

Financial Planning as Catalyst for Poverty Eradication Among B40 in Malaysia

Azwan Abdullah^{1,2},
Muhammad Zulfaris Mohd Salleh²,
Mohd Zulkifli Muhammad²
Adibah Alawiah Osman³

¹Institute for Poverty Research and Management (InsPeK),
Universiti Malaysia Kelantan, Malaysia

²Faculty of Entrepreneurship and Business (FEB), Universiti Malaysia Kelantan, Malaysia

³Faculty of Business and Management,
Universiti Teknologi MARA Puncak Alam, Selangor, Malaysia

Received: 17.03.2022, Revised: 16.04.2022, Accepted: 22.05.2022

Abstract

Good personal financial management is often associated with an individual's ability to plan, manage and administer finances well. Good financial planning can prevent a person falling into poverty. Individuals most at risk of being trapped in poverty are households in the B40 category. Therefore, good financial planning among the B40 can be a catalyst in eradicating poverty. This study highlights the findings of interviews with individuals in the B40 category regarding the importance of mastering financial planning in managing life in order to get out of poverty. Data was obtained using a Focus Group Discussion (FGD) technique. The results of the study were analysed using the Nominal Group Technique (NGT) which is able to uncover issues, problems or solutions among the B40 individuals involved. A total of 10 informants were involved in this study. The results of this study are relevant to the government's policy in the Vision for Shared Prosperity 2030. In addition, the study is also timely because it is relevant to the UN's Sustainable Development Goals (SDGs) as stated in the first objective which is "No Poverty".

Keywords: financial planning, poverty eradication, b40

⁴Corresponding Author: azwan.a@umk.edu.my

Introduction

It is unsurprising that the present global pressures and challenges have encouraged people to save and protect their money and prosperity. For individuals to properly plan and manage their personal resources throughout life, they must first become financially literate. This is as financial planning has a significant influence on financial decisions that affect an individual's financial well-being (Hafizah, et al 2016). Financial planning is the formulating of strategies to implement financial objectives to the actions. Financial planning is a tool that can help individuals in maintaining the sustainability of life more prosperously (Abdullah, A. et al., 2022).

In general, financial planning can be implemented in the short term as well as in the long term, depending on the objectives that an individual wants to achieve. In the context of household finances, financial planning can give meaningful value to every expenditure (Rahman et al., 2018). However, today, the aspect of financial planning is not taken into account holistically by some households. Individuals who are the heads of households are seen as tending to make purchase decisions based on the current situation without reviewing existing financial burdens (Nawi et al., 2018). This is found to worsen the situation for individuals who have relatively large financial responsibilities with limited sources of income. The financial burden borne by such individuals causes unexpected poverty or poverty due to the situation (Lahsasna, 2016).

In the context of Malaysia (DOSM, 2020), average household income is categorized into three income categories, namely B40, M40 and T20. Basically, the B40 income group refers to the bottom 40 per cent, which is

the lowest household group with an average monthly income of below RM4,850. The M40 category represents 40 per cent of Malaysian households that have an average monthly income of between RM4,851 and RM10,970. The T20 category forms the top 20 per cent or the group with the highest household income, with an average monthly income of RM10,971 and above.

Problem Statement

Knowledge in financial management is very important to ensure the economic sustainability of the family. Nevertheless, there are still many individuals who neglect the aspect of personal financial planning. According to Saifurrahman and Kassim (2021), financial planning is able to assist individuals and households in making the right financial decisions. Weaknesses in mastering knowledge in financial planning can cause an individual to fall into poverty.

According to Pati (2021), knowledge in financial planning is able to result in accurate decisions as well as influence a person's actions to hold savings as well as investments. Moreover, according to Laxmi and Maheshwary (2018), individuals who implement financial planning are more likely to prepare a budget to meet the basic needs of life alone. In fact, according to Saifurrahman and Kassim (2021), financial planning is very important to be implemented to avoid deficits in finance resulting from spending exceeding income.

