Saving for Retirement Behavior among Private Sector's Employees in Malaysia: Dungun, Terengganu Case

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Abstract: In Malaysia, awareness in retirement is still an indistinct issue among society. There are a lot of retirement products being introduced by financial institutions and yet the initiatives to save for retirement are step sided by many. This is where most of us think that companies and government retirement plan should be enough to cover us for golden year's expenses. However, many studies have shown that money saved in companies and government pension plan may not be adequate for future consumption. Therefore, this study subjectively aimed at discussion on saving retirement behavior among private sector's employees in Dungun, Terengganu. A theoretical framework is developed to illustrate the relationship between financial risk tolerance, financial and investment knowledge and religiosity. This study utilized questionnaire based surveys to solicit responses from employees who are working in private sectors in Dungun, Terengganu. Data collected from 200 employees were analyzed by using statistical procedures of Statistical Package for the Social Science (SPSS) version 19. Based on the investigation, the result reveals that there is significant relationship between all independent variables towards dependent variables. As a whole, the whole model is demonstrated that all the independents variables are able to explain 18.4% of the total variation dependent variables. The rest of 81.6% can be explained by undefined variables in this research. The analysis of this research was determined by the factors that influence savings for retirement among private sector's employees in dungun, terengganu. The factors that influence to the savings for retirement are financial risk tolerance, financial investment knowledge and religiosity that represent as independent variables.

Key words: Retirement, savings behavior, financial risk tolerance, investment knowledge, religiosity

INTRODUCTION

One of the most important life events many of us will ever experience is a retirement. Retirement is the point where a person is not in any kind of employment, business or occupation. When physical conditions do not allow the person to work anymore, this usually happens upon reaching a determined age. Retirement could also be due to personal choice either adequate pension or personal savings and a regular unearned income like interest, rents etc. Although, the personal saving rate declined over time, consumers expressed concern about the adequacy of their savings. Now a days, economically life is tougher, workers face higher food prices, energy costs and health care expenses (Delafrooz and Paim, 2011). The retirement age varies from country to country, but it is generally between 55 and 70 (Hallahan et al., 2003). But, for a certain jobs which are of dangerous nature or of fatiguing nature, it may have an earlier retirement age. From both personal and financial perspective, it realizes a comfortable retirement which is an incredibly extensive process that takes sensible planning and years of persistence. Even once it is reached; managing your retirement is an ongoing responsibility that carries well into one's golden years. The complexity and time required in building a successful plan can make the whole process seem nothing short of daunting as all of us would like to retire comfortably retirement. However, it can often be done with fewer headaches (and financial pain) than you might think where it takes is a little homework, an attainable savings and investment plan with a long term commitment. Some workers seek financial experts to allocate their savings in retirement accounts but most will decide on their own as where they should save their money for retirement. Majority of the workers has no financial management and faces losing their savings on non-performing financial instruments[4] which due to this, where some of them are pessimistic about their own ability to make a good investment decision. According to Khan et al. (2015),

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health expenditure clearly has an impact on poverty, pushing especially those who are slightly above the poverty line into poverty and moderate people to become poverty.

Savings for retirement is one issue of growing concern everywhere. It may seem to be far away in the future but it needs planning now to make sure that retirees have enough to support themselves. Some of the basic needs of retirees will include a place to live, money to cater for day to day expenses, medical bills and emergencies. The one taboo thing retirees need to avoid is having outstanding loans by the time they retire from the workforce. This is all the more reason why the world population needs to plan early for their retirement. According to Nandanan and Nair (2015), 21% of the retirees experienced a drop in income in retirement of >50 and 50% of the retirees felt that they continued to spend as much or more than what they did before retirement.

Apparently, there is little individual involvement in the process of savings for the old age or retirement. Every public policy encourages people to save in order to accumulate wealth for their retirement. Most people save based on their expected lifetime income. However, a majority of households do not save enough for retirement to maintain their pre-retirement standard of living. Those who plan enough for retirement normally are highly educated and from the high income bracket. Ignorant in retirement decision can lead to individuals having difficulty to understand why planning for retirement is imperative importance.

