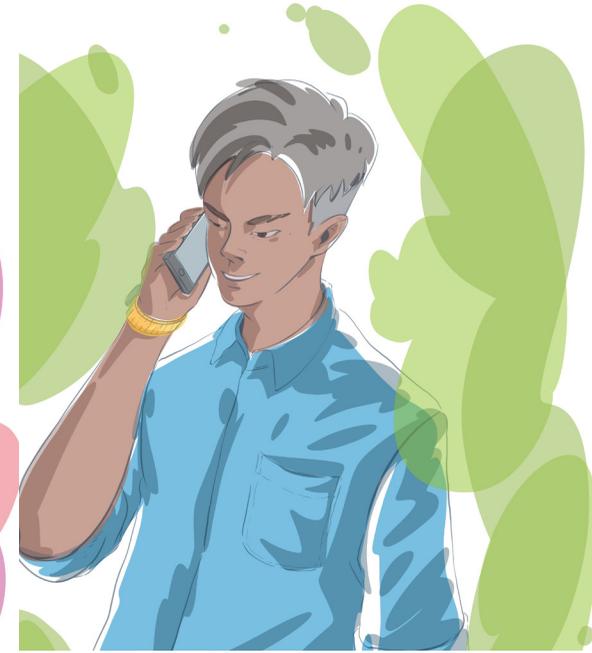
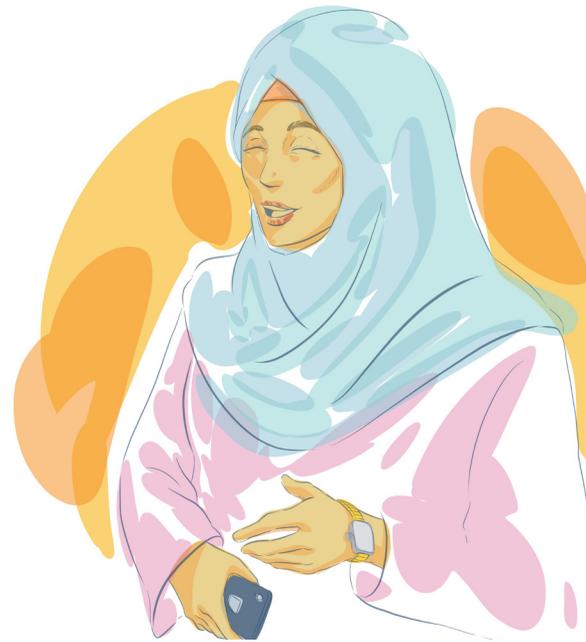


# Consumer Insights Research in Malaysia

Designing digital financial  
services for low-to-moderate-  
income groups to improve  
their financial health



Meet the customers

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“To understand the heart and mind of a person, look not at what he has already achieved, but at what he aspires to.”

Khalil Gibran, writer and artist, author of 'The Prophet'

# Purpose of this research

**The consumer insights research series is designed to inspire providers, regulators and other financial market facilitators to design financial services and markets that respond to the aspirations of low-to-moderate income (LMI) people and improve their financial health.**

Why financial health? Financial health matters because our research shows that financial pressures prevent LMI people from having a sense of fulfilment in life. While most Malaysians now have a bank account, much more can be done to make financial services relevant for the 15 million LMI customers.

We interviewed 72 women and men across ethnicities and age groups in Kota Bharu and Kota Kinabalu and Kuala Lumpur.

In 'Meet the customers', we present six customer groups that emerged from the interviews. We explored the low usage rate of financial services, especially services enabled by technology.

We hope readers will consider these customer groups when they go to the drawing board and start designing the next big digital financial product.

\*Conversion rate: US\$1 = RM X. Source: <https://treasury.un.org/operationalrates/OperationalRates.php>, 7 November 2019. Note: This rate is used throughout this publication whenever United States dollar equivalents are provided for Malaysian ringgit.

