e.g. e-wallet or wave card) since Covid-19 hit Malaysia, for payment convenience or to reduce your risk of exposure to the virus?



Base = All Respondents.

The MCO has caused 39% of consumers to shift their financial habits towards online methods, and 27% to realize the importance of having an emergency fund.

ACTION ▾

Q5 How have the MCOs changed your financial habits? (select the most relatable to you)

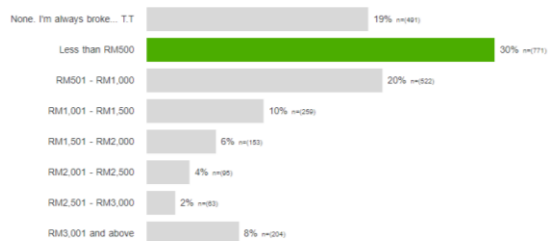


Base = All Respondents.

About half indicate they currently manage to save less than RM1,000 each month, while 19% couldn't save at all.

ACTION ▾

Q39 How much do you currently manage to save each month?



Base = All Respondents.

About 30% indicate they can only survive for 1-3 months with their current lifestyle if they lose their job. However, there are 27% who say that they can last over 6 months comfortably.

Q36 If you lose your job, and all you have are your savings, how long do you think you can survive with your current lifestyle?

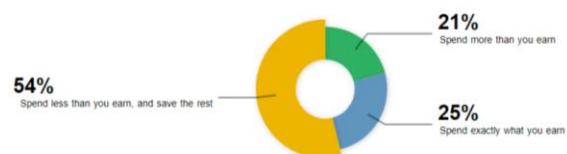


Base = All Respondents.

ACTION ▾

About half (54%) indicate that they spend whatever they earn and save the rest each month. However, 1 in 5 consumers indicate that they spend more than they earn each month.

Q8 If you're honest with yourself, each month you:



Base = All Respondents.

