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Generation Y's Intention to Invest in Retirement Planning

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Abstract

Investing in retirement planning is vital to prepare for life after the retirement period when there is no active income. This is because relying solely on saving or pension fund is not enough to sustain future retirement period due to an increment of life expectancy, inflation, and living costs. This paper aims to help Generation Y and parties involved understand the behavioral trait and psychological biases taking a role in influencing their intention to invest for retirement in Malaysia. The study also helps Generation Y to recognize the importance of early retirement preparation. The paper is written according to the knowledge of financial planning, retirement planning, and investment planning. 500 survey questionnaires were distributed both physically and online, and only 240 responses collected. After data pre-screening, 232 responses were valid to use for further analysis. Findings revealed that subjective norms, attitude, pension knowledge, and trust towards online financial service have a positive impact on the intention of Generation Y to actively invest for retirement. Subjective norm was the most important factor, whereas trust was the least important factor. Overall, an individual's behavioral traits play a huge role in positively influencing Generation Y's intention to invest in Malaysia's retirement fund. Generalizations of these findings are expectedly limited Gen Y in Klang Valley; it does limit the generalizability of the results for all people in Malaysia. Despite limitations, the results can provide some theoretically and practically implications whereby financial companies and the policymaker should focus on promoting the investment in retirement planning for all people in Malaysia but not limited to Gen Y.

Keywords: Subjective Norms, Attitude, Pension Knowledge, Online Financial Service Trust, Intention to Invest for Retirement.

Introduction

The role of financial planning is increasing in Malaysia as society slowly evolved into one with more sophisticated financial commitment and life goals. This is mainly driven by the gradual growth of the economy and higher disposable income per capita. Malaysia's GDP per capita was of approximately 10,413 USD as per the year 2020 (World Bank, 2022). Financial planning is a comprehensive breakdown of a person's financial health and implementing holistic saving or investing strategy solutions based on financial goal setting; includes investment planning, risk management planning, tax planning, retirement planning, and estate planning. In recent years, the population of "Baby Boomers" is getting lesser and "Generation X" are gradually stepping down from work for retirement. As a result, "Generation Y" is bound to dominate, becoming one of the largest demographic groups (Zandi et al., 2021). Generally, Generation Y refers to an individual born between the years 1980 to 2000. This phenomenon mostly can be seen in Malaysia, with vast amounts of middle-level employees and fresh graduates stepping out to society.

Saving and investment are essential parts of life where they help individuals achieve their life goals or meet unexpected incidents. Among those, investing in retirement planning is vital to prepare for life after the retirement period when there is no active income (Bongini & Cucinelli, 2019; Zandi et al., 2021). Retirement planning is the action identifying retirement income needed and the steps necessary to achieve the goals. This is because relying solely on saving or pension fund is not enough to sustain future retirement period due to an increment of life expectancy, inflation, and living costs. Therefore, investment in the retirement fund is critical to ensure sufficient income during the retirement period (Brüggen et al., 2019). Among that, Generation Y or the millennial generation comprises a generation born between 1980 and 2000. In Malaysia, Generation Y accounts for about 29% of the overall population (The Star, 2019).

Studies found that Malaysians are not ready for retirement, which their savings alone are not sufficient to sustain the retirement life. Indeed, the number of people who meet EPF's basic recommended savings is set to fall closer to 27% from 36% at end-2020 (Yeap, 2022). Data showed that 50% of EPF members entirely spent the funds within five years, and 70% within ten years (Ali, 2013). These statistics show the importance of proper financial planning for retirement. Yet, many people still unaware whether the saving in EPF are enough for their retirement and hence seeking for optional retirement planning to secure the necessary fund for their future uses after retired. Due to the lack of knowledge in financial planning particularly in their future retirement planning, the private workers especially Gen-Y are really worried about it. It is crucial to study on Generation Y's behavioral traits, as they are bound to dominate the workforce population in the future due to decreasing numbers of baby boomers and Generation X. The objectives of this study are to examine the relationship between subjective norms (SN), attitudes (A), pension knowledge (PK), and trust towards online financial service (OFS) and intention to invest for retirement by Generation Y in Malaysia actively. Through this study helps Generation Y and parties involved recognize the importance of early retirement preparation.

Literature Review

The independent variables of this research are subjective norms, attitude, pension knowledge, trust towards online financial service. The dependent variable will be the intention to invest for retirement. This study will explain the definition, overview, past research and research gap of respective variables.

