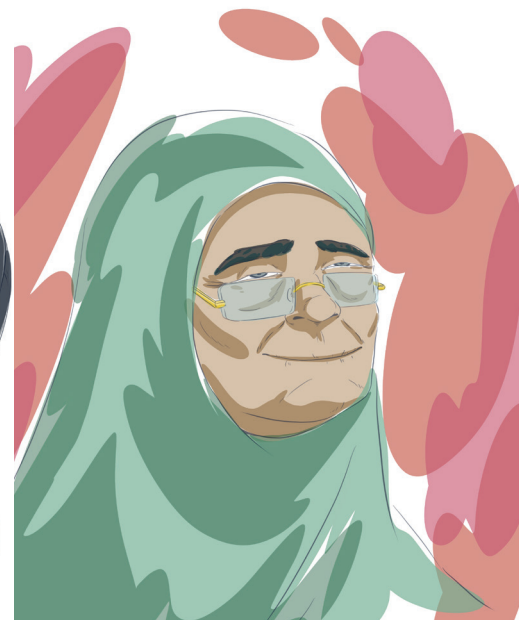
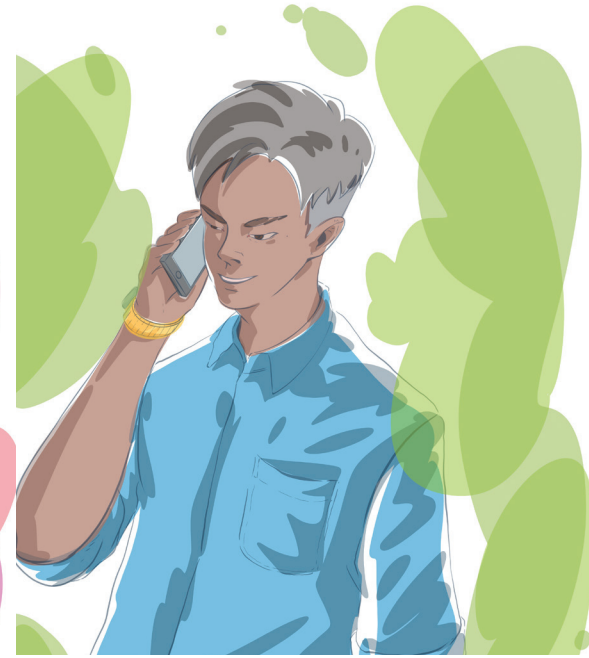
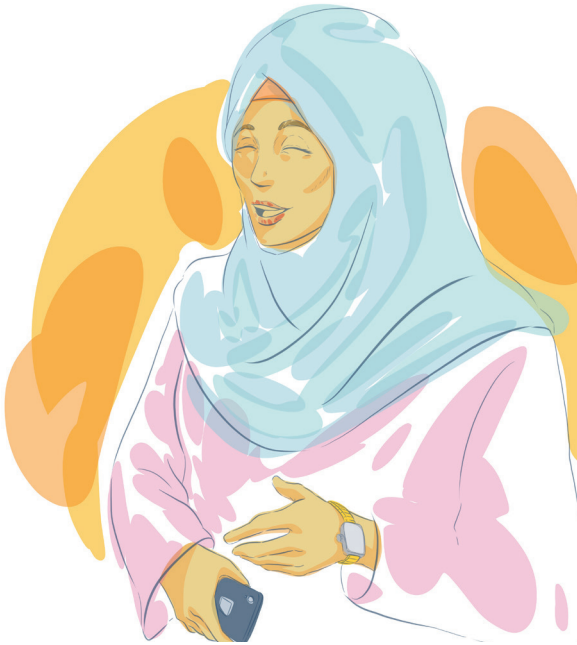


# Consumer Insights Research in Malaysia

Designing digital financial  
services for low-to-moderate-  
income groups to improve  
their financial health



## Their financial lives

# Contents

1	Purpose of this research
2	Who we interviewed
3	What is financial health?
4	Characteristics of research participants
5	Financial aspirations
7	<b>Spend</b>
8	What they spend on
10	How they spend
11	Mobile banking and digital financial services
12	<b>Save</b>
13	Savings provide a sense of security
15	What they save for
16	How they save
17	Food for thought: saving for goals and gold
18	<b>Borrow</b>
19	The general attitude is to avoid loans.
20	What Malaysian working adults borrow for
21	Food for thought: alternative lending to micro and small businesses
22	<b>Plan</b>
26	Food for thought: micro-insurance for small businesses
27	Financial behaviour of Malaysian working adults
28	Financial well-being of Malaysian working adults
29	Food for thought: improving financial health of gig workers
30	In a nutshell
31	UNCDF and the i3 programme

# Purpose of this research

**The consumer insights research series is designed to inspire providers, regulators and other financial market facilitators to design financial services and markets that respond to the aspirations of low-to-moderate income (LMI) people and improve their financial health.**

Why financial health? Financial health matters because our research shows that financial pressures prevent LMI people from having a sense of fulfilment in life. While most Malaysians now have a bank account, much more can be done to make financial services relevant for the 15 million LMI customers.

We interviewed 72 women and men across ethnicities and age groups in Kota Bharu, Kota Kinabalu and Kuala Lumpur.

In ‘Their Financial Lives’, we look at how the LMI people spend, save, borrow, and plan. We share insights on what gets in the way of people doing more to improve their financial health.

We then share examples of how start-ups in Malaysia are addressing some of those challenges head-on. We hope readers will take cues from this research when they go to the drawing board and start designing the next big digital financial product.