Statistics released by the Department of Statistics Malaysia (DOSM) in 2020 show that 20% of households in the M40 category fell into the B40 category. Among the factors that caused this is the low financial literacy among M40 households (Rahman et al.,

2018). This has directly increased the number of households in the B40 category. Therefore, it is very important that the aspect of financial planning is given serious attention among B40 individuals so they do not continue to be trapped in poverty. However, previous studies have rarely discussed the problems that occur among B40 individuals in conducting financial planning. Previous studies have discussed many aspects of financial planning in general among youth and students and focussed less on B40 individuals (Nuradibah et al., 2018).

Literature Review

Financial planning has been widely recognised as an essential skill for individuals confronting increasingly complex financial scenarios. Planning in financial planning is very crucial for encouraging better understanding of daily expense choices by producing incentives and conditions that encourage the preferred financial behaviours like saving, planning or spending prudently (Hafizah et al., 2016). Despite the critical role of financial planning, several studies show that much of the world's population perpetually suffer from poor financial planning and that measures to solve this issue are urgently needed.

Individual financial planning skills are due to financial literacy that can be mastered well in continuing prudent financial management (Muslichah et al., 2019). This is because, good financial planning is the main core in shaping financial behaviour to manage expenses and meet appropriate financial needs as well as to meet the personal needs of individuals (Hafizah et al., 2016).

Indeed, knowledge about financial planning is very important to prevent individuals getting stuck in financial problems

that cause them to fall into the category of poor households and to avoid becoming victims of fraud (Kimiyaqhalam et al., 2017). Dynamically, knowledge that can be gained by self-reading and personal experience such as the financial knowledge of products where the final aim is to enhance the customers' learning of financial planning and to be well educated in financial products.

Dekui Jia et al., (2019) in his study in China in 2014, found that financial planning ability affects participation in investment among households. Financial literacy among households allows them to prepare for the probabilities of financial risks that will be faced. Therefore, good financial planning ability will encourage households to make investments with a positive impact. This shows the importance of knowledge in financial planning which can have a positive effect on the optimal use of finances for the good of the family and household economy.

The study by Mohamad Fazli Sabri, Rusitha Wijekoon and Husniyah Abd Rahim (2020), found that money attitudes, financial practices, self-efficacy, and emotional resilience have significant contribution to the financial well-being of employees. This shows that knowledge and understanding of personal financial planning and financial management play an important role in providing well-being in life and work itself. Therefore, good financial planning and financial management should be given attention by all categories of workers, especially low-income workers. Knowledge in financial planning can indirectly prevent workers from falling into poverty.

A study by Saifurrahman and Kassim (2021), revealed that the emergence of financial problems is not only because of the low level of income, but can also come from a

lack of knowledge in managing finances. So, having financial literacy enables individuals to utilize their resources to achieve well-being and improve their welfare.

Most policymakers are aware of the importance of financial education and that it can mitigate the negative consequences of poor decision making due to the lack of financial knowledge. According to Nawi et al. (2018), good financial management and planning goes beyond long-term planning such as retirement savings that can guarantee financial well-being in old age. Effective financial planning is also demonstrated in people's confidence and capability to understand financial products and concepts as they recognize the risks, are able to decide on the best choices, know where to seek guidance and enhance financial management in proactive ways (Hafizah et al., 2016).

In Malaysia, financial planning is still in its infancy. The majority of Malaysians are found to not take responsibility for their own financial concerns. Although many people are aware of the relevance of personal financial planning and the various advantages that can result from it, they still lack a clear knowledge of its significance (Nuradibah et al., 2018). Based on Nawi et al., (2018), the lack of information and understanding about people's level of financial planning in the nation may be a factor in this phenomena, and how that reveals whether or not such people are prepared to pursue financial planning. This is quite surprising considering how important it is for the financial planning sector to gain a thorough grasp of people's financial literacy levels.