Subjective Norms (SN)

Subjective norms (SN) or societal influence can be defined as the perceived social pressure on the individual by others, affecting the decision in engaging certain behavior or not (Ajzen, 1991). To be more precise, SN is the perception of an individual or the opinion from others believing what an individual should do (Ajzen, 1991; Tee et al., 2019). Hence, SN can be served as a predictor of an individual's intention to undertake certain financial behavior. For example, influence from friends and relatives positively impact the intention of the individual in wealth holdings or choices of portfolio particular either high or low return assets (Davis, 1989). Whereas, the negative perception of the mutual fund from the family also found negatively influence the willingness of individual in purchasing shares (Lee et al., 2022; Schmidt, 2010). Study of Kumar et al (2019) highlights that women are more inclined to engage in retirement planning behavior when their close ones doing so. In the context of retirement investment by Generation Y, past research supports that there is a positive influence of SN to the intention of Generation Y, university students, to invest in retirement fund (Bongini & Cucinelli, 2019). The peer and family pressure will influence the decision of Generation Y to actively investing for retirement. Furthermore, study of Alwi et al. (2015) also proves a positive correlation between parental socialization to saving and investing for retirement by millennial in Malaysia. Hence, there is a limited study conducted solely upon generation Y for the relationship between SN as an independent and dependent variable.

H1: There is a significant relationship between Subjective Norms (SN) and intention to actively invest for retirement by Generation Y in Malaysia.

Attitudes (A)

The attitude of a person can be defined as the extent of the individual has either favorable or unfavorable judgment and consideration of certain behavior in question (Ajzen, 1991; Tee et al., 2022a). Generally, the attitude of an individual is a better predictive indicator towards behavioral intention as compared to subjective norms. Based on a study by Van Raaij et al (2011), individual with a positive outlook or attitude towards specific action has greater inclination to go for that behavior. This can be related to the impact of attitude towards the intention of individuals to undertaking certain financial behavior. Majority of studies prove that attitude positively influences the intention of the individual in behavioral action of financial issues (East, 1993; Lau, 2002; Xiao & Wu, 2006). Research also shows that, the individuals are more likely to purchase mutual funds products when they have a positive attitude or perception regarding mutual funds (Schmidt, 2010). The extent of either positive or negative attitude towards retirement planning is important in determining the intention or readiness of the individual in preparing for retirement.

In the case of retirement investment by Generation Y, a study by Bongini & Cucinelli (2019) supports that positive attitude significantly impacts the intention of Generation Y university students invest in the pension fund for retirement. That is why individuals with a positive attitude towards retirement more willing to invest in financial products regarding retirement planning. In addition, the study also supported that attitude positively influence the intention of young adults in buying retirement-related financial products: annuities product (Nosi et al., 2017). Limited studies are conducted solely upon generation Y for the relationship between this independent (A) and dependent variable. This is because those different age groups may develop different attitude either positive or negative depends on the degree of involvement.

H2: There is a significant relationship between Attitude (A) and intention to actively invest for retirement by Generation Y in Malaysia.

Pension Knowledge (PK)

Pension knowledge (PK) refers to the consideration of investment in specific pension products for retirement and certain knowledge about characteristics or benefits of the pension system (Van Raaij et al., 2011). The level of PK is important for retirement planning in terms of actions and readiness, as study of Landerretche & Martinez (2013) supports those individuals in Chile with higher PK tend to have greater financial savings. In the case for intention to retirement investment by Generation Y, past studies support that high PK positively impacts the intention of young generation university students in investing for retirement fund (Bongini & Cucinelli, 2019). A past study also shows that individuals that avoid the search for pension information tend to save little pension and negatively affect the financial status in the long run (Zappalà et al., 2008). In addition, higher PK significantly impacts the response of individuals in selecting well-reasoned retirement plans, incentives or products that they are fully aware of (Ricci & Caratelli, 2017). Only limited studies are carried out targeting solely generation Y for the relationship between this independent (PK) and dependent variable.

H3: There is a significant relationship between Pension Knowledge (PK) and the intention to actively invest for retirement by Generation Y in Malaysia.