\*Conversion rate: US\$1 = RM X. Source: <https://treasury.un.org/operationalrates/OperationalRates.php>, 7 November 2019. Note: This rate is used throughout this publication whenever United States dollar equivalents are provided for Malaysian ringgit.



of Malaysians have at least a deposit account



of Malaysians have difficulties in raising

RM 1,000

(~US\$239)\*  
in emergency funds

Source: BNM, Malaysia National Strategy for Financial Literacy (2019 - 2023)

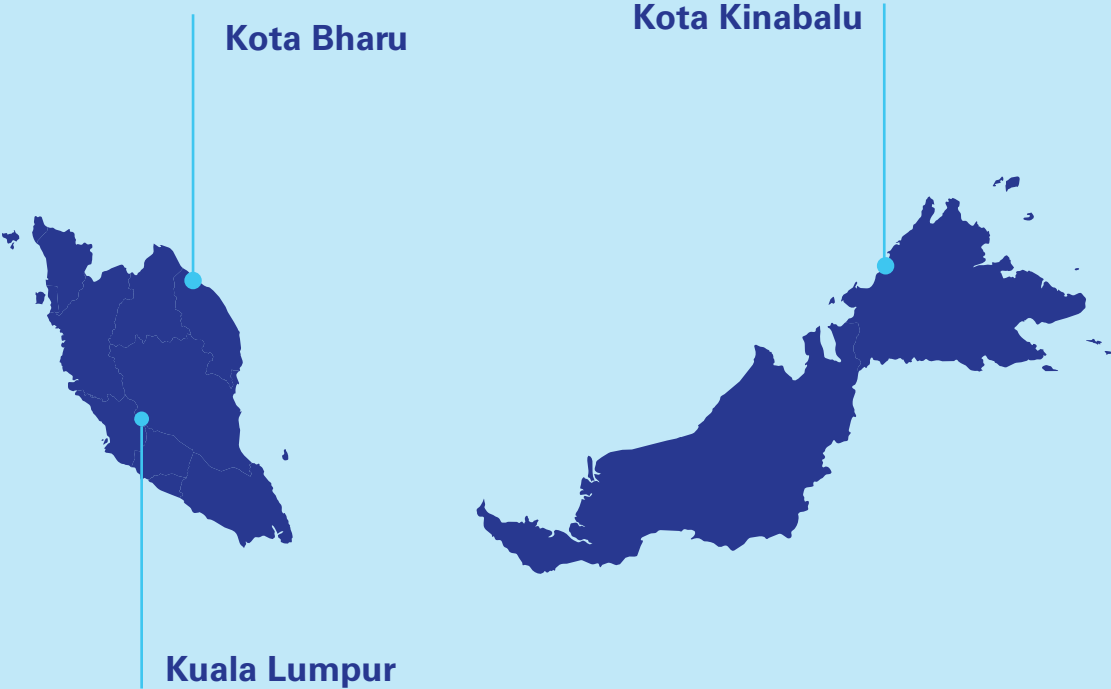
# Who we interviewed

We conducted a qualitative research through a series of 12 focus group discussions each with 6 respondents in Kota Bharu, Kota Kinabalu and Kuala Lumpur.

Locations were chosen for range of residents (both rural and urban) and range in availability of digital financial services (DFS).

- **Age groups:** Younger/single (age 21–29) and older/married (age 30–45)
- **Ethnic groups:** Chinese, East Malaysian Bumiputera, Indian and Malay

- **Employment status:** Working men, working women and housewives
- **Income group:** Lower end of middle 40% of household income group (M40) and upper end of bottom 40% of household income group (B40)
  - **Klang Valley:** Monthly household income of RM 3,000–RM 6,000 (~US\$715–US\$596)
  - **Kelantan and Sabah:** Monthly household income of RM 2,500 (~US\$596)



# What is financial health?

A person is 'financially healthy' when he or she can do the following:

- Manage day-to-day financial needs
- Face unexpected financial challenges
- Seize opportunities for more security and mobility in life

 Spend	<ul style="list-style-type: none"><li>■ Spend less than income</li><li>■ Pay bills on time and in full</li></ul>
 Save	<ul style="list-style-type: none"><li>■ Have sufficient living expenses in liquid savings</li><li>■ Have sufficient long-term savings or assets</li></ul>
 Borrow	<ul style="list-style-type: none"><li>■ Have a sustainable debt load</li><li>■ Have a prime credit score</li></ul>
 Plan	<ul style="list-style-type: none"><li>■ Have appropriate insurance</li><li>■ Plan ahead for expenses</li></ul>

# Characteristics of research participants



## In their twenties and single

- Live with parents
- Contribute to smaller household expenses
- Have less economic pressure
- Have dual income with spouse in several cases



## In their thirties and forties and married

- Live with their families
- Responsible for major expenses, and some have loan repayments for home and vehicle
- Feel responsible to provide for their families
- Live in male-headed single-income households common among Muslims

# Financial aspirations

## Younger, single, male

- Most important is to get set up for the future:
  - Save for marriage – for the dowry and all the expenses for the wedding
  - Get more education
- Get a good job with good benefits to provide for their future family
- For some, start or expand their own business in 5-10 years

## Younger, single, female

- Get better paying jobs so they can spend when they want to spend and experience less hassle to manage budget
- Become self-sufficient so they can be secure and independent from their husband in the future
- Some have less financial aspirations because they expect to be provided for by future husband
- For some, have their own business so they can be independent

//

I'm not thinking about a girlfriend. I want to further my studies. I want a degree in accounting. I want to study locally. Relationship and all that can come later.

