

# PROMOTING FINANCIAL LITERACY: A CASE STUDY OF BANK NEGARA MALAYSIA





# 1. BACKGROUND

Financial literacy plays a critical role in empowering individuals to make informed and sound financial decisions, ultimately leading to individual financial well-being and contributing to national economic growth. Countries around the world have recognized the importance of equipping their population with the requisite knowledge, skills, and attitudes to navigate an increasingly sophisticated financial landscape.

Malaysia, a multiethnic country in Southeast Asia with a population of 32.7 million,<sup>1</sup> recorded strong economic growth of 8.7 percent in 2022.<sup>2</sup> Over the past decade, the country has made significant progress in advancing financial inclusion<sup>3</sup> and introduced nationwide financial education initiatives to elevate financial capabilities. As the key driver of the financial literacy agenda in Malaysia, Bank Negara Malaysia (BNM) has been actively promoting financial literacy through various channels.

The primary objective of this case study is to document and showcase BNM's initiatives while fostering knowledge exchange among members of the Alliance for Financial Inclusion (AFI), driving impactful policy changes in the field of financial education and literacy. This case study builds on a previous AFI knowledge product, "[Empowering and Protecting Financial Consumers: BNM's Consumer and Market Conduct Framework](#)," developed in collaboration with BNM in 2011.



The case study, which begins by exploring the positive impacts of financial literacy on countries and global trends in financial education policies, then delves into

the state of financial literacy in Malaysia, emphasizing the pivotal role of BNM in promoting financial education. The main body of the case study thoroughly examines Malaysia's National Strategy for Financial Literacy 2019-2023 (NS), providing detailed insights into its key initiatives and achievements aimed at enhancing financial literacy among Malaysians. Furthermore, it addresses the challenges faced, particularly in measuring and evaluating the effectiveness of financial education efforts. The case study concludes by discussing areas of focus to further enhance financial literacy in the country.

By showcasing BNM's efforts in fostering a financially inclusive society through equipping Malaysians with the skills and knowledge to navigate the complex world of finance, this case study serves as a valuable resource for policymakers, researchers, and practitioners dedicated to advancing financial literacy.

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- 1 Ministry of Economy. (n.d.). Department of Statistics Malaysia. Current Population Estimates, Malaysia, 2022. Available at: [https://dev.dosm.gov.my/portal-main/release-content/current-population-estimates-malaysia-2022#:~:text=The%20total%20population%20of%20Malaysia,to%202.4%20million%20\(2022\).](https://dev.dosm.gov.my/portal-main/release-content/current-population-estimates-malaysia-2022#:~:text=The%20total%20population%20of%20Malaysia,to%202.4%20million%20(2022).)
  - 2 Ministry of Finance Malaysia. (n.d.). Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023. Available at: <https://belanjawan.mof.gov.my/pdf/belanjawan2023/economy-fiscal/section1.pdf>
  - 3 The Financial Capability and Inclusion Demand Side Survey 2021. (n.d.). Available at: [https://www.bnm.gov.my/documents/20124/8440087/fsr22h1\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/8440087/fsr22h1_en_box1.pdf)

## 2. FINANCIAL LITERACY: A FOUNDATION FOR FINANCIAL WELL-BEING

Financial literacy has become a top priority on the national agenda in numerous countries, with a particular focus on developing nations.

75%

In a recent study among AFI members, financial education emerged as the most critical policy area, with 75 percent of members ranking it as paramount.

70%

This was followed closely by consumer protection, with 74 percent of members emphasizing its importance, and digital financial literacy, which 70 percent of members considered essential.<sup>4</sup>

As countries endeavor to strengthen their economies and enhance the overall well-being of their citizens, the role of financial literacy becomes increasingly pivotal.

### EMERGING EVIDENCE ON THE IMPACTS OF FINANCIAL LITERACY

Financial literacy plays a significant role in driving economic growth. Research studies consistently demonstrate that financial literacy positively influences an individual's financial well-being, thereby contributing to higher growth in GDP.<sup>5</sup> By raising awareness about financial services and facilities, financial literacy empowers the emergence of entrepreneurial endeavors and small businesses, which in turn, fuel economic expansion.

Moreover, financial literacy is a crucial factor in combating poverty, as shown by a study<sup>6</sup> analyzing data from the 2015 FinScope Survey in Cambodia. The research findings indicate that the utilization of financial services can significantly contribute to reducing household budget deficits and poverty, particularly when users, especially women, possess basic financial knowledge. This highlights the importance of promoting financial education to empower marginalized populations and improve their economic well-being.

### FROM FINANCIAL EDUCATION TO FINANCIAL WELL-BEING: A HOLISTIC APPROACH

While financial education is integral to enhancing the financial capabilities of consumers, these efforts must be complemented by a holistic approach involving broader regulatory and policy interventions. This should include robust consumer protection measures and market conduct frameworks that ensure access to appropriate and affordable financial products, increased transparency and disclosure, and the promotion of fair and ethical behavior by regulated entities. Additionally, it should encompass measures to reinforce stability in the financial system through rigorous supervisory and risk management practices, which build trust and credibility in financial systems and institutions.

Given the proliferation of digital and platform-based credit services, regulatory interventions must also encompass responsible lending practices. It is incumbent on financial authorities to work towards developing digital and market infrastructure that is secure, resilient, and inclusive, catering to the diverse needs of consumer segments. Countries with a robust digital and financial infrastructure are able to provide timely support and stability to vulnerable segments, especially during emergencies like the COVID-19 pandemic. Leveraging digital identities and infrastructure, such as e-KYC (Know Your Customer) and electronic payment systems, empowers countries to effectively and efficiently deliver targeted, large-scale fiscal relief to small businesses, informal sector workers, and vulnerable populations.

These infrastructure, policy, and regulatory initiatives, combined with effective financial education programs, contribute to the economic and financial well-being of the population.

4 AFI Member Needs Assessment (MNA). 2020.

5 Paşa, A., Picatoste, X. & Gherghina, E. 2022. "Financial Literacy and Economic Growth: How Eastern Europe is Doing?" *Economics*, 16(1), 27-42. Available at: <https://doi.org/10.1515/econ-2022-0019>

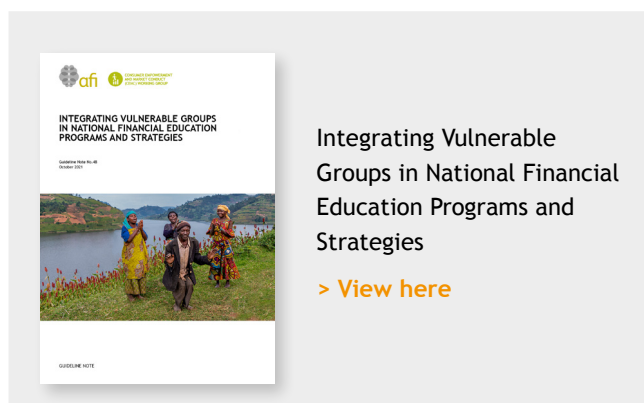
6 Seng, K. 2021. The poverty-reducing effects of financial inclusion: Evidence from Cambodia. *Financial inclusion in Asia and beyond* (pp. 197-226). Routledge. Available at: [https://www.eria.org/uploads/media/discussion-papers/4-The-Poverty-Reducing-Effects-of-Financial-Inclusion\\_Cambodia.pdf](https://www.eria.org/uploads/media/discussion-papers/4-The-Poverty-Reducing-Effects-of-Financial-Inclusion_Cambodia.pdf)



## FINANCIAL LITERACY INITIATIVES: A GLOBAL TREND

Many countries are diligently exploring strategies to elevate the financial knowledge and skills of their citizens and have established National Financial Education Strategies (NFES) as structured approaches to advancing their national agendas. These strategies can operate independently or as integral components of broader National Financial Inclusion Strategies (NFIS).

A discernible trend has emerged across various countries in the pursuit of enhanced financial literacy, with many nations having adopted a targeted approach, directing their efforts towards specific segments of society, particularly those who are vulnerable or underserved. For instance, Bhutan and the Philippines have concentrated on empowering women and youth.<sup>7</sup> Prioritizing vulnerable groups is crucial to narrowing the financial inclusion gap and guiding a nation towards collective prosperity.



Another effective strategy pursued by many countries is the integration of financial education into school curricula, imparting crucial money management skills to younger generations. Countries including Brazil, Colombia, India, Indonesia, and Uganda, are introducing financial education into their school systems.<sup>8</sup> In Jordan, for example, collaborative efforts between the Central Bank of Jordan, the Ministry of Education, and a non-governmental organization led to the implementation of financial education for grade 7 students. Building upon this success, the initiative was extended to students from grades 8 to 12. Recognizing the potential for widespread positive impacts, authorities in Jordan believe that such an initiative could foster a robust financial culture within communities, ultimately influencing the broader population towards sound financial practices.<sup>9</sup>

Another emerging trend in the field of financial literacy centers on the critical evaluation of financial education initiatives. Evaluation serves as a vital tool for

policymakers, providing insights into the effectiveness of various financial education programs and pinpointing potential areas requiring improvement. In the short term, evaluation allows for tracking progress and fine-tuning performance strategies, ensuring immediate efficacy. Over the long term, the evaluation process takes on a more profound role by magnifying the positive influence of these financial literacy initiatives. Beyond these immediate and extended advantages, the evaluation of financial education helps inform future funding decisions, aiming to optimize the impacts of overall financial education while facilitating the identification and replication of the most successful programs on a wider scale.

The trend of elevating financial literacy through the digitalization of financial services has shown progress in recent years. One example of this transformation is the introduction of the "CBC Mobile" app by Credit Bureau (Cambodia) Co., Ltd. (CBC) in 2020.<sup>10</sup> This innovative app, which was designed to promote credit transparency, financial health and literacy, and responsible credit management in Cambodia's burgeoning but competitive financial sector, not only empowers individuals with a better understanding of their financial standing but also fosters a culture of responsible credit behavior, ultimately contributing to the overall financial well-being of the country.