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In recent year, the issue of ensuring adequate retirement incomes has received more attention as a result of an ageing population. Malaysia is experiencing longer life expectancy as well as ageing of the population. The life expectancy at birth in 2008 was 71.9 year for males and 76.4 year for females as compared to 62.2 year for males and 66.5 year for females in 1970. Other issues is retirees that consisting of especially senior citizens group which hold post in private sector will not be dependent funding money in Employees Provident Fund (EPF). According to Section 54 (1) Employees Provident Fund Act 1991 (Act EPF 1991), it allows overall withdrawal of contribution without having maximum limit when contributor age 55 year old. Retirement that start generally

at the age 55 year old cause this fund will be harnessed too early. Whereas, individual financial burden at age like this still high due to factor such as liability that still studying, late aspect marry and also individual life extension of period.

As such this study aims to looking at the employee's behavior and factors of inadequacy of savings for retirement among private sector's employees which is creating fear and anxiety. So, this study is conducted to examine the factor that influence saving retirement behavior for private sector's employees.

The purpose of the study is to examine the relationship between behavior and savings for retirement of private sector's employees in dungun, terengganu. It aims to identify the characteristics of behavior and understanding of how these factors contribute to the savings for retirement of private sector's employees in Dungun, Terengganu.

This study is conducted for several reasons. It is to focus on saving for retirement among employees in private sectors. This is to investigate and developing a model that influence their savings behavior. Thus, this study wills benefits to all private sectors employees to guide them in preparing a comfort plan for incoming golden age.

Then, to see the impact of religion and religiosity on retirement for savings has received little attention from previous researcher. There are two key aspects with which religion can be associated are religious affiliation and religiosity. Religious affiliation refers to the specific religious group to which an individual belongs (Lehrer, 2004). On the other hand, religiosity or religious commitment is defined as "the degree to which a person adheres to his or her religious values, beliefs and practices and uses them in daily living. Therefore, this study is undertaken a step in understanding from a cultural perspective the influence of religion towards savings behavior for retirement. Hence, the result obtained from the study should add to existing body of knowledge in retirement savings field by explaining the relationship between an individual's religious to savings behavior (Worthington *et al.*, 2003). More than that, the finding of this study should be able to revealed the model that explain the factors that influence saving for retirement. Therefore, it would assist the human resource manager in develop a new scheme for retirement benefits to their employees. In other hand, the practical implication of this study will provide valuable cues for fund management companies to develop a better strategy for attracting potential customers.

MATERIALS AND METHODS

Target population: The target populations of this study are employees of private sectors in Dungun, Terengganu. The unit of analysis is individual employees who are working with private sectors in Dungun, Terengganu. The study utilized a self-assessment technique in which employees of private sectors were asked to state their level of behavior about saving for their retirement. After several discussions, the target populations are from three oil and gas companies which major in manufacturing industry in Dungun, Terengganu. There are BULER Engineering Sdn Bhd, PFC Engineering Sdn Bhd and MSET Shipbuilding Corporation Sdn Bhd.

Research method: Quantitative methods focus on measuring and describing concepts or variables on a specific scale. The objective of quantitative research is to test whether a hypothesis is true for the sample and hence for the population. It may involve the design of highly structured questionnaires which are then circulated to a larger group of respondents. The advantages of quantitative method are that they ate associated with high validity and reliability.

In this study, mainly quantitative methods were used. However, the first part of this study involved exploratory research. Even though a descriptive design was primarily used in this study, the exploratory research was imperative to gather initial knowledge particularly by identifying the specific attributes and features that are distinctive and relevant to the research setting.

Method of data collection: The primary data is used in this study. The data required for study will be obtained via surveying a questionnaire. The questionnaires were distributed among employees who are working with private sectors which oil and gas companies in Dungun, Terengganu. For the purpose of the study, researcher has focused on two types of question which were close ended question and Likert scale question.

Sampling technique: A convenience sampling is chosen for this study as 300 questionnaires will be distributed to the respondents. This study only focused on 3 private companies in Dungun, Terengganu. The second stage will be the random selection of employees in selected company.