**Younger Indian male, KL**

# Financial aspirations

## Older, married, male

- Live more comfortably such as owning their own house and other assets
- Have savings for retirement and the 'golden years' so they won't burden their children in the future
- Have the luxury to take a break from work
- Ensure children have a better future by providing better education and providing insurance coverage
- Ensure the family is taken care of in case of death or disablement, especially through insurance
- Ensure they can continue to work and therefore having health insurance is important
- Expand their business

## Older, married, female

- Have greater financial security:
  - Be independent from husband in case of divorce or death
  - Live more comfortably such as owning their own house and other assets
- Ensure children have a better future by providing better education and providing insurance coverage
- Elevate their social status to be respected, admired and have social approval

“

I want to own a property (house), but property in Sabah is very expensive. This is something I am worried about. I am living in my wife's family's house, but I want to buy my own house.

**Older Bumiputera male, KK**





# Spend

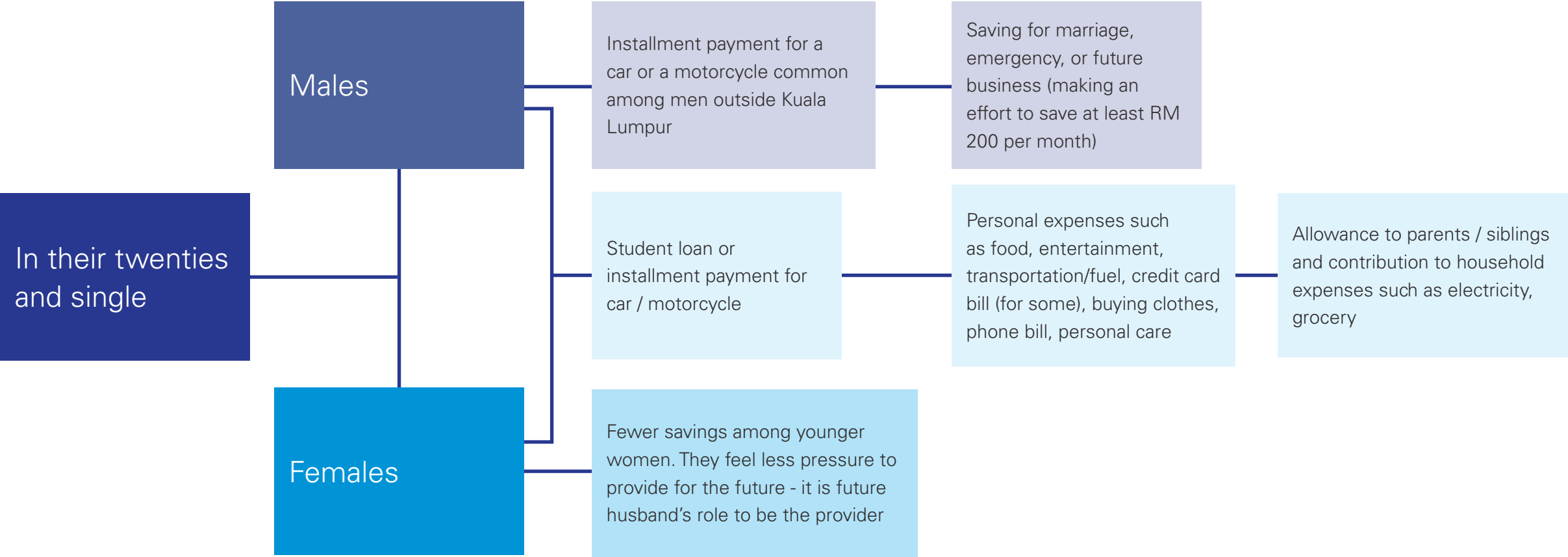


24%

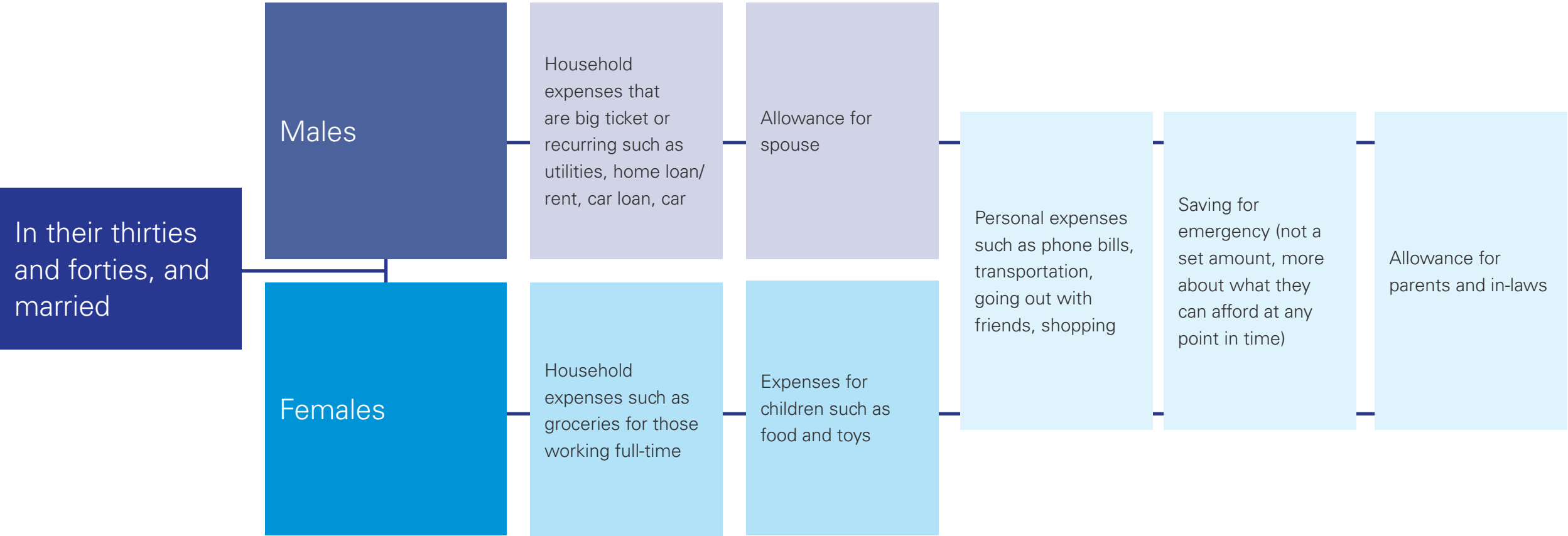


of Malaysians can sustain living expenses for at least three months after losing main source of income, while 10% can sustain for at least six months

