DETERMINING FACTORS OF FINANCIAL LITERACY AMONG SETTLERS IN FELDA BUKIT TANGGA, KEDAH

MUHD HAFIRZAN BIN ABDUL AZIZ

MASTER SCIENCE IN FINANCE
UNIVERSITI UTARA MALAYSIA
August 2014
DETERMINING FACTORS OF FINANCIAL LITERACY AMONG SETTLERS IN FELDA BUKIT TANGGA, KEDAH

By

MUHD HAFIRZAN BIN ABDUL AZIZ

Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
In Fulfillment of the Requirement for the Degree of Master Science
PERMISSION TO USE

In presenting this thesis in fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or in their absence, by the Dean of Othman Yeop Abdullah Graduate School of Business where I did my thesis. It is understood that any copying or publication or use of this thesis or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my thesis.

Request for permission to copy or to make other use of materials in this thesis in whole or in part should be addressed to:

Dean Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
06010 Sintok
Kedah Darul Aman
ABSTRACT

The purpose of this study is to determine the level of personal financial literacy among the settlers of FELDA Bukit Tangga, Kedah. It also examines the factors that determine the level of personal financial literacy level among the FELDA settlers. A personal financial literacy test was developed and it comprises of 10 questions pertaining to various basic personal finance areas such as time value of money, risk and return, investment and inflation. In addition, a questionnaire consisting of 20 items was developed to examine the determinants of personal financial literacy level. This questionnaire contains several personal finance aspects, namely, parental factor, credit management, savings, investment, retirement planning, education, gender, age, income, and years of working. The average score of the financial literacy test for the FELDA sample is only 45.6%. Generally, the respondents scored badly on questions pertaining to inflation, risk and return, stocks and bonds, diversification and time value of money. The findings of the study revealed that generally the most significant problems faced by the FELDA Bukit Tangga settlers are that their education level is low, low and inconsistent income, limited scope of working experience and relatively low level of financial literacy. In the regression analysis findings, two variables that are found to be significant in determining the financial literacy level is credit management behaviour (CREDIT) and investment behaviour (INVEST). The findings have particularly implicated to the FELDA management and other relevant agencies that they can objectively assess the FELDA settlers’ personal financial level as well as develop specific training programmes for them.

Keywords: personal finance, financial literacy, FELDA, retirement planning
ABSTRAK

Tujuan kajian ini adalah untuk mengukur tahap celik kewangan peribadi dalam kalangan para peneroka FELDA Bukit Tangga, Kedah. Kajian ini turut mengkaji faktor-faktor yang mempengaruhi tahap kecelikan kewangan peribadi dalam kalangan peneroka FELDA. Satu ujian celik kewangan peribadi telah dibina dan ia terdiri daripada 10 soalan yang merangkumi pengetahuan asas tentang kewangan peribadi seperti nilai masa wang, risiko dan pulangan, pelaburan serta inflasi. Selain itu, satu soal selidik lain turut dijalankan yang merangkumi 20 item bagi mengenal pasti faktor penentu kepada tahap celik kewangan peribadi. Soal selidik ini mengandungi beberapa aspek iaitu; faktor ibu bapa, pengurusan kredit, simpanan, pelaburan, perancangan persaraan, pendidikan, jantina, umur, pendapatan dan pengalaman bekerja. Purata markah bagi ujian celik kewangan bagi sampel peneroka FELDA adalah sebanyak 45.6%. Secara amnya, sebahagian besar daripada responden gagal menjawab dengan baik soalan-soalan tentang inflasi, risiko dan pulangan, saham dan bon, pelaburan dan nilai masa wang. Secara umumnya, dapatan kajian menunjukkan masalah utama yang dihadapi oleh para peneroka FELDA Bukit Tangga, Kedah adalah tahap pendidikan yang sangat rendah, pendapatan yang tidak mencukupi dan tidak menentu, skop dan bidang kerja yang amat terhad serta tahap kecelikan kewangan yang sangat rendah. Dapatan daripada analisis regrasi pula menunjukkan dua pembolehubah adalah signifikan dalam menentukan tahap celik kewangan peneroka FELDA iaitu pembolehubah pengurusan kredit (CREDIT) dan pembolehubah pengurusan pelaburan (INVEST). Dapatan kajian ini mempunyai implikasi terutamanya kepada pengurusan FELDA dan agensi berkaitan yang mana mereka boleh menilai tahap kewangan peribadi para peneroka serta boleh membangunkan program latihan khusus untuk para peneroka FELDA.

