FINANCIAL RETIREMENT PLANNING IN MALAYSIA: A CONCEPTUAL MODEL

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Abstract: Malaysian is expected to be ageing country by 2050 which is a cause to concern as Malaysian generally do not save for future retirement. Many elderly facing dilemma of not having sufficient money to maintain a comfortable retirement and this problem become worst over time. This literature study is undertaken in order to identify the contributing factors. Applying Theory of Planned Behavior (TPB) and supported by previous studies, this concept paper is proposing Social Influence and Financial Attitude as predictive factors on Malaysian working adult to plan for their financial retirement needs. This finding can be benefitted by relevant agencies and bodies who can manipulate these factors to encourage financial retirement planning can be done as early as possible

Keywords: Financial Attitude; Social Influence; Financial Retirement Planning; Malaysia.

Introduction
Malaysia is expected to be ageing population by 2030. Healthcare advancement and improvement in quality of life has significantly increase longevity of Malaysians. Changes in this demographic profile particularly age structure creating a new challenging phenomenon in future. Employee Provident Fund (EPF) officials (2016) declared that most of Malaysians do not have sufficient saving to sustain their retirement life. According to Chin (2015), most Malaysian exhaust their retirement life saving within five years of retiring. In fact almost 9 out of every 10 Malaysian households have no emergency savings besides having significant debts of their own (Ngui, 2016; Shukri, 2014). Within this context, retirement savings is becoming increasingly relevant among Malaysian adults as part of their overall lifelong financial planning.
According to Nga & Yeo (2018), there are not much academic research about retirement savings behavior of Malaysians. Previous empirical studies on focused on other specific areas which more “immediate relevant” in young Malaysian adult lives such as credit card, internet banking and purchasing insurance products (Nga, Yong, & Sellappan, 2011; Williamson & Lawson, 2015; Xiao, Tang, Serido, & Shim, 2011; Zolait, 2014). Studies show that while young Malaysians may be pragmatic and well-educated, a majority of them pay little attention to savings for longer-term financial freedom (Asian Institute of Finance, 2015). Despite the increasing media and government initiatives to highlight the current acute shortfall in retirement savings amassed by most Malaysians, the fact remains that almost 70% of Malaysians have less than RM50,000 saved up for retirement over the course of their working lives (Chin, 2015). In this regard, this study addressed an important knowledge gap in the extant literature by focusing on retirement savings behaviour within a developing economy setting. Furthermore, this investigation is timely and has practical real-life relevance.

From these issues, researchers tend to explore contributing factors that influence financial retirement planning among Malaysian.

**Literature Review**

**Financial Retirement Planning**

According to Selvadurai (2018), financial planning can be defined as allocate some money from salary and ensure the allocation put in good use way that reflects desires and values. Consumers are often disinterested and confused about financial retirement planning and the various associated financial products (Vidler, 2004). Many consumers see more value in paying off their debts, rather than contributing to pension plans and, although younger consumers (aged 18 to 24 years) do acknowledge a need to fund their own retirement, this does not translate into the appropriate savings behavior (Webster, 1997).

**Theory Planned Behaviour**

A The behavior of working adult with retirement planning can be explained by the Theory of Planned Behavior (TPB) (Ajzen, 1991). TPB is a theory relating to social psychology that can explain various situations of human behavior, including involvement in future financial retirement planning. This theory is a continuity and expansion from Theory Reasoned Action (TRA).

![Figure 1- Theory of Planned Behavior (TPB)](image-url)
Lusardi (2012) explains that the final decision and behaviours of individuals are shaped by their personal preferences and economic circumstances. TPB theory posits that behavioural intention is determined by attitude and social norms perception towards the behavior (Montano & Kasprzyk, 2015) and attitude has been identified as an important mediating variable in financial literacy. As for this study, attitude construct is proposed as mediating construct between Social Influence and Financial Retirement Planning.