# What they spend on

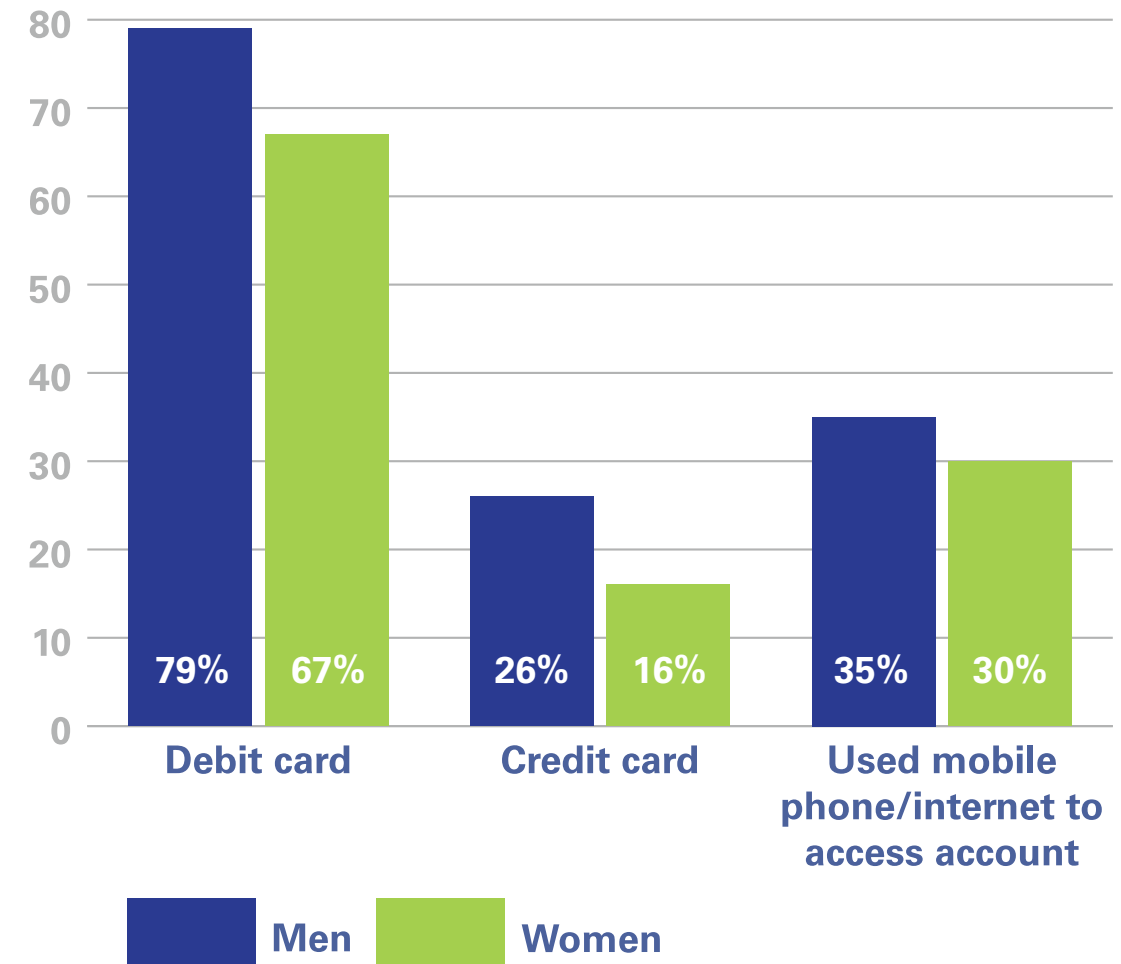


# What they spend on



# How they spend

- Cash most widely used
- Debit cards commonly used, but for larger expenses (greater than RM 500 [~USD 119])
- Rarely use credit cards, unless it is an emergency. "Scared of debt."  
"Not qualified for one."
  - Women respondents were less likely to have a credit card.
- Many are using online banking but only occasionally for online transfers and paying monthly bills
- Only a few mention digital financial services in relation to their financial activities