Trust towards Online Financial Services (OFS)

With the advancement of technology in mobile, internet, cloud data and big data, provision of OFS is penetrated to every aspect of financial service. For instance, in the stock market, it is common for a client to trade through an online platform; bank customers can perform financial and banking activities through an electronic platform. In the case of retirement, utilization of OFS can ease the operation with an interactive planner for retirement and management of retirement financial products or portfolio (Bruggen et al., 2019). Trust is defined by values and beliefs towards another party with ability, integrity and benevolence (Berry & Parasuraman, 2004; Tee et al., 2022b). Trust itself is a very important variable in determining the long-term relationship between business entities and clients. This is because without trust, customers would not engage in relationship or connection to business entities, as trust is an important element affecting intention in re-purchasing (Tee et al., 2014). Past research supports that trust positively influence the unceasing intention to use the OFS offered. It is supported that high level of trust is the significant determinant in online purchasing and re-purchasing action (Fang et al., 2014; Lim, Sia, Lee, & Benbasat, 2006; Zhou, Tsiga, Li, Zheng, & Jiang, 2018). Lastly, Perceived trust towards the safety of OFS also positively affects user's intention to trade in the online platform. Hence, the perceived trust to OFS of generation Y is worth to study to determine the intention of them to actively engage for financial activity electronically.

H4: There is a significant relationship between trust towards online financial services (OFS) and intention to actively invest for retirement by Generation Y in Malaysia.

Intention to Invest for Retirement (RP)

Intention can be described to encapsulate the motivational factors that affect the behavior

and to show how much effort the individuals willing to apply to perform that behavior (Ajzen, 1991). Past studies have utilized intention as an indicator of behavior (Tee & Chan, 2016). Hence, there will be a positive correlation between intentions and effective behavior. Multiple studies are conducted before selecting investment intention as the dependent variable to measure the willingness to invest for certain financial products (East, 1993; Nosi et al., 2017; Sivaramakrishnan et al., 2017). For instance, study by Sivaramakrishnan et al (2017) mentions that holding of equity positively influences the intention to invest for equity instruments. But there are limited studies in investigating factors that affect the intention of the individual in saving and investing for retirement. Study of Bongini & Cucinelli (2019) mentions that there is a positive influence of planned and perceived behavioral factors to the intention of investing for retirement by young generation. Furthermore, there is a lack in literature on the intention to invest for retirement solely upon Generation Y, thus worth to further explore and study the matter in this research. Therefore, this is the research gap that the research can be utilized by studying the relationship of subjective norms, attitude, pension knowledge and trust towards online financial services to the intention of individual investing for future retirement.

Proposed Framework and Theory Used

Based on the literature review the proposed theoretical framework and theory used is constructed as below.

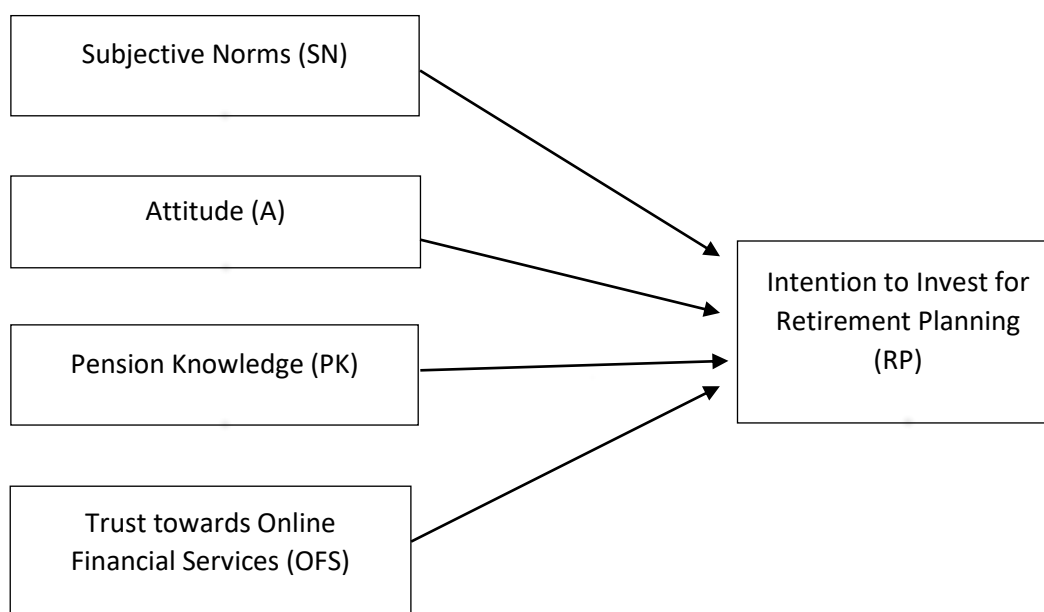


Figure 1. Conceptual Framework

Theory of planned behavior (TPB)

