

Measuring the Impact of POWER! Programme

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Abstract: Despite the vast research in financial literacy and financial education, little is known about the effectiveness of the education programme that was conducted to increase the financial literacy among Malaysian. The high number of bankruptcy as the highest bankruptcy case was related to hire purchase loans and personal loans are among the crucial financial issues in Malaysia. Hence, this study was conducted to investigate the financial literacy, attitude and practices of those who attended POWER! programme and not attended. Data were obtained through on-line survey (n=677) and during Minggu Amanah Saham Malaysia. The findings include that after 6 months attended POWER! programme the participants have a higher financial knowledge. In addition, those who attended POWER! programme had positive attitude towards financial matters although mix result was observed. On the other hand, the control group have better in basic financial behaviour. Consequently, interview should be conducted to gain more understanding on the impact of POWER! programme, a detailed module on specific personal finance need to be developed and further study on financial attitude and behaviour is needed.

Keywords: financial literacy, financial education, POWER! programme

INTRODUCTION

Pengurusan Wang Ringgit Anda or POWER! programme is a consumer education programme managed by the Credit Counselling and Debt Management Agency or commonly known as Agensi Kaunseling dan Pengurusan Kredit (AKPK)[1]. It was introduced in January 2011 to provide participants with skills and knowledge to achieve their financial goals; and protect themselves from over- indebtedness through better borrowing decisions.

During the financial crisis in 2006 and with the consumer credit under control, Bank Negara Malaysia took a pre-emptive move by setting up AKPK that provides financial education, counselling and debt management programme that now benefiting countless Malaysian. Malaysia Department of Insolvency reported that the high number of bankruptcy among Malaysian and lack of credit management skills are the crucial financial issue that caused financial problems. Financial education is particularly important to help individual to effectively manage their financial resources. Policy makers in many countries are giving more attention to “financial literacy” or “financial capability”, and offer many financial education programmes. The need to evaluate the impact of these programmes is likely to increase. But little evaluations made so far show mixed and inconclusive results. Evaluation of financial education is inherently difficult, and the impact of any one programme can probably never be fully isolated[2].

Financial problems are not just concerns of the poor. The declining employment opportunity, income instability and declining purchasing power of Malaysian households are among the important issues facing families across economic status. Today, economic changes have impacted how people spend, save, invest and manage risk in order to maintain their standard of living. According to CIA World Factbook, Malaysia demographic profile in 2013 is estimated to have population of 29,628,392 people, with people aged from 25 to 54 years represent the highest percentage (41.3%), comprising of 6,195,754 males and 6,027,160 females. According to the Malaysian Department of Insolvency, the total numbers of bankruptcy cases administered from 2005 to June 2012 were 243,823 and the highest bankruptcy case is related to hire purchase loans and followed by personal loans. There are many caused that lead to financial troubles. Garman, Porter and McMillion [3] believe that overuse of credit, overspending, lack of budgeting, too many debts, inadequate shopping and spending skills, low salary wages and lack of knowledge about money as the main causes of individual financial troubles. Poor financial behaviours are resulted in personal financial problems. One of the reasons for personal financial problems is financial illiteracy.

As a step towards solving financial illiteracy, financial education programme POWER! was introduced by The Credit Counselling and Debt Management Agency. Hence, this study attempts to measure the impact of POWER! programme and thus to

investigate the financial literacy, attitude and practices of those who attended POWER! programme and not attended.

LITERATURE REVIEW

The Importance of Financial Education/ Financial Capability Program

Financial education or financial capability covers the decision making, practical skills, behaviours, knowledge and understanding. The major focus on financial education is to improve financial literacy and changed in behaviour of the consumers. The report from O'Connell, [4] stated that financial education consist of financial goal setting, budgeting, managing household cash flow, managing debt, saving and investing are all important and linked to individual's personal circumstances. Thus, the increasing need for evaluation of such programme is crucial for fewer people will be "unbanked", people will get into less debt, and people will be better equipped with the complexity of the financial products and services. Therefore, the main financial education framework suggested to identify the need, accountability, fine tuning, micro impact and macro impact of the financial education programmes to improve the evaluation for financial education programme in the future.