92% 

of Malaysians have at least a deposit account

52% 

of Malaysians have difficulties in raising

**RM 1,000**

(~US \$239)\*

in emergency funds

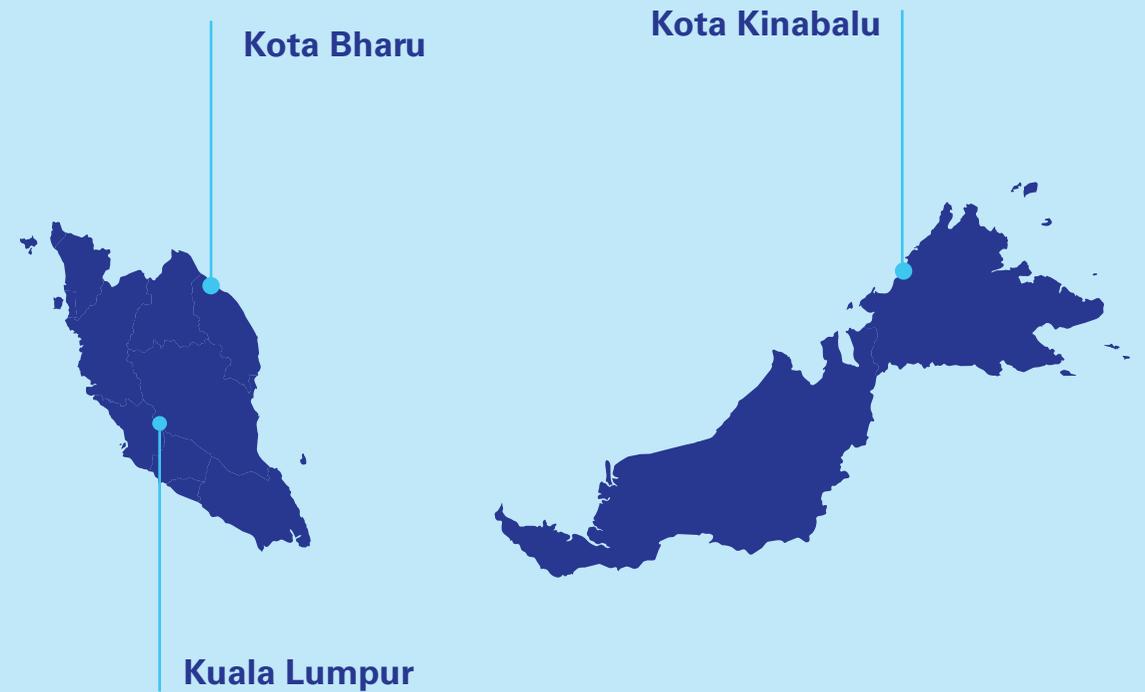
# Who we interviewed

We interviewed 72 men and women in Kota Bharu, Kota Kinabalu and Kuala Lumpur (KL).

Locations were chosen for range of residents (both rural and urban) and range in availability of digital financial services (DFS).

- **Age groups:** Younger/single (age 21–29) and older/married (age 30–45)
- **Ethnic groups:** Chinese, East Malaysian Bumiputera, Indian and Malay

- **Employment status:** Working men, working women and housewives
- **Income group:** Lower end of Middle 40% and upper end of Bottom 40%
  - **Klang Valley:** Monthly household income of RM 3,000–RM 6,000 (~US\$715–US\$596)
  - **Kelantan and Sabah:** Monthly household income of RM 2,500 (~US\$596)



# What is financial health?

A person is 'financially healthy' when he or she can do the following:

- Manage day-to-day financial needs
- Face unexpected financial challenges
- Seize opportunities for more security and mobility in life



# Who are low-to-moderate-income people in Malaysia?

The Malaysian population is divided by household income into the top 20% (T20), middle 40% (M40) and bottom 40% (B40).

We focus on B40 and the lower half of M40. This is a potential market of 15 million people.