Methodology

This study used the qualitative method as advocated by Cresswell (2014) which

emphasizes the aspect of exploration to understand in depth the life of an individual or group. The selection of this qualitative method is also in line with Kothari's (2009) recommendation to observe attitudes, opinions and behaviours more universally, based on the situation faced by the informants. Therefore, a qualitative approach is very suitable to be applied in this study because the objective of this study is to gather opinions and views among individuals in the B40 category in Malaysia concerning financial planning and its importance in poverty eradication.

Interviews were a key component of this study. Semi-structured interviews were conducted through a Focus Group Discussion (FGD) approach with the 10 informants involved. The data was analysed using the Nominal Group Technique (NGT) method. According to Delbecq and Van de Ven (1971), the NGT method is able to trigger views on issues presented more effectively with face-to-face discussions. The NGT method in data collection is able to elicit findings more fairly with different ideas according to the order of priority stated by the informants involved as well as being very effective and popularly used in studies that require immediate findings (O'Neil & Jackson, 1983).

The Process of NGT

This section details the NGT process which was applied in this study. The process is a combination of the focus group discussion and voting phase that was developed by (Varga-Atkins, 2011). It comprises 5 phases, namely: (1) Present key question to the participants, (2) Silent phase, (3) Round Robin phase, (4) Discussion and item clarification phase and (5) Voting phase. All members of the group were handed the instructions regarding the technique one week before the

workshop so that all participants had time to review the guidelines of the technique. The reason for handing out the instructions early was the majority of the participants had not used the technique before. Before the first

step of discussion, the instructions of the NGT were explained once again to make sure all participants understood them fully and clearly. Table 1 describes the instructions of the technique, including the five steps.

Table 1
Instructions for Performing Nominal Group Technique

PHASE	ACTIVITIES
Phase 1	Ask a key question and read aloud the response to the audience.
1	<ul style="list-style-type: none"> • What is the importance of financial planning in managing life?
Phase 2	Silent phase
2	<ul style="list-style-type: none"> • Participants are put in groups of five with a flip chart and pens. • Issue the pink sticky notes to each participant. • Without conferring or group discussion, and based on the knowledge and experience of participants, they write down the importance of financial planning in managing life on the pink sticky notes (one factor on one pink sticky note).
Phase 3	Round Robin phase
3	<ul style="list-style-type: none"> • Participants stick one pink sticky note on the flip chart without comment or discussion until all ideas or pink sticky notes are up on the flip chart. There are no comments and discussions in this phase to prevent participants from advocating their position and influencing other members in the group. • The facilitator groups together similar ideas (factors).
Phase 4	Discussion/item clarification to make themes
4	<ul style="list-style-type: none"> • All members of the group clarify and discuss the unclear factors or items until everything is understandable. • All these items are grouped, edited and categorised into themes, without discarding any item. • The facilitator lists these themes in order of popularity on the flip chart as A, B, C, and so on.
Phase 5	Voting phase
	<ul style="list-style-type: none"> • Based on the list of the themes, participants write down all themes with the letters on the paper, and rank their top five factors from 1 to 5. • Participants award 5 points to their top item, 4 to the second, and so on. • The facilitator collects these papers for data analysis.

Findings and Discussion

The study revealed several findings based on the NGT technique implemented on 10 informants in the B40 category. All participants were selected from Kota Bharu in the state of Kelantan and worked in the private sector. The findings of the study are presented in the form of an order based on the priorities obtained during the NGT processes. These findings are divided into three sections: issues, problems and solutions.

Issues

The first part of the findings of this study examines the issues faced by the B40 group in terms of financial planning. A total of five issues are listed based on priority. Among the most important issues were the lack of information about financial planning; no knowledge of financial planning; no awareness of financial planning; and no support system with regard to financial planning. They thus saw no need for financial planning.