Moreover, Kim, Bagwell and Garman [5] reported that the financial education is crucial in motivating people taking actions in the future. In addition the financial education provided among workers were highly appreciated and could helped them to understand more on investing, retirement planning, budgeting, and credit management. Besides, Financial Education Report for FSA, [9] informed that the significant of financial education to empower financial independency and lead a better life, encouraging financial institutions to offer good quality financial products and effective use of household financial assets. Thus, the financial education is crucial to empower consumer to make informed decision and changed in behaviours in the future.

The Impact of Financial Education Program

Report from Connell [6] in measuring the effectiveness of financial education program stated that the impact of financial education programme is improvement on knowledge and attitude among people. Financial knowledge or capability that was associated with higher age, education, income, and wealth and respondents that score on higher financial knowledge was most likely doing the "right" things to manage their finance. However, the study also suggests that the higher level of financial knowledge in answering the survey do not indicate a better financial behaviour. Therefore, by giving a correct response in the survey show the higher level of financial knowledge but not on their financial behaviour.

In addition, the attitude and behaviour of people toward finance improved by the right financial education programmes. The financial education improves the financial knowledge, understanding, skills, and behaviours, attitudes that assist students to make practicality and effective financial decisions in their daily life[7]. In addition, the financial education encouragement on financial behaviour changed. Thus, the financial decision making behaviour was influenced by the financial education programme and actively engaged in the financial programme will give more opportunity to learn[7].Therefore, the financial education programme leads to the improvement on the financial knowledge, attitude and behaviour among consumers.

METHODOLOGY

Data for the treatment group that is those who attended the POWER! programme were obtained through on-line survey. The online questionnaire was developed using a secure online survey application hosted by the UPM's server UPM's (<http://www.usurvey.upm.edu.my/>). The on-line questionnaire was sent by invitation email to mailing list of BNM and AKPK by providing the URL link of the on-line survey. It was sent to all POWER! programme participants who attended the programme in June 2012 or earlier. By using this method, the entire data collection period is significantly shortened, as all data was collected and processed in real time. Total response for the on-line survey was N=677 [full, n=576; partial, n=101]. Only the full data set of 576 respondents was utilised for data analysis.

As a comparison a date were also obtained from the non-participants of POWER! Programme as the control group. Data collection were carried out among respondents of UPM executive survey in Central Zone (Kuala Lumpur, Selangor, Putrajaya, Perak) (n=378) and Minggu Saham Amanah Malaysia in Perlis (n=263). A total of 641 respondents were successfully interviewed for the control group. The data will be utilized to make assessment of the participant and non-participants.

The questionnaire consisted of questions seeking for information on financial knowledge; the respondents' perception on their knowledge prior attending POWER! programme; the financial knowledge test with scale consist "True" and "False" answer. The question covered the key concepts or components on each chapter in Money Sense Book. The chapters consist of financial planning, financial goals, budgeting, financial products and services, saving, investment, insurance and takaful, loans and credit, and retirement. The financial planning construct consisted of on scale "Yes" and "No".

Financial management practices items were concerned on respondent's financial management

practices. Aspects on cash management, savings and investment, risk management, old age planning as well as credit management. The question included the respondent's practices prior attending POWER! programme. The scale constructed in practices on credit was "Never", "Sometime" and "Always". Whereas, the 5-point Likert scale ranging from "No Skills" to "Skilful" was used for constructs on expenses practices. The financial management was measured by 5-point Likert scale ranging from "Not Agree At All" to "Really Agree".

Data Analysis

Data from on-line survey were exported to SPSS and the data from questionnaire collected from Minggu Amanah Saham were initially cleaned and analysis used SPSS. Descriptive analysis and inferential analysis were performed to determine the sample characteristics and to answer the objective outlined. The profile of those who attended and not attended POWER! programme having good level of knowledge, attitude and financial management practices, and measuring the impact on POWER! programme using descriptive statistic and cross tabulation. The variables

were categories into three domain; (a) knowledge which measures consumers information related to personal finance; (b) attitude which measures consumers' perception towards personal finance; (c) behaviour which measures consumer's financial capability (habits and actions).

Characteristic of Sample

The sample characteristic are summarised in Table 1. Majority of the respondents were Malays with 54% of treatment group were below 30 years old, while only 40% of the control group were below 30 years old. More male in the treatment group (64%) than the control group (44%) and the treatment group had higher educational attainment. The higher percentage was married.