Monthly household income  
**RM 2,000**

(~US \$478)

to

**RM 4,000**

(~US \$966)



**51%**

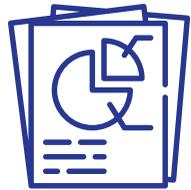
of households in Malaysia are part of LMI population group



**57%**

of working adults are part of LMI population group

# Financial health of Malaysians



10%



of Malaysians believe they are not disciplined in managing finance



20%



of Malaysians did not save in past six months



24%



of working adults can sustain living expenses for at least three months after losing main source of income, while 10% can sustain for at least six months



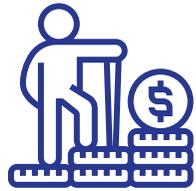
84%



who claim to save regularly do so only for the immediate term, typically withdrawing at month-end to cover daily expenses

Source: Financial Education Network, '[Malaysia National Strategy for Financial Literacy, 2019-2023](#)' (Kuala Lumpur, 2019).

# Financial health of Malaysians



41%

rely on Employees Provident Fund savings as main source of income for retirement



~50%

are not confident they will have an adequate stream of income for retirement



60%

of adults are self-employed and outside the labour force, in case of working adults, and thus are not by formal retirement or pension system



17%

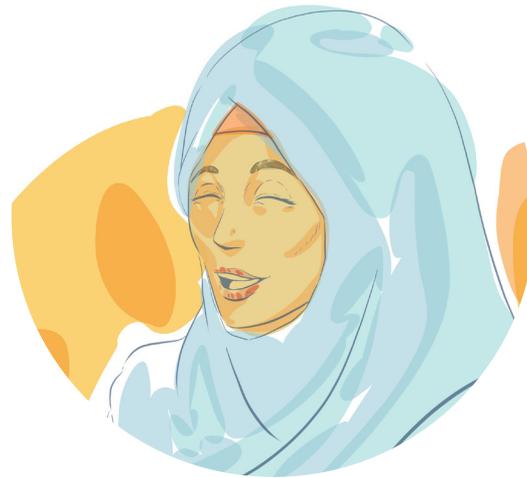
have life insurance and takaful cover (insurance system devised for Islamic finance)

# Meet the 6 customer groups

We identified six customer groups from the research interviews.

We explored what lies beneath low usage rates of financial services, especially those enabled by technology.

We hope readers will consider these customer groups when they go to the drawing board and start designing the next big digital financial product.



# Customer groups 1-3

Living with parents and getting by without too much stress, yet want so much more



**Customer group 1:  
Enjoyment and freedom-  
focused**

**Character**

Fun-loving, social, and trendy. Enjoy their independence

**Finances**

Are first-time jobholders, without large financial obligations, avoid debit and have no savings

**Tech**

Are tech-savvy. Uses mobile phones and Internet for everything



**Customer group 2:  
Laidback and restless**

**Character**

Feel stuck in routines, without plans for the future

**Finances**

Earn enough to get by but want more money, though they lack effort to change circumstances

**Tech**

Are tech-savvy, but are not trendsetters and use tech primarily for social media and online shopping