All of the respondents were of the opinion that the main issue that was an obstacle to financial planning among B40 individuals was that there was no information regarding financial planning. Information related to financial planning was only obtained informally through conversations with friends. No formal information about financial planning was received from the relevant parties. The issue of financial planning was thus not given serious attention because of the lack of information that can aid them to implement proper financial planning. The information they received through word of mouth was just during casual conversation, which means they did not see the need to take appropriate action. In view of this, knowledge of Islamic financial instruments should be instilled in Malaysians, particularly in young

workers, as previous literature found that the basic knowledge of financial planning is underwhelming (Abdullah et al., 2019; Mohamed, 2017; Sabri & Zakaria, 2015).

The second finding in the first part found that the issue of knowledge among B40 individuals in financial planning was very limited. The knowledge gained in financial planning was only limited to daily needs and not for long-term needs. For example, knowledge about savings was found to be very good among the respondents but they had very limited knowledge with regard to long-term investments such as for retirement and family legacy purposes. This finding is consistent with the finding in past literature that most low-income groups limit their plans and prioritise based on basic needs of consumption due to budget constraint (Rashid et al., 2018).

The third finding in this section revealed the issue of lack of awareness of financial planning among B40 individuals. Awareness among B40 individuals was very limited to the purpose of meeting current needs only. For example, the awareness to implement cost savings due to the current situation which has burdened them with the effect of the increase in the prices of goods. The awareness to plan finances for the future was implemented for only one purpose and for a certain period of time only. For example, the awareness to carry out the responsibility as a Muslim to complete the fifth pillar of Islam (making the pilgrimage to the Holy Land) requires a lot of expenditure. Therefore, there was a need to be aware of saving money in Tabung Haji or Pilgrims Fund.

The fourth finding from the issues raised by B40 individuals was that there was no support system in implementing financial planning.

In general, informants thought that the difficulty in implementing financial planning was due to the absence of relevant parties who were serious about helping them implement financial planning. External support systems such as NGOs and the government are mainly limited to urban communities as compared to rural communities. Also, the support system comprising family members is also quite lacking in helping the head of the household to implement financial planning more systematically. According to Munisamy et al., (2022), individuals with lower financial awareness have a more difficult time making financial decisions and are less pleased with their financial management.

The fifth finding from the issues highlighted is regarding the respondents' view that in some circumstances, there was no need to implement financial planning. This was related to the source of income in B40 households. They only worked to fulfil current needs and did not have a fixed income. Respondents spent all income earned to meet the current financial needs of the individual and family. Therefore, they saw no need to implement financial planning in the context of their current life. Previous research indicates that low-income households are unable to meet their basic needs and must supplement their income with activities such as business in order to survive, implying that the low-income group has insufficient time to focus on financial planning but are instead focussed on meeting basic needs (Rashid et al., 2018).

Problems

The second part of the findings of this study lists the problems related to the issues emphasized by the respondents. The first problem related to the first issue was that

there was no information regarding financial planning. The majority of the respondents were of the view that this problem was due to lack of knowledge about the goals of financial planning because of a lack of information concerning financial planning provided in the mass media or by the relevant bodies involved. This problem made it more difficult for the respondents to implement proper financial planning, especially with regard to avoiding the problem of poverty.

The second problem revealed that there was less knowledge in financial planning due to the attitude of the individuals themselves in accepting whatever knowledge they had regarding financial planning. Some thought that financial planning just involved identifying gains and losses in spending. Knowledge of financial risk was not given much consideration because they had limited information on financial planning.

The third problem concerned awareness of financial planning. Respondents admitted that they did not take into account their limited awareness of the various aspects of financial planning. This was due to the limited awareness of financial planning by the individuals themselves. Further, they also did not consider the awareness of financial planning as provided by external parties. This problem is thus quite difficult to solve as it involves aspects of the attitude and financial responsibility of the individuals themselves.

The fourth problem raised by the respondents was regarding the weak support system in aiding them in financial planning activities. The majority agreed that this problem occurred due to lack of knowledge about the implementation of financial planning. They noted that the family support system was relatively weak as importance was

placed on their managing daily living rather than on future financial needs. Such thinking is seen as an obstacle to effective financial planning. In addition, the respondents saw the support system provided by the government in implementing financial planning to B40 individuals as being vague and unclear.