Kata kunci: kewangan peribadi, kecelikan kewangan, FELDA, perancangan persaraan
ACKNOWLEDGEMENTS

First of all, *In the name of Allah SWT Most Gracious, Most Merciful* for blessing, guiding and bestowing me with great strength, and patience to complete this thesis. My highest and most sincere appreciation to my lovely mother Hajah Che Atun Binti Haji Mahmud and the pure spirit of my father Haji Abdul Aziz Bin Yahya and all my family members. I would like to impress my thanks for their moral supports, encouragements, understandings, patience and providing financial throughout the journey.

I would like to express my heartfelt millions thanks to my supervisor, Dr. Haji Ahmad Rizal Bin Haji Mazlan, who helped, motivated and gave me full support, advised and ideas for this thesis to be completed. I feel very proud and pleased to be under her supervision and without his inspiration, stimulating suggestions, guidance, and active participation in the process of my thesis; I would never have finished this thesis.

I also want to extend my special thanks and gratitude to Universiti Utara Malaysia, FELDA, Othman Yeop Abdullah Graduate School Of Business, College Of Business, my reviewers, the speaker, and all the administrative members.

Finally, to all my colleague and friends at Tradewinds College, Ambank, CIMB, and those I have not mentioned, please accept my thanks. May Allah bless all of you. Thank you so much.
# TABLE OF CONTENT

**TITLE PAGE** ...................................................................................................................... i

**CERTIFICATION OF THESIS WORK** .................................................................................. ii

**PERMISSION TO USE** .......................................................................................................... iv

**ABSTRACT** .......................................................................................................................... v

**ABSTRAK** ............................................................................................................................... vi

**ACKNOWLEDGEMENTS** ....................................................................................................... vii

**TABLE OF CONTENTS** ....................................................................................................... viii

**LIST OF TABLES** .................................................................................................................. xi

**LIST OF FIGURES** ................................................................................................................ xii

**LIST OF ABBREVIATIONS** .................................................................................................. xiii

## CHAPTER ONE INTRODUCTION

1.1 Background of the Study ........................................................................................................ 1

1.2 Problem Statement .................................................................................................................. 6

1.3 Research Questions ............................................................................................................... 8

1.4 Research Objectives .............................................................................................................. 9

1.5 Significance of the Study ...................................................................................................... 10

1.6 Scope and Limitations of the Study .................................................................................... 11

1.7 Organization of the Study .................................................................................................... 11

## CHAPTER TWO LITERATURE REVIEW

2.1 Overview of Personal Finance .............................................................................................. 13

2.2 Definition of Financial Literacy ........................................................................................... 15
2.3 Financial Literacy Test.................................................................................................17
2.4 Determining Factors of Financial Literacy.................................................................23
2.5 Hypotheses of the Study..............................................................................................34
2.6 Conceptual Framework of the Study...........................................................................35

CHAPTER THREE RESEARCH METHODOLOGY
3.1 Sample of the Study, Data Collection and Pilot Study.............................................37
3.2 Financial Literacy Test and Survey Questionnaire.....................................................37
3.3 Analysis of Data...........................................................................................................41

CHAPTER FOUR DISCUSSION OF RESULTS
4.1 Introduction..................................................................................................................43
4.2 Analysis of the Findings of the Overall Sample..........................................................44
   4.2.1 Descriptive Statistics..............................................................................................44
   4.2.2 Reliability Tests.....................................................................................................52
   4.2.3 Correlation Analysis............................................................................................53
   4.2.4 Regression Analysis.............................................................................................54
4.3 Comparison between High Financial Literacy Group versus Low Financial Literacy Group........................................................................................................58
4.4 Summary and Conclusion...........................................................................................60