**Customer group 3:  
Focused and driven**

**Character**

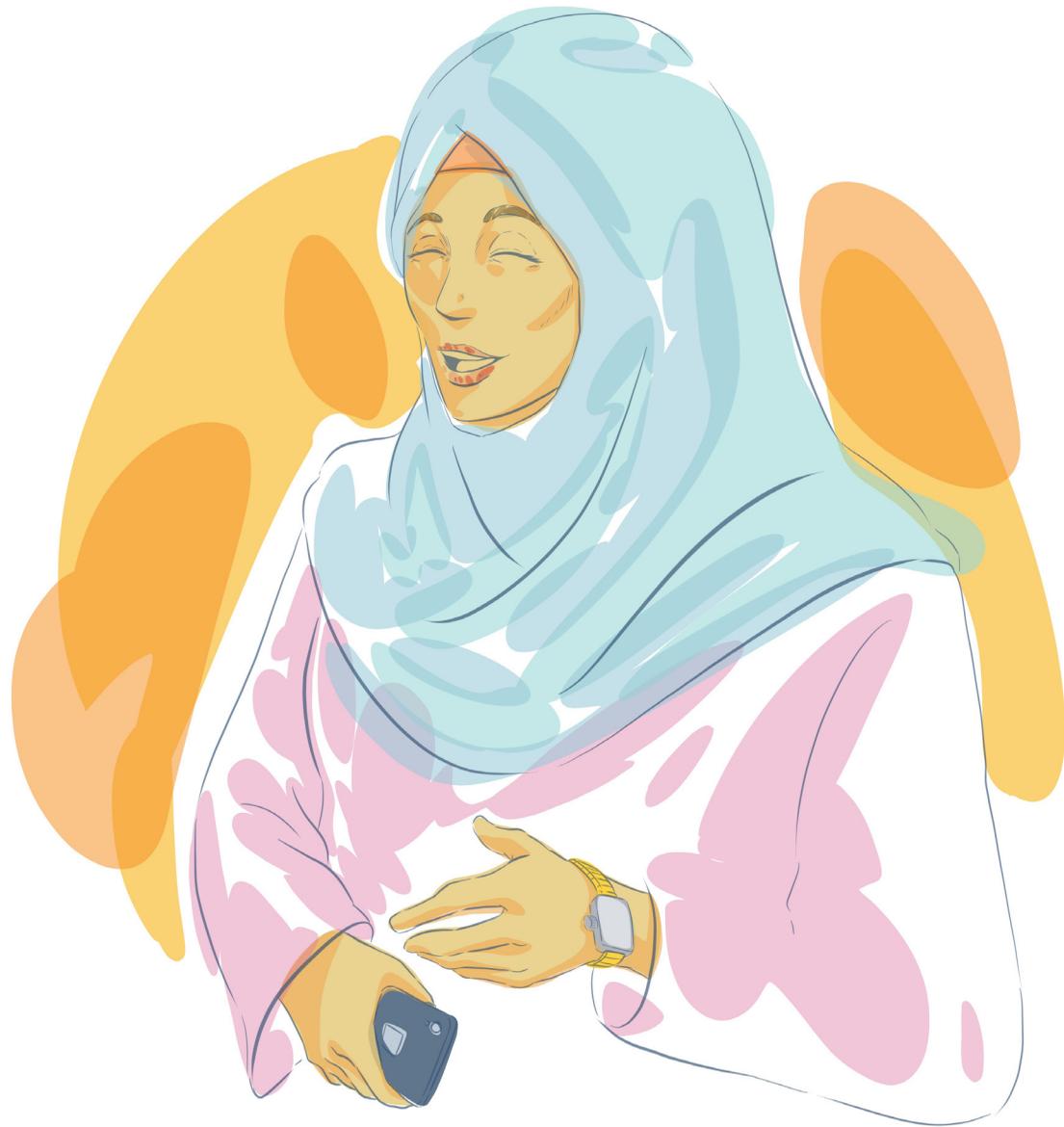
Are often KL-based young adults, with plans to achieve more in life

**Finances**

Are financially aware, have plans to save, have student loans and want to invest in higher education

**Tech**

Are tech-savvy and heavy users and adopters of digital technology



## Customer group 1: Enjoyment and freedom- focused

- Are young adults, in their early-to-mid-twenties, working in their first job and living with parents
- Are not yet responsible for large financial expenses such as house or car
- Are highly social, keep up with trends and find fitting in with peers important
- Are focused on having fun and enjoying independence that comes with own income
- Want a better job to have more money to enjoy life



**Spend**

- Do not have much money to spend. Sometimes still receive help from parents
- Consider cash easier for daily spending as they seldom make large payments



**Save**

- Make little effort to save



**Borrow**

- Prefer to avoid borrowing whenever possible. Scared of having debts



**Plan**

- Are not very concerned with saving and planning
- Do not see insurance as relevant to their lives—“I’m still young!”



Normal is like... I get what I want. I don't feel stress. Wherever I want to go, there's no obstacle.

**Younger Malay male, KB**



Happy now, because there are new songs... because I don't have a family yet. My life is not controlled, no obstacles. I can go wherever I like and do what I want to do.