TPB is a suitable framework for this study to determine the intention to invest in financial products for retirement. This is because, savings or financial investments behavior is rarely engaged inconsiderably (Ajzen, 1991). For the first independent variable, Subjective Norms, TPB assumes that higher social pressure towards certain behavioral action, the more likely the behavioral action to be incorporated. Several past studies proved that social pressure from friends, family or co-workers could influence certain behavioral intention in the action of financial behavior (East, 1993; Hofmann et al., 2008; Schmidt, 2010). While, for the second independent variable, Attitude, TPB assumes that higher or positive attitude towards

certain behavioral action will increase the likelihood of the behavioral action to be carried out. There is a comprehensive study using TPB that proves attitude is able to influence behavioral action (Ajzen & Fishbein, 2005; Lim et al., 2021; Tee et al., 2021). In the case for the third independent variable, Pension Knowledge, TPB assumes that higher pension knowledge towards certain behavioral action will increase the likelihood of the behavioral action to be conducted.

Technology Acceptance Model (TAM)

Technology Acceptance Model (TAM) is the ideal theoretical framework to investigate the driver: Trust towards Online Financial Services to invest for retirement. There are two important elements in TAM: Perceived Usefulness (PU) and Perceived Ease of Use (PEOU). TAM theory studies the intention of individuals for acceptance or rejection of an information system. PU generally refers to the extent to which the individual perceives in the practicing of a certain information system that are beneficial or useful for them. Whereas, PEOU basically refers to the extent in the practicing of a specific information system is easy and effortless for them (Davis, 1989). These two variables are determinants for TAM theory as a few academic studies already proved that PU and PEOU explain a huge constituent for intention to use the information system. For example, study for intention to the usage of online banking service, by using TAM as theory proves that PU: information, privacy, trust and security are the main factor for acceptance for online banking services (Pikkarainen et al., 2004; Tee et al., 2014). In this study, the fourth independent variable: trust towards online financial service (OFS) is the perceived trust resulting from PU and PEOU influences the intention of investing for retirement.

Data and Methodology

Quantitative research approach is employed to collect primary data via questionnaire instrument in order to answer the research questions and attaining the research objectives and fits well to the need of this study. The sample size of this study is individual of Generation Y in Klang Valley area in Malaysia.

Measure

The measurement scale used in this study is the five Likert scale to determine respondents' agreement level for each question contained in the survey questionnaire. The five Likert scales ranged from strongly disagree, disagree, neutral, agree, and strongly agree. Subjective norms (SN), attitude (A), pension knowledge (PK) of Generation Y each one is assessed by four items that are adapted from Bongini & Cucinelli (2019) by asking the respondent's knowledge about the right planning time for retirement planning and the importance of the retirement system. With TAM theory, trust towards online financial service (OFS) is assessed by 11 items that adapted from (Roca et al., 2009; Zhou et al., 2018). Two (2) items adapted from Bongini & Cucinelli (2019) asking the respondent's intention to invest for retirement fund.

Methods

In order to do the coherent data analysis, reliability and validity test is carried out. The reliability test is to test the internal consistency of the data in determining whether respondents have answered the questions faithfully and revealed their true thoughts and opinions in relating to the question (Chia et al., 2019; Han et al., 2020; Tee et al., 2022). In

addition, the validity of the study is tested under the KMO and Barlett's test. The validity test based on Creswell (2009) is to determine whether the instrument is collecting the right data according to the question's intention.

The descriptive statistics, multiple regression and R-square value are applied to analyze the raw data. A total number of 230 sample size are needed by using 10 times rules taking consideration of 23 measurement items in the study of (Hair et al., 2011). Roscoe (1971) propose that sample numbers of 30 to 500 are suitable for almost all studies. Thompson (2004) also suggested that at least 200 samples required in the study to attain stable quality.

Findings

Demographic Profile and Response Rate

Total of 500 questionnaires was distributed, only 232 questionnaires were valid after collection and used for data analysis, resulting in a recovery rate of 46.4%. Table 1 shows a total of 122 male (50.8%) and 110 female (45.8%). There are 141 respondents (60.8%) aged within 20-29 years, while 91 respondents (39.2%) aged within 30-39 years old. Besides, majority of the respondents (57.1%) are single, followed by 39.2% are married, and only one (0.4%) is divorce. Also, most of the respondents (49.6%) with monthly income below RM 3,000. 56 respondents (23.3%) with an income of RM 3,001 to RM 6,000, followed by 14.2% and 9.6% with income of RM6,001 to RM9,000 and RM9,001 and above, respectively. Lastly, 158 respondents (65.8%) holding bachelor's degree, while 29 respondents (12.1%) are holding diploma/A-level/STPM level. 22 respondents (9.2%) with Master level, 17 respondents (7.1%) with secondary level, and only 6 respondents (2.5%) are holding PhD/DBA.