Sample size: The questionnaire were distributed to three companies and the researcher divided the samples regarding on companies size which big, medium and small. So, the BULER Engineering Sdn Bhd is a big company, followed by PFC Engineering Sdn Bhd and small company which MSET Shipbuilding Corporation Sdn Bhd. The total population of these three companies is 837 employees which BULER have 350 employees, followed by PFC Engineering with 287 employees and lastly MSET consist of 200 employees. By using the sampling strategies, the researcher distribute questionnaire to 84 respondents of BULER, 68 respondents of PFC Engineering and 46 respondents of MSET.

Questionnaire design: Questionnaire is a structured technique for data collection that consists of a series of questions, written or verbal that a respondent answers. Relevance and accuracy are the two basic criteria a questionnaire must meet if it is to achieve the researcher's purposes. A researcher should determine what should be asked, how each question should be phrased, the sequence of questions, the suitable questionnaire layout and how the questionnaire should be pretest.

A set of questionnaire for this study has been designed according to the needs of the topic study. The questions in the questionnaire were designed lucidly to ensure that the respondents would be fully understood and answered all the questions,since there is a personal administered questionnaire.

The procedure for data analysis: Data collected will be analyzed with the Statistical Package for the Social Science (SPSS) Version 19 and Analysis of Moment Structures (AMOS) version 18by using multiple regression analysis, correlation of coefficient, t-test and Analysis of Variance (ANOVA).

RESULTS AND DISCUSSION

Multiple regression analysis: The linear regression model assumes that there is a linear or "straight line" relationship between the dependent variable and each predictor. This relationship is described in the following formula. As shown at Table 1, the theoretical model for this study found not to efficient as R^2 is 0.184 or 18.4%. It only can be used to explain the important of the selected construct in explaining the factor that

Table 1: Summary of regression analysis

Model	R	R^2	Adj. R^2	SE (estimate)
1	0.443[a]	0.196	0.184	0.59807

Predictors: (constant), religious commitment, financial risk, financial knowledge; dependent variable: saving behaviour

Table 2: Summary of multiple regression analysis

Model	Unstd. coefficient		Std. coefficient		
	B	SE	β	t-value	Sig.
(Constant)	3.438	0.379		9.076	0.000
Financial knowledge	0.343	0.099	0.277	3.466	0.001
Financialrisk	0.266	0.098	0.216	2.705	0.007
Religious commitment	-0.620	0.094	-0.515	-6.582	0.000

Dependent variable: saving behaviour

Table 3: Summary of pearson correlation

Variables	Financial investment	Financial risk tolerance	Religiosity commitment
Saving for retirement			
Pearson correlation	0.482**	0.275**	0.0.20
Sig. 2 tailed	0.000	0.000	0.782
N	200	200	200

Table 4: Summary of t-test gender

Gender	N	Mean	SD	SE mean
Male	162	3.4731	0.50450	0.03964
Female	38	3.4833	0.46744	0.07583

influence in saving for retirement. About 81.6% is unexplained as indicated in the model summary. From this result, the researcher realized that the religiosity commitment factor contributed to the inverse relationship where R^2 indicated negative result in beta value which is 0.515. In the other word, it can say religiosity has inverse relationship with the saving for retirement. Table 2 explained the summary of multiple regression analysis of the constructs which the three independent variables. The indicated value of financial investment is the highest contribution with t = 3.466 and β = 0.277, followed by financial risk tolerance indicates t = 2.705 and β = 0.216 and lastly religiosity with the negative t = - 6.582 and also β = - 0.515. The multiple regressions can be formulated as:

$$DV = 0.277 \, X1 + 0.216 \, X2 - 0.515 \, X3$$

- It mean when 1 unit increase in X1, DV will increase by 0.277 (while other variable is constant)
- It mean when 1 unit increase in X2, DV will increase by 0.216 (while other variable is constant)
- It mean when 1 unit increase in X3, DV will decrease by 0.515 (while other variable is constant)

Correlation of coefficient analysis: The results of the correlation analysis showed that the relationship between the independent variables which involving

financial investment and financial risk tolerance with the saving for retirement has a substantial to very strong correlation. It shows according to p-value that are 0.482 and 0.275 while Religiosity has a negative relationship with dependent variable as resulted -0.20. The result which shown in Table 3 indicates only two independent variables that have a significant relationship towards saving for retirement which based on 0.000 as the satisfaction at 0.01 levels. Financial risk tolerance can be defined as the maximum amount of volatility that someone is willing to accept when making a financial decision (Grable, 2000). Based on the study done by Ibrahim, a large number of literature have utilized demographic factors as determinants of financial risk tolerance.