**Younger Malay male, KB**



## Digital habits

- Are very tech-savvy. Use mobile technology and the Internet for social media, entertainment, gaming, video editing, online banking, etc.



## Experience with DFS

- Occasionally use online banking but for limited purposes such as bill payments
- Occasionally use debit card for larger payments
- Are mostly not using other digital financial services except some using Touch 'n Go



## How they feel about DFS

- Are content with current options and do not want hassle of learning new DFS
- Find DFS complicated and are not making a lot of money, so do not need fancy solutions
- Feel DFS has not gone viral but are open to using DFS if it becomes popular among peers



## Customer group 2: Laidback and restless

- Feel that life is a repeating routine and are unsure how to get out of it
- Earning money to fulfil needs now and currently do not plan for the future
- Want better income to live more comfortably and prepare future finances but do not make much effort yet to reach goals
- Are limited by low education levels and are unsure of how to earn additional income
- Typically are not early adopters and are skewed toward being followers



**Spend**

- Want more income to live comfortably but are not doing much about it
- Mostly use cash but occasionally debit cards—feel cash is working well, so why change?



**Save**

- Have minimal savings and feel it is too much of a struggle to save
- Do not know much about savings products and do not try to find out more



**Borrow**

- Prefer to avoid borrowing whenever possible since feel it is too much effort to pay it back



**Plan**

- Are not forward-looking and do not plan
- Do not have insurance since are young and healthy, have no dependants and feel it is too much work to pay for it



I feel like I'm quite comfortable, but I'm not at a point that I'm rich yet. I have enough to get to the end of the month, but I can't go out to enjoy every day. Yes, of course, I am interested in getting rich but I don't know how.

**Younger Malay female, KL**



My friends already know their purpose in life, but I'm not sure. They know their direction, but I do not know yet.

**Younger Chinese female, KL**



## Digital habits

- Frequently use digital technology, mostly for social media and online shopping



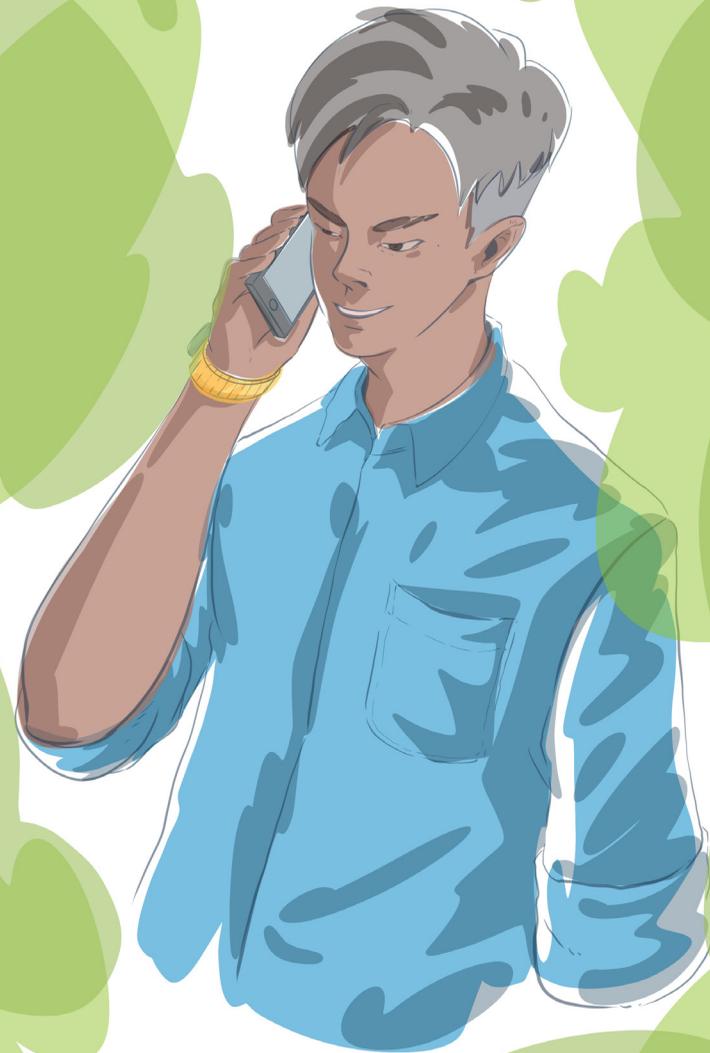
## Experience with DFS

- Many conduct simple online transfers
- Use a debit card occasionally
- Do not have experience with other DFS and have a limited drive to investigate and try them