The fifth problem highlighted by the respondents was that there was no need to implement financial planning. They felt this was due to lack of awareness and lack of knowledge about financial planning. The need to plan financially was limited to current needs only such as for the purchase of food and groceries and for children's schooling due to limited sources of income and income being enough to cover current needs only. However, although they had the intention to implement financial planning, the obstacle was uncertain economic resources as well as limited sources of income to meet the needs of the family.

Solutions

The third part of this discussion of the findings summarizes the proposed solutions to the issues and problems regarding financial planning among B40 individuals. The proposed solutions as a result of discussions with the respondents are highlighted and arranged in order of priority based on the issues and problems that were described.

These proposed solutions need to be taken seriously by all parties so that the information, concepts and financial planning mechanisms can be well received by the B40 group, empowering them to face future financial challenges. Nevertheless, the individuals themselves also need to play a more active role in seeking information about financial planning.

In addition, NGOs and the government can play a more active role in conveying

information and knowledge on financial planning through social media, community institutions, mosque committees and *Rukun Tetangga*. Regular talks and workshops can be organized to provide knowledge, exposure and awareness to B40 individuals on the importance of implementing financial planning.

At the same time, the support system for aiding the B40 group to implement financial planning needs to be strengthened by conducting financial mentoring programmes in collaboration with NGOs, financial institutions and with the support of the government. More attractive initiatives need to be highlighted to attract the attention of B40 individuals to give priority to effective financial planning. Also, there is a need for a party to act as a supervisor or monitor in each programme implemented so that a robust ecosystem can support the financial planning process that takes place among B40 individuals.

Conclusion

Based on this short-term study, it can be concluded that there is an important need for financial planning among individuals in the B40 category in Malaysia. This needs to be given serious attention so that this group does not continue to be in the dilemma of poverty. Financial planning has been recognized as a key skill that equips us with knowledge to manage financial resources effectively, especially in an increasingly complex financial scenario. Despite the significance of financial planning, studies around the world indicate that much of the world's population still suffers from financial illiteracy and that measures are urgently needed to remedy the problem. This is as individuals have to make various financial decisions such as borrowing, investing, and preparing for the future.

Financial planning also is a basic need to avoid financial problems. It can help people make effective use of financial products and services and plan for their short-term and long-term financial goals. The emergence of financial problems is not only because of the low level of income, but can also come from a lack of knowledge in managing finances. So, financial planning enables individuals to utilize their resources to achieve and improve their well-being.

If a person is not equipped with financial knowledge, the possibility of making mistakes in the management of their financial resources will be greater and their well-being will be difficult to achieve. This underscores the importance of educating people in effective financial management so that they can use their money maximally.

Hence, all parties need to collaborate in sharing expertise to create a comprehensive financial planning ecosystem to deal with the problem of poverty among B40 individuals. This is important to realize the government's goals outlined in the Shared Prosperity Vision 2030 and be able to achieve the goal in SDG1 which is 'no poverty'. Indeed, good financial planning can be a catalyst for the agenda in B40 poverty eradication in Malaysia ■