As this global pursuit unfolds, the shared commitment to advancing financial literacy, particularly through the AFI network, serves as a unifying force, and drives authorities to continually enhance their strategies, evolve their approaches, and collectively strive for a more financially literate and empowered populace.

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- 7 Alliance for Financial Inclusion. 2021. Integrating Vulnerable Groups in National Financial Education Programs and Strategies. Available at: <https://www.afi-global.org/publications/integrating-vulnerable-groups-in-national-financial-education-programs-and-strategies/>
- 8 Bruhn, M., de Souza Leão, L., Legovini, A., Marchetti, R., & Zia, B. 2013. "The impact of high school financial education: Experimental evidence from Brazil". World Bank Policy Research Working Paper. Available at: <https://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-6723>
- 9 Van Zyl, S. 2023. Financial Literacy Tools in Jordan: Towards a More Resilient Society. Available at: <https://www.afi-global.org/newsroom/blogs/financial-literacy-tools-in-jordan-towards-a-more-resilient-society/#:~:text=Financial%20education%20in%20Jordanian%20schools&text=The%20curriculum%20aims%20to%20provide,decision%20making%2C%20and%20entrepreneurship.>
- 10 Kunmakara, M. 2020. "CBC Mobile app launched to promote credit management". Phnom Penh Post. Available at: <https://www.phnompenhpost.com/business/cbc-mobile-app-launched-promote-credit-management>

### 3. FINANCIAL LITERACY IN MALAYSIA

The assessment of the financial literacy landscape in Malaysia is based on the Financial Capability and Inclusion Demand Side (FCI) survey, a triennial initiative conducted by BNM. The survey data serves as the foundation for constructing the Malaysia Financial Literacy and Capability (MYFLIC) Index, offering comprehensive insights into the nation's financial literacy landscape.

Over time, Malaysia has experienced a gradual improvement in financial literacy. This positive trajectory is exemplified by the rise in the MYFLIC Index, increasing from 57.1 in 2018 to 59 in 2021.<sup>11</sup> Notably, this improvement can be primarily attributed to advancements in both the knowledge and attitudinal sub-indices within the MYFLIC Index.

The enhancement in the knowledge sub-index of the MYFLIC Index can be partially attributed to the unique circumstances arising from the COVID-19 pandemic. Malaysians have displayed increased confidence in their financial knowledge, likely driven by heightened awareness of loan interest rates due to various loan

repayment assistance measures. Additionally, there has been a notable improvement in the understanding of financial principles, such as inflation, and the risks associated with high-return investments. COVID-19 has also accelerated digital payment adoption in Malaysia, as shown by the significant increase in the volume of real-time retail payment platforms (DuitNow services)<sup>12</sup> from 2019 to 2022.

The attitudinal sub-index of the MYFLIC Index has also experienced growth influenced by the pandemic. Malaysians have become more cautious, adopting longer-term financial planning strategies to navigate uncertainties, mirroring the unpredictability of the current global landscape. This change in attitude is particularly evident in aspects such as forward-looking financial perspectives and a focus on achievement-oriented financial goals. The trend is further reflected in the insurance industry, where Malaysians are increasingly interested in income protection, leading to substantial growth in Malaysian life insurance gross written premiums, which increased by 9.3 percent in 2021 compared to the previous year, according to GlobalData.<sup>13</sup>

11 The Financial Capability and Inclusion Demand Side Survey 2021. (n.d.). Available at: [https://www.bnm.gov.my/documents/20124/8440087/fsr22h1\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/8440087/fsr22h1_en_box1.pdf)

12 Bank Negara Malaysia. (n.d.). Payment Statistics. Available at: <https://www.bnm.gov.my/payment-statistics>

13 Malaysia life insurance industry to surpass \$15.9 billion by 2027, forecasts GlobalData. 2023. GlobalData. Available at: <https://www.globaldata.com/media/insurance/malaysia-life-insurance-industry-surpass-15-9-billion-2027-forecasts-globaldata/>



Women microentrepreneurs participating in financial education evaluation post-programme. Source: Bank Negara Malaysia

These developments in Malaysia's financial literacy landscape are supported by the findings of OECD/INFE assessments on financial literacy and inclusion.

**+0.2** The overall financial literacy score for Malaysians increased from 12.3 in 2015 to 12.5 out of a maximum score of 21 in 2020,<sup>15</sup> underscoring the nation's commitment to enhancing financial literacy across various dimensions.

When viewed from a global perspective, Malaysia's financial literacy position among other participating countries remains slightly below the average mark. It is important to note that the survey pool consisted of 17

countries in 2015 and expanded to 26 countries in 2020, primarily encompassing developed nations rather than developing ones. Nonetheless, Malaysia's concerted efforts to enhance financial literacy and capabilities have resulted in promising outcomes, establishing a strong foundation for continued growth and progress in this pivotal domain.

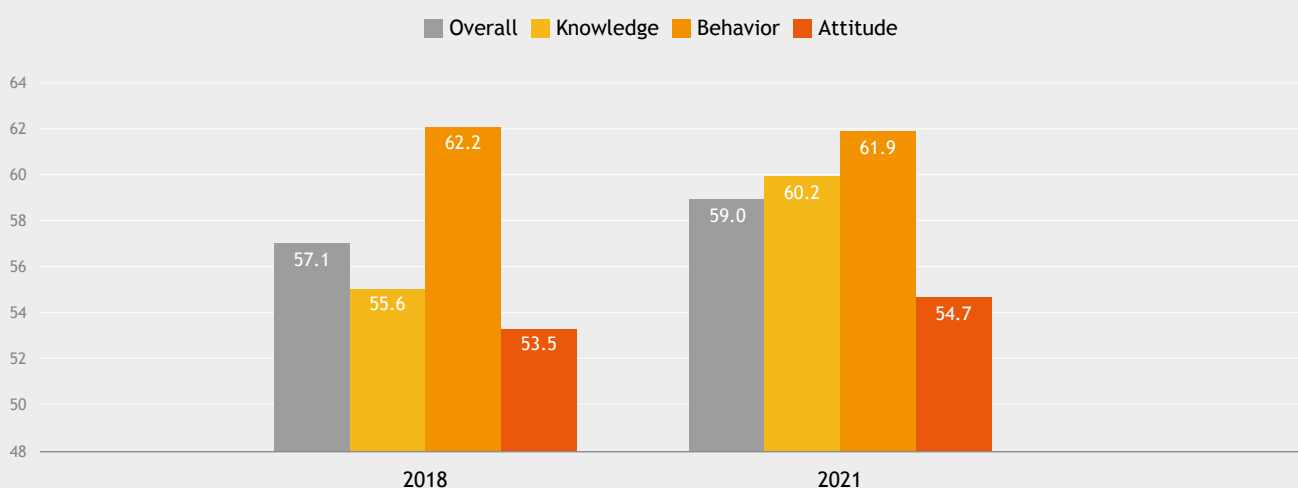
14 OECD. 2016. International Survey of Adult Financial Literacy Competencies. Available at: [www.oecd.org/finance/OECD-INFE-International-Survey-of-Adult-Financial-Literacy-Competencies.pdf](http://www.oecd.org/finance/OECD-INFE-International-Survey-of-Adult-Financial-Literacy-Competencies.pdf)

OECD. 2020. 2020 International Survey of Adult Financial Literacy. Available at: [www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm](http://www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm)

15 The Financial Capability and Inclusion Demand Side Survey 2021. (n.d.). Retrieved August 11, 2023, from [https://www.bnm.gov.my/documents/20124/8440087/fsr22h1\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/8440087/fsr22h1_en_box1.pdf)

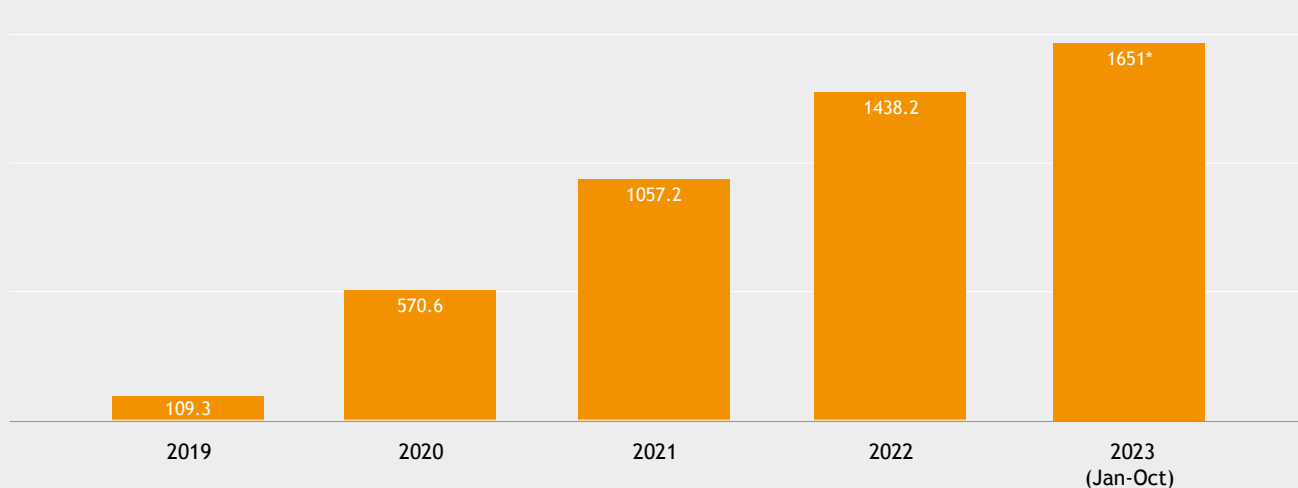
16 Bank Negara Malaysia. (n.d.). Payment Statistics. Retrieved August 22, 2023, from <https://www.bnm.gov.my/payment-statistics>

FIGURE 1: MYFLIC INDEX IN 2018 AND 2021<sup>15</sup>



Source: The Financial Capability and Inclusion Demand Side Survey 2021. (n.d.). Retrieved August 11, 2023, from [https://www.bnm.gov.my/documents/20124/8440087/fsr22h1\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/8440087/fsr22h1_en_box1.pdf)