## How they feel about DFS

- Have little motivation to adopt new methods
- Ask, “What I have now is working, so why change?”
- Lack compelling reasons to learn new approaches
- Have limited awareness of benefits of new services and lack effort to find out



## Customer group 3: Focused and driven

- Are young adults, often living in Kuala Lumpur
- Are focused and driven to keep up with changes
- Some have specific timeline to achieve goals such as marriage or starting business
- In case of young male adults, are often driven by responsibility to be main provider for future family
- In case of women, want to be financially independent from future husband
- In case of some women, plan to pursue higher education, further career, and improve competitiveness in workplace
- Desire to earn more and one day “be my own boss”

 <p><b>Spend</b></p>	<ul style="list-style-type: none"> <li>Use cash most</li> <li>Occasionally use debit cards, online banking and other DFS</li> </ul>	 <p><b>Save</b></p>	<ul style="list-style-type: none"> <li>Make an effort to save for emergencies and future, including investments in car, business, marriage, education/career</li> <li>Are more disciplined in making regular deposits</li> <li>Consider interest rate and safety main criteria for deciding where to save</li> </ul>
 <p><b>Borrow</b></p>	<ul style="list-style-type: none"> <li>Some have student loans to pay off</li> <li>Need to buy larger items such as motorbike or car and are willing to take loans</li> <li>Have plans to buy property or invest in own business, but further into future. Eligibility becomes an issue</li> </ul>	 <p><b>Plan</b></p>	<ul style="list-style-type: none"> <li>Are more financially aware</li> <li>In a few cases, have insurance for car or motorbike</li> <li>See life/health insurance more important after they have family</li> </ul>

//

I want and need to achieve more, and I'm doing something about it.

//

I'm not thinking about a girlfriend. I want to further my studies. I want a degree in accounting. I want to study locally. Relationship and all that can come later.

**Younger Indian male, KL**



## Digital habits

- Are very tech-savvy and heavy users of digital technology
- Adopt technology that they see others using



## Experience with DFS

- Have deep familiarity with DFS overall
- In some cases, use popular DFS such as Boost, GrabPay, Touch 'n Go



## How they feel about DFS

- Use some DFS, but typically have not had time and opportunity to explore other DFS
- Would prefer fewer DFS, but with optimized usage and rewards

# In their twenties and single

## How DFS providers can reach them

- Capitalize on trends
- Design micro-savings and insurance products around activities associated with joy and freedom, such as travelling abroad
- Integrate entertainment and gaming into financial management tools
- Offer advice on life coaching in addition to financial management. Financial planners say life-coaching skills can deepen customer relationships and generate referrals
- Provide financing products that help reduce debt burdens, for example by connecting employees with student loan repayment assistance
- Remember that multifunction DFS is important, as they want simplicity

# Customer groups 4–6

Feeling pressured, but pushing forward and focusing on things for which to be grateful



**Customer group 4:  
Struggling and stuck**

**Character**

Feel inadequate and excluded because of financial struggles

**Finances**

Are urban poor, trying to make ends meet, but are unable to save

**Tech**

Use digital technology but are not very tech-savvy. Do not use DFS



**Customer group 5:  
Grateful and grounded traditionalist**

**Character**

Are traditional and religious and have gendered roles in family and society

**Finances**

Are financially secure. Capable of saving and planning for the future as well as paying off loans on assets

**Tech**

Lack DFS and tech knowledge, use tech for information and news, and frequently face connectivity issues