ACTION ▾

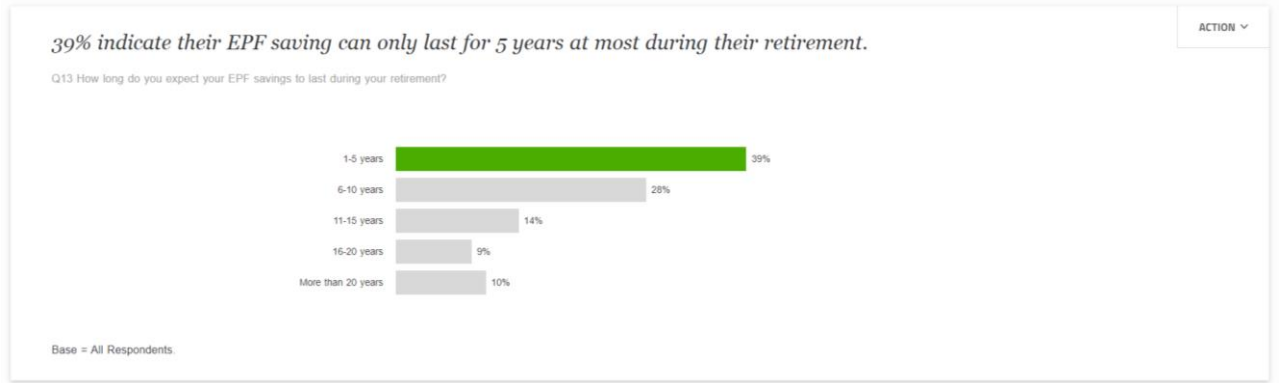
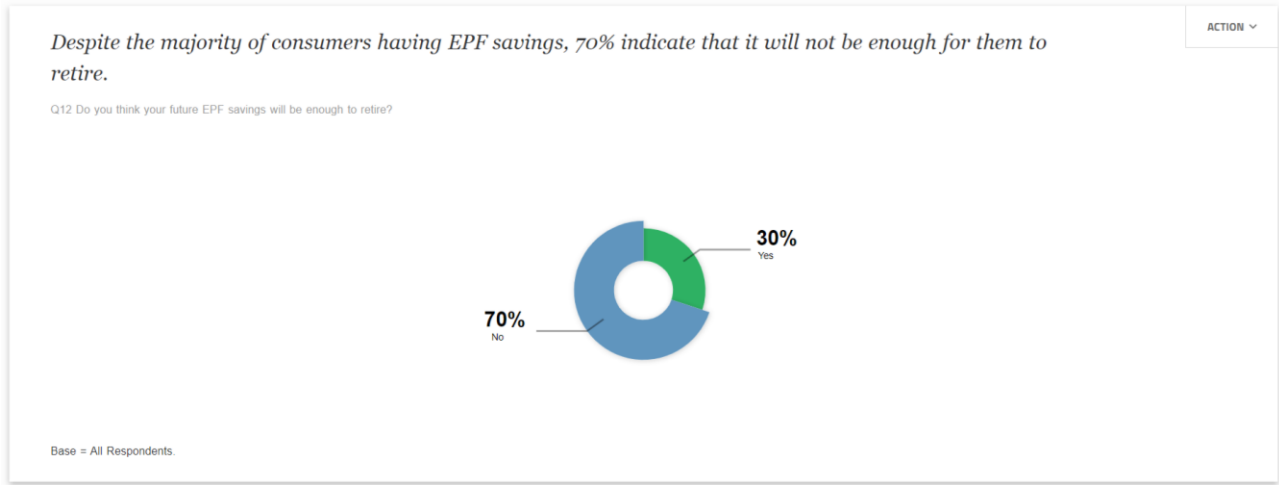
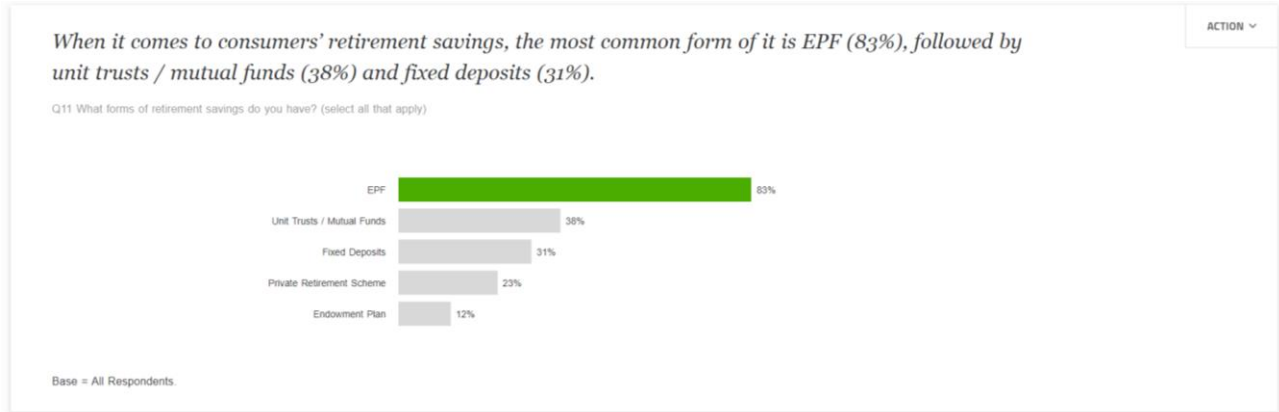
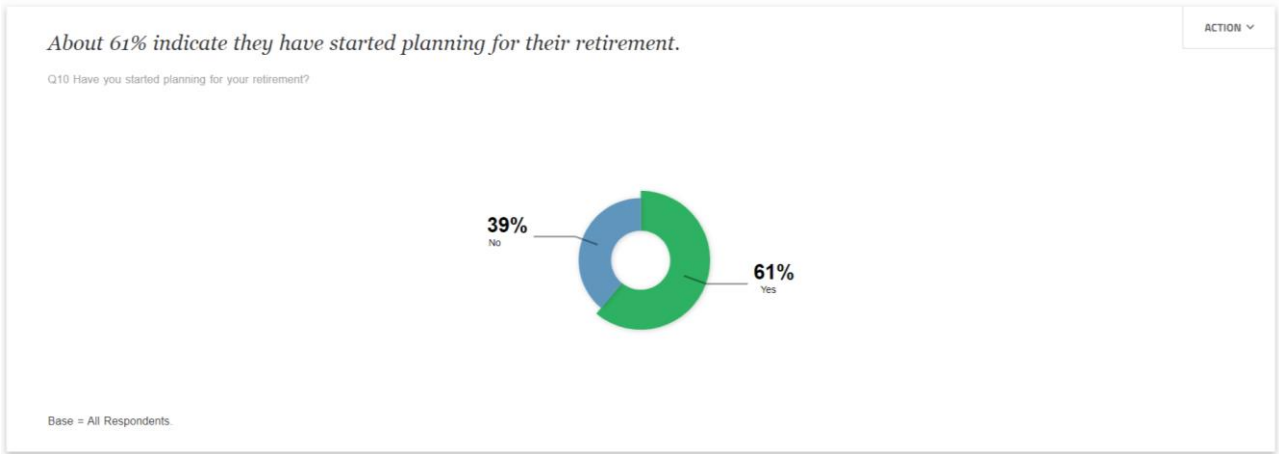
About 3 in 4 consumers think they are currently in control of their money.

