

## Financial Capability and Inclusion Demand Side Survey 2024

### Overview of the FCI Survey 2024

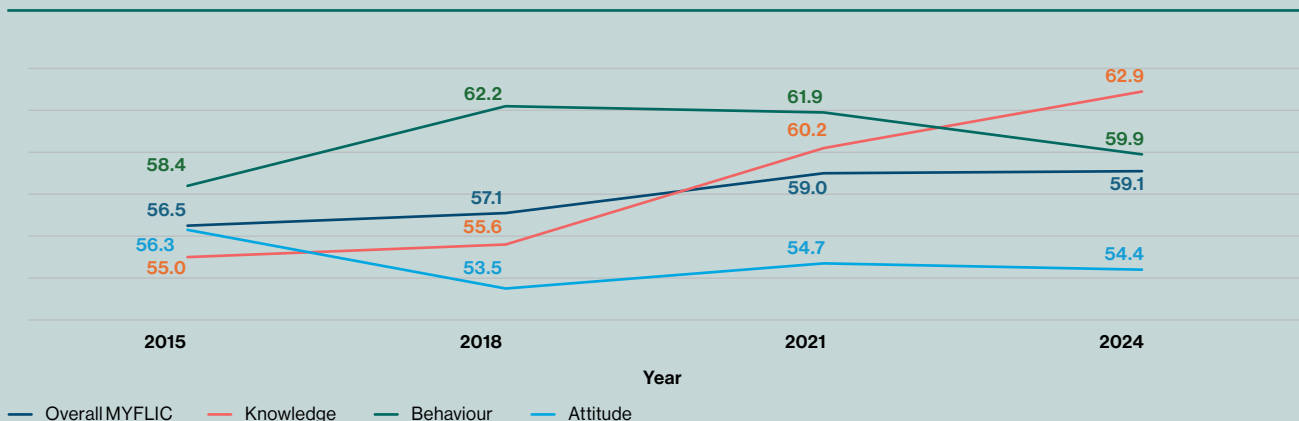
The Financial Capability and Inclusion Demand Side (FCI) Survey is a cross-sectional survey conducted every three years by Bank Negara Malaysia (BNM). It assesses the level of financial capability of Malaysians based on measures of financial knowledge, behaviour and attitude to arrive at a combined score known as the Malaysia Financial Literacy and Capability (MYFLIC) Index. In conducting the survey, BNM also considers the material factors and developments during each survey period. For instance, the FCI Survey 2021<sup>1</sup> captured the impact of the COVID-19 pandemic and corresponding relief measures on Malaysians, in addition to measuring the level of financial capability.

The FCI Survey 2024 which was conducted in 3Q 2024 broadens its scope to cover assessments on financial well-being and digital financial literacy.<sup>2</sup> This is given that issues such as rising cost of living and rapid growth of digitalisation have had a more prominent impact on financial behaviour during the survey period. It also assesses the financial capability of Malaysians following the implementation of the National Strategy for Financial Literacy 2019–2023 (NS1.0), revealing new challenges and opportunities in building financial resilience moving forward.

### Key findings

The 2024 survey reveals that at the broad level, financial literacy levels in Malaysia have been largely unchanged since 2021, with the MYFLIC Index at 59.1 (2021: 59.0). Nonetheless, there have been improvements observed in financial knowledge (+2.7), but declines were seen in the scores for financial behaviour (-2.0) and attitude (-0.3) (Diagram 1).

Diagram 1: Overall MYFLIC Index



Note: 3,587 Malaysian respondents aged 15 years old and above. MYFLIC Index is based on a maximum score of 100.

Source: Bank Negara Malaysia

Financial knowledge improved to 62.9 in 2024, up from 60.2 in 2021, in most sub-components, particularly under product awareness and understanding of financial concepts such as diversification, inflation as well as risk and return. However, despite increased product awareness, more Malaysians feel there is a lack of clear and reliable information on financial products, which affects their decision-making behaviour. Malaysians generally have a basic understanding of financial products, including the concept of paying more than the borrowed amount due to interest or profit charges. However, there is a lower level of understanding regarding more complex aspects, such as rate revisions and their impact on the monthly interest or profit payments. Overall, this has led to the decline in the overall financial behaviour score from 61.9 in 2021 to 59.9 in 2024.

<sup>1</sup> The Financial Capability and Inclusion Demand Side Survey 2021. ([https://bnm.gov.my/documents/20124/8440087/fsr22h1\\_en\\_box1.pdf](https://bnm.gov.my/documents/20124/8440087/fsr22h1_en_box1.pdf))

<sup>2</sup> Based on OECD/INFE Toolkit for Measuring Financial Literacy and Financial Inclusion 2022

Low and/or unstable income, combined with rising living expenses, are also found to impede the ability to practise sound financial management, such as paying bills on time and saving money for the future. While many attempt to live within their means, rising cost of essentials like food and utilities make it increasingly difficult to keep within budget, as expenses often exceed planned limits (Diagram 2). Consequently, Malaysians prioritise on meeting immediate needs, leaving little room for long-term saving or financial planning.