**Customer group 6:  
Striver**

**Character**

Are hard-working, aspirational, disciplined and organized, while able to manage multiple roles

**Finances**

Earn enough, though are eager to earn more, have some savings, investments and loans, and plan for future expenses

**Tech**

Are tech-savvy, run online businesses and are familiar with online banking



## Customer group 4: Struggling and stuck

- Are older adults, mostly urban low-income
- Face struggles mainly from financial limitations (even with two household incomes, it is not enough) and cannot get past day-to-day mindset
- Some express unhappiness due to financial struggles and inability to escape situation
- Feel socially stuck, cannot keep up with those around them and have perception of being judged by economic status
- In case of women, find the pressure to maintain good relationship with extended family a challenge
- In case of some women, feel need to “keep their heads up” in society



**Spend**

- Are trying to make ends meet
- Are happy with using cash and debit card



**Borrow**

- In most cases, have loans, such as for car and home
- Are open to loans but find repayment burdensome
- Are not eligible to get a loan from bank due to limited income



**Save**

- Want to save but cannot manage to save
- If saving, make irregular deposits and have high chance of withdrawal
- Save in case need cash for emergency



**Plan**

- Have a day-to-day mindset and do not plan
- Feel health and life insurance is important but cannot afford it, consider terms inflexible and find process complex
- In case of men who are sole breadwinners, claim “I cannot afford to get sick”



If you don't have money, people look down upon you—may be your relatives or sometimes your siblings. If you have money, they will look up to you more.

**Older Indian female, KL**



[It is] not that we don't want to think about health, it's that we don't have the ability (luxury) to think about it. Go hiking every Monday? We don't have enough time. We have to work to make money.

**Older Chinese male, KL**



## Digital habits

- Use digital technology but are not very savvy
- Mainly online shop and use social media and WhatsApp
- In many cases, are happy to pay in cash at convenience stores for online purchases



## Experience with DFS

- Mostly use cash or debit cards
- Do not use other DFS



## How they feel about DFS

- Are happy with cash and debit cards and do not see DFS as relevant
- Have perception that they need additional funds to put into an e-wallet, which they do not have



## Customer group 5: Grateful and grounded traditionalist

- Are traditional and religious
- Tend to have single-income households and, in case of men, are main breadwinner
- In case of women, are more focused on home and family
- Are family-focused and feel children are main priority
- Are focused on well-managed finances to ensure less stress
- Have few economic hardships and feel thankful to God for good fortune

 <p><b>Spend</b></p>	<ul style="list-style-type: none"> <li>Feel financially grounded</li> <li>Prefer cash but occasionally use debit card and online banking</li> </ul>	 <p><b>Save</b></p>	<ul style="list-style-type: none"> <li>Prioritize saving for children’s education for children’s education a priority</li> <li>Do not have much knowledge about savings products and mainly choose where to save based on interest rate</li> <li>In case of some women, save in gold</li> </ul>
 <p><b>Borrow</b></p>	<ul style="list-style-type: none"> <li>Have loans for car or household items such as furniture</li> </ul>	 <p><b>Plan</b></p>	<ul style="list-style-type: none"> <li>Consider and health insurance important</li> </ul>

//

I feel grateful (*Bersyukur*) because I have a family compared to when I was single... Life is more organised and stable. I am happy that I have children. When I come home tired from work and look at my children’s faces, then my stress goes away! Children give us the spirit to better [and] improve our lives.

**Older Bumiputera male, Kota Kinabalu**

//

I’m making the best of what I have and be[ing] grateful for the good things.



