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Modelling A Holistic Financial Acumen Towards A Sustainable Economic Well Being Society: A Preliminary Study on Selected Non-Governmental Organizations (NGO) Rulers in Malaysia

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Abstract

Recent surveys conducted by the Organisation for Economic Co-operation and Development and Bank Negara Malaysia indicate that Malaysians have low financial knowledge and attitude when it comes to personal financial management (National Strategy for Financial Literacy, 2019-2023). Failure to embrace the culture of proper financial management is a major obstacle community development, particularly due to inadequate levels of financial literacy in the handling of financial matters. The outcome has been that of social and economic instability in the country. Given this environment, in-depth knowledge of financial management is a must today's economic growth. Enhancing community through competitive and sustainable economy is listed as first thrust area of rural development in Malaysia. The government is seriously concern on this issue in the rural planning towards achieving sustainable village communities. The Rural Development Policy (DPLB) 2030, was formulated to create a prosperous rural community in many aspects of life. The efforts began, giving emphasis on the planning and management of the community economic activities and development program. It is therefore important to understand how concept of financial acumen facilitate the Non-governmental organizations (NGO) rulers to empower a sustainable, competitive and prosperous communities. A Holistic Financial Acumen Model is highly referred in understanding financial responsibility, yet the inclusion of awareness, knowledge, skill, attitude and behaviour relatively none. Exploratory sequential mixed method research design will be employed, which combined qualitative (interviews) and quantitative (questionnaires) to develop a Holistic Financial Acumen Model, that is expected to serve as a tool for efficient and effective financial planning for the long term economic well being of the communities. Strong financial acumen underpins sustainable decision making, which has a significant impact towards supporting Malaysia to become a developed country by 2025 and high income nation

Keywords: Sustainable Society, Economic Well Being, Financial Acumen, Financial Management, Rural Development Policy

Research Background

Problem Statement

"The assimilation of financial literacy elements in lifestyle and day-to-day affairs is now becoming increasingly important in the era of the Covid-19 pandemic", according to Malaysia Deputy Finance Minister II (Bernama, 2020). However, according to Malaysian Financial Literacy Survey 2020, the Covid-19 pandemic has brought a whole new set of circumstances that make many Malaysians struggle to manage their money, making them highly vulnerable to the impact of a financial shock (Malaysia's Financial Literacy Month, 2020). Individuals tend to bear more risks and responsibility for their own financial decisions. This is a problem not just for the individuals concerned but for society as a whole (Malaysia's Financial Literacy Month, 2020).

Improving financial literacy across all segments of society requires a systematic, sustained and coordinated approach that focuses on engendering long-term behavioural change (Engels et al., 2020; Boisclair et al., 2017). The National Strategy for Financial Literacy 2019-2023 (National Strategy) identifies the key priorities for achieving this, and serves to align and harness synergies across initiatives with the ultimate goal of elevating the financial well-being of all Malaysians. Mastering basic financial principles and understanding the potential trade-offs between risks and returns are essential life skills that need to be emphasised (Artavanis & Kara, 2020)

In line with the National Strategy for Financial Literacy 2019 – 2023, one of the important objective of Malaysia's Strategic Priorities and Action Plans, is to inform, educate and support Malaysians in practicing sound financial management, focus efforts on vulnerable segments of the society. This includes fostering good money management practices through community-based financial education and inculcate positive behaviour towards financial resilience.

To do so successfully, however, requires a strong financial acumen for effective implementation of policies and achievement of intended outcomes (Boisclair et al., 2017). When a leader is not trained in financial acuity, poor financial decisions are made, leaves the door open for large potential reduction in the economic growth. Therefore, in order to promote economic growth for community development, especially in the era of Covid-19 global pandemic, we proposed financial acumen model as one of the alternatives to enhance financial knowledge and planning among NGO rulers.

Financial acumen have become one of the significant element in the twenty-first century. It can be defined as "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve financial well being" (OECD INFE 2011, p. 3). A number of policy makers and economists stated that financial acumen is essential in ensuring financial comfort (Meier & Sprenger, 2013). Can individuals effectively manage their financial well being without proper guidance? Policy makers concluded that financial acumen is a necessity solution to make good financial decisions in the global monetary crisis period (Fernandes et al., 2014; Jay, 2017).

