

# Empirical Analyses Of The Retirement Savings Decision Determinants Of B40 Groups In Malaysia.

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## Abstract:

**Background:** Despite the importance of good wealth and financial planning for the future, Malaysians' decisions to save money aside for their retirement are still a big issue. The uncertainty and unawareness of future risks such as inflation, income instability, and critical illness may lead to this decision. It is believed that a person's behaviour or reaction to money influences their decision to save for retirement. One's love of money, money anxiety, number of desires, or materialistic inclinations are just a few examples of how one's view towards money might be converted into subjective and emotional functions. As a result, each person views and behaves differently toward money and income, particularly when it comes to saving for retirement. Due to this interest, this study aims to determine the important factors that influence retirement savings decisions, specifically for a person in the B40 groups based on their beliefs and attitudes toward money. The study conducted a survey to collect almost 372 targeted respondents from the B40 group to participate in this study. The questions in the questionnaire for the survey are divided into several subsections; i) demographic profile; ii) factors of retirement savings such as financial management, social influence, and money attitudes.

**Materials and Methods:** The format of factors is in a five-point Likert-Scale from 1 for strongly disagree up to 5 for strongly agree. For that, the aim of the study will be achieved by the use of several statistical approaches, such as descriptive statistics, contingency table, and factor analysis, which can determine the degree and importance of the relationship between the important factors influencing retirement savings decisions.

**Results:** The findings found that some factors; age, financial management, and social influence contribute to the decision to save for retirement. On the other hand, the results on the relationship between different types of money attitudes and retirement savings behaviour were inconsistent, revealing that people's views on retirement savings vary depending on their money attitudes.

**Conclusion:** The findings however are expected to be a breakthrough for B40 groups by helping them understand their financial attitudes and prepare them for a secure future and a comfortable retirement.

**Key Word:** Retirement, Saving Decisions, Money Attitudes, B40 Groups, Empirical Analyses.

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## I. Introduction

The Malaysian government is trying to improve the gap between each household's income. The huge difference between each classification, between the low (B40) and high income T20, is getting bigger from year-to-year. With the rising cost of living and low-income level, the B40 group (individuals who have a monthly income of less than RM4,849) is the most affected among all. This group also does not have enough money for their savings, especially on their retirement savings decisions. It is not easy for the B40 to save their money as they have to spend money for living. It was known that retirement savings is important as it will be used after one retires. It can also be used to start off with their own business to survive or to settle debts. This study is in line with the government's mission to improve the standard of living in the face of rising costs, particularly for the B40 group. Several factors affect the retirement savings decision model for the B40 group, such as, financial management, self-awareness, social influence and money attitude. Mixed results were observed in previous studies that concentrated more on demographic profile such as gender, age, financial condition, health, and homeownership<sup>1,2,3,4,5</sup>. The way that people save money and adapt to retirement planning differs from previous batches using an alternate strategy as Malaysia is on the path to become a high-income country. The study will be accomplished by implementing several statistical approaches, which can estimate both the magnitude and significance of the causal relationship between the important factors that influence

retirement savings decisions. We will discuss further in this study which factors are affecting the retirement savings decision model among the B40 group in Malaysia. The suggested finding can be used to illustrate the importance of saving after retirement and this could benefit all, especially those in the B40 group, to prepare themselves for retirement life.

## II. Material And Methods

The study employs a survey approach to collect the data from B40 respondents. The survey involved a constructed questionnaire that was divided into several subsections such as demographic profiles, variables of interest, retirement savings behaviour, financial management, social influence, and money attitudes (money avoidance, money worship, money vigilant and money status). These variables are in the form of a 5-point Likert scale. Further analyses are conducted to achieve the aim of the study. The analysis consisted of: i) Descriptive analyses were computed in terms of frequency and percentage of each demographic profile category. This result will illustrate the information in the sample of the study. ii) Factor analysis was performed to identify the correlation between the factors and saving decisions and therefore can reveal the strength of relationship between those factors and retirement savings decision, and iii) Contingency table was conducted to investigate whether there is a significant difference in the savings decisions among B40 across different age groups.

## III. Result and Discussion

### Results of demographic profiles

Demographic profile information was used to describe the entire population of the B40 group in Malaysia. Based on a total of 372 respondents, 51.09% of respondents were single, while 57.92% of respondents were between 20-29 years old. In terms of education, 47.72% of respondents have a Bachelor's degree and 54.64% work in the private sector. It can be concluded that the majority of B40 respondents are young, single, and working and the selected sample is sufficient enough to meet the objectives of the study.

### Results of factor analysis

**Table no 1:** The summary of factor loading for the determinants of retirement savings decision.

Factor	Loading
Financial Management	0.59-0.69
Self-Awareness	0.29-0.61
Social Influence	0.57-0.67
Money Attitudes	
Money Avoidance	0.33-0.67
Money Worship	0.38-0.80
Money Vigilant	0.36-0.48
Money Status	0.38-0.72

Based on the results in Table 1, the financial management and social influence have a strong correlation with the saving decisions yielding that these two factors influenced the decisions among the B40 groups to save. The awareness factor seemed to be low to high relationship with the decision. In terms of money attitudes, those with behaviour of keeping silence on their financial conditions (money vigilance) have low correlation with decision to save for retirement.

### Results of Contingency Table

**Table no 2:** Contingency test result of saving decisions between the various age groups in the B40 groups.

$\chi^2$ value	p-Value
168.758	0.066

A Chi-squared test result in Table 2 showed that there was a significant difference in saving decisions between the various age groups in the B40 groups, based on the p-value of less than 0.10. This finding suggested that individuals in the younger or older age groups may have distinct approaches to saving for retirement. This result was consistent with Shariff and Ishak<sup>6</sup>, which showed that as people aged, their decisions about saving for retirement changed.

## IV. Conclusion

The study investigates the determinants of retirement savings decision among the B40 groups in Malaysia. Findings indicated that all factors showed the important result. Although age was assumed to be a factor in impacting the decision to plan for retirement, financial management, social influences, type of money attitude also had a significant impact. The majority of B40 respondents believed that they need financial knowledge to manage their retirement savings and felt that having enough savings would make living after

retirement considerably more comfortable. One of the influences on the decision to save was the environment, which included the involvement of family and friends. People have a tendency to believe what others say, and given the development of social media and technology today, it is feasible that using this platform could enhance the influence for people to save and plan for retirement especially for B40 people.

In short, Malaysia could benefit from using this finding to identify the variables that influence retirement savings decisions. By implementing financial literacy during secondary education in Malaysia and hosting various campaigns and commercials, it may be possible to increase people's awareness of the need to save for the future, particularly after retirement. Therefore, it is hoped that this decision will bring about changes in Malaysia's retirement issues among the B40 people.

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