FIGURE 2: THE VOLUME OF REAL-TIME RETAIL PAYMENT PLATFORMS (DUITNOW SERVICES)<sup>16</sup>



Source: Bank Negara Malaysia. (n.d.). Payment Statistics. Retrieved August 22, 2023, from <https://www.bnm.gov.my/payment-statistics>



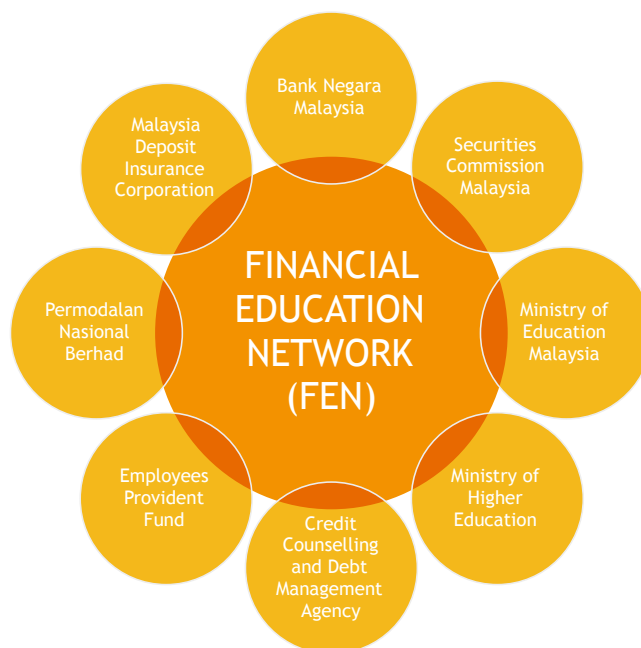
## 4. BNM'S ROLE IN PROMOTING FINANCIAL LITERACY

Financial literacy has been firmly integrated into Malaysia's long-term national plan through strategic initiatives. The Economic Transformation Program 2010<sup>17</sup> proposed that BNM lead the creation of a coordinated national financial literacy program based on a public-private partnership.

This vision was further embedded in the Financial Sector Blueprint 2011-2020, which aimed to enhance collaboration among stakeholders to deliver financial education initiatives and establish a financial education network. This network serves as an inter-agency national financial capability platform, driving financial capability initiatives at the national level.<sup>18</sup>

Recognizing that a conducive financial environment is essential for meaningful and informed consumer participation in the financial system, BNM actively supervises the market conduct practices of financial institutions. BNM's role encompasses a range of responsibilities, including ensuring the provision of meaningful information to consumers, facilitating their access to essential financial products, safeguarding the confidentiality of consumer information, regulating fees associated with financial transactions, standardizing terms and conditions, and advocating for the use of plain language in financial documentation.<sup>19</sup> Furthermore, BNM establishes effective assistance and redress mechanisms, supports the implementation of safety nets, such as deposit insurance<sup>20</sup> and guarantee schemes,<sup>21</sup> and takes proactive steps to enforce remedial or punitive actions in cases of market conduct requirement breaches.

In addition to regulatory measures, financial literacy plays a crucial role in promoting consumer protection. Empowered consumers armed with knowledge are better equipped to champion their own rights, reducing vulnerabilities to unscrupulous financial practices. Recognizing the need for heightened consumer empowerment, BNM is committed to driving financial education initiatives at the national level, realized through a collaborative stakeholder approach that targets all ages.



In 2016, BNM brought together diverse stakeholders, including various ministries and agencies, to establish the Financial Education Network (FEN), enabling the simultaneous implementation of a multitude of financial education initiatives aimed at addressing strategic priorities across all consumer life stages, while ensuring a broader and more diverse outreach.

In addition to collaborative stakeholder approaches, BNM has consistently worked to enhance various aspects of financial well-being for both households and businesses. Building on past initiatives, BNM has outlined a set of strategic measures in the Financial Sector Blueprint 2022-2026 focused on fostering meaningful participation by individuals and businesses in the financial system, ensuring the availability of suitable and affordable protection solutions, and promoting equitable treatment for financial consumers.

17 The Economic Transformation Programme. 2010. Chapter 7: Positioning Financial Services as the Bedrock of the High-income Economy. Available at: <https://policy.asiapacificenergy.org/sites/default/files/ETP.pdf>

18 Bank Negara Malaysia. 2011. "Chapter 5: Recommendation 5.2.2". Financial Sector Blueprint 2011-2020. Available at: [https://www.bnm.gov.my/documents/20124/5915429/fsb3\\_en\\_book.pdf](https://www.bnm.gov.my/documents/20124/5915429/fsb3_en_book.pdf)

19 Bank Negara Malaysia. 2015. "Chapter 4: Market Conduct and Consumer Empowerment". Financial Stability and Payment Systems Report 2015. Available at: <https://www.bnm.gov.my/documents/20124/856374/cp04.pdf>

20 Bank Negara Malaysia. 2001. "Chapter 3: Recommendation 3.33". Financial Sector Masterplan 2001-2010. Available at: [https://www.bnm.gov.my/documents/20124/1069429/FSMP\\_2001\\_en.pdf](https://www.bnm.gov.my/documents/20124/1069429/FSMP_2001_en.pdf)

21 Bank Negara Malaysia. 2001. "Chapter 3, Recommendation 3.31". Financial Sector Masterplan 2001-2010. Available at: [https://www.bnm.gov.my/documents/20124/1069429/FSMP\\_2001\\_en.pdf](https://www.bnm.gov.my/documents/20124/1069429/FSMP_2001_en.pdf)



To elevate the financial capabilities of Malaysians, BNM, through FEN, is dedicated to amplifying targeted consumer engagement efforts by utilizing innovative channels and digital touchpoints. There is also a strong emphasis on aligning the assessment and monitoring of financial education initiatives with international best practices to enhance the impact of BNM and FEN's targeted interventions.

As Malaysia progresses toward closing the last mile of financial inclusion, there is a strong focus on boosting digital financial literacy and encouraging the adoption of digital financial services, including digital payments and mobile money accounts.

**42%** The adoption of digital financial services has gained significant momentum, accelerated by the impact of the pandemic, with 42 percent of Malaysian adults embracing digital payments for the first time during this period.<sup>22</sup>

Looking ahead, the Financial Inclusion Framework 2023-2026 (Strategy Paper) formulated by BNM provides a comprehensive roadmap for intensifying efforts to enhance the utilization of digital financial services, with a specific focus on reaching and empowering the unserved and underserved segments of the population, thus advancing the goal of financial inclusion. This aligns with the Twelfth Malaysia Plan 2021-2025, which emphasizes the well-being and inclusivity of low-income and socially deprived groups.

#### LESSONS FROM MALAYSIA'S EXPERIENCE

Two key takeaways emerge as valuable lessons for other nations when reflecting on Malaysia's experience.

- 1 First, the deployment of a multi-stakeholder approach through platforms such as FEN proved instrumental in ensuring the collaboration of diverse entities to drive financial education initiatives forward. This collective effort enhances the scope and impact of financial literacy programs.
- 2 Second, Malaysia's enthusiastic embrace of digitalization illustrates the potential of technology to revolutionize financial education and services. By harnessing digital platforms, countries can offer more accessible and tailored financial education, as well as encourage individuals to embrace digital financial services that cater to their unique needs.

#### 4.1 FINANCIAL EDUCATION NETWORK (FEN)

Recognizing the multifaceted nature of financial literacy and education, BNM initiated the establishment of FEN in 2016,<sup>23</sup> which functions as an inter-agency network dedicated to driving the national financial education strategy and ultimately improving financial literacy among Malaysians. FEN brings together government ministries, regulators, industry associations, financial institutions, corporate bodies, and other key stakeholders under a unified umbrella with the goal of extending the reach and impact of financial education initiatives across the country.

In addition to co-founding FEN, BNM plays a vital and dynamic role within the network, including:

- > **FEN Co-Chair:** BNM, along with the Securities Commission Malaysia (SC), serves as the Co-Chair of FEN, providing guidance and direction on the implementation of NS.
- > **Secretariat Functions:** BNM, together with SC, serve as the secretariat for FEN members, coordinating and facilitating communications, policy development and implementation, promoting FEN as a brand for national financial literacy, and overseeing and monitoring the network's initiatives.

#### FEN MEMBERS

FEN members include the Ministry of Education, Ministry of Higher Education, BNM, SC, Employees Provident Fund, Credit Counselling and Debt Management Agency, Malaysia Deposit Insurance Corporation, and Permodalan Nasional Berhad. FEN enables its members to synergize their expertise and resources in financial literacy efforts. While most members spearhead their own financial literacy initiatives, collaboration among members amplifies the overall impact.

#### GOVERNANCE FRAMEWORK

FEN adopts a two-tiered governance framework to drive the initiatives of the NS, which includes:

- > **High-Level Inter-Agency Steering Committee (HLSC):** This is the highest authority overseeing the formulation and implementation of the NS.
- > **Working Group:** Comprising representatives from FEN member organizations, the Working Group is responsible for the on-the-ground execution of NS initiatives.

22 Demirgüç-Kunt, A., Klapper, L., Singer, D., & Ansar, S. 2022. "The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19". World Bank Publications. Available at: <https://www.worldbank.org/en/publication/globalfindex/Report>

23 Bank Negara Malaysia. 2016. Establishment of Financial Education Network. Available at: <https://www.bnm.gov.my/-/establishment-of-financial-education-network>

## FEN PARTNERS

Another key stakeholder actively involved in rolling out financial literacy programs to the public through collaborations and partnerships is the network of FEN partners.

Since its inception, FEN has partnered with more than 20 stakeholders, including financial planning associations, financial institutions, insurance and takaful industry associations and financial education-related companies. Many of these partners possess the funding capacity, adequate manpower, as well as knowledge and experience to drive the proposed programs or initiatives. Additionally, they are authorized to display the FEN logo at their events related to financial education and literacy.