**Social Influence**

Social influence involves the exercise of social power by a person or group to change the attitude or behaviour of other persons or groups in a particular direction (Franzoi, 2006). Hershey, Henkens, and van Dalen (2010) determined that parental effects and social influences have a significant impact on retirement planning goal clarity. Moorthy et al. (2012) disclosed the type of planning tools people rely on to develop and manage their retirement saving plans. Their results indicated that between one quarter and one-fifth of respondents reported that they talked with family/relatives or co-workers/friends. Also, they found one-third or more of the respondents used formal means such as retirement calculators, retirement seminars, or financial experts. Over 40 percentage of successful planners used formal means, while simple planners—some of whom tried and failed—had a tendency to rely on less formal approaches. Lusardi (2003) showed that planning was shaped by the experience of an individual’s siblings and parents. Experiencing unpleasant events, such as financial difficulties and health shocks at the end of life, frequently prompts people to plan. These findings are confirmed by other studies on planning and savings (Ameriks, Caplin, & Leahy, 2002; Waldkirch, Ng, & Cox, 2004). In this study, social influence refers to parents’ socialization, spouse and peer influence.

**Financial Attitude**

In finance context, attitude refers to psychological tendency to decide what is best after taking account the good and the bad when making a particular financial decision, in other words, endorses some behavior (Eagly & Chaiken, 1993). However, only few studies considered the effect of financial attitude on financial practices and behaviours. For instance, Agarwalla, Barua, Jacob and Varma (2015); Atkinson and Messy (2012); Potrich et al. (2016); Shockey (2002) considered knowledge, attitude and behaviour as components of financial literacy. It is evident financial behaviour can be changed with better financial knowledge and attitude (Hayhoe et al., 2005 and in turn, positive financial attitude results in better financial management practices (Bir, 2016). Further, Bir (2016) concluded it is financial attitude that has greater influence on financial knowledge in financial management practices among fresh graduates.

**Methodology**

This study will employ descriptive and cross-sectional design. Researchers will adapt and adopt questionnaire from previous researchers and distribute to targeted respondents who are working adults in Kelantan. A simple random sampling method will be employ and this study will follow Hair et al. (2010) recommended the sample size of 100 respondents will be sufficient for five constructs or less. This study has 3 constructs which are Financial Attitude, Social Influence and Financial Retirement Planning.
Hypothesis Testing
This study will employ the method of hypothesis testing the mediation effects in the model as proposed by (Awang 2014, 2015), Awang et al (2015) and Kashif et al. (2015, 2016).

H1: Social Influence has a positive and direct relationship with financial attitude
H2: Financial Attitude has a positive and direct relationship with Financial Retirement Planning
H3: Social influence has a positive and direct relationship with Financial Retirement Planning

Path Analysis
Path Analysis may consist of simple or multiple statistical regression models. Besides the ability to determine the causal path, it is able to identify the type of mediation exist in a model. The difference between path analysis and conventional regression is the causal path in the model can be modified according to the researcher desire (Aimran et al.,2016).

According to Zainudin (2012) there are three types of mediation:

i. Complete mediation: Occur when the independent variable links towards the dependent variable only through mediator variable and there is no direct effect of independent variable towards dependent variable.

ii. Partial mediation: Occur when independent variable links towards the dependent variable through mediator variable and there is also a direct effect of independent variable towards dependent variable.

iii. No mediation: Occur when independent variable does not link to the dependent variable through mediator variable but has a direct effect towards dependent variable.

Bootstrap
According to Aimran et al. (2016) bootstrap is one of the crucial parts in modelling structural model when it comes to confirm the type of mediation. In addition, it also allows researcher to assess the stability of parameter estimates that can be applied when the assumptions of large sample size and multivariate normality may not hold. In order to perform this approach, two models need to be built; one with the existence of mediator construct and the other, otherwise. The type of mediation should then be confirmed based on the direct and indirect effects reported.

Proposed Model

![Figure 2: Conceptual Framework](image)
Conclusion
This concept model was proposing Social Influence and Financial Attitude construct as predictors of Financial Retirement Planning among working adult in Malaysia. Based on this concept model, Financial Retirement Planning behavior can be improved by manipulating both constructs.

It is recommended to the government to modify individual financial attitude because attitude can shape individual behavior. Making people aware and understand the need to save for their future and start to plan early for retirement saving. Policymakers also need to help families and peers to aware their influential roles on individual to understand the importance of Financial Retirement Planning.

For researchers, this proposed concept model will be tested in further study using path analysis of structural equation modelling (SEM). This concept model was developed based on theories and previous studies indicate suitable and appropriate to test the model fitness with real data which will be collected on field.

References