References

- Abdullah, A., Mohd Salleh, M. Z., Zakaria, M. N., Mohd Din, N., Aziz, M. I., & Muhammad, M. Z. (2022). *Achieving Islamic Financial Literacy in Malaysia: Issues and Challenges*. International Conference on Business and Technology.
- Abdullah, N., Fazli, S. M., and Arif, A. M. M., (2019), The relationship between attitude towards money, financial literacy and debt management with young worker's financial wellbeing. *Pertanika Journal of Social Sciences and Humanities*, 27(1), 361-387.
- Creswell, J. W. (2014). *Research design: Qualitative, quantitative and mixed methods approaches* (4th ed.). Sage.
- Dekui Jia, Ruihai Li, Shibo Bian & Christopher Gan (2019): Financial Planning Ability, Risk Perception and Household Portfolio Choice. *Emerging Markets Finance and Trade*. DOI: 10.1080/1540496X.2019.1643319
- Department of Statistics Malaysia (DOSM) 2020. *Pengelasan Baharu Isi Rumah*.
- Hafizah, S., Rahim, A., Ab, R., & Bakar, A. (2016). *Factor analysis of Islamic financial literacy and its determinants : A pilot study*.
- Kimiyaqhalam, F., & Yap, S. (2017). *Level of Financial Literacy in Malaysia*. June.
- Kothari, C.R. (2009) *Research Methodology: Methods and Techniques*. *New Age International*.
- Laahasna, Ahcene. (2016). *Framework of Islamic Financial Education and Literacy*.
- Laxmi, V., & Maheshwary, N. K. (2018). *Identification of factors influencing financial literacy : A theoretical review*. 08(1), 89–94.
- Mohamed, N. A. (2017). Financial socialization: A cornerstone for young employees' financial well-being. *Reports on Economics and Finance*, 3(1), 15-35.

- Munisamy, A., Sahid, S., & Hussin, M. (2022). Exploratory factor and reliability analysis of financial literacy instrument to assess low-income groups in Malaysia. *Journal of Social Economics Research*, 9(1), 39-51.
- Muslichah, I., Indonesia, U. I., & Sanusi, S. (2019). *The effect of religiosity and financial literacy on intention to use Islamic banking products*. 1(December). <https://doi.org/10.1108/AJIM.vol1.iss2.art2>
- Nawi, F. A. M., Daud, W. M. N. W., Ghazali, P. L., Yazid, A. S., & Shamsuddin, Z. (2018). Islamic financial literacy: A conceptualization and proposed measurement. *International Journal of Academic Research in Business and Social Sciences*, 8(12), 629–641. <https://doi.org/10.6007/ijarbss/v8-i12/5061>
- Nuradibah, M., Moga Dass, T., Sabri, M. F., & Ho, C. S. F. (2018). A preliminary evaluation of financial literacy in Malaysia. *Journal of Wealth & Financial Planning*, 5(June 2018), 4–16.
- O'NEIL, M. J. & JACKSON, L. (1983) Nominal group technique : A process for initiating curriculum development in higher education, *Studies in Higher Education*, 8, pp. 129–138
- Pati, S. (2021). *What is Financial Literacy? How to Improve your Skills?* | Scripbox. <https://scripbox.com/mf/what-is-financial-literacy/>
- Rahman, S. A., Tajudin, A., Fadzli, A., & Tajuddin, A. (2018). The significance of Islamic financial literacy among youth in Malaysia. 7(10), 27–31.
- Rashid, N. K. A., Sulaiman, N. F. C., & Rahizal, N. A. (2018). Survivability through basic needs consumption among Muslim households B40, M40 and T20 income groups. *Pertanika Journal of Social Sciences & Humanities*, 26(2), 985-998.
- Sabri, M. F., and Zakaria, N. F., (2015), The influence of financial literacy, money attitude, financial strain and financial capability on young employees' financial well-being. *Pertanika Journal of Social Sciences & Humanities*, 23(4), 827-848.
- Sabri, M. F., Rusitha, W., Husniyah A. R (2020). The influence of money attitude, financial practices, self-efficacy and emotion coping on employees' financial well-being. *Management Science Letters* 10 (2020) 889–900
- Saifurrahman, A., & Kassim, S. (2021). *Islamic Financial Literacy for Indonesian MSMEs during COVID-19 Pandemic : Issues and Importance*. 10(1), 45–59.
- Van de Ven, A. and Delbecq (1971). A nominal versus interacting group processes for committee decision-making effectiveness. *Academy of Management Journal*, 14:3.
- Varga-Atkins, T., with contributions from Bunyan, N; McIsaac, J; Fewtrell J. (2011) The nominal group technique: A practical guide for facilitators. Written for the ELESIG Small Grants Scheme. Liverpool: University of Liverpool.