Boosting Financial Literacy for Female Entrepreneurs in Malaysia

> [Watch here](#)

FIGURE 3: THE COMPONENTS OF FEN'S STRATEGIC PLAN

### FEN: A Collaborative Stakeholder Approach for Long-term Financial Literacy Empowerment

FEN implements a comprehensive, whole-of-nation coordinated approach to identify new opportunities for improving financial literacy in Malaysia.

This approach emphasizes greater alignment, closer collaboration among stakeholders, and a strong focus on impact assessments. To ensure the systematic implementation of financial literacy initiatives, FEN introduced its Strategic Plan 2021-2025.

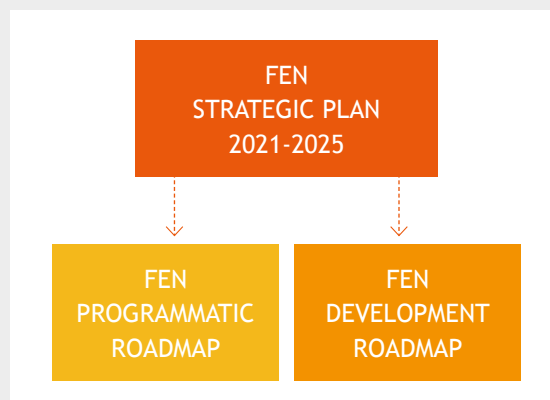


FIGURE 4: A SNAPSHOT OF FEN'S STRATEGIC ROADMAP

### FEN PROGRAMMATIC ROADMAP

- > **Solutions:** right information, tools, resources for consumers
- > **Access:** ready availability of information, tools, resources for consumers
- > **Awareness:** realization of having information, tools, resources for consumers
- > **Application:** ability to apply the knowledge, tools and resources

### FEN DEVELOPMENT ROADMAP

- > **FEN functional support:** in five functional areas, namely Research and Development, Planning and Operations, Tracking and Reporting, Branding and Communications as well as Stakeholders and Partnerships
- > **FEN family:** forge a strong network via expansion of partnerships and collaborations
- > **FEN branding:** position FEN as the go-to authority for information, guidance, and solutions in financial education

## 4.2 MALAYSIA'S NATIONAL STRATEGY FOR FINANCIAL LITERACY (NS) 2019-2023

The NS was strategically designed to address the specific areas identified in the 2018 Financial Capability and Inclusion Demand Side (FCI) Survey. Key aspects of financial literacy that demand attention include the level of financial knowledge, saving and budgeting, readiness for unexpected life events, and retirement planning. Consequently, five strategic priorities were established:

### STRATEGIC PRIORITY

1	Nurture values from young
2	Increase access to financial management information, tools, and resources
3	Encourage positive behavior among targeted groups
4	Boost long-term financial and retirement planning
5	Building and safeguarding wealth

Guided by the NS, the implementation of financial literacy initiatives extends across these strategic priorities and individual life stages. This commitment is not just theoretical but is evident in practice, showcasing a dedication to striking a balance across all strategic priorities over the years.

The implementation of the initiatives also ensures that no life stage is overlooked, whether it involves nurturing financial basics among youth, promoting responsible financial behavior in young adults, empowering individuals during their prime earning years, or ensuring financial security in retirement.

**65%** With approximately 65 percent of these initiatives spanning all four life stages,<sup>24</sup> the efforts underscore that financial literacy is a lifelong journey requiring continuous support and guidance.

## STRATEGIC PRIORITY 1: NURTURE VALUES FROM YOUNG

The formative years of primary school are an ideal window for instilling good financial values in children, as this is when they are most receptive to new information<sup>25</sup> and heavily influenced by parents, teachers, and peers. Financial values such as savings, budgeting, self-control, independence, and responsibility are crucial principles guiding financial decisions and behaviors. In recognizing this significance, nearly 50 percent of the initiatives target this strategic priority.<sup>26</sup>

### PRIORITIZING THE CAPACITY DEVELOPMENT OF EDUCATORS AS A KEY ACTION PLAN TO NURTURE YOUTH

Enhancing the financial literacy of students relies heavily on the active involvement and stance of headmasters and educators, who must not only understand its significance but also master financial knowledge themselves. This ensures that they can effectively guide and educate students.

A significant leap forward in enhancing financial literacy took place with the implementation of six comprehensive webinars aimed at school principals and headmasters from September 2021 to March 2022. These webinars were strategically designed to address crucial topics that resonate with the financial challenges of daily life, including investment fraud prevention, financial management, safeguarding savings, and personal financial crisis prevention. Notably, these webinars witnessed active engagement from 1,932 school principals and headmasters across Malaysia, who participated virtually. This initiative underscores the commitment to providing educators with the necessary knowledge and tools to effectively impart relevant financial knowledge to the next generation.

24 Financial Education Network. 2022. FEN National Strategy Progress Report. Available at: <https://www.fenetwork.my/fen-national-strategy-progress-report/>

25 Batty, M., Collins, J. M., & Odders-White, E. 2014. "Experimental Evidence on the Effects of Financial Education on Elementary School Students' Knowledge, Behavior, and Attitudes". *Journal of Consumer Affairs*, 49(1), 69-96. Available at: <https://doi.org/10.1111/joca.12058>

26 Financial Education Network. 2022. FEN National Strategy Progress Report. Available at: <https://www.fenetwork.my/fen-national-strategy-progress-report/>



### INTEGRATING FINANCIAL EDUCATION INTO THE SCHOOL CURRICULUM: FOSTERING LIFELONG FINANCIAL LITERACY

The integration of financial education into school curricula has gained significant attention for its proven effectiveness. This approach, which introduces financial literacy concepts to students from an early age, has demonstrated remarkable promise, surpassing the outcomes of traditional classroom-based financial education intended for adults.

Malaysia took a pioneering step in 2012 by introducing financial education into the school curriculum, specifically within the subject of mathematics, laying the foundation for more comprehensive integration. In 2017, financial education was successfully integrated into several subjects, thoughtfully aligning with the themes and areas of learning outlined in the revision of the Standard-Based Curriculum for Primary Schools (KSSR) and Standard-Based Curriculum for Secondary Schools (KSSM).<sup>27</sup> The new curriculum places a strong emphasis on imparting crucial life skills to students, including problem-solving skills.<sup>28</sup> The financial education element was seamlessly incorporated within this framework, ensuring compatibility with various areas of learning.

### SCHOOL ADOPTION PROGRAM (SAP): NURTURING FINANCIAL LITERACY SINCE 1997

The SAP began its journey in 1997, marking a significant milestone in Malaysia's commitment to financial literacy. In collaboration with the Ministry of Education, BNM introduced financial services providers (FSPs) to schools, aiming to convey essential knowledge about banking, insurance, and finance to students. FSPs designed a range of activities to make learning about financial matters enjoyable for students, including informative talks, crossword puzzles, comic challenges, quizzes, competitions, games, and even carnivals - all focused on building financial awareness among young learners.

In addition, the SAP introduced valuable learning tools and platforms, such as the pocket money book. This resource played a crucial role in instilling the culture and habits of smart personal money management among students from a young age.

As of 2023, the SAP's impact has been profound, with more than 8,000 schools benefiting from the initiative. This achievement was made possible through the active participation of 37 financial institutions, collectively contributing to the development of a financially literate generation in Malaysia.



Participation of school students during a financial education programme. Source: Bank Negara Malaysia.

27 Suraya. 2021. "19 Financial Education Initiatives in Malaysia You Should Know". Ringgit Oh Ringgit. Available at: <https://ringgitohringgit.com/personal-finance-community/financial-education-malaysia/>

28 Malay Mail. 2016. "New KSSM, KSSR curriculum to be implemented in 2017, says education minister". Malay Mail. Available at: <https://www.malaymail.com/news/malaysia/2016/12/31/new-kssm-kssr-curriculum-to-be-implemented-in-2017-says-education-minister/1283505qq>



## STRATEGIC PRIORITY 2: INCREASE ACCESS TO FINANCIAL MANAGEMENT, TOOLS, AND RESOURCES

Acknowledging the intricacies of financial topics, the NS in Malaysia is committed to presenting financial information in a way that is clear and easily understandable.

The action plans under this strategic priority focus on condensing complex financial concepts into bite-sized, easily digestible messages, making financial knowledge more accessible to everyone across numerous platforms.

### FEN WEBSITE: A DIGITAL HUB FOR FINANCIAL KNOWLEDGE

Leveraging the advancements in digitalization and technology, FEN established a user-friendly website as a one-stop comprehensive hub to access a range of financial education guides and tools, all aimed at enhancing the financial capabilities of Malaysians. Since its launch in 2021, this digital resource has gained an impressive reach of more than 55,000 visitors.

Key features of FEN's navigational website include:

#### > Interactive Design

The website's step-by-step design seamlessly guides visitors to the financial information and tools they seek.

#### > Prompt Search

A user-friendly search engine located in the top right corner enables precise information retrieval.

#### > Effectiveness

Information, tools, and resources are categorized by life stages, areas of interest, and types of content, ensuring that visitors can easily locate the information most relevant to their financial needs.