For example, Grable and Lytton (1999) examined whether demographic, socioeconomic and attitudinal factors can be used to predict financial risk tolerance. The study concluded that the classes of risk tolerance differed most widely on a responden's educational level and personal finance knowledge. Study done by Hallahan *et al.* (2003, 2004) investigated the relationship between demographic factors and financial risk tolerance. For religiosity commitment, it is not significant as well as the others independent variables where it related to the regression analysis that also shows the reverse relationship with dependent variables.

ANOVA and t-test: Based on the t-test, the result indicated that the mean value for female is 3.4833 while for the male value is 3.4731. This indicates that female just a little bit higher in term of Saving Retirement. Since the value for both group just small different, therefore the result indicated that there is no significant difference between both groups. The result is displayed in Table 4-6 which shows a significant value of 0.906. By using One-wayANOVA test, the significant value of 0.383 is higher. The value is more than critical value of 0.05 which indicated that there was no significant difference between ages related to saving retirement behavior.

Table 5: Independent samples test

t-test for equality of means

						95% confidence interval of the diff.	
Variables	t-values	df	Sig. (2 tailed)	Mean diff.	SE diff.	Lower	Upper
Equal variances assumed	-0.114	198.000	0.910	-0.01019	0.08972	-0.18713	0.16675
Equal variances not assumed	-0.119	58.970	0.906	-0.01019	0.08556	-0.18140	0.16102

Levene's test for equality of variances; F-value = 0.132; Sig. = 0.176

Table 6: One-way ANOVA test between age and saving retirement behavior

					95% confidence interval for mean		
Groups	N	Mean	SD	SE	Lower bound	Upper bound	Sig. value
20-29	42	3.0476	0.58662	0.09052	2.8648	3.2304	83
30-39	91	3.1366	0.62738	0.06577	3.0059	3.2672	
40-49	57	3.5664	0.68083	0.09018	3.3858	3.7471	
50-59	10	3.4429	0.55716	0.17619	3.0443	3.8414	
Total	200	3.2557	0.66214	0.04682	3.1634	3.3480	

CONCLUSION

The awareness level among Malaysian employees is still considered low especially when looking at the issues on retirement savings. Convincingly, Malaysian employees are very much lacking on the knowledge which related to retirement and the awareness of the ability to perceive, to feel and to be conscious about something. Therefore, awareness on the importance of retirement savings is about understanding the importance of retirement savings. Most Malaysian employees are taking this issue for granted. When will they start to think of their retirement? Typically, they just do not think. They only realize the need to save for retirement when they start to have insufficient money to finance their future expenses. This negligent behavior that caused most retirees enters the job market as to cover for their retirement living maintenance. That is why the awareness on retirement savings among the employees is the utmost important issue to everyone either they work with the government, private sector or self-employed. They have to know their lifetime path, rates of return on various types of investments, age of retirement and etc. In order to increase the knowledge on retirement savings among the employees, the employer also needs to play a role in. Samad and Kari (2007) conducted a survey on 2,000 retirees in Malaysia. The results revealed that the benefits provided by the Employees Provident Fund (EPF) were not adequate to sustain their retirement life. Positive retirement savings behavior is important. The employees should plan for the retirement. They should look into extensive information and that financial education programs are important. Hopefully, it will inculcate positive behavior among employees in investing for

retirement. Last but not least, the researcher would recommend financial institutions in Malaysia to inculcate the financial management knowledge to the private sectors employees who are lacking of preparation towards life after retirement. This evidence has been supported by Lusardi and Mitchelli (2007) who suggested that individuals with more financial knowledge are more likely to plan for retirement. It seems to be essentials to educate people in managing their lump sum money which received from EPF withdrawal on the age of retirement to sustain their quality of life in future.

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