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## Parents' Perception on Importance of Financial Education for Children in the COVID-19 Pandemic Context

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### Abstract

COVID-19 pandemic has caused the economic shock to Malaysia. Certain number of individuals also suffered from job loss and pay cut throughout the COVID-19 pandemic. These situations might influence people's perception on the importance of financial education. This study aims to investigate how the parent's financial knowledge and financial planning ability affect their perception on the importance of financial education for the children. The findings of this study also indicated that parent with higher financial knowledge and greater ability in financial planning perceived that financial education is important to their child. Due to the preventive measure implemented during COVID-19 pandemic, parents supposed to have more time to stay together with their child. Thus, parents should grab this opportunity to guide their child in learning financial knowledge and demonstrate to them the proper way in handling financial resources effectively.

**Keywords:** Financial Education, Financial Knowledge, Financial Planning, Parent's Perception, COVID-19 Pandemic

### Introduction

Malaysian were fighting against COVID-19 virus for more than a year. As of today, Malaysia government implemented different phases of Movement Control Order (MCO) to curb the spreading of COVID-19 virus. MCO also limited the movements of the individuals, and heavily affected the business performance of specific sector. As a result, the financial status of Malaysian has been challenged. Nearly 100,000 Malaysians loss their income during MCO (Tan et al., 2020). Meanwhile, one out of three Malaysian also experiencing pay cut during the COVID-19 pandemic (Sunil, 2020). These situations also remind the Malaysian about the importance of financial well-being in this critical period. Furthermore, there was also a need for the individual to enhance their financial well-being due to the increase in complexity of financial market and products. Besides that, youngster had lower level of financial literacy and cannot manage their money well (Xiao & Chen, 2015). Thus, a proper financial education should also be delivered to the students

or younger generation, and helping them to improve their future financial decision (Luhmann et al., 2018). In addition, children who have learn financial knowledge and practising good financial habits shall became person with good financial well-being in the future (Friedline et al., 2013).

After the implementation of MCO, Malaysia education system have been temporarily transformed from face-to-face learning to online learning (Nasri et al., 2020). Some parents may also switch their working mode to “*work from home*” (Abdullah et al., 2020). Undoubtedly, MCO created drastic changes in Malaysian's daily social life. Family life, schooling, and working occur simultaneously, resulting in more time spent together with the family members (Janssen et al., 2020). Some parents may also grab this opportunity to deliver some useful information to their child. However, the temporary transformation of learning method during the COVID-19 pandemic and cancellation of PT3 examination shall led to the risk of mismatched perceptions between parents and children. Students may not interact with the teachers during lesson, especially the lesson that discussed financial knowledge. Amagir et al (2017) suggested the financial education to be conducted in both the “experiential learning” and “life events” approaches. They pointed out that the “experiential leaning” approach shall be implemented in primary and secondary school level, whereas the “life events’ approach shall be implemented in college level. In addition, parent’s support plays significant role in affecting the quality of online learning to be delivered to students (Erdogan et al., 2018). Parents who demonstrated a good financial habits also posed the lifetime impact on their child’s future financial behaviour (Heckman & Grable, 2011).

The ability to make a wiser financial decision is considered as the basic life skill for human being in 21<sup>st</sup> century (Beckker et al., 2019). Two years ago, Malaysia government launched “*National Strategy for Financial Literacy 2019-2023*” to enhance the financial literacy of the Malaysian. At the same time, Ministry of Education (MOE) Malaysia also play the role in promoting the financial literary of the future generation. MOE integrated the financial knowledge element in the curriculum of Form 3, Form 4 and Form 5 Mathematics subjects. Noteworthy, the age for these students only ranged between 15 to 18 years old. However, the students should be nurtured in the aspect of financial knowledge since a very young age. The youngster should practice healthy financial habits to enhance their job skill and living standard. The resistance to material's temptation and willingness to delaying their gratification also determine the youngster's future life. Next, the youngster can absorb and apply the new information quickly. As a result, well-educated youngster able to improve their financial decision making (Sutter et al., 2013; Bruhn et al., 2016).

After receiving the proper financial education in the young age, children also able to apply the financial knowledge in their future university or working life (Ariffin et al., 2017). The financial education should also receive the significant support from the parent. However, parents’ perception on financial education has received surprisingly scant academic attention. To fill this research gap, this study endeavours to investigate the factors that affect the Malaysia parents’ perception towards the importance of financial education during COVID-19 pandemic. The outcome of this study is expected to contribute to the existing research and brings implications in the implementation of related policy. The structure of this study is organized as follow. Section 2 discusses the research design and methodology to be used in this study. Section 3 presents the results obtained in this study. Section 4 discusses the findings of this study. Section 5 and 6

provide the recommendations and limitations of this study. Lastly, Section 7 concludes the findings of this study.

### **Objective of the Study**

The specific objectives of this study include:

1. To investigate the relationship between parent's financial knowledge and their perception towards the importance of children's financial education.
2. To investigate the relationship between parent's ability in financial planning and their perception towards the importance of children's financial education.