Financial Status

Table 2 shows the financial status for both groups were similar. The result exhibited that 39.7% of treatment group have asset more than income compare than focus group 38.3%. In term of monthly income of income less than RM1,500, the focus group shows 35.3% and the treatment group shows 32.8%.

Table 1: Sample Characteristic

Socioeconomic characteristic	Treatment Group, n (%)	Control Group, n (%)
<i>Age (years)</i>		
>30	45.67	59.63
25 – 29	21.56	20.18
<25	32.77	20.18
<i>Ethnicity</i>		
Malay	72.66	81.54
Chinese	5.38	17.54
Indian	2.61	0.92
Others	0	9.52
<i>Gender</i>		
Male	43.98	63.50
Female	36.50	56.02
<i>Educational Attainment</i>		
Degree	41.5	28.3
Certificate/Diploma	36.2	30.8
Secondary School	22.2	40.8
<i>Marital Status</i>		
Married	52.8	61.5
Have Married	1.7	4.3
Single	45.5	34.2

Table 2: Financial Status

Financial Status	Treatment Group, n (%)	Control Group, n (%)
<i>Financial Status</i>		
Asset less than debt	35.9	34.5
Asset equal to debt	24.4	27.2
Asset more than debt	39.7	38.3
<i>Monthly Income (RM)</i>		
Less than RM 1,500	32.8	35.3
RM 1501 – RM 2500	23.9	23.7
RM 2501 – RM 3500	19	15.1
More than RM 5,000	24.3	25.9

Table 3 shows the Financial Literacy for those who attended POWER! programme. The result exhibited that the respondents were mainly having knowledge on purchasing power, cash flow statement, the function of Central Credit Reference Information System (CCRIS), and know the impact of the interest

rate with or without collateral. In term of the service offers by AKPK, the respondents mainly responded as “True” as AKPK offer financial loans. The result revealed that the treatment group have a moderate financial literacy and low literacy on the AKPK services offer.

Table 3: Financial Literacy Treatment Group

Item	Statement	True (%)	False (%)	Don't know (%)
1	AKPK offer financial loans	74.2	0.6	15.2
2	Increase in goods price reduce the purchasing power	86.0	2.5	1.5
3	Cash flow statement shows income and expenses of the family at the certain time	82.6	7.9	9.5
4	CCRIS is the credit biro that collect, process, save and build the credit information	63.7	5.1	31.2
5	Interest rate for the loan without collateral such as personal loan have a lower interest than interest rate collateral loan such as mortgage loan	46.0	32.9	21.1

Table 4 shows the Financial Planning among those who attended POWER! programme and those who do not attended. The result show that majority both

treatment group and focus group have financial goals and planned before taking any credit/loan.

Table 4: Financial Planning

Item	Statement	Treatment Group n (%)		Control Group n (%)	
		Yes	No	Yes	No
1	I have financial goals	93.4	6.6	95.0	5.0
2	I planned before taking any credit/loan	88.3	11.7	88.8	11.2

Table 5 show the Debt and Expenditure for both treatment group and focus group. The result exhibited that mainly of the respondents never depend on other jobs, extra job, commission/bonuses to support living, never paid debt after payment date have been set,

and never borrowed from loan borrowers/loan sharks. The result also shows sometime for expense record for both treatment group (66.9%) and control group (67.3%).

Table 5: Debt and Expenditure

Item	Statement	Treatment Group n (%)			Control Group n (%)		
		Always	Sometime	Never	Always	Sometime	Never
1	I depend on other jobs, extra job, commission/ bonuses to support living expenses	12.3	34.9	52.8	12.8	35.2	52.0
2	I paid debt after payment date that have been set	17.3	40.9	41.7	10.7	36.2	53.1
3	I borrowed from illegal loan borrower/loan shark	0.5	2.1	97.4	1.0	1.0	98.0
4	I keep expenses record	27.3	66.9	5.8	23	67.3	9.7

Table 6 shows the Money Management Skills for the Treatment Group. The money management skills

are moderate for prepared expenses plan and control expenses for self and family among the treatment group.