FIGURE 6: TYPES OF CONTENT ON FEN'S NAVIGATIONAL WEBSITE

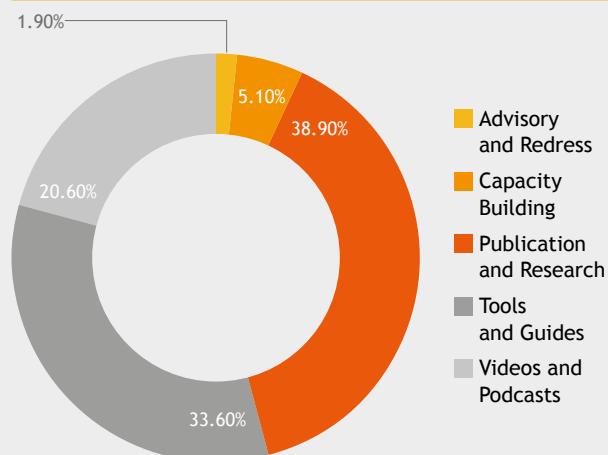
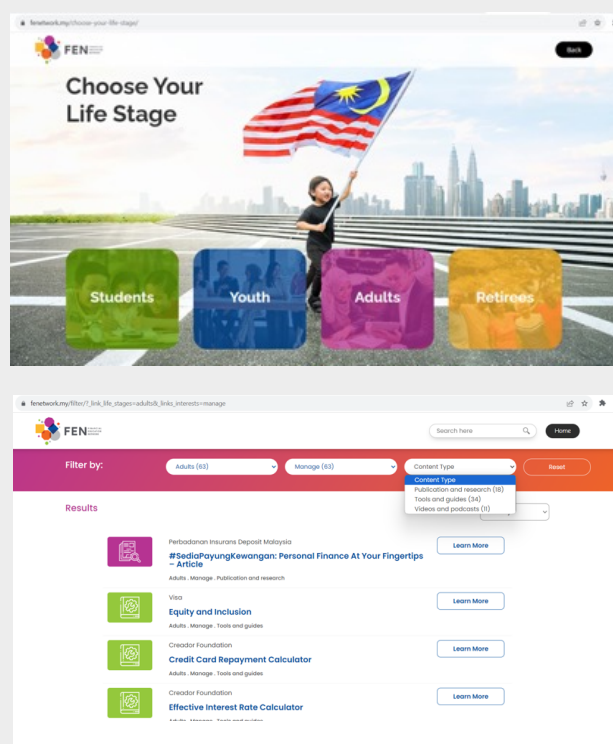


FIGURE 7: NAVIGATIONAL OPTIONS AND SEARCH ENGINE ON FEN'S WEBSITE



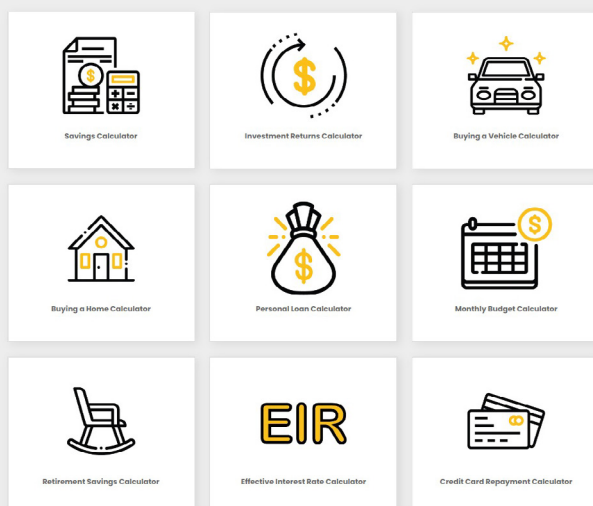
### USEFUL TOOLS BY CREADOR FOUNDATION'S MULTIPLY: A FEN PARTNER

Creador Foundation, a non-profit organization and FEN partner, introduced an online platform called Multiply, which offers a wealth of financial knowledge through videos, guides, blog posts, calculators, and infographics.

One of the platform's most significant contributions is its array of simplified financial tools, where a user can learn to make sound financial decisions without having to perform complex calculations. These tools empower individuals, including those from vulnerable groups, to make informed financial comparisons and choices. Some of the useful tools provided by Multiply include:

- > Savings calculator
- > Investment returns calculator
- > Vehicle purchase calculator
- > Home purchase calculator
- > Personal loan calculator
- > Monthly budget calculator
- > Retirement savings calculator
- > Effective interest rate calculator
- > Credit card repayment calculator

**FIGURE 8: CALCULATORS ON CREADOR FOUNDATION'S  
MULTIPLY ONLINE PLATFORM. TO LEARN MORE, VISIT:**



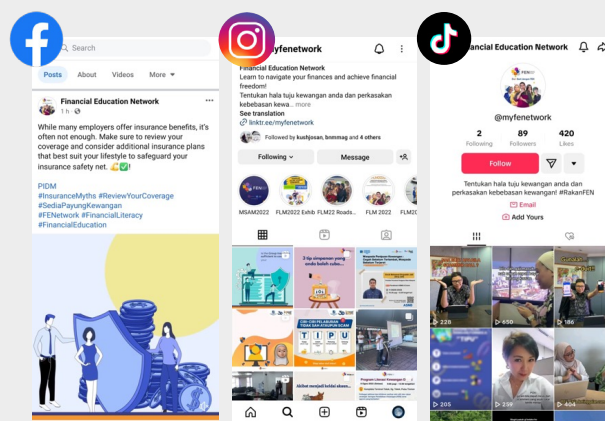
Source: Calculators on Creador Foundation's Multiply online platform.  
To learn more, visit: <https://www.multiply.org.my/en/>

### LEVERAGING THE POWER OF SOCIAL MEDIA TO PROMOTE FINANCIAL LITERACY

FEN recognizes the formidable influence of social media platforms in connecting with the public. These platforms offer an informal and easily approachable means of engagement, fostering a direct and relatable connection. One of primary advantages of utilizing social media is the ability to efficiently deliver personalized content. FEN harnesses this capability to transmit bite-sized messages that effectively convey financial information.

Through the strategic use of hashtags, infographics, short videos, and various visual effects, financial knowledge is disseminated in a way that is stylish and contemporary, resonating with a diverse audience. Moreover, FEN's presence on social media not only promotes financial literacy but also amplifies its brand visibility, extending its impact. As of the end of 2022, FEN's social media efforts had reached an impressive audience of more than 8.5 million, highlighting the influence of online platforms in advancing financial education and literacy initiatives, and creating a more financially empowered society in Malaysia.

**FIGURE 9: SOCIAL MEDIA PLATFORMS FACILITATE  
CONTENT DELIVERY**



### FINANCIAL LITERACY CORE COMPETENCIES (FLCC) FOR MALAYSIANS ADULTS

To effectively streamline and improve the coordination of financial literacy initiatives, BNM developed the Financial Literacy Core Competencies (FLCC), a framework that serves as a fundamental reference for the development of well-structured and targeted financial education programs, designed to meet the needs of Malaysian adults across all life stages. The FLCC provides a structured approach that empowers stakeholders, including members and partners of FEN, to design financial education initiatives that emphasize financial literacy outcomes, with a strong focus on competencies that vary in relevance across diverse target groups.

The FLCC framework comprises six overarching themes, each representing a vital aspect of financial literacy within the context of Malaysia. These themes are:

- > Money and Transactions
- > Cashflow Management
- > Credit and Debt Management
- > Building Wealth
- > Safeguarding Wealth
- > Financial Landscape

Beneath each of these themes, a comprehensive array of topics and subtopics are delineated, collectively forming a holistic understanding of financial literacy. The FLCC encapsulates competencies spanning knowledge, behaviors, and attitudes for each subtopic, providing an integrated approach that enables stakeholders, including educators, policymakers, and financial institutions, with the flexibility to tailor their financial education programs to address the multifaceted dimensions of financial well-being.

**FIGURE 10: FINANCIAL LITERACY CORE COMPETENCIES**



### STRATEGIC PRIORITY 3: INCULCATE POSITIVE BEHAVIOR AMONG TARGETED GROUPS

This strategic priority addresses the needs of vulnerable segments of society, with specific attention paid to stay-at-home parents, the self-employed, and recent graduates entering the workforce. These groups often contend with limited incomes and are more exposed to various financial system risks and fraudulent schemes. Worryingly, Malaysia Deposit Insurance Corporation or Perbadanan Insurans Deposit Malaysia (PIDM)'s behavioral studies revealed that 55 percent of respondents have less than MYR10,000 in available savings to draw upon in case of emergencies.<sup>29</sup> Additionally, 42 percent and 23 percent of respondents lack life insurance and medical insurance coverage, respectively, underscoring the need for more intensive financial education and literacy efforts within this demographic. Empowering individuals with an improved understanding of the importance of emergency savings and insurance coverage can enable them to make informed financial decisions and plan for their long-term financial security, thereby, fostering enduring financial stability.

The issue of bankruptcy cases has gained significant attention in recent decades, prompting extensive investigations into its root causes and repercussions. A study conducted by Universiti Teknologi MARA identified two primary factors contributing to bankruptcies: an inability to settle accumulated debts and unexpected unemployment.<sup>30</sup> This was corroborated by statistics from the Malaysian Department of Insolvency, which reported a total of 5,695 bankruptcy cases in the country in 2022<sup>31</sup>. Notably, 53 percent of these cases were concentrated within the 25-44 year-old age group, highlighting a critical need for targeted financial education and management strategies for individuals in this demographic. This juncture presents a unique opportunity for impactful financial education initiatives, leveraging "teachable moments" to empower individuals with essential financial skills.

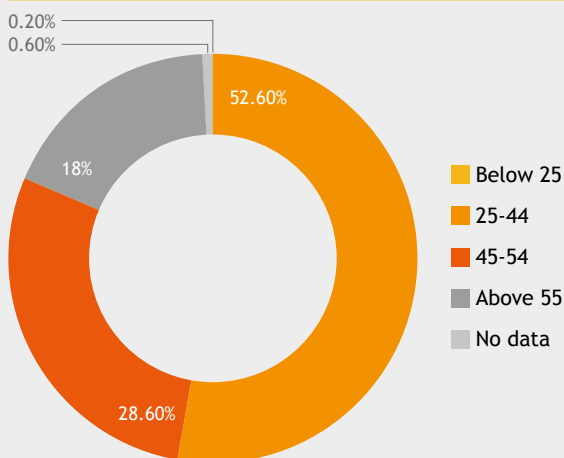
To continuously promote financial literacy, BNM and other FEN members actively and regularly engage with academia, as well as co-host the Annual National Financial Literacy Symposium to discuss multifaceted issues surrounding financial literacy and inclusion.