CHAPTER FIVE CONCLUSION AND RECOMMENDATION
5.1 Introduction..................................................................................................................62
5.2 Summary of Major Findings.......................................................................................62
5.3 Implications of Research Findings............................................................................64
5.4 Recommendations for Future Research.....................................................................66
REFERENCES
APPENDIX A
APPENDIX B
APPENDIX C
APPENDIX D
APPENDIX E
APPENDIX F
APPENDIX G
APPENDIX H
APPENDIX I
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.1</td>
<td>Summary of Financial Literacy Tests and Measurements</td>
<td>31</td>
</tr>
<tr>
<td>Table 2.2</td>
<td>Determinants of Financial Literacy</td>
<td>33</td>
</tr>
<tr>
<td>Table 3.1</td>
<td>Financial Literacy Test</td>
<td>38</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Mean of Financial Literacy Score in the FELDA Sample</td>
<td>49</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Analysis of Financial Literacy Tests in the FELDA Sample</td>
<td>49</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Reliability Statistics of the Dimensions in the Questionnaire</td>
<td>52</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Model Summary of Regression - Enter Method</td>
<td>54</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Results for the Coefficients of the Regression – Enter Method</td>
<td>55</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Model Summary of Regression - Stepwise Method</td>
<td>56</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Results for the Coefficients of the Regression – Stepwise Method</td>
<td>57</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>Comparison of High Financial Literacy Group Versus Low Financial Literacy Group</td>
<td>59</td>
</tr>
</tbody>
</table>
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.1</td>
<td>Framework for Personal Financial Management Process</td>
<td>14</td>
</tr>
<tr>
<td>Figure 2.2</td>
<td>Conceptual Framework of the Study</td>
<td>36</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Gender of the Respondents in the FELDA Settlers Sample</td>
<td>44</td>
</tr>
<tr>
<td>Figure 4.2</td>
<td>Age of Respondents in the FELDA Settlers Sample</td>
<td>45</td>
</tr>
<tr>
<td>Figure 4.3</td>
<td>Education Level of the Respondents in the FELDA Settlers Sample</td>
<td>46</td>
</tr>
<tr>
<td>Figure 4.4</td>
<td>Monthly Income Level of Respondents for FELDA Settlers Study</td>
<td>47</td>
</tr>
<tr>
<td>Figure 4.5</td>
<td>Working Experience Levels of Respondents in the FELDA Settlers Study</td>
<td>48</td>
</tr>
</tbody>
</table>
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>FELCRA</td>
<td>Federal Land Consolidation and Rehabilitation Authority</td>
</tr>
<tr>
<td>FELDA</td>
<td>Federal Land Development Authority</td>
</tr>
<tr>
<td>FGVH</td>
<td>Felda Global Ventures Holdings</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>KEJORA</td>
<td>Southeast Johor Development Authority</td>
</tr>
<tr>
<td>MADA</td>
<td>Muda Agricultural Development Authority</td>
</tr>
<tr>
<td>RISDA</td>
<td>Rubber Industry Smallholder’s Authority</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
</tr>
<tr>
<td>UDA</td>
<td>Urban Development Authority</td>
</tr>
<tr>
<td>U.S</td>
<td>United States of America</td>
</tr>
<tr>
<td>UUM</td>
<td>University Utara Malaysia</td>
</tr>
<tr>
<td>UUMKL</td>
<td>University Utara Malaysia Kuala Lumpur</td>
</tr>
</tbody>
</table>
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

As Malaysia is moving towards achieving a developed nation status by the year 2020, the government has put a lot of effort to raise the level of income of its population. The current Prime Minister also is instrumental in elevating Malaysians’ Gross Domestic Product (GDP) per capital level to that of a developed country. This is evidenced by the introduction of the National Transformation Program (NTP) specifically aimed to increase the income level of Malaysians. The main agenda of this program is to strengthen the key economic areas of the country so that the GDP per capita of Malaysians will increase to that of developed countries by the year 2020. However, in so doing, the government is also serious in raising the income level of the poor and those who live in rural areas. Several programmes have been established to specifically help increase the income of poor rural population through agricultural activities. To date, one particular program or mechanism which has been in existence for more than half of a century is the Federal Land Development Authority (more commonly referred to as FELDA) program.

FELDA is a Malaysian government agency that was initially founded to handle the resettlement of rural poor Bumiputera population by relocating them to various newly developed areas turned into farms for growing cash crops. FELDA was established on 1st July 1956 under the Land Development Ordinance 1956 and allocated under the Act Amendment 1991. Its functions are as follows:

- To carry out and implement development projects.
The contents of the thesis is for internal user only
REFERENCES


Crow, G., Gerrans, P., & Speelman, C. (2010, December). The role and relevance of domain knowledge, perceptions of planning importance, and risk tolerance...


Folk, J. Y., Beh, L. S., & Diana-Lea, B. (2012). Financial Literacy Key to Retirement Planning in Malaysia. *Journal of Management and Sustainability*. Published by Canadian Center of Science and Education. ISSN 1925-4725 E-ISSN 1925-4733.


http://dx.doi.org/10.1111/j.1745-6606.2010.01175.x