However, financial acumen is not widely practiced by community leaders for economic performance in Malaysia (Rashid et al., 2019), even though financial acumen become one of

the critical element influencing an individual or a leader's ability to manage finances effectively (Ali et al., 2014; Rashid et al., 2019). Strong financial acumen will enable the leader to manage available financial resources efficiently and effectively in a way that will increase the ability of the government to provide more services to the community (Jay, 2017). It is the Government's hope to see Malaysians live well and contribute productively to the building of a resilient and an inclusive economy.

Research Questions

- (i) Why a Holistic Financial Acumen Model is important for NGO rulers?
- (ii) How's the Holistic Financial Acumen Model can be developed?

Objective (s) of the Research

- (i) To propose a Holistic Financial Acumen Model for NGO rulers as to elevate their financial literacy and to promote responsible behaviour and rational attitudes
- (ii) To develop a Holistic Financial Acumen Model that can lead towards a sustainable economic well being society.

Literature Reviews

NGOs Towards Sustainable Economic Well Being Society

Village areas and its communities are important aspects of a country's political and economic stability. In countries with emerging and developing economies such as Malaysia, rural populations constitute the majority of citizens (Rashid et al., 2019). The government agencies such as the Ministry of Rural and Regional Development have allocated more resources to finance projects in the villages, particularly those economic activities (Ministry of Rural Development, 2019). The government efforts to development planning at a village level encourage and empower village people to plan and implement development projects according to their needs and aspirations. Governments worldwide are beginning to recognize the challenge of sustainability, and this term is being addressed in public policy discussions. Any one government cannot work in this area alone; it is imperative to work with other governments in order to address the issue in a global context. According to a GlobeScan poll of experts, the leading role in achieving sustainability will be played by business (35%), followed by NGOs (30%), and governments (24%) (Bell, 2002). Therefore, government had formed the NGOs for community development. NGOs are becoming the medium for the community to voice out or be the one who lend their hand to help the community around them. NGOs play an important role to help the people in the community to have a better health in the future. Therefore, according to Rashid (2019), any community development rulers must be committed, dedicated, knowledgeable, skilful and optimistic to continuously to develop the community, thereby supporting poverty reduction and economic growth. It is therefore critical, and there is great value to be gained, by coordinating community development initiatives that contribute to sustainable economic well being.

Meaning of Financial Acumen

Acumen refers to the ability to think quickly, use good judgment and understand concepts, often in a particular area. Financial acumen refers to your ability to see the financial effects and relationships of various aspects of your business (Artavanis & Sara, 2020). Understanding what financial acumen is and why it's important to a small business helps you develop the

skills necessary to increase profits by managing the financial aspects of your business a person with financial acumen is able to evaluate the impact of a business decision on the business' financial statements, and financial wellbeing in the long term (Engels et al., 2020).

Financial acumen is essential to ensure the sustainable development of individuals and society. According to Bryant (2013), economic growth and sustainability are rooted in the financial acumen of individuals, as well as the importance of financial acumen in leaders' success and then in the sustainable development of society (Rahmandoust et al., 2011).

Financial acumen is a broad concept, which can be defined as an ability to use knowledge and skills to manage financial resources effectively (Artavanis & Kara, 2020; Hastings et al., 2012). The Organization for Economic Co-operation Development International Network on Financial Education (OECD/INFE), defined financial acumen as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD/INFE, 2011; OECD, 2013).

According to Boisclair et al (2017), the dimension of financial acumen is a particular kind of human capital that affect the ability to effectively manage revenue, expenses, and savings. Meanwhile, Orton (2007), defined financial acumen can be divided into three dimensions; (i) financial knowledge and understanding, (ii) financial skills and competence, and (iii) financial responsibility. Diverse studies on financial acumen have defined this concept differently and studied it using different methods and frameworks.

Holistic Financial Acumen Model And NGO Rulers In Financial Management

Financial acumen is able to help in terms of complexity and positive effect towards economic capability (Artavanis & Kara, 2020; Taft et al, 2013). According to Huston (2010), financial acumen has an additional application dimension which implies that an individual must have the ability and confidence to use his or her financial knowledge to make sound financial decisions (Ali et al., 2014). Financial acumen is a significant element in understanding finances and rational financial decision making. It influences the quality of financial life and the proper rational decision making (Huston, 2010; Delavende et al., 2008).