29 Financial Education Network. 2022. FEN National Strategy Progress Report. Available at: <https://www.fenetwork.my/fen-national-strategy-progress-report/>

30 Hilmy, H., Mohd Z, S. A., & A Fahami, N. 2013. "Factors affecting bankruptcy: The case of Malaysia". International Journal of Undergraduates Studies, 2(3), 4-8. Available at: <https://ir.uitm.edu.my/id/eprint/8750/1/Hilwa%20Hilmy.pdf>

31 <https://www.mdi.gov.my/index.php/legislation/statistics/75-bankruptcy/1983-bankruptcy-statistic-2022>

32 Ibid.

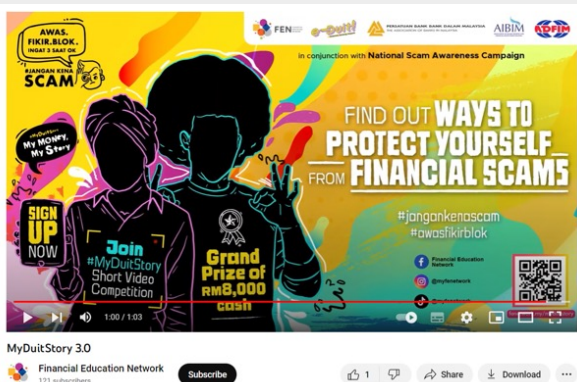
**FIGURE 11: BANKRUPTCY CASES BY AGE GROUP IN MALAYSIA IN 2022<sup>32</sup>**

### MYDUITSTORY COMPETITION: EMPOWERING YOUTH THROUGH FINANCIAL AWARENESS

Since 2020, FEN has been organizing the MyDuitStory competition, a short video competition aimed at raising awareness on various aspects of personal financial management targeting youth and empowering them as change agents in their inner circles and the wider community. This competition is open to students from universities and other educational institutions, harnessing their creativity to convey essential financial messages. Each series has reached an audience of more than one million.

Table 1: Themes of MyDuitStory

Year	Theme
2020	Importance of personal finance management
2022	Importance of insurance and takaful protection
2023	Protect yourself from financial scams

**FIGURE 12: SNAPSHOT OF THE MYDUITSTORY 3.0 VIDEO ON YOUTUBE.**

Source: Available at: <https://www.youtube.com/watch?v=Xekiwu6mnvk>

### REINFORCING MESSAGING THROUGH THE ANNUAL FINANCIAL LITERACY MONTH (FLM)

The flagship FLM event is carefully curated to enhance consumer awareness on key financial issues and improve financial literacy among Malaysians. It is tailored based on the findings of the 2021 FCI Survey, which identified low levels of digital financial literacy as a prominent concern. FLM has been held annually since 2020 to address the needs of consumers by increasing awareness and providing access to available solutions, encompassing four core objectives:

- > **Personal financial management:** Addressing key vulnerable areas and issues faced by Malaysians in the digital age and challenging economic environment.
- > **Digital financial literacy:** Reaching out to vulnerable groups across various life stages and promoting the safe use of Digital Financial Services (DFS).
- > **Spurring sustainable growth:** Empowering Malaysians to make effective use of financial products and services to capitalize on opportunities for growth.
- > **Safeguarding wealth:** Preserving financial well-being through takaful and insurance, being aware of potential risks and scams, and avoiding costly mistakes.

FLM activities include webinars, symposiums, competitions, pocket talks, exhibitions, and financial planning and advisory clinics. In 2022, the theme was “Go Digital Confidently”, and a nationwide roadshow was launched during FLM 2022, with a mobile bus traveling to 61 locations across the country, directly engaging with more than 20,000 people. Additionally, a digital financial literacy survey involving 5,000 respondents from various life stages was conducted during this extensive outreach effort.<sup>33</sup>

**FIGURE 13: FEN MOBILE BUS**

Source: Bank Negara Malaysia

<sup>32</sup> Ibid.

<sup>33</sup> Bank Negara Malaysia. 2022. Bank Negara Malaysia Annual Report 2022. Available at: [https://www.bnm.gov.my/documents/20124/10150308/ar2022\\_en\\_book.pdf](https://www.bnm.gov.my/documents/20124/10150308/ar2022_en_book.pdf)



## THE NATIONAL FINANCIAL LITERACY SYMPOSIUM (NFLS): EXCHANGING KNOWLEDGE AND EXPERIENCES

The National Financial Literacy Symposium (NFLS) serves as a vital platform for the exchange of knowledge, ideas, and experiences in financial literacy and education. It plays a pivotal role in addressing the evolving challenges within this field and fostering innovation by bringing together a diverse array of stakeholders, including policymakers, academics, researchers, practitioners, analysts, associations, NGOs, and other key players in the financial literacy landscape.

Key aspects of the NFLS are as follows:

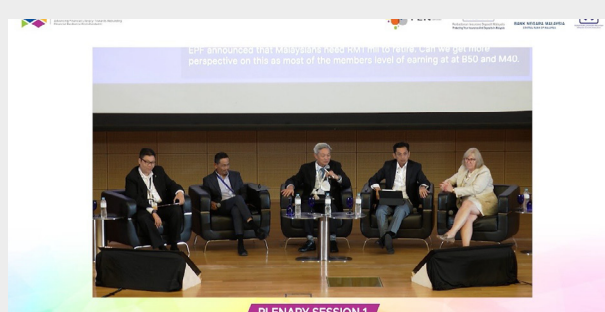
- > **Beacon of Insight and Innovation:** The NFLS provides a space for thought leaders and experts to gather and collectively tackle the dynamic challenges faced in financial literacy and education.
- > **Exchange of Knowledge and Experiences:** The NFLS serves as a forum where stakeholders can share best practices, lessons learned, and successful strategies in promoting financial literacy.
- > **Dissemination of Research Insights:** The NFLS provides a platform for researchers to showcase their findings and share their expertise with a broader audience.
- > **Discussion on Intervention Design and Evaluation:** The NFLS fosters discussions aimed at improving financial literacy, allowing experts to examine the effectiveness of various approaches and strategies.
- > **Alignment with Evolving Needs:** The symposium is adaptive to evolving needs in the field of financial literacy and education, and allows stakeholders to stay updated on emerging trends and challenges, ensuring that their efforts remain relevant and effective.

The NFLS is organized into two main components, specifically:

- > **Plenary sessions:** These sessions cover broad areas related to financial literacy, including the strategic landscape of financial education, offering a high-level perspective on overarching topics and trends.
- > **Parallel sessions:** Running concurrently with plenary sessions, parallel sessions delve into specific themes within financial literacy and education, providing an opportunity for in-depth discussions. These themes can encompass areas such as financial inclusion, digital financial literacy, support for vulnerable groups, and intervention strategies.

To promote scholarly excellence, the NFLS incorporates the Best Paper Award initiative. The Scientific Committee evaluates research submissions and selects three outstanding papers for recognition. These papers can cover a wide range of topics ranging from evaluating the effectiveness of policies and programs to investigating issues related to measurement, fraud, scams, and digital financial literacy. The Best Paper Award incentivizes researchers to push the boundaries of knowledge and contribute innovative solutions that could potentially shape the future of financial education.

FIGURE 14: THE PLENARY SESSION OF THE NFLS



## FINANCIAL EDUCATION OUTREACH WITH KEY TARGET GROUPS

FEN has identified key target groups for financial education, which include:

- > **Youth** from higher learning institutions, such as universities; technical and vocational education, and training (TVET) institutions; as well as those not-in-education, employment, and training (NEET).
- > **Rural communities**, with a focus on women, small and medium-sized enterprises (SMEs), and lower-income households.
- > **Gig workers** and the self-employed, especially those earning through online platforms like Grab and Shopee.
- > **Urban poor**, including residents of low-cost housing communities.
- > **Disabled** and indigenous people.

FEN has intensified its financial education efforts through a talk series and workshops across a range of financial education areas such as financial scams, digital financial literacy, personal financial management, investments, and retirement planning, engaging these key target groups throughout 2023.

**STRATEGIC PRIORITY 4:  
BOOST LONG-TERM FINANCIAL AND RETIREMENT  
PLANNING**

In Malaysia, the average life expectancy stands at 73.1 years,<sup>34</sup> while the mandatory retirement age is 60 years. However, the EPF's Financial Literacy Survey 2022 revealed that 53 percent of retirees will rely on EPF savings as their main source of income for retirement.<sup>35</sup> The median retirement savings for Malaysians at the age of 54 is approximately MYR35,000, which is inadequate to sustain them for 20 years, especially considering the monthly budget estimates in Klang Valley, Malaysia.<sup>36</sup> As shown in Figure 14, retirement savings peak before the age of 50, indicating a need for increased awareness about retirement planning and financial preparedness, given increasing life expectancy and the extended period after mandatory retirement.

Furthermore, many Malaysians made withdrawals from their EPF accounts during the COVID-19 pandemic, with only 7.6 percent of respondents refraining from doing so,<sup>37</sup> thereby further straining the adequacy of retirement savings.

