ARE OUR CHILDREN FINANCIALLY ILLITERATE? THE CASE IN KEDAH

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ABSTRACT

The main objective of this paper is to identify the level of children financial literacy in Kedah and analyze the significant factors that influenced their level of financial literacy. This study surveyed 320 primary school students in Kedah, aged from 7 to 12 years old using mixed method. Results shows that children in Kedah is financially literate. Besides that, there are significant different in children financial literacy according to their parent education level, parental income, student class group and school location. Based on regression results, showed that saving behavior, spending behavior, peer role, school involvement, parent role, and technology are significantly influence children financial literacy.

Keywords: Financial Literacy; Bankruptcy; Saving and Spending Behavior; Financial Socialization Agents

RESEARCH HIGHLIGHTS

Results shows that children in Kedah is financially literate. Besides that, there are significant different in children financial literacy according to their parent education level, parental income, student class group and school location. Based on regression results, showed that saving behavior, spending behavior, peer role, school involvement, parent role, and technology are significantly influence children financial literacy. This result was in line with family financial socialization agent theory and consumer socialization theory. Which showed that financial behavior (savings and spending) and financial socialization agent gave the greatest contributions towards children financial literacy in Kedah. However, peer role although it is significant, yet it has negative influence towards children financial literacy.

Research Objectives

This paper measures the level of financial literacy among children in Kedah and the factors that influence children financial literacy in Kedah.

This paper also examines the significant differences in children financial literacy according to children and parental characteristics.

Methodology

This study surveyed 320 primary school students in Kedah, aged from 7 to 12 years old using mixed method. The determinants of financial literacy consist of two variables which are financial behavior and financial socialization agent. In this study, financial behavior of the children was measured through saving and spending behavior, whilst financial socialization agents were measured through parents, peer, school involvement and technology/media. The questionnaires are divided into two main parts with 46 multiple choice questions were asked to the primary school pupils and 9 multiple choice questions were asked to their parents. The questionnaires were developed through adaptation of previous studies, Incharge Debt Solution (a non-profit credit counseling organization) and The Organisation for Economic Co-operation and Development (OECD) Research design
utilized in this study are Independent Sample T-Test, One Way ANOVA and Multiple Regression analysis

**Findings / Results**

Results of this study shows that children in Kedah is financially literate with scored more than 80 per cent (Chen et al., 1996). In addition, results also showed, there was significant difference in children financial literacy according to their class group and school location. Results found that children from 10 to 12 years old is more financially literate compare to children aged from 7 to 9 years old. It shows that as the age of the children increase their awareness and financial literacy is positively increased. Furthermore, children in rural area were found more financially literate compared to children in urban area. Results also found there is no significant different between male and female. Parents character also play great role in influencing their children’s financial literacy. Different education and income level can cause different financial literacy to the children.

Result from this study showed that spending behavior, saving behavior, parent role, peer role, school involvement and technology were found as determinant factors toward children financial literacy in Kedah. This result is in line with Alekam et al. (2018), Sorooshian and Teck (2014), Hilgert et al. (2003) and Lyons et al. (2006). This result was in line with family financial socialization agent theory and consumer socialization theory. Which showed that financial behavior (savings and spending) and financial socialization agent gave the greatest contributions towards children financial literacy in Kedah. As suggested by Ermisch and Francesconi (2001), there was strong evidence that employed parent have less time to interact with their children that will affects their children learning processes.

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**References**


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