Q9 Do you think you are in control of your money?



Base = All Respondents.

ACTION ▾



68% indicate that Malaysians should be allowed to withdraw their EPF saving.

ACTION ▾

Q15 In your opinion, should Malaysians be allowed to withdraw from their EPF savings, since it is meant to be an individual's retirement savings?

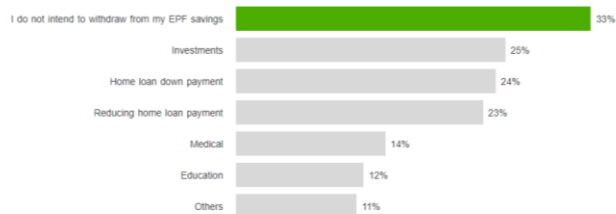


Base = All Respondents

1 in 3 consumers do not intend to withdraw from their EPF savings. Those who would withdraw from their EPF savings say they would withdraw for the purpose of investments (25%), home loan down payment (24%) and reducing home loan payments (23%).

ACTION ▾

Q14 What would you be comfortable withdrawing your EPF savings for, before your retirement?

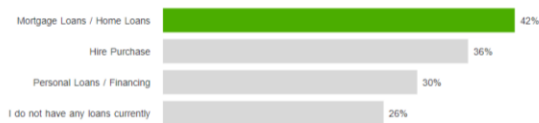


Base = All Respondents

The type of loan that most consumers currently have are mortgage loans / home loans (42%), followed by hire purchase (36%).

ACTION ▾

Q16 What loans do you currently have?

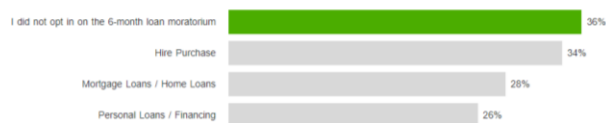


Base = All Respondents

Among those who currently have loans, 36% indicate they did not opt in on the 6 months loan moratorium. The type of financing that most opted in on the moratorium is for hire purchase (34%).