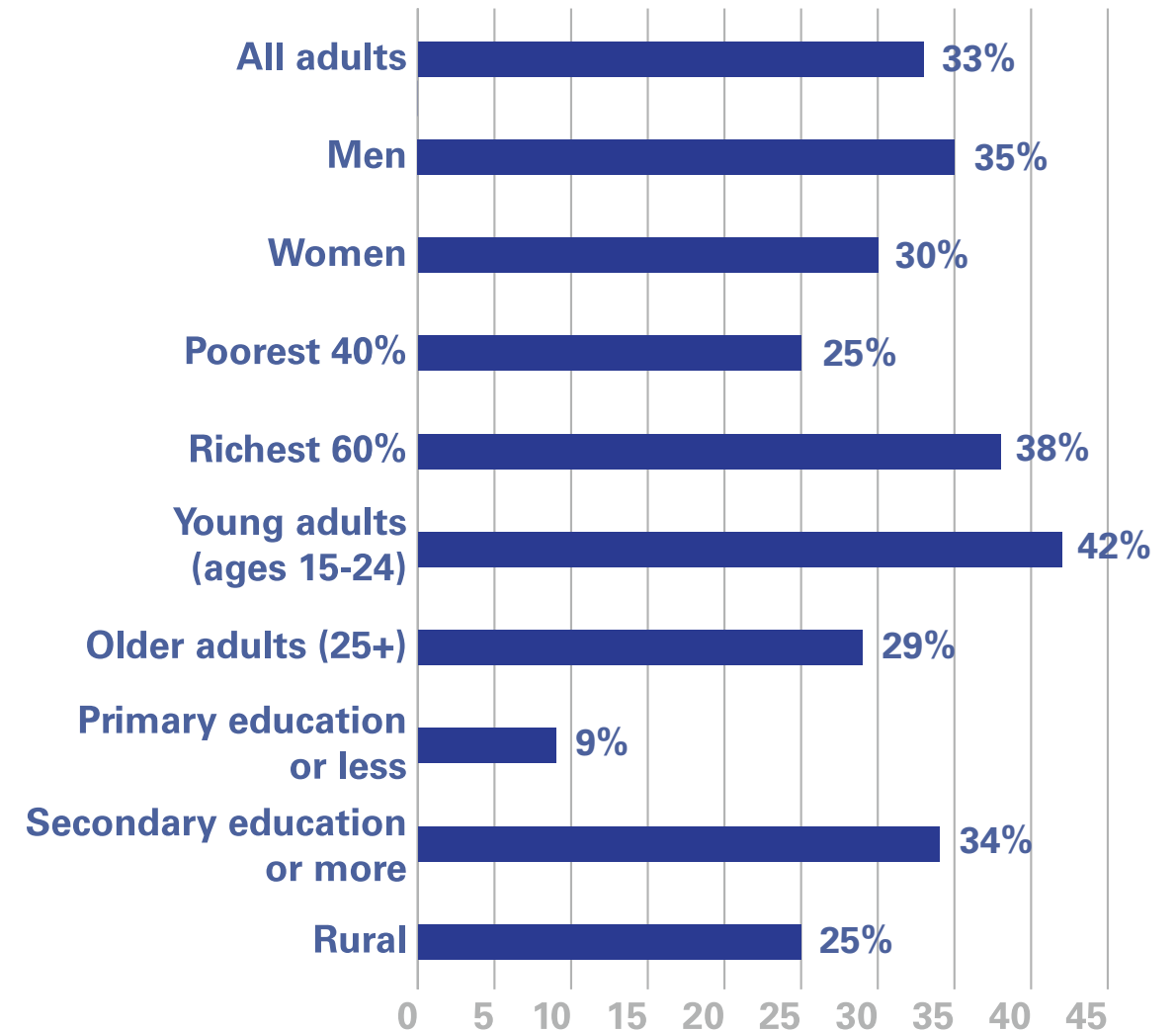


Source: The Global Findex Database 2017

# Mobile banking and digital financial services

- **Mobile banking:** Younger respondents living in Kuala Lumpur were more likely to use mobile banking, especially younger female Malays. The main drivers for usage were practicality and convenience because they can do banking with their mobile phones and there is no charge for inter-bank transfer.
- **Digital Financial Services:** Respondents were seldom using it. When it was used it was usually for payments for specific purposes such as using Touch 'n Go for toll payment and not for other financial services like insurance, savings or investment. Reasons cited included:
  - Lack of awareness
  - Relevance: financial transactions in rural areas are mostly done in cash or debit card so there is no reason to change what is already working for them now
  - Need to learn how to use it
  - Network connection and security concerns

## Used a mobile phone or the internet to access an account



Source: The Global Findex Database 2017



# Save



20%



of Malaysians did not  
save in past six months



84%



who claim to save  
regularly do so only for  
the immediate term and  
typically withdraw on  
month-end to cover daily  
expenses

# Savings provide a sense of security

Everyone acknowledges the need to save for emergencies and the future to achieve long-term goals.

“

Having my own money gives me a sense of security. If I save, I'll have money when I need it. I don't have to worry.

**Younger Chinese female, KL**

“

You feel more secure with some money in the bank. You have no peace of mind without money.

**Older Chinese male, KL**

# More than half of the respondents found savings difficult with nothing to spare at the end of the month

## **Even those with savings spend it on periodic emergencies or unforeseen expenses.**

Some younger people in urban areas claim they are easily tempted to spend money on entertainment and other non-essential items. Some younger respondents in Kota Kinabalu reported spending more than their earnings, and not being able to save.

Older families face more challenges due to additional costs such as money spent on children and installment payments for car and housing loans. Women generally make extra effort to save for their children's future.

“

I want to save but it's difficult to be consistent every month. I often skip. I sometimes can save for 3 to 4 months and then skip.

**Older Bumiputera male, KK**

“

I only started saving. I have been working for a few years. I barely had any savings for the first two years, as I did not have enough to get by. Now, with an increased salary, after two years, I can save.

**Younger Chinese female, KL**



# What they save for

## Short-term needs:

- Emergency needs (most respondents) – e.g. sickness, accident, when car/motorcycle breaks down, natural disaster
- Festive season – e.g. Hari Raya
- Maintenance – e.g. upgrading phone, servicing car, paying road tax

## Medium to long-term goals:

- Marriage (mainly for younger males and some younger females)
- Vacation (most)
- Children's education (most respondents who are older with family)
- Obtaining assets – e.g. house or car purchase
- Retirement
- Investment – e.g. unit trust and stock market
- To go to Hajj (some respondents)

# How they save

Most people save in banks, and find them secure and easy to use. Men and women have similar savings patterns.