34 Abridged Life Tables, 2020-2022. 2022. Department of Statistics Malaysia. Available at: <https://www.dosm.gov.my/portal-main/release-content/abridged-life-tables-2020-2022>

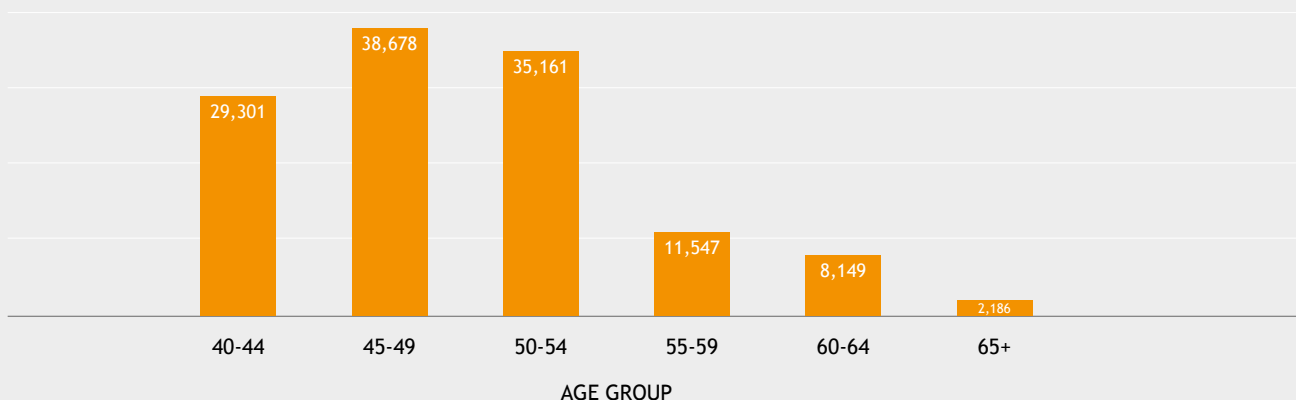
35 Financial Education Network. 2022. FEN National Strategy Progress Report. Available at: <https://www.fenetwork.my/fen-national-strategy-progress-report/>

36 EPF. 2023. EPF Maintains The Integrity of Member Data. Available at: <https://www.kwsp.gov.my/en/web/guest/w/kwsp-mengutamakan-integriti-data-ahli>  
EPF. 2023. Belanjawanku: Expenditure Guide for Malaysian Individual & Families Klang Valley & Selected Cities 2022/2023. Available at: <https://www.kwsp.gov.my/documents/20126/142907/Belanjawanku+2022-2023+-+EN.pdf/670c9c4e-40a6-f4c6-ada2-f74fd09c58e6?t=1686619560631>

37 EPF. 2021. Social Protection Insight (Vol. 5). Available at: <https://www.kwsp.gov.my/documents/20126/ddae99a2-bddd-4aee-4fbb-f85b1b3eddbf>

38 EPF. 2023. EPF Maintains The Integrity of Member Data. Available at: <https://www.kwsp.gov.my/en/web/guest/w/kwsp-mengutamakan-integriti-data-ahli>

**FIGURE 15: MEDIAN RETIREMENT SAVINGS (RM) BY AGE GROUP<sup>38</sup>**



### EMPLOYEES PROVIDENT FUND (EPF): INITIATIVES BY A FEN MEMBER

EPF, a FEN member, has introduced several initiatives to address retirement planning and financial literacy.

#### MY MONEY MATTERS

This initiative provides a basic guidebook to financial planning, covering:

- > saving goals
- > budget planning
- > investments
- > financial protection
- > retirement planning

#### THE BELANJAWANKU GUIDE

- > This guidebook provides recommended minimum monthly expenses for households in Malaysia.
- > First introduced in 2019, it originally covered only residents of the Klang Valley, while the latest version (2022-2023) has expanded to include 11 major cities across the country, including Kota Kinabalu (Sabah) and Kuching (Sarawak).
- > The calculation takes into account:
  - household composition
  - city of residence
  - individual commitments

#### RETIREMENT ADVISORY SERVICES

- > EPF offers free one-to-one personal financial planning services conducted by certified officers.
- > These services include:
  - retirement planning consultations
  - financial planning consultations
  - guidance on EPF products and services

### STRATEGIC PRIORITY 5: BUILDING AND SAFEGUARDING WEALTH

The NS underscores the importance of empowering individuals with knowledge about the benefits and risks of financial products and services. According to data from the Royal Malaysia Police (PDRM), a total of 71,833 scams, resulting in losses exceeding MYR5.2 billion, were reported from 2020 until May 2022.<sup>39</sup> Multiple agencies provide reliable information to raise awareness and establish redress mechanisms to help Malaysians approach wealth-building realistically while avoiding falling victim to scams.

#### LEVERAGING TECHNOLOGY AND DIGITAL TOOLS VIA AMARAN SCAM

BNM places significant emphasis on addressing the potential harm and damage caused by fraudulent activities. In an ever-changing landscape where the risks of fraud constantly evolve, BNM remains vigilant and proactive in adapting its strategies to effectively counter any emerging threats.

Fraudsters and scammers continue to develop new tactics and schemes, from coercing individuals into divulging sensitive banking information to surreptitiously installing malware on their devices. This poses a significant challenge to both financial institutions and regulators. In response to the evolving landscape of fraud risks, BNM has proactively taken the initiative to educate the public about these threats.

One of BNM's leading initiatives in the fight against financial fraud is "Amaran Scam" on Facebook, which translates to "Warning Scam". This useful and engaging resource collects information from the Royal Malaysia Police, Malaysian Communications and Multimedia Commission, and the financial industry, providing the public with the latest insights, information, and tips to identify and prevent scams. It also offers resources, such as links to government agencies to check the approved lists and alert lists of financial institutions.

As of the end of 2022, "Amaran Scam" had reached 60,000 followers and achieved more than 5.7 million impressions, highlighting its effectiveness in reaching and educating the public about the risks of financial fraud.



### 4.3 FINANCIAL INCLUSION FRAMEWORK 2023-2026 (STRATEGY PAPER)

Financial inclusion strategies play a crucial role in enabling individuals to access and utilize affordable financial products and services that empower them to save, invest, mitigate risks, and establish financial safety nets for both present and future needs. The ability to make well-informed financial decisions is crucial for individuals to amass, oversee, and safeguard their wealth. This capability not only strengthens the financial positions of consumers but also pushes them to demand improved financial services, enhancing the efficiency of the entire financial services industry while promoting financial inclusion.

Recognizing the need to align with emerging growth prospects in the financial services sector and fulfill the goals outlined in the Financial Sector Blueprint (2022-2026), BNM developed its second Financial Inclusion Framework (2023-2026), consisting of seven policy objectives that provide principles-based guidance to advance financial inclusion in Malaysia.

Financial literacy and education are highlighted areas in this comprehensive strategy. Policy objectives closely correlated with financial literacy include:

- > **Policy Objective 1:** Expanding access to financial services for the last frontier
- > **Policy Objective 2:** Promoting secure and inclusive digital financial services
- > **Policy Objective 4:** Improving access to and usage of risk protection
- > **Policy Objective 7:** Equipping consumers with improved financial capabilities

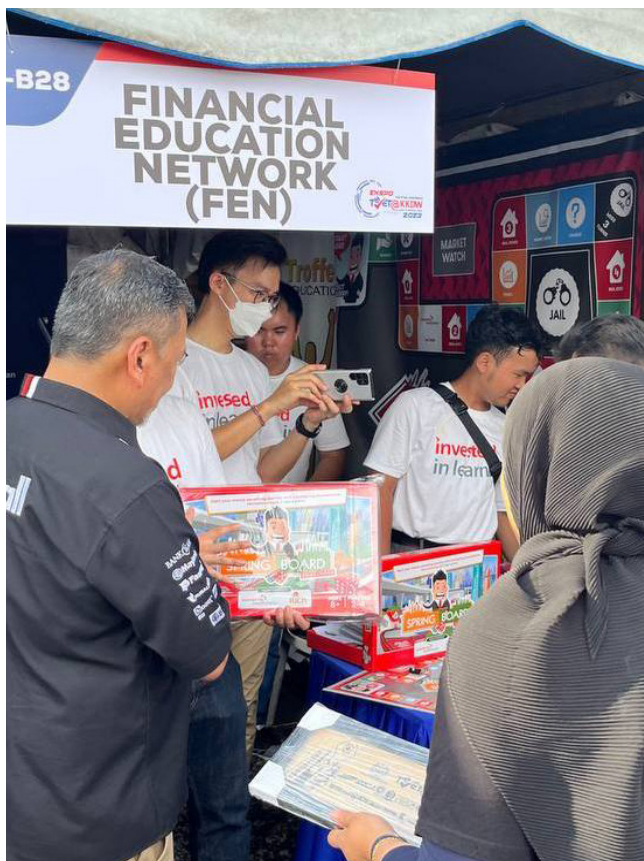
The success of financial inclusion relies on accessible financial services and informed consumer decisions. Through four strategic enablers - strategic collaboration, data sharing arrangements, a conducive regulatory environment, and availability and accessibility of infrastructure - the financial inclusion agenda can gain traction, ultimately promoting a more inclusive and resilient financial landscape.

39 The Edge Malaysia. 2022. PDRM: Over RM5.2 billion lost to scams in two years. Available at: <https://theedgemaalaysia.com/article/pdrm-over-rm52-billion-lost-scams-two-years>

## 5. EVALUATION OF THE FINANCIAL EDUCATION PROGRAM

Annual Key Performance Indicators (KPIs) under the four focus areas of the FEN Programmatic Roadmap will measure and track the effective impact of financial capability initiatives. These KPIs align with improvements in the knowledge, behaviors, and attitudes of consumers in Malaysia, guided by the triennial FCI Survey.

To enhance the measurement and tracking of the impact of financial capability initiatives, FEN is developing the Financial Education Measurement and Evaluation (FEME) framework. FEME will assess any changes in the knowledge levels of participants attending financial education programs, using insights from on-the-ground events to improve financial education and outreach programs.



Source: Bank Negara Malaysia

## 6. WAY FORWARD IN FINANCIAL EDUCATION AND INCLUSION

Malaysia has positioned itself as a trailblazer in the realm of comprehensive financial education programs, demonstrating a commitment to promoting financial inclusivity. These initiatives have been strategically designed to cater to individuals at all stages of life, from students embarking on their financial journey to retirees seeking effective post-retirement financial management.

A hallmark of Malaysia's approach to financial education is its unwavering commitment to a multi-stakeholder approach, facilitated through FEN. This collaborative strategy unites various stakeholders, including government bodies, educational institutions, financial institutions, and NGOs, in a concerted effort to advance financial literacy nationwide. Through this coordinated approach, Malaysia aims to support a more financially literate population that can confidently make informed financial decisions.

Seeking even greater impact, Malaysia has also been actively developing strategic partnerships. The country aims to amplify the reach and effectiveness of its financial education initiatives by collaborating with entities such as private sector companies, international organizations, and community groups. These partnerships are designed to pool resources, expertise, and diverse perspectives to create a holistic and impactful financial education landscape.