### **Research Design and Methodology**

#### ***Questionnaire Design***

The questionnaire of this study was created by using Google form, and consisted of three major sections. *Section A* collected the respondent's demographic information, which included the number of child in their family. *Section B* mainly collected the information related to respondent's financial knowledge and financial planning. Lastly, *Section C* collected the respondent's perception towards the importance of financial education through five different statements. Five points Likert-scale also has been used reflect how strongly respondents agree to these statements. This study applied the purposive sampling in identifying the appropriate sample. Only the parents who stayed in the same household were invited to answer the questionnaire. In order to reduce the physical contact, the link of the questionnaire was distributed through the social media platform, Facebook and WhatsApp. The questionnaire was also anonymous, and no respondents were forced to participant in this survey.

#### ***Statistical Analysis***

The survey was conducted between 9 June 2020 and 30 April 2021. As a result, 503 complete feedbacks have been collected. Firstly, a summary of the respondents' demographic information is provided. Secondly, respondents' financial knowledge and ability for financial planning are tested. Thirdly, the respondent's perception on the importance of financial education for the children are determined. In order to investigate the factors that affect respondent's perception on the importance of financial education, the Partial Least Square Structural Equation Modelling (PLS-SEM) was used. There were two hypotheses tested in this study. *Hypothesis 1*: Parent's financial knowledge positively associated with their perception on the importance of financial education. *Hypothesis 2*: Parent's ability in financial planning positively associated with their perception on the importance of financial education. In addition, this study only considered the significant p value of less than 0.05.

**Results****Respondents demographic information****Table 1** Demographic Information

		Frequency	Percentage
Gender	Male	269	53.48%
	Female	234	46.52%
Age	31 to 40	125	24.85%
	41 to 50	266	52.88%
	51 to 60	94	18.69%
	61 to 70	18	3.58%
Education level	SPM or equivalent	13	2.58%
	STPM/Diploma/or equivalent	398	79.12%
	Degree	88	17.50%
	Postgraduate	4	0.80%
Occupation	White Collar	452	89.86%
	Blue Collar	41	8.15%
	Self-Employed	2	0.40%
	Retirees	8	1.59%
Income	RM 2,001 to RM 3,000	110	21.87%
	RM 3,001 to RM 4,000	173	34.39%
	RM 4,001 to RM 5,000	157	31.21%
	RM 5,001 to RM 6,000	61	12.13%
	More than RM 6,000	2	0.40%
Number of Child	1	166	33.00%
	2	149	29.62%
	3	110	21.87%
	4	49	9.74%
	5	29	5.77%

This study successfully collected feedbacks from 503 respondents. The respondents of this study is limited to parents who had children. Table 1 summarizes the demographic information for the respondents. More than half of the respondents were male (53.48%) and the remaining were female (46.52%). The age for more than half of the respondents aged between 41 to 50 years old (52.88%), followed by the age 31 to 40 years (24.85%). More than three quarters of respondents (79.12%) had the qualification of Diploma or equivalent. Majority of them (89.86%) worked as white collar employees. There were 34.39% of the respondents earned the monthly salary between RM 3,001 and RM 4,000, followed by 31.21% of them earned the salary of RM 4,001 to RM 5,000. As illustrated in Table 1, 33% of them had only one children. 29.62% of them had 2 children, whereas 21.87% of them had 3 children.

**Table 2** Financial Knowledge of Respondents

		Average Score (Financial Knowledge)
Gender	Male	9.07
	Female	9.10
Age	31 to 40	9.12
	41 to 50	9.09
	51 to 60	9.03
	61 to 70	8.89
Education level	SPM or equivalent	8.08
	STPM/Diploma/or equivalent	9.11
	Degree	9.13
	Postgraduate	8.75
Occupation	White Collar	9.11
	Blue Collar	8.85
	Self-Employed	9.50
	Retirees	8.50
Income	RM 2,001 to RM 3,000	9.09
	RM 3,001 to RM 4,000	9.14
	RM 4,001 to RM 5,000	9.09
	RM 5,001 to RM 6,000	8.87
	More than RM 6,000	9.00

This study tested the respondent's financial knowledge by using ten simple questions. One score was given for each correct answer. Table 2 shows that average score for the financial knowledge of the respondents. The results were further break down according to the demographic information. The financial knowledge of female respondents was higher than male respondents. At the same time, this study also revealed that the financial knowledge decrease with the age of respondents. The age group between 31 and 40 years old scored the highest average of 9.12, while the age group of 61 years old and above scored the lowest average of 8.89. On the other hand, this study also revealed that white collar employees scored higher average score of 9.11, as compared to the blue collar employees. A mixed result obtained from the different range of monthly income. Those who earned RM 3,001 to RM 4,000 scored the highest average score of 9.14, as compared to the other categories of monthly income.