## Savings options

- Bank
- Their own home
- *Kutu* clubs (community-run savings club based on trust and values)
- Investment in gold

Four out of 18 older women interviewed created accounts for their children so they could not withdraw money without the child's presence.

Three out of six older women interviewed in Kota Bharu invested in gold which also serves as a status symbol.

“

*Kutu* clubs make you save money, as you have to put money in every month. They have low interest rates, and I get a pool of money as a member. They bring people together through events, and allows them to socialise.

**Older Malay male, KL**

“

Savings for me depend on interest rates. I will invest in fixed deposits if the interest rates are too high.

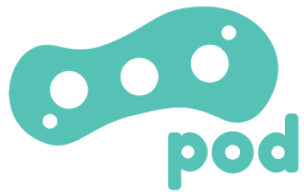
**Younger Chinese female, KL**

“

Saving money is difficult as you might accidentally spend the money instead. I prefer to invest in a fixed deposit so I can't take money out of it.

**Older Indian female, KL**

# Food for thought: saving for goals and gold



Pod is a micro-savings app to help youth save money for short-term goals. It has three functions:

- **Autosaving:** users set aside a specific amount to be deducted every month or week depending on the frequency they set for themselves
- **Instant Save:** users are prompted to save what extra cash they may have at hand
- **Microsaving:** users can save by rounding up the change they get after buying from selected merchant outlets



HelloGold is an app that allows customers to save in fully allocated investment grade-gold. People can buy gold for as low as USD 0.25.

People can save in gold at the lowest daily price over a specific period of time to help them reach their desired savings goal.



# Borrow



12%



of adults borrowed from  
a financial institution

# The general attitude is to avoid loans.

**Respondents are scared of debt.** Younger men in Kota Kinabalu make extra effort to save a long time to buy big ticket items such as motorbikes.

*However, some do feel the need for loans, especially for business or expensive items like a house or a car.*

It is not easy to get a loan because they require a guarantor and a good credit rating. They can ask family and friends but prefer not to for fear of damaging the relationship or paying a high interest rate.

“

Whether I’m buying jewellery or household items, I save first and make sure I have enough money to buy them. I don’t like being in debt.

**Older Bumiputera female, KK**

“

I bought my car a long time ago, so there are no more loans to repay. If I were to buy a new car, I would have to repay the loans. I don’t want to do that. It’s a *dew gang* matter (hanging on the neck, meaning something that causes one to suffer/struggle).

**Older Chinese male, KL**

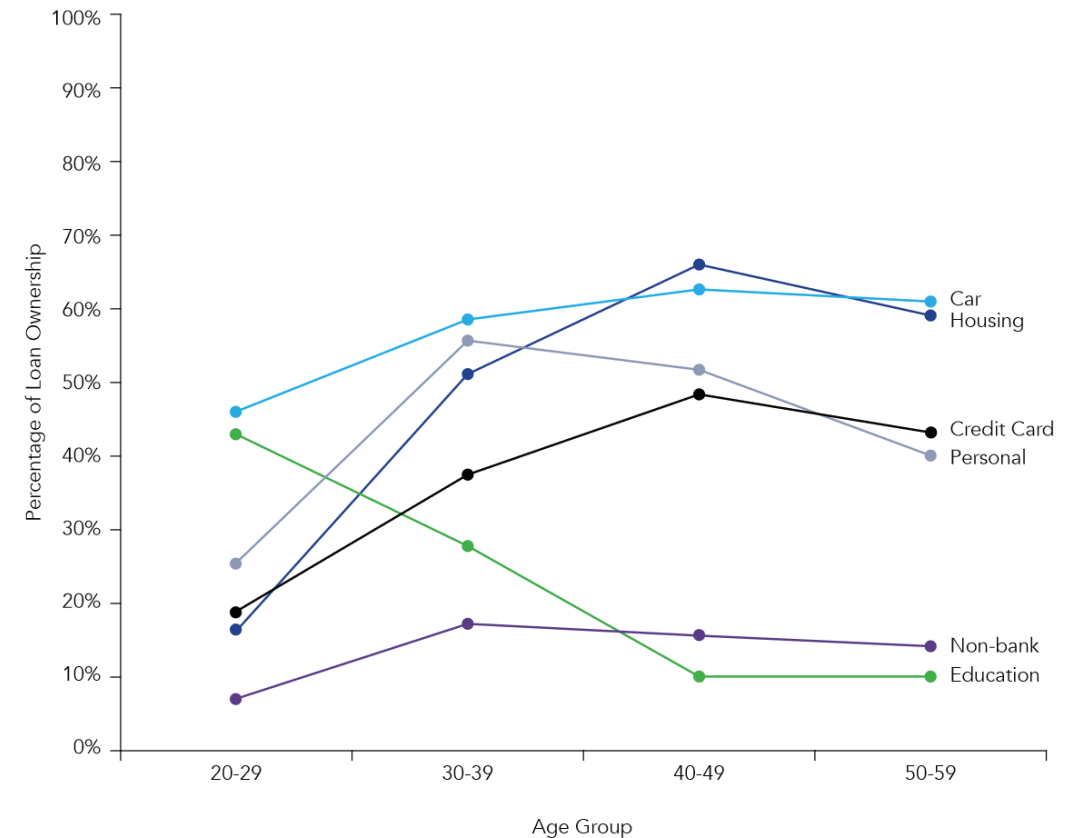
“

I am worried about debts. I am still paying off a loan.