### STRENGTHENING MEASUREMENT FRAMEWORKS FOR FINANCIAL EDUCATION PROGRAMS

Effective monitoring and evaluation are fundamental to ensuring that financial education programs achieve their intended goals. Malaysia employs various methods for performance evaluation, including experimental, quasi-experimental, and non-experimental approaches.

A noteworthy example comes from the Central Bank of Armenia's experimental evaluation of the Financial Education in Rural Areas (FERA) project. This assessment involved randomly selecting 100 villages across six regions of Armenia and dividing them into



experiment and control groups, with classroom-based financial education workshops conducted in each village. The evaluation process comprised a pre-survey, a short-term post-survey, and a long-term post-survey conducted six months after the workshops. The findings revealed a significant positive short-term impact on financial literacy and trust in financial systems, although the long-term impact appeared less promising. Nevertheless, these insights are invaluable for policymakers, encouraging further exploration of the types of activities, frequency, and durations necessary to effectively tailor financial education programs to target groups. Ongoing assessments and adaptation are vital to ensure the success and relevance of financial education initiatives.

While Malaysia has periodically assessed the financial literacy of its population through the Financial Capability and Inclusion (FCI) Survey, it acknowledges the need to go further. Relying solely on the FCI survey is insufficient in fully gauging the impact of educational initiatives. There is a clear need to refine a robust evaluation framework for financial education, exemplified by the Financial Education Measurement and Evaluation (FEME) framework. This refinement is crucial for accurately measuring the long-term impact of initiatives and ultimately bridging the gap between financial literacy levels and the outcomes of financial education efforts.

### A FOCUSED APPROACH TO REACH UNSERVED AND UNDERSERVED SEGMENTS

Malaysia's vision for the future includes achieving the final stage of financial inclusion, which involves reaching the most underserved segments of the population. This ambitious goal will require a concentrated effort.

The Financial Sector Blueprint 2022-2026 presented recommendations aimed at fostering broader adoption of KPI disclosures related to financial inclusion. Additionally, it advocates for the facilitation of seamless data sharing. To support these objectives, BNM has taken steps to enhance clarity by issuing comprehensive guidelines regarding the definitions of the unserved and underserved segments. There is a strategic emphasis on tailoring financial inclusion and literacy initiatives to directly address the needs of financially vulnerable groups within these categories. This strategic approach not only enhances the impact of financial inclusion efforts but also provides greater precision to financial institutions when designing and implementing targeted financial literacy programs.

According to the Alliance for Financial Inclusion database, 22 member countries, in addition to Malaysia, integrated vulnerable target groups into their national financial education programs in 2021.<sup>40</sup> These efforts span a wide spectrum, with some countries, such as Madagascar, Nigeria, and Pakistan, focusing on youth. Others, like Timor Leste, Fiji, and Morocco, are targeting both youth and women. Several countries, including Jordan, Haiti, and Mexico, are specifically addressing forcibly displaced persons, including stateless individuals, refugees, and asylum seekers.

These initiatives underscore the global acknowledgement of the need to meet the unique financial education needs of various groups, while promoting more inclusive and equitable financial systems worldwide.

### THE ROLES OF FINANCIAL INSTITUTIONS AND STRATEGIC STAKEHOLDERS

Forty-eight countries adopted National Financial Inclusion Strategies (NFIS) in 2019,<sup>41</sup> with a significant portion choosing the multi-stakeholder approach. This widespread adoption demonstrates the effectiveness of this approach not only in driving financial inclusion initiatives but also extending its potential to financial literacy and education endeavors. Among the various stakeholder coordination models, Malaysia has pioneered an innovative partnership model that focuses on building relationships with implementing agencies, rather than relying solely on a single coordinating unit.



Effective Stakeholder  
Coordination For National  
Financial Inclusion Strategy  
Implementation

> [View here](#)

40 Alliance for Financial Inclusion. 2021. Integrating Vulnerable Groups in National Financial Education Programs and Strategies - Alliance for Financial Inclusion. Available at: [https://www.afi-global.org/wp-content/uploads/2021/10/GN48\\_CEMCWG\\_191021.pdf](https://www.afi-global.org/wp-content/uploads/2021/10/GN48_CEMCWG_191021.pdf)

41 Alliance for Financial Inclusion. 2019. Effective Stakeholder Coordination for National Financial Inclusion Strategy Implementation - Alliance for Financial Inclusion. Available at: [https://www.afi-global.org/wp-content/uploads/publications/2019-04/AFI\\_GN35\\_FISPLG\\_Stakeholder\\_coordinationAW\\_digital.pdf](https://www.afi-global.org/wp-content/uploads/publications/2019-04/AFI_GN35_FISPLG_Stakeholder_coordinationAW_digital.pdf)

Malaysia's collaborative efforts among FEN members and partners have set an example of a cooperative spirit, ensuring the achievement of financial literacy targets. Through enhanced collaboration, active participation, and inclusivity, pivotal financial education objectives and milestones become more attainable.

FEN is unwavering in its commitment to fostering collaboration between the financial industry and strategic stakeholders, and aims to implement tailored initiatives that provide crucial support to individuals and groups facing financial vulnerabilities. As outlined in the strategy paper, FEN's focus extends to rural communities, youth, gig workers, SMEs, and lower-income households. This collaborative approach further facilitates the implementation of precisely targeted initiatives that offer invaluable support to individuals and groups grappling with financial challenges, ultimately fostering financial inclusiveness.

BNM acknowledges the need to address the gap between the information and resources offered to financial consumers and how effectively they comprehend, absorb, and act upon this information. Recognizing the potential of harnessing data and insights into consumer behavior, financial institutions are positioned to effectively bridge this gap, paving the way to enhanced financial education that drives positive and impactful transformations within the financial landscape.

## CONCLUSION

Malaysia's achievements in financial education and inclusivity underscore the imperative of prioritizing the need to equip Malaysians with accessible financial education resources and tools, especially within the dynamic digital financial landscape. Malaysia's multi-stakeholder approach, exemplified by FEN, demonstrates the strength of collaborative national efforts among government bodies, educational institutions, financial entities, and NGOs.

Through strategic partnerships, continuous evaluations, and unwavering dedication to reaching underserved segments, Malaysia is firmly committed to improving the economic and financial well-being of all its citizens. This commitment echoes the country's vision for a financially inclusive and empowered society, serving as an inspiring model for nations seeking to elevate their own financial literacy and inclusion initiatives.



## ACRONYMS

<b>AFI</b>	Alliance for Financial Inclusion
<b>BNM</b>	Bank Negara Malaysia
<b>EPF</b>	Employees Provident Fund
<b>FEN</b>	Financial Education Network
<b>FCI Survey</b>	Financial Capability and Inclusion Demand Side Survey
<b>FLCC</b>	Financial Literacy Core Competencies for Malaysian Adults
<b>HLSC</b>	High-Level Inter-Agency Steering Committee
<b>KPI</b>	Key Performance Indicators
<b>MYFLIC Index</b>	Malaysia Financial Literacy and Capability Index
<b>NFES</b>	National Financial Education Strategies
<b>NFIS</b>	National Financial Inclusion Strategy
<b>NFLS</b>	National Financial Literacy Symposium
<b>NS</b>	Malaysia National Strategy for Financial Literacy 2019 - 2023
<b>PIDM</b>	Malaysia Deposit Insurance Corporation

## GLOSSARY OF TERMS

**Alliance for Financial Inclusion (AFI):** An international organization that promotes financial inclusion policies and initiatives among its member countries.

**Bank Negara Malaysia (BNM):** The Central Bank of Malaysia, established under the Central Bank of Malaysia Act 1958, subsequently operating under the governance of the Central Bank of Malaysia Act 2009 following its repeal. The principal objective of BNM is to promote monetary and financial stability conducive to the sustainable growth of the Malaysian economy.

**Credit Counselling and Debt Management Agency (AKPK):** An agency established by BNM that is responsible for providing free financial advisory and debt management services to individuals and SMEs.

**Employees Provident Fund (EPF):** A federal statutory body under the purview of the Ministry of Finance that manages the compulsory savings plan and retirement planning for private sector workers in Malaysia.

**Financial Capability and Inclusion Demand Side (FCI) Survey:** A triennial nationwide survey conducted by BNM to measure the financial literacy of Malaysians.

**Financial Education Network (FEN):** An inter-agency platform that consists of eight members and 22 partners working towards elevating financial literacy in Malaysia.

**Financial Literacy Core Competencies (FLCC) for Malaysian Adults:** A document developed by BNM providing high-level guidance on the breadth of financial literacy competencies in designing financial education initiatives.

**High-Level Inter-Agency Steering Committee (HLSC):** The decision-making committee in FEN.

**Key Performance Indicators (KPIs):** Defined, measurable, and quantifiable metrics used to evaluate and assess performance.

**Malaysia Deposit Insurance Corporation (PIDM):** A government agency established under Akta Perbadanan Insurans Deposit Malaysia (Malaysia Deposit Insurance Corporation Act) to protect depositors and protect owners of takaful certificates and insurance policies.

**Malaysia Financial Literacy and Capability (MYFLIC) Index:** A composite index to measure financial literacy, computed from the FCI survey conducted by BNM.

**Permodalan Nasional Berhad:** A Malaysian government-linked investment company that aims to foster equity ownership among the indigenous population and all Malaysians by managing a diverse portfolio of investments.

**Securities Commission Malaysia (SC):** A statutory body responsible for regulating and developing the Malaysian capital market.

**Small and Medium-sized Enterprises (SMEs):** Businesses that have a limited number of employees and assets that play a crucial role in economic development and employment generation.





**Alliance for Financial Inclusion**

AFI, Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia

t +60 3 2776 9000 e [info@afi-global.org](mailto:info@afi-global.org) [www.afi-global.org](http://www.afi-global.org)

 Alliance for Financial Inclusion  AFI.History  @NewsAFI  @afinetwork