**Table 3** Results of Convergent Validity

Variable		Factor Loading	$\alpha$	CR	AVE
Financial Planning	FP 1	0.9313	0.9698	0.9689	0.8864
	FP 2	0.8955			
	FP 3	0.9648			
	FP 4	0.9723			
Financial Education	FE 1	0.8649	0.9394	0.9349	0.7821
	FE 2	0.9163			
	FE 3	0.8904			
	FE 4	0.8649			

The factor loadings for all the items ranged between 0.8649 and 0.9723. It also exceeded the threshold level of 0.5 suggested by Hair et al. (2009). This result indicated that the measurement items were sufficient to represent the factor. The Cronbach's alpha for all factors were above the level of 0.9, higher than the threshold level of 0.7. In addition, the composite reliability (CR) exceeded the threshold value of 0.5. The results of Cronbach's alpha and CR also indicated that all items were internally consistent and reliable. Average variance extracted (AVE) presented in Table 3 also exceeding the threshold level of 0.7 suggested by Hair et al. (2009). All the results in Table 3 also verified the convergent validity of the constructs.

**Table 4** Correlation Analysis and Discriminant Validity

	Financial Knowledge	Financial Planning	Financial Education
Financial Knowledge	-		
Financial Planning	0.2863	-	
Financial Education	0.4563	0.4566	-

As illustrated in Table 4, the financial education was positively correlated with financial knowledge and financial planning. This result suggested that parents with higher financial knowledge and greater ability in planning their financial resources tend to perceive the financial education is important for their child. The relationship between the variables shall be confirmed by using the PLS-SEM. In addition, the square root of AVE was greater than the correlation between the variables. This result also verified the discriminant validity of the constructs.

**Table 5** Results of Convergent Validity

	Coefficient	p-value	Decision
Financial Knowledge	0.3180	0.000	Supported
Financial Planning	0.3463	0.000	Supported

This study applied the partial least square structural equation modelling (PLS-SEM) to determine the potential factor that affect parent's perception on the importance of financial education

during the COVID-19 pandemic. As illustrated in Table 5, the results of PLS-SEM show that financial knowledge and financial planning posed a significant and positive impact at the 5% level of significance. This results further support the

### Discussion

This study investigates the potential factor that affect the parent's perception on the importance of financial education during COVID-19 pandemic. As illustrated in Table 1, most of the parents involved in study also worked as the employee. Undoubtedly, COVID-19 pandemic caused negative impact to the working adult or parent's income. According to the survey conducted by Department of Statistics Malaysia, majority of the employee (82.7%) only had sufficient savings to support their daily expenses for two months. After witnessed the negative impacts brought by COVID-19 pandemic, parents shall realize that financial education was crucial for their child or younger generation. Student or younger generation whom had higher financial knowledge also can make wiser financial decisions in the future. Parents should also play their role to encourage their child to learn the financial knowledge. It was worth noting that parents involved in study were well-equipped with financial knowledge and ability to manage their financial resources. Thus, the results of PLS-SEM have confirmed that parents with greater ability in financial planning, and higher level of financial knowledge shall have perceived the financial education as the important lesson for their child. It is necessary for the parents to provide moral support to their child and motivate them to gain more financial knowledge. Otherwise, students may lose interest in learning financial knowledge, particularly during the online learning environment.

### Opinion and Recommendation

Due to the preventive measure, most of the Malaysian have spent more time at home together with their family members. Parent who well-equipped with financial knowledge should demonstrated to their child the proper way in handling the financial resources, especially during the COVID-19 pandemic. Besides that, parents should also guide their child in learning the financial knowledge. However, the current online learning environment may cause the students to suffer from unnecessary stress and anxiety (Chaturverdi et al., 2021). Students may feel bored when they have to deal with the specific terms, such as *simple interest*, *compounding interest* and *future value* during the learning of financial knowledge. Parents and teachers should also collaborate in an effective way to provide the moral support to the students.

### Limitation and Further Research

There are few limitations in this study. First, the samples were collected purposively from the parents. The findings might not generalize to other context. Second, interaction with parents. The printed questionnaire should be disseminated to the parents, and this allow the expression of the parents to be recorded. However, it was difficulty to approach the parents due to the preventive measure under COVID-19 pandemic. Meanwhile, the sincerity of the parents in answering the questionnaire was another issue to be considered. Further study should be conducted with larger sample. More variables or factors should also be embedded in future study.



## Conclusion

The COVID-19 pandemic has caused significant impact to the economy system and personal income. Some Malaysian also suffered from job loss and pay cut during this critical period. Indirectly, these may change the Malaysian's point of view towards the financial education. The findings of this study indicated that financial knowledge and financial planning positively associated with perception on the importance of financial education. Thus, parents with better financial knowledge and greater ability in financial planning perceived financial education was important for their child, especially after the outbreak of COVID-19 virus.

Generally, previous study only emphasized on the importance of financial education and the proper method to deliver financial education to the children. However, parent's perception toward the importance of financial education has received little attention. Thus, major contribution of this study is the identification of potential factors that influence parent's perception towards the importance of financial education during COVID-19 pandemic. The findings of this study contribute to the existing literature by confirming the positive relationship between parent's financial knowledge and ability in financial planning with their perception towards the importance of financial education. More virtual campaign or seminar can be conducted during the COVID-19 pandemic to enhance the parent's financial knowledge and ability in financial planning. This kind of activity may also enhance the parent's awareness about the importance of financial education for their children.

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