**Diagram 2: Malaysians are Affected by Higher Costs of Living**

**26% of Malaysian sometimes/always run short of money (2021: 14%)**

### TOP 3 REASONS FOR RUNNING SHORT OF MONEY

Insufficient/Low income



Fluctuating/Unreliable Income



Increased cost of food and other necessary items



Source: Bank Negara Malaysia



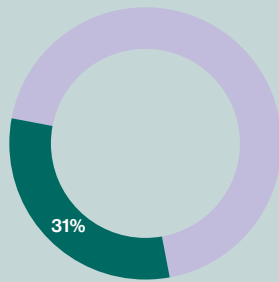
Tighter conditions affect saving habits among Malaysians. In 2024, only 58% try to save money for the future (2021: 67%).

## Swipe or Tap to Spend: The Psychology of Painless Payment

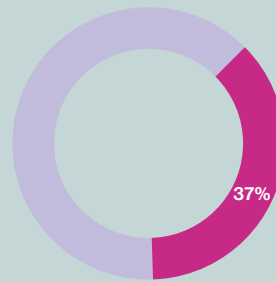
The use of digital financial products and services (DFS) in Malaysia has grown substantially. In 2024, 92% of Malaysians are using DFS, compared to 74% in 2021. This increase highlights the rapid digitalisation of the financial sector, which brings both opportunities and challenges. Despite the progress, the widespread use of DFS raises concerns about online spending habits. 'Painless payments', where spending is made so much easier online, can lead to poor financial choices like overspending (Diagram 3).

While Malaysians have made progress in improving cyber hygiene compared to 2021, further improvements are needed. For example, only 39% of Malaysians pay attention to the security of a website before making transactions, compared to the global average of 66%. While the sharing of bank account passwords and/or PIN with close friends has decreased significantly, over one in 10 Malaysians still do so. With the widespread adoption of DFS, these gaps in cyber hygiene practices will continue to leave users exposed to security risks.

Overall, Malaysian consumers still face difficulties in managing money effectively, including budgeting, monitoring expenses, living within their means, and avoiding overspending in a digital environment. This in turn can undermine personal financial well-being. With rapid digitalisation trends, the need for digital financial literacy to grow in tandem is now even more critical.

**Diagram 3: Digital Financial Habits of Malaysians**

Malaysians are likely to spend more and impulsively when buying online compared to when making purchase in person at a shop.



Malaysians have purchased goods and services they do not need online.

### Digital Hygiene Among Malaysians



Password Protection

15% share passwords and/or PIN of bank accounts with close friends (2021: 37%)



39% pay attention to the security of a website before making online transactions (2021: 38%)



20% regularly change password for online shopping and personal finance (2021: 11%)

Source: Bank Negara Malaysia

## Financial literacy: Fundamental for Financial Well-being and Financial Peace

Financial well-being involves the ability to meet financial obligations, handle income changes, reach future financial goals, and make financial decisions that enhance quality of life. Better personal financial management can boost financial resilience and positively influence one's perception of their financial situation. Additionally, improving income and manageable living costs are crucial components of financial well-being.

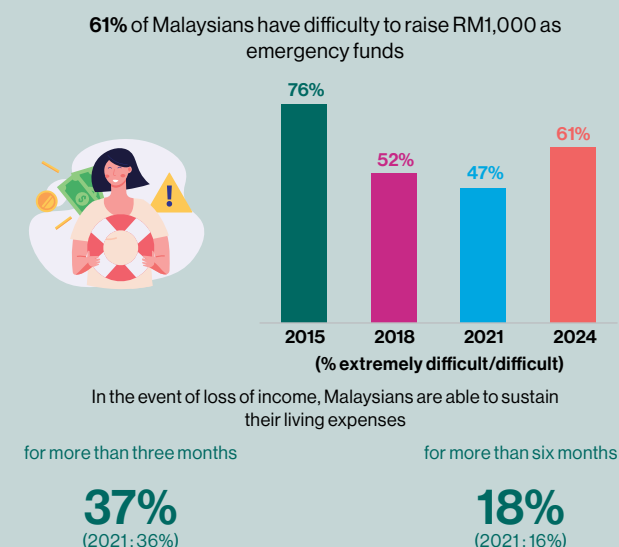
### Financial resilience – dealing with unexpected expenses

Having financial resources to handle unexpected expenses and financial shocks is vital for maintaining financial well-being. In 2024, 37% Malaysians claimed they can cover living costs for more than three months if their income is disrupted (2021: 36%) (Diagram 4). At the same time, more Malaysians were less prepared to cope with financial shocks, with 61% reporting difficulty to secure RM1,000 in emergency cash (2021: 47%).