Table 1

Demographic Profile of respondents

Items	Frequency	Per cent	
Gender	Male	122	50.8
	Female	110	45.8
Age	20-29 years old	141	58.8
	30-39 years old	91	37.9
Marital Status	Single	137	57.1
	Married	94	39.2
	Divorce	1	0.4
Monthly Income	Below RM3,000	119	49.6
	RM3,001- RM6,000	56	23.3
	RM6,001- RM9,000	34	14.2
	RM9,001 and above	23	9.6
Education Level	Secondary	17	7.1
	Diploma/A- Level/STPM	29	12.1
	Degree	158	65.8
	Master	22	9.2
	PhD/DBA	6	2.5

Exploratory Data Analysis

Validity Test

As mentioned earlier, the validity test measures the accurateness or extent of the data measurement whether sufficiently represents or responds to the construct of a single variable that supposed to determine. KMO and Bartlett's test are used in this context to determine the validity of the subject. The value of KMO should be greater than 0.5 and within 1. The larger the value is, the closer and valid the data is for further factor analysis. The significance value of Bartlett's test should be less than 0.05 to be valid. If the value greater than 0.05, the variable should be abandoned for further factor-by-factor analysis (Kootstra, 2004).

The findings from the validity tests show that all the variables have $KMO > 0.5$ (i.e., $SN=0.55$; $A=0.813$; $PK=0.535$; $OFS=0.94$; $RP=0.65$) and significant value < 0.05 . These indicate that all the variables are valid, granted for further evaluation.

Reliability Test

The reliability test is to test the internal consistency of the data in which the Cronbach's alpha should more that 0.70 to justify the reliability of the constructs. The Table 2. provides the results of Cronbach's alpha for all the variables and the results show that all variables had Cronbach's alpha above 0.7 which conclude the reliability of the measures for the variables used in this study

Table 2

Cronbach's Alpha Reliability Test

Variable	No of Item	Cronbach's Alpha
Subjective Norms (SN)	4	0.857
Attitude (A)	4	0.804
Pension Knowledge (PK)	4	0.772
Trust Towards Online Financial Service (OFS)	11	0.765
Intention to Invest in Retirement Planning (RP)	2	0.891

Correlation Analysis

Table 3 reported the results for correlation analysis. All the independent variables are found significant and positively correlated with the intention to invest in RP (i.e., dependent variable). The highest R-value ($r=0.619$) existed between SN and RP, followed by A and RP (0.461), PK and RP (0.308) and OFS and RP (0.210)

Table 3

Correlation Analysis

		Correlations				
		RP	SN	A	PK	OFS
RP	Pearson Correlation	1				
SN	Pearson Correlation	0.619**	1			
A	Pearson Correlation	0.461**	0.435**	1		
PK	Pearson Correlation	0.308**	0.193**	0.358**	1	
OFS	Pearson Correlation	0.210**	0.157**	0.107	0.182**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Multiple Regression Analysis

The results of the model summary in Table 4 shows the R-square value of 0.454. This indicates that the model explains 45.4% variation of intention to invest for retirement. The result for Durbin Watson value is 1.93, which between the value of 1.5 to 2.5 indicating no autocorrelation and independent between variables. Following that, the ANOVA test in Table 5 shows the F value is 47.132 and significance value 0.000, which less than 0.05 indicating that the respective independent variables reliably predict the dependent variable, and the model was fit for analysis.

Table 4
Model Summary

Model Summary									
Model	R	R Square	Adjusted Square	R Std. error of the Estimate	Change Statistics	Sig. Change	F	Durbin-Watson	
1	0.674 ^a	0.454	0.444	1.498	4 227	0.000		1.931	

Table 5
ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	422.806	4	105.701	47.132	0.000 ^b
	Residual	509.087	227	2.243		
	Total	931.892	231			

a. Predictors: (Constant), Trust Towards Online Financial Service, Attitude, Pension Knowledge, Subjective Norms

b. Dependent Variable: Intention to Invest for Retirement

Lastly, multiple regression analysis was performed to determine the extent of influence of respective independent variables on the dependent variable through numerical or mathematical expression. As shown in Table 6, the statistical significance of all the independent variable is less than 0.05 indicating a positive influence of respective independent variables to the dependent variable.