**Older Bumiputera male, KK**

# What Malaysian working adults borrow for

- According to the “Behaviour and State of Financial Well-being of Malaysian Working Adults” report by the Agensi Kaunseling dan Pengurusan Kredit (AKPK):
  - **20-29 age group:** car loans top the list, followed by education loans, personal loans, housing loans, and non-bank loans
  - **30-39 age group:** the top three types of loans are car loans, personal loans and housing loans
  - **40-49 age group:** housing loans top the list
  - **50-59 age group:** More than half are still servicing car and housing loans. More than a third (40%) are still servicing personal and credit card loans, and more than one in ten are servicing non-bank loans



# Food for thought: alternative lending to micro and small business



MicroLeap, Funding Societies, and CapitalBay are peer-to-peer lending platforms that serve small businesses that banks typically do not cater to.

They provide uncollateralised financing to small businesses to invest in their business or to bridge short-term cash flow gaps.

Financing range varies between RM 1,000 to 50,000 (~USD 250–11,900).

Loan application and repayments are simplified through technology. The assessment of the micro and small business is done by a combination of human expertise and proprietary algorithms.



Global Psytech develops psychometric analytics to quantify key character traits of a borrower to predict the level of credit risk and ability to repay a loan, as well as entrepreneurial potential.

Global Psytech partners with development financial institutions, banks, and others to calibrate their risk-prediction algorithm to serve micro-entrepreneurs borrowing from RM1,000 to RM30,000 (~USD 250–7,175).



# Plan



10%

of Malaysians believe they are not disciplined in managing finance



41%

of Malaysians rely on Employees Provident Fund savings as main source of income for retirement



17%

of Malaysians have life insurance and takaful cover (insurance system devised for Islamic finance)



# Insurance is generally considered an important safety net.

Older people tend to have more confidence in insurance. Younger people see it as important, though they are less concerned as they are still young, single, and healthy.

“

You can't predict illnesses. You won't know when you will fall ill. With a Medical Card you can be admitted to the hospital, otherwise you have to queue at the Government hospitals.

**Older Chinese Male, KL**

“

I was in an accident, and I was insured, so I got the benefit. And now that I am expecting a child, I have already bought insurance for them.

**Older Malay male, KL**

“

You buy medical insurance to ensure better, faster, and more comfortable services, and the payment is quite low.

**Younger Malay female, KL**

# However, many are unable to commit to regular premium payments.

- Few people had to terminate their insurance due to inability to pay premiums
- Those with a single or less steady income such as small food vendors or online business owners think regular premium payments are too high and a strain to their monthly income
- Few respondents feel intimidated by the complicated application process and the terms and conditions
- Most people purchase insurance through agents rather than through digital means

“

You can talk to agents and ask them questions. If you buy insurance online, you might not understand the terms. For life or medical insurance, it has to be a face to face meeting. They have to disclose the terms included to you. You can't trust the FAQs online because they might not answer your questions specifically.

**Older Malay male, KL**

# Respondents with insurance tend to have the following insurance types

- **Health/medical insurance:** Those who prefer private healthcare have opted to have coverage and primarily consider it after having children
- **Life insurance:** Family security is the main motivator for the purchase
- **Education insurance for children:** Primarily among older people who want to start investing in their children's education early on
- **Car insurance:** Many respondents are accustomed to buying car insurance.
- **Insurance cover from employer**

# Food for thought: micro-insurance for small businesses



Senang provides micro-insurance for anyone who wants short-term (1 day or more) instant insurance cover. Premiums can cost as low as RM 1 (USD ~0.25). Senang is targeting platform workers and small business owners who are prone to accidents, fire, theft, and loss or damaged goods.

To reach the low-to-moderate income segment, Senang partners with aggregators such as on-demand job platforms, mobile operators, and payment solution providers.



**Shipment Insurance**  
From **RM 1.00**



**Life Insurance**  
From **RM 3.00**



**Personal Accident**  
From **RM 1.00**



**Cleaning Insurance**  
From **RM 5.00**

# Financial behaviour of Malaysian working adults

- According to the “Behaviour and State of Financial Well-being of Malaysian Working Adults” report by the Agensi Kaunseling dan Pengurusan Kredit (AKPK):
  - Half (52%) of Malaysian working adults fall within the reasonable financial behaviour score range
    - Malaysian working adults scored their financial behaviour highest in debt management and lowest in spending
  - The self-employed score the lowest on the financial behaviour
  - Settling debt faster is the number one financial goal of Malaysian working adults

Indicators used for scoring financial behaviour, AKPK 2018

Spending	Savings, Retirement & Investment	Debt Management
<ul style="list-style-type: none"><li>● I record all my spending</li><li>● I prepare a spending budget</li><li>● I assess my affordability very carefully before buying something</li><li>● I spend my money according to my plan</li><li>● When I have excess money, I normally spend on essential items</li><li>● When I have excess money, I normally spend on things which I want</li></ul>	<ul style="list-style-type: none"><li>● I save first before spending</li><li>● I plan my finances for my retirement</li><li>● I invest in legal investment</li><li>● When I have excess money, I normally save for retirement</li><li>● When I have excess money, I normally save (other than retirement)</li><li>● When I have excess money, I normally invest in investment/business</li></ul>	<ul style="list-style-type: none"><li>● I pay my loan installments on time</li><li>● I always pay more than 5% (minimum payment) of my credit card</li><li>● When I have excess money, I normally pay my debts</li></ul>

# Financial well-being of Malaysian working adults

- According to the “Behaviour and State of Financial Well-being of Malaysian Working Adults” report by the Agensi Kaunseling dan Pengurusan Kredit (AKPK):
  - The average financial well-being score is at the low edge of surviving category
  - The self-employed are most vulnerable as they are most challenged in terms of financial well-being