Notable, individuals with high financial acumen demonstrate the highest tendency to engage themselves in financial planning (Tan et al., 2011). Therefore, enhancing financial acumen in financial management is vital importance to improve community economic well-being through better financial decision making among NGO rulers. Having enough financial knowledge and abilities resulted in appropriate and informed decisions (Hilgert et al, 2003), which are important not only for individuals but also on community management level. As such, Increased reliance on NGO rulers ' financial acumen in financial planning, can free up resources so that the Ministry of Rural Development (KPLB) can facilitate more financial grants in achieving sustainable economic development

Methodology

Description of Methodology

This study focuses on selected NGO Rulers in Melaka state, one of the fourteen states of Malaysia, located in the southern region of the Peninsula Malaysia (2°12'N 102°15'E) with a total area of 1,664 square kilometres. The rationalization of choosing Melaka state as a

sample location in this research is because The Rural Development Ministry approved a RM1.5 million grant for community economic well being in Melaka (Ministry of Rural Development, 2019), to enable NGO-community programmes at the grassroots level to be carried out in their respective areas, includes economic empowerment programmes for residents such as courses and skills workshops. Exploratory sequential mixed method research design, which combined qualitative (interviews) and quantitative (questionnaires) data will be employed in this research.

First Phase

Literature search based on academic publications as well as other relevant reports will be conducted to gather information about the Sustainable Community Development, Village Action Plan, Rural Development Policy and NGO organizations, in order to identify the propose model of financial acumen in producing progressive community. Currently, there is no specific benchmark model for financial acumen to enhance financial literacy among NGO rulers.

Second Phase

The data collection process then proceed with a focused group interviews on selected NGO rulers which includes leaders and senior representatives in Melaka state, to discuss on related issues. Data analysis in qualitative research focusing on the process of systematically searching and arranging the interview transcripts. The interview sessions is essential to get in-depth understanding on issues related to financial knowledge and skills among participants. The interview process will be recorded and transcribed by using thematic analysis, where to know exactly what is current practice versus what is supposed to be. Similar items from the interview results will be used as a construct item in formulating a Holistic Financial Acumen Model and the preparation of preliminary questionnaire, as to collect data and information about (i) financial knowledge and understanding, (ii) financial skills and competence, and (iii) financial responsibility

For sampling, researchers will choose probability sampling techniques which is stratified random sampling. It will starts off by dividing a population into groups with similar attributes. Then a random sample is taken from each group. The group includes leaders and senior representatives in Melaka state.

Next, the research activities were on data analysis. The input data will be analyzing using SEM AMOS. The information gathered can be used to identify the suitable model of financial acumen which is important for sustainable economic well-being society in Malaysia. Next, discussions and implications of the results will be presented and a suggestion for improvement will also be discussed. Finally, this study provided conclusion and recommendations for financial acumen model based on research finding.

Relevance to Government Policy, if any

Rural Development Policy (DPLB) 2030 that was launched on June 27, 2019 by Prime Minister Tun Dr Mahathir Mohamad, provides a comprehensive roadmap and overall development strategy in line with the United Nations Sustainable Development Goals. The DPLB formulation was made in accordance with current policies including the National Rural Physical Planning Policy 2030, the 11th Malaysia Plan Mid-Term Review (11MP), the Rural

Development Hope Plan 2018-2023 and the Sustainable Development Goals. The implementation of the DPLB 2030 must be driven by the people in the rural areas, especially in aspects involving economic growth. Therefore, the research proposes a Holistic Financial Acumen Model that will benefit the village communities. The application of proposed model in the financial planning of the NGO rulers would be able to enhance the financial management among NGO rulers, thus create a sustainable, competitive and prosperous society. Therefore, proposed model definitely will help the government to achieve the development proposals of the society in the form of projects, programmes and economic activities.

Theoretical and Practical Contributions

This paper will contribute several theoretical and practical contributions in the fields of financial well being among NGO rulers. Firstly, our findings will propose the concept of financial acumen to enhance the financial literacy, particularly among NGO rulers as well as to lead towards sustainable community economic well being in Malaysia. This is in line with the Rural Development Policy (DPLB) 2030 and National Strategy for Financial Literacy 2019 – 2023, to promote economic activities for the happiness and well being of society. As such, the proposed model will facilitate NGO rulers in financial planning and delivery of actions to improve society economic growth. Secondly, this paper means to develop a Holistic Financial Acumen Model that suits the NGO rulers with respect to good financial management in Malaysia. This is very essential to enhance the financial literacy, particularly among NGO rulers in order to create a sustainable, competitive and prosperous community. Finally, the paper will give emphasis on the NGO rulers in Malaysia to design a financial structure for well-being of society, particularly those economic activities that potentially be highly beneficial to a range of households. Fundamentally, this paper is a key to empowering NGO rulers with the right knowledge and skills to confidently make responsible financial decisions at every stage of their life with the aim to improve financial literacy across all segments of society

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