Table 6: Money Management Skills Treatment Group

Item	Statement	NS (%) 1	2	3	4	VS (%) 5
1	I prepared expenses plan for self/family	3.4	7.6	41.6	33.0	14.4
2	I control expenses for self/family	3.2	6.8	33.3	38.0	18.6

*Likert scale from 1 - not skilful to 5 - very skilful (VS)

Table 7 shows Money Attitude of Treatment Group. The result shows that majority of the respondents have a positive attitude on knowing the account balance and saving due to uncertainty in the

future. Thus 61.7% agree that they are always worried about the finance. Despite of that the similar percentage of agree (42.9%) and not agree (45.8%) that money can solve all problems.

Table 7: Money Attitude Treatment Group

Item	Statement	Agree (%)	Not Sure (%)	Not Agree (%)
1	I always know how much I have in the bank, my saving account, credit	89.7	7.2	3.2
2	I prefer saving due to uncertainty what will happen in the future	82.9	12.3	4.8
3	I always worry about my finance	61.7	12.0	26.3
4	I believe money can solve all my problems	42.9	11.3	45.8

The debt management score for treatment group is shows in the Table 8. The respondents show a good level of debt management in the ability of debt repayment before borrowing, (92.5%), do not use credit card due to lack of cash (75.7%), do not borrow loan for

house or car maintenance (68%), and took insurance policy/takaful plan for mortgage loan (63.5%). However, 36.3% of respondents used more than 40% of gross income to pay all the debt payment.

Table 8: Debt Management Treatment Group

Item	Statement	Agree (%)	Not Sure (%)	Not Agree (%)
1	I took insurance policy/takaful plan for mortgage loan to protect my family from debt if anything happen to me	63.5	19.5	17.0
2	I used more than 40% of my gross income to pay all the debt payment	36.3	21.8	41.8
3	I will make loan if I need to do the service for house equipment or car	14.3	17.7	68.0
4	I have to use credit card because I don't have cash/saving in bank	13.5	10.8	75.7
5	I will think the ability for repayment of loan before borrowing	92.5	5.3	2.2

Table 9 show the Financial Capability of treatment group. The majority 91.2% of the respondents agree that they will make comparison of the product characteristics and price and not the brand only. The

80% of the respondents agree that they read the term and conditions in detail before agree or sign the contract. Hence, the result exhibited that good financial capability among the treatment group.

Table 9: Financial Capability Treatment Group

Item	Statement	Agree (%)	Not Sure (%)	Not Agree (%)
1	I will make comparison of the product characteristics and price and not see the brand only	91.2	5.5	3.3
2	I read the term and conditions in detail before agree/ sign the contract	80.0	14.3	5.7

The result for Financial Wellbeing among Treatment Group is shows in the Table 10. The result shows that 54.8% of the respondents have a very

confident in control their finance and 40.1% confident in getting the emergency money of RM 1,000.

Table 10: Financial Wellbeing Treatment Group

Item	Statement	Confident (%)	Confident (%)	Very Confident (%)
1	I confident that I can control my finance	4.4	40.8	54.8
Item	Statement	Not Easy (%)	Easy (%)	Very Easy (%)
1	How easy I can get emergency money of RM 1,000	27.6	40.1	32.3

CONCLUSION

The profile of majority respondents were Malays, married with tertiary education. The results of the study show that the financial literacy is at moderate level but low literacy regarding on credit-potential problems. Moreover, POWER! participant's had better knowledge compare to non-participants (more than half had 4-5 score on knowledge). In addition almost all have basic knowledge and performed basic financial behaviour. However, more than half of the respondents perceived they had assets equal or less than debt, lower percentage always kept record and control expenditure, more than one third used more than 40% gross pay debt, and more than fifth felt difficult for them to obtain RM1,000 in case of emergency, financial vulnerable

The result of the study led to knowing that financial education influencing financial literacy, attitude and practices. However, POWER! programme should also provide awareness on financial planning that will enable the participant to have a clear guiding on managing their money comprehensively. The detailed module (face to face or on line) on specific personal finance topics need to be developed to enable consumers lean more after attending POWER! programme. Moreover, to gain more understanding on participant's financial knowledge, the pre and post assessment should be conducted. The focus group interview on impact of POWER! programme should be conducted and further study on financial attitudes and behavior (particularly credit) is needed. Thus, the need to develop personal financial capability barometer, conduct nationwide survey to determine the overall capability of Malaysians.

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