35% of Malaysians indicate they lack sufficient financial protection when faced with adverse or catastrophic events. 40% claim to only rely on own or family savings as a financial safety net to manage unforeseen events, such as accidents, loss of income or emergencies.

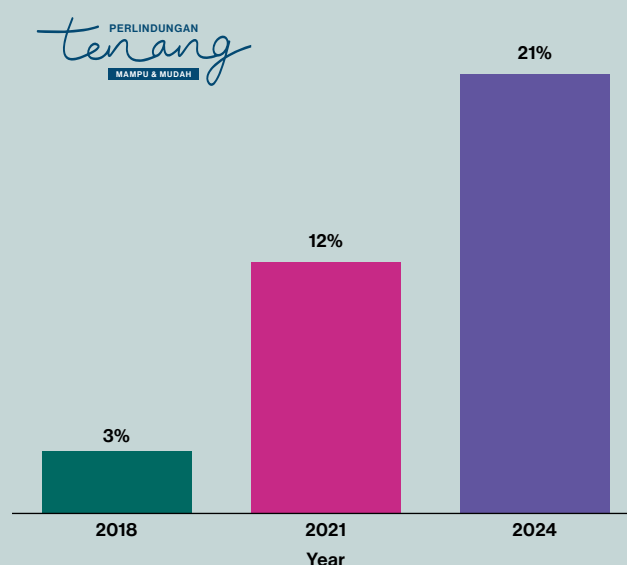
Currently, personal financial risk management through emergency savings and insurance/takaful protection have yet to become a common practice among Malaysians. This gap impedes their ability to manage unforeseen expenses, and could potentially impact other aspects of long-term planning such as retirement savings for themselves or other family members. This gap underscores the critical need for affordable and accessible financial products, like Perlindungan Tenang, to help Malaysians, especially the vulnerable segments, in managing financial risks and building resilience against financial shocks. Awareness of Perlindungan Tenang products has shown improvement (Diagram 5), but it is more important to translate this awareness into effective adoption, and provide Malaysians with a crucial layer of financial security.

**Diagram 4: Dealing with Unexpected Events**



Source: Bank Negara Malaysia

**Diagram 5: Awareness on Perlindungan Tenang**



Source: Bank Negara Malaysia

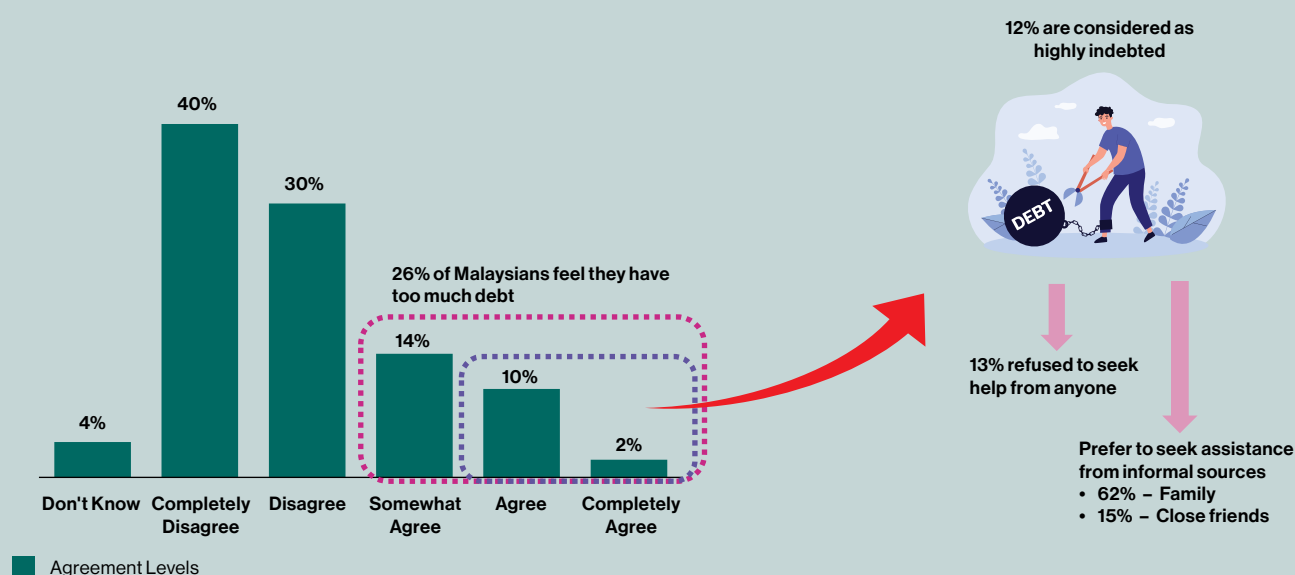
### Perceptions and feelings about own financial situation

The FCI Survey 2024 also evaluates Malaysians' perceptions of their financial situation by assessing their views on debt levels and their ability to cover expenses in old age.