Indicators used for scoring financial well-being, AKPK 2018

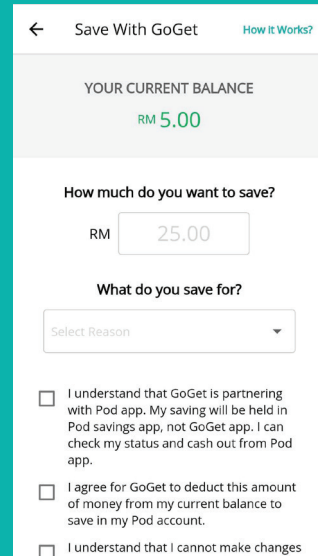
Ability to Make Ends Meet	Feeling Comfortable with Current Financial Position	Financial Resilience
<ul style="list-style-type: none"><li>• I do not have to borrow to buy basic needs</li><li>• I can afford to buy the items I want</li><li>• I feel my financial position is steady enough to cover my daily needs</li></ul>	<ul style="list-style-type: none"><li>• I have extra money at the end of the month</li><li>• I am confident of achieving my short-term financial goals</li><li>• I am confident of achieving my long-term financial goals</li><li>• My financial position is steady enough to cover my basic needs to live comfortably after retirement</li><li>• My financial position is steady enough to cover holiday cost of RM 4,000</li></ul>	<ul style="list-style-type: none"><li>• My financial position is steady enough to cover an emergency expenditure of RM 1,000</li><li>• My financial position is steady enough to cover medical cost of RM 2,500</li><li>• My financial position is steady enough to cover my expenses for 3 months if I were to be retrenched</li></ul>

# Food for thought: improving financial health of gig workers



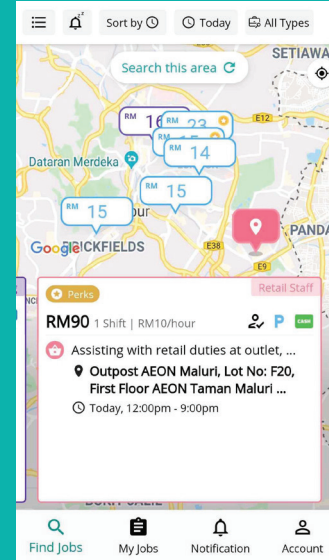
GoGet is an on-demand job matching platform for part-time workers. GoGet partners with financial solution providers to offer savings, pension, insurance, and financial management tools to their verified part-time workers (GoGetters) to meet their short and long-term financial goals.

## SAVE



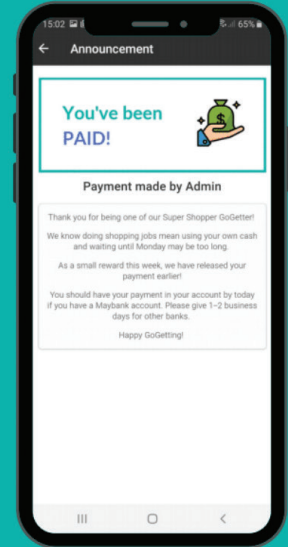
**Automatic micro-savings**

## PLAN



**Insurance**  
**As low as USD0.25**

## SPEND



**E-wallets & regular cashflow**

# In a nutshell

- **Cash is still king.** It is convenient and widely accepted. The aversion to digital financial services stem from fear of not knowing and fear of losing control. However, people are open to trying if the value proposition is strong enough.
- **Everyone recognises the importance of saving, borrowing, and planning for financial futures.** However, it can be a struggle, especially when you do not have enough.
- **Make financial management tangible and goal oriented.** Leverage technology's ability to make financial products bite-sized and on-demand. Use visual tools and incentives to raise awareness about users' financial habits and nudge them to make small improvements to their financial behaviour.
- **Keep human interaction in mind.** Inter-personal relationships are still valued among low-to-moderate income people.

“

It should be universal. It should be convenient. You can go anywhere and it won't be a problem. Widely usable and convenient. It should be user friendly. It should not be complicated. Not too many buttons.

Older Malay male, KL



# UNCDF and the i3 programme



The i3 programme supports public and private partners to innovate, implement, and impact positively on the financial health of the low-to-moderate income people in Bangladesh, China, Malaysia and Vietnam. The i3 Programme is funded by MetLife Foundation.

In Malaysia, the i3 programme is implemented by the UN Capital Development Fund (UNCDF). By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradication of poverty and SDG 17 on the means of implementation.

[www.i3program.org](http://www.i3program.org) | [Facebook](#) | [Twitter](#)

This customer insights piece is drawn from a larger body of research conducted by UNCDF and Illuminate Research Asia to understand the financial behaviour and use of digital financial services among M40 and B40 market segments in Malaysia. All quotes from respondents were provided by Illuminate Research Asia. Any identifier, or lack thereof, included here is as indicated in the full report. Sarah Lober, Molly Sanborn, Jaspreet Singh, David Yuen Chien Wai and Alexandra Tyers contributed to the full report. This insights piece has been edited by Chela Cea, Nadia Dafir, Anne Dujinhower, Audrey Misquith, Prajeena Karmacharya, Hee Sung Kim, Alexandra Tyers and Karima Wardak.

## UN Capital Development Fund

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. The UNCDF finance models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and localized investments—fiscal decentralization, innovative municipal finance and structured project finance—that drive the public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradication of poverty and SDG 17 on the means of implementation. By identifying those market segments in which innovative finance models can have transformational impact in reaching the last mile while addressing exclusion and access inequalities, UNCDF contributes to a number of different SDGs.

## Contact

### UN Capital Development Fund

Level 3, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia  
[uncdf.malaysia@uncdf.org](mailto:uncdf.malaysia@uncdf.org)

[www.uncdf.org](http://www.uncdf.org) | [Facebook](#) | [Twitter](#)

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**Unlocking Public and Private  
Finance for the Poor**