ACTION ▾

Q17 Which loan(s)/financing did you opt in on the 6-month loan moratorium? (select all that apply)

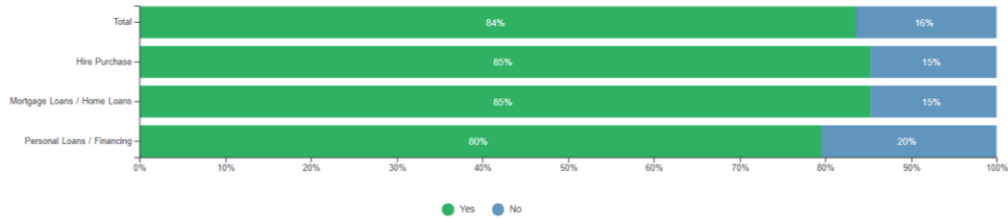


Base = Respondents who currently have loans

Majority (84%) of consumers indicate that they are prepared to resume their loan payments in Oct 2020 after the loan moratorium ends. However, those who have personal loans are more likely to not be prepared to resume their payments.

ACTION ▾

Q18 Are you prepared to resume your repayment in October 2020 after the loan moratorium ends?

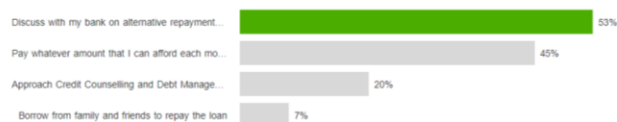


Base = Respondents who currently have loans.

Among those who are not prepared to resume their loan payments, 53% indicate they will discuss with their banks on alternative repayment in the event they are unable to resume the payment, and 45% say they will pay whatever amount they can afford each month.

ACTION ▾

Q23 What do you plan to do if you are unable to resume your loan repayment?

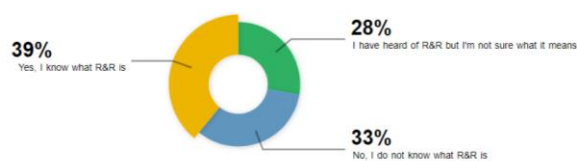


Base = Respondents who are not prepared to resume the repayment.

39% of consumers indicate they know what R&R is, but 1 in 3 do not know what it is.

ACTION ▾

Q38 Do you know what R&R (Restructuring & Rescheduling), or repayment plan? (Revised)




Base = All Respondents.

Majority (80%) indicate that they will seek for early advice or assistance from banks if they ever need a R&R plan for their loan.

Q25 Restructuring & Rescheduling (R&R) is a process that modifies your current loan's arrangement, and may include reduced monthly instalments, lengthening of loan tenure, or even changing the terms of the original loan. If you ever find yourself in need of an R&R plan for your loan, would you seek early advice or assistance from your banks?

ACTION ▾



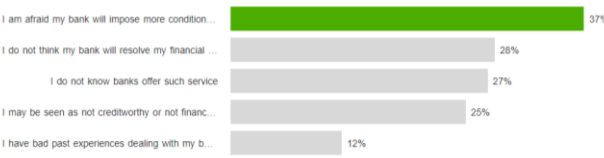
Response	Percentage
Yes	80%
No	20%

Base = All Respondents

Among those who do not have intention to seek for early advice from banks (20% out of total base), 37% of them point out that the reason they would not seek for assistance from bank is because they worry that their bank will impose more conditions on them, followed by 28% who do not think that their bank will resolve their financial problems.

Q26 Why? (select all that apply)

ACTION ▾




Reason	Percentage
I am afraid my bank will impose more condition...	37%
I do not think my bank will resolve my financial ...	28%
I do not know banks offer such service	27%
I may be seen as not creditworthy or not financ...	25%
I have bad past experiences dealing with my b...	12%

Base = Respondents who do not have intention to seek for early advice or assistance from bank even they find themselves in need of R&R plan.

39% state that either themselves or their family members / relatives / colleagues have been a victim of financial fraud / scam in the past 10 years.