#### Feeling of indebtedness

26% of Malaysians feel that they carry too much debt (2021: 30%), with 12% being highly indebted (2021: 14%). The majority are young individuals struggling to manage student loans, store credit, and debts owed to family, friends or colleagues. Following closely are gig workers who face financial strain due to commitments for car, housing and credit card loans, which are further exacerbated by unstable income. Highly indebted Malaysians are more forthcoming to discuss their debts, but this remains primarily through informal channels. Although the use of formal avenues, such as consulting Agensi Kaunseling dan Pengurusan Kredit (AKPK), registered financial advisors and seeking online help, has risen, the overall uptake remains low. Seeking help from financial services providers is also unpopular (Diagram 6).

**Diagram 6: Indebtedness among Malaysians**

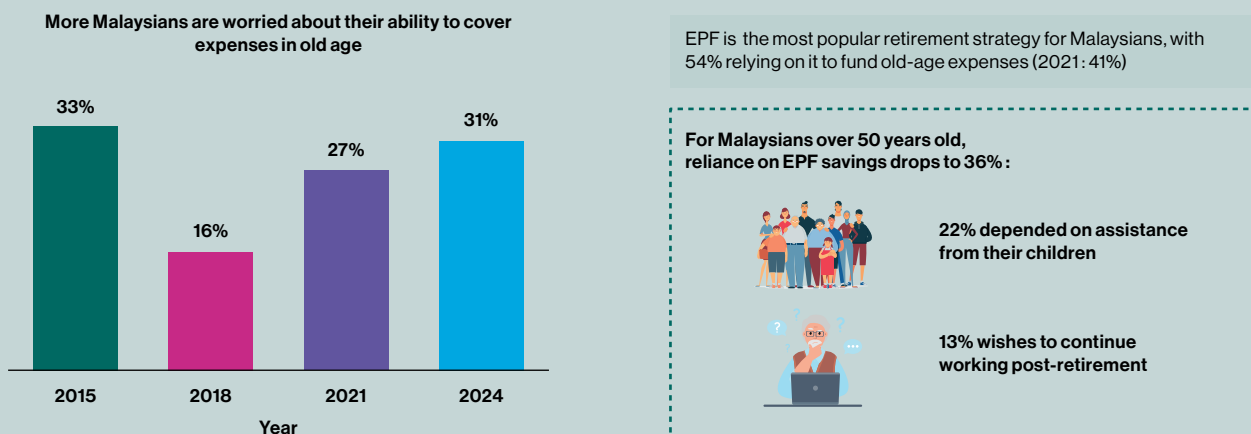


Source: Bank Negara Malaysia

### Perception on retirement

31% of Malaysians are worried about managing expenses in old age, up from 27% in 2021. While EPF is the most popular retirement strategy, with 54% of Malaysians relying on it to fund old-age expenses (2021: 41%), reliance on EPF savings dropped to 36% among Malaysians over 50 years old. Instead, they increasingly depend on other strategies, such as investment products, informal income sources such as support from children and family, as well as to continue working post-retirement. As Malaysia becomes an aging society, long-term financial planning requires closer attention. The shift towards more informal strategies among the older generation suggests that younger Malaysians may face greater financial responsibilities for parents and relatives, potentially impacting household financial well-being if not adequately planned for (Diagram 7). These situations intensify the need for better long-term financial planning.

**Diagram 7: Malaysians on Retirement**



Source: Bank Negara Malaysia

### Conclusion

On balance, Malaysians have become more aware and knowledgeable of their financial affairs since the implementation of NS1.0. However, rising costs of living amid uncertain income streams, as well as the rapid pace of digitalisation, present new challenges. With the advent of social media and more accessible information platforms, awareness on financial products continues to increase. This presents opportunities for financial service providers and policymakers to further intensify efforts to increase financial literacy with greater impact as we move forward.

The insights from the FCI Survey 2024 will serve to shape the next phase of the national strategy for financial literacy (NS2.0). Issues such as impact of digitalisation on consumer behaviours, changes in the financial and economic landscape, as well as an aging society, will guide the setting of priorities and plans, in close collaboration with relevant stakeholders and partners through the Financial Education Network (FEN). Ultimately, NS2.0, expected to be launched in Q4 2025, aims to further elevate financial literacy and well-being for Malaysians, building upon the achievements of NS1.0.