## Digital habits

- Are not very digitally savvy and often have issues with Internet connection, especially outside urban centres
- Use digital technology to look for information and news



## Experience with DFS

- In many cases, use online banking but no other DFS



## How they feel about DFS

- Lack awareness of DFS and perceive DFS as too difficult to use
- Feel satisfied with what they currently have and do not feel they need other solutions



## Customer group 6: Striver

- Are hardworking and optimistic and have strong aspirations to improve their lives
- In many cases, run side businesses, either offline (e.g., selling food) or online (e.g., selling on Facebook), or have side jobs in addition to main job
- Well-organized, disciplined and able to manage multiple responsibilities
- Have decent living conditions but aspire to have additional comforts
- Recognize challenges in building a financial foundation for the future (e.g., putting aside savings, buying insurance, taking out a loan), but feel it is important

 <p><b>Spend</b></p>	<ul style="list-style-type: none"> <li>■ Prefer cash, though occasionally use debit card and online banking</li> </ul>	 <p><b>Save</b></p>	<ul style="list-style-type: none"> <li>■ Have savings and some investments in unit trusts</li> <li>■ Prioritize saving for children’s education</li> </ul>
 <p><b>Borrow</b></p>	<ul style="list-style-type: none"> <li>■ Have loans for homes</li> </ul>	 <p><b>Plan</b></p>	<ul style="list-style-type: none"> <li>■ Are conscious about planning and setting up for the future—don’t want to be a burden on the kids</li> <li>■ Feel insurance is important for health, life and, for some, personal accident</li> </ul>

“ There are a lot of things you have to do right now. If there is any chance, I would try to grab it. My wife said we should open up a business, so we tried [it] for two days and now it lasted for two months. In [the] afternoon, I go to work and in [the] morning, I sell nasi lemak. So it’s about opportunity. You have to look for opportunity to get something out of life—like a second income. You need to know what to look up and can’t be too slow.  
**Older Malay male, KL**

“ I wish I can do and have more... but there are so many challenges.



## Digital habits

- Are attached to their phone and are tech-savvy
- In some cases even have online businesses, mainly through Facebook, with payment via online transfer or cash on delivery



## Experience with DFS

- Use online banking and, in a few cases, use DFS like Touch 'n Go



## How they feel about DFS

- Are satisfied with what they are doing now
- Are not very aware of available DFS and, for those who are aware, feel they are not relevant for them
- Find DFS complicated and would need someone to teach them how to use DFS

# In their thirties and forties, and married

## How DFS providers can reach them

- Provide face-to-face financial coaching for everyday financial management—people want tactics and strategies to achieve their goals beyond financial products
- Make financial education a family experience, since University of Cambridge researchers indicate most young children grasp main aspects of how money works and children's financial habits are formed by age seven
- Keep in mind that teenage children can teach parents how to use DFS
- Build in flexibility in design of insurance products such as frequent, smaller premium payments
- Combine online and offline customer experiences

# UNCDF and the i3 programme



The i3 programme, funded by the MetLife Foundation, promotes use of digital technology to achieve the financial inclusion of low-to-moderate-income (LMI) people in Bangladesh, China, Malaysia and Viet Nam.

In Malaysia, the i3 programme is implemented by the UN Capital Development Fund (UNCDF). By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradication of poverty and SDG 17 on the means of implementation.

[www.i3program.org](http://www.i3program.org) | [Facebook](#) | [Twitter](#)

This customer insights piece is drawn from a larger body of research conducted by UNCDF and Illuminate Research Asia to understand the financial behaviour and use of digital financial services among M40 and B40 market segments in Malaysia. All quotes from respondents were provided by Illuminate Research Asia. Any identifier, or lack thereof, included here is as indicated in the full report. Sarah Lober, Molly Sanborn, Jaspreet Singh, David Yuen Chien Wai and Alexandra Tyers contributed to the full report. This insights piece has been edited by Chela Cea, Nadia Dafir, Anne Dujinhower, Prajeena Karmacharya, Hee Sung Kim, Alexandra Tyers and Karima Wardak.

## UN Capital Development Fund

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. The UNCDF finance models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and localized investments—fiscal decentralization, innovative municipal finance and structured project finance—that drive the public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradication of poverty and SDG 17 on the means of implementation. By identifying those market segments in which innovative finance models can have transformational impact in reaching the last mile while addressing exclusion and access inequalities, UNCDF contributes to a number of different SDGs.

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Unlocking Public and Private  
Finance for the Poor