Table 6

Standardized Coefficients Value

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	-0.729	0.682			-1.069	0.286
Subjective Norms (SN)	0.571	0.063	0.498		9.072	0.000
Attitude (A)	0.120	0.036	0.189		3.304	0.001
Pension Knowledge (PK)	0.083	0.035	0.128		2.397	0.017
Trust Towards Online Financial Service (OFS)	0.018	0.010	0.088		1.750	0.008

- a. Predictors: (Constant), Trust Towards Online Financial Service, Attitude, Pension Knowledge, Subjective Norms
 b. Dependent Variable: Intention to Invest for Retirement

Hypothesis Testing

The results from correlation analysis and multiple regression analysis further supported that the significance effects of all the independent variables on the dependent variable. The beta coefficient of independent variables: SN, A, PK, and OFS are 0.498, 0.189, 0.128 and 0.088 indicating that there is a relationship between each independent variable to dependent variable.

Results of the SN is consistent with the study of (Davis, 1999; Schmidt, 2010). Furthermore, result of the Attitude is similar with the study of (East, 1993; Lau, 2002; Xiao and Wu, 2006). The result for PK is consistent with Landerretche and Martinez (2013) study. Also, study of Bruggen et al (2019) has produced the same result on OFS. Therefore, the constructed hypothesis as above is supported stating that subjective norms, attitude, pension knowledge, and trust towards online financial service have a positive impact on influencing the intention of Generation Y to actively invest for retirement. Summary of hypotheses testing was presented in Table 7.

Table 7

Hypothesis Testing for Independent Variable on Dependent Variable

Hypothesis	Beta	Sig. Value	Result Interpretation
H1: There is a significant relationship between Subjective Norms (SN) and the intention to actively invest for retirement by Generation Y in Malaysia.	0.498	0.000	Supported
H2: There is a significant relationship between Attitude (A) and the intention to actively invest for retirement by Generation Y in Malaysia.	0.189	0.001	Supported
H3: There is a significant relationship between Pension Knowledge (PK) and the intention to actively invest for retirement by Generation Y in Malaysia.	0.128	0.017	Supported
H4: There is a significant relationship between Trust towards Online Financial Services (OFS) and the intention to actively invest for retirement by Generation Y in Malaysia.	0.088	0.008	Supported

Conclusion and Implication

In conclusion, the aim of this research is to explore the factors that influence the decision or inclination of Generation Y to invest for retirement in Malaysia, as an issue of retirement preparation is important, and solely by saving and government pension system could not afford the living during the future retirement period. For this reason, Generation Y should think of investment for retirement preparation as early as possible from a younger age. Hence, this study designs to investigate the factors or determinants that influence their intention to carry out investment for preparation of retirement.

To conclude, this study found that subjective norms, pension knowledge, attitude and trust had a significant impact on Generation Y in the action of investment for retirement. Subjective norm has the higher impact on Gen Y intention to invest, while trust towards online financial service had the least impact on the inclination of Generation Y to invest, as they are still unsure about the security and privacy of online financial platform. Therefore, this provides further inference for future research after limitation and recommendation of this research discussed.

Based on the findings, this may contribute to government and policymakers to improve the social security environment or enforcement of regulations. Government and policymaker can collaborate with private institutions or financial planning industry in introducing retirement-related financial product designated for Generation Y to ease the downside of the public pension system. These findings also enable government and policymakers to make some enforcement of regulations to online financial service for the ease of the user. Certain regulators like the Securities Commission (SC) or Malaysia Financial Planning Council can collaborate or certified certain online financial product platform, thus providing assurance to users when using the service. Lastly, this study also may contribute to the online financial platform in enhancing or improving the security level to assure Generation Y's individual to conduct investment-related retirement planning service. For instance, they can introduce some easily recognized features such as certificates or encryption keys.

There are some limitations that need to be addressed in this study. Generalizations of these findings are expectedly limited in two respects. First, we took into account only respondents in Klang Valley, Malaysia. Second, the sample consisted only of respondents from Gen Y; as a result, meaningful remarks could only be made about these two categories. It does limit the generalizability of the results for all consumers in Malaysia.

In conclusion, despite limitations, the results can provide some theoretically and practically implications whereby financial companies and the policymaker should focus on promoting the investment in retirement planning for all people in Malaysia but not limited to Gen Y.

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