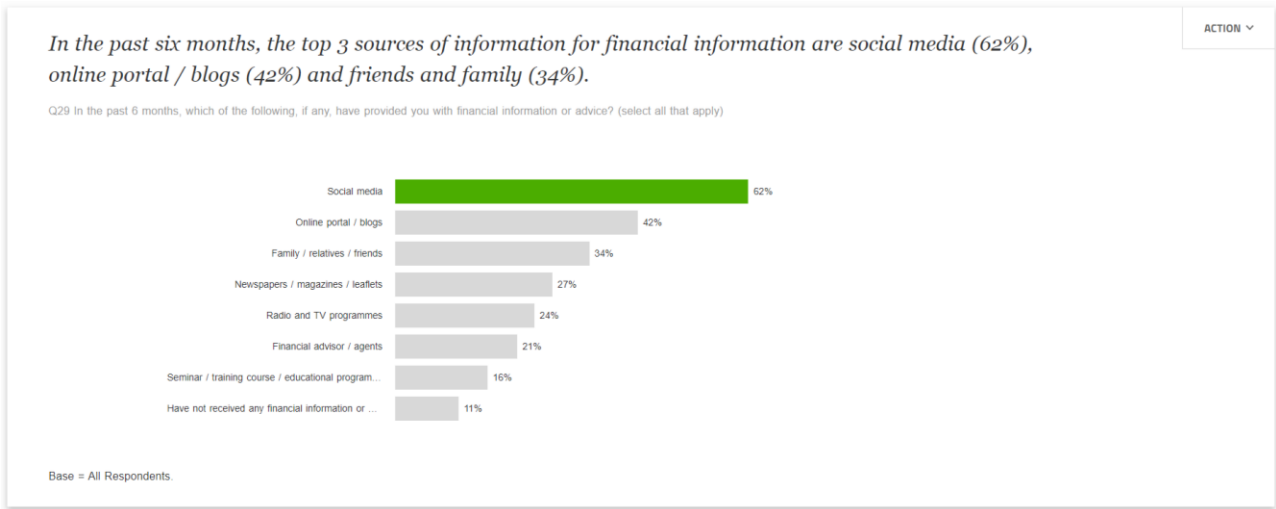
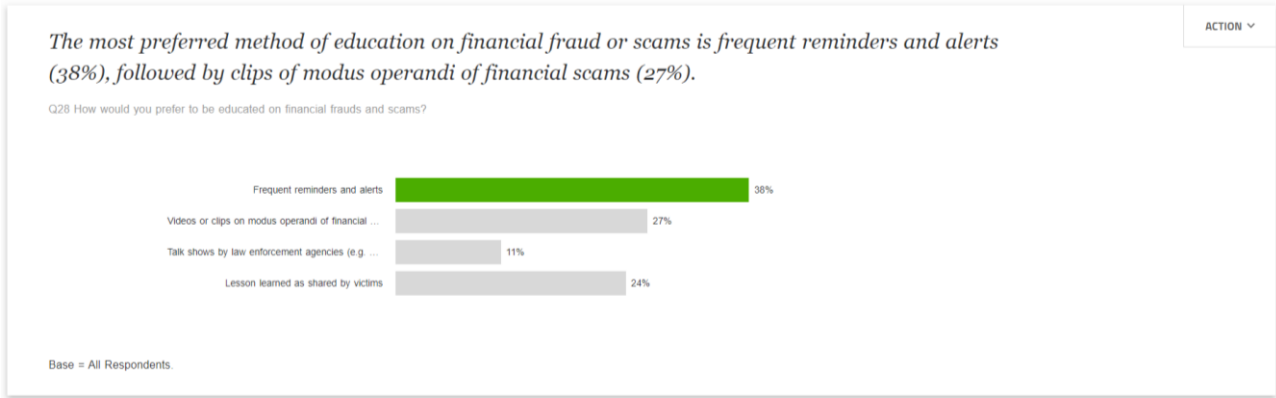
Q27 Have you or your close family members / relatives / colleagues been a victim of financial fraud or scams in the past 10 years ?

ACTION ▾



Response	Percentage
Yes	39%
No	61%

Base = All Respondents



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