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Financial Well Being for a Sustainable Society: An Integrative Approach to Behavioural Economics

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Abstract

Corruption in public finance erodes the public trust and confidence in the public sector. The macroeconomic costs of corruption in this sector are enormous. Failure to embrace the culture of proper management of public finance is a major obstacle for community development, particularly due to inadequate levels of accountability and transparency in the handling of public finance. 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 for leaders and policymakers in 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 community rulers in the planning and management of the village economic activities and development program. It is therefore important to understand how concept of financial acumen facilitate the community rulers to create 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 Community, Economic Well Being, Financial Acumen, Public Financial Management System, Rural Development Policy

Research Background

Problem Statement

The Ministry of Rural Development (KPLB) has developed and launched the Rural Development Policy (DPLB) 2030 with 10 thrust objectives, 33 policy statements and 88 strategies that will benefit 7.8 million rural residents, including 96,752 persons have been

appointed as Village Community Rulers. The government is working very hard to effectively improve the management of the villages by establishing these extra numbers of community rulers. As such, they are considered as an agent of development at the grassroots level and acts as a liaison between the village community and government agencies.

In line with this approach, grants worth RM10,000 would be distributed to states government, with an annual overall allocation not exceeding RM100 million, and would benefit 10,000 out of 16,481 villages nationwide, (KPLB, 2019). The grants are for programmes that generate income and promote economic activities in villages as well as the happiness and well-being of villages. This participatory approach to development planning at a village level seems to provide a new tool to encourage and empower community rulers in the planning and management of the village economic activities and projects at the grassroots level to be carried out towards achieving sustainable community economic well being.

To do so successfully, however, requires a strong public financial management system for effective implementation of policies and achievement of intended outcomes. When a leader is not trained in financial acuity, poor financial decisions are made, thus leaves the door open for large potential reduction in the economic growth. Therefore, in order to promote economic growth in villages, we proposed financial acumen model as one of the alternatives to enhance financial knowledge and planning among community 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 wellbeing” (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, Lynch & Netemeyer, 2014; Jay, 2017).

However, financial acumen is not widely practiced by community rulers for village 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).

Nevertheless, a paucity of financial acumen knowledge has been documented despite government sector efforts (Jay, 2017). Due to this, a holistic financial acumen model is expected to be one of a solution to strategize and implement development transformation plan for the village as there is no specific model on how financial acumen can lead towards sustainable community economic well being.

Research Questions

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

Objective (s) of the Research

- (i) To propose the concept of financial acumen that can enhance public financial management system among community rulers
- (ii) To develop a Holistic Financial Acumen Model that can lead towards sustainable community economic well being

Literature Reviews**Sustainable Community Economic Well Being**

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. Therefore, government had formed the Community Rulers under the rural development program.

Community Rulers appointed by the State Government consisted of Chairman, Secretary and committee leaders who work voluntarily for the village development. The appointment and exchange of Community Rulers would remain under the jurisdiction of state governments, while management procedures and policies would be monitored by the ministry. Community Rulers as an agent of development at the grassroots level, acts as a liaison between the village community and government agencies. Community Rulers main functions (Ministry of Rural Development, 2018); (1) to strategize and implement development transformation plan for the village with the involvement of the local community, (2) to implement a comprehensive human capital transformation to produce a united and progressive community as well as to support government's policies. The community rulers must be committed, dedicated, knowledgeable, skilful and optimistic to continuously to develop the village, thereby supporting poverty reduction and economic growth (Nghah et al., 2010; Rashid et al., 2019). It is therefore critical, and there is great value to be gained, by coordinating community development initiatives that contribute to sustainable economic well being.

Definition and Characteristics of Financial Acumen

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 (Hastings, Madrian & Skimmyhorn, 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 Delavende, Rohwedder & Willis (2008), 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 Community Rulers in Public Finance

Financial acumen is able to help in terms of complexity and positive effect towards economic capability (Taft, Hosein & Mehrizi, 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, Rahman & Bakar, 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).

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

Methodology

Description of Methodology

This study focuses on selected Community 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 to the 316 Community Management Councils for the first phase of its distribution in Melaka (Ministry of Rural Development, 2019; Darwish et al., 2020), to enable 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 Community Management Councils, 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 public financial management system among community rulers.

Second Phase

The data collection process then proceed with a focused group interviews on selected community rulers which includes Member of Parliaments, MPKK leaders and Community Representatives in Melaka state, to discuss on related issues. Data analysis in qualitative research focussing 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 acumen knowledge 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

Third Phase

This research will focus on narrative analysis. This method is used to analyze content from various sources, such as interviews of respondents, observations from the field, or surveys. This phase involves focus group discussions with those experts in Financial Acumen Model. The reason of having focus group discussions is because those experts which are from the background of academicians and practitioners are considered as the right person to explore and identify the concept of financial acumen and how the concept can improve the public financial management systems. The analysis will be using the Atlas.ti. The information gathered can be used to identify the suitable model of financial acumen which is important for sustainable community economic well being in Malaysia.

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 benefits the village communities. The application of proposed model in the financial planning of the community rulers would able to enhance the public financial management system among community rulers, thus create a sustainable, competitive and prosperous village. Therefore, proposed model definitely will help the government to achieve the development proposals of the village in the form of projects, programmes and economic activities.

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Theoretical and Practical Contributions

This paper will contribute several theoretical and practical contributions in the fields of financial well being for a sustainable society. Firstly, our findings will propose the concept of financial acumen to enhance public financial management system among community rulers. This is will be an interesting and counter-intuitive finding, as the paper will further explore the dimension of financial acumen which is a particular kind of human capital that affect the ability to use awareness, knowledge, skill, attitude and behaviour to manage financial resources effectively and ultimately achieve financial wellbeing

Secondly, this paper means to develop a Holistic Financial Acumen Model that can lead towards sustainable community economic well being. Our findings will reveal the suitable model of financial acumen that will benefit the village communities because it is an 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. The finding would be able to enhance the public financial management system among community rulers, thus create a sustainable, competitive and prosperous village.

Finally, the paper will give emphasis on the community rulers in the planning and management of the village economic activities and development program. It is therefore, this paper will reveal the outcomes from the financial acumen model that will benefit the community rulers to be knowledgeable, skilful and optimistic to develop the economic growth of the village as well as to increase the efficiency of economy outcome.

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