Malaysian Journal of Social Sciences and Humanities (MJSSH) (e-ISSN : 2504-8562)
2024, Volume 9, Issue 8, e002922
DOI: https://doi.org/10.47405/mjssh.v9i8.2922

RESEARCH ARTICLE

Retirement Planning Decisions: Analyzing Behavioral Influences on Pension Scheme Selection in Malaysian Statutory Bodies

Aidarina Bte Jakaria[1], Izaan Azyan Abd Jamil[2], Zaiton Osman[3*]

[1]Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, 88400, Kota Kinabalu, Sabah, Malaysia.
Email: aida7633@gmail.com
[2]Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, 88400, Kota Kinabalu, Sabah, Malaysia.
Email: izaan@ums.edu.my
[3]Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, 88400, Kota Kinabalu, Sabah, Malaysia.
Email: zaiosman@ums.edu.my

CORRESPONDING AUTHOR (*):
Zaiton Osman
(zaiosman@ums.edu.my)

KEYWORDS:
Pension schemes
Retirement planning
Retirement decisions
Statutory bodies

CITATION:
Aidarina Jakaria, Izaan Azyan Abd Jamil & Zaiton Osman. (2024). Retirement Planning Decisions: Analyzing Behavioral Influences on Pension Scheme Selection in Malaysian Statutory Bodies. *Malaysian Journal of Social Sciences and Humanities (MJSSH)*, *9*(8), e002922.
https://doi.org/10.47405/mjssh.v9i8.2922

ABSTRACT

Since gaining independence in 1957, Malaysia has classified employees in various public services as civil servants. Statutory bodies and local authorities were later established to provide specific public services, and their employees were placed under the Employees Provident Fund (EPF) contribution scheme instead of the government pension scheme due to the lack of constitutional amendments. Following the Harun Salary Commission's recommendations in 1975, these employees were given the choice between the pension scheme and the EPF scheme, with most opting for the pension scheme. This preference has placed significant financial strain on the government's pension resources. To alleviate this burden, current efforts aim to encourage government servants to choose the EPF scheme and consider placing future recruits under this scheme. This study aims to identify the factors influencing statutory bodies and local authority employees to opt for the government pension scheme despite the availability of the EPF scheme. Utilizing the Life-Cycle Theory to understand general savings behavior and the Theory of Planned Behavior to examine decision-making processes, a quantitative approach was employed. Data were collected via a questionnaire survey with 176 respondents from statutory bodies and local authorities in Kota Kinabalu. The PLS-SEM model was used to analyze the data, testing validity and reliability against Common Method Bias. The results indicated that Subjective Norms and Perceived Behavioral Control positively influenced the choice of retirement scheme, while Attitude did not. These findings highlight the role of social influences and perceived control in retirement decision-making.

Contribution/Originality: This study contributes to the existing literature by providing an in-depth analysis of the behavioral factors influencing retirement

scheme selection among employees of statutory bodies and local authorities in Malaysia, particularly in Sabah.

1. Introduction

This study aims to explore the factors influencing the preference of statutory body and local After gaining independence in 1957, the government of Malaysia was required by the Constitution to provide various public services, including the Armed Forces, education, judiciary, and general public services. Those working in these services were classified as civil servants, with pension plans regulated by Article 74 of the Federal Constitution and the Pension Act 1980. The Lembaga Tabung Angkatan Tentera (LTAT) manages pensions for Armed Forces members. Furthermore, statutory bodies and local authorities were established in order to enhance the government efficiency. Statutory bodies, created by Parliament or state legislatures, handle specific government functions that are deemed unsuitable for traditional departments. Local authorities focus on the social, economic, environmental, and cultural well-being of communities, offering services like social care, education, housing, urban planning, and waste management.

Before January 1975, employees of statutory bodies and local authorities were not regulated as civil servants. These employees operate under specific laws granting them operational and financial autonomy, unlike civil servants governed by the Public Service Department. For instance, the Employees Provident Fund (EPF) Act 1991 governs EPF employees. In 1975, the Harun Salary Commission allowed employees of statutory bodies and local authorities to choose between the government pension scheme and the EPF scheme. Many opted for the government pension, increasing the number of civil servants and straining government pension funds. As these employees were not classified as civil servants under Article 74, they were excluded from the Pension Act 1980 and placed under the EPF scheme. Under the EPF scheme, employees received a 10% higher salary than civil servants, with 5% deducted for EPF contributions and an additional 10% contributed by the government. The government's contribution to the EPF was double the rate required from private sector employers.

1.2. Background of the Study

Retirement planning is defined as a comprehensive, lifelong financial management process aimed at ensuring financial stability and security in one's post-working years. This encompasses several critical components, starting with financial literacy, which enables individuals to make informed decisions regarding savings, investments, and expenditures. Government policies and employer-provided pension schemes play a pivotal role in retirement planning, necessitating a supportive framework adaptable to demographic shifts and economic fluctuations.

Retirement planning can be constructively defined as a comprehensive, lifelong financial management process aimed at ensuring financial stability and security in one's post-working years. This process encompasses several critical components, starting with financial literacy, which serves as the foundation of effective retirement planning. Higher financial literacy enables individuals to make informed decisions regarding savings, investments, and expenditure, ultimately leading to better-managed retirement funds (Selvadurai et al., 2021).

1.2.1. Financial Literacy and Investment Strategies

Financial literacy is pivotal as it empowers individuals to understand and manage their financial resources effectively. This knowledge is crucial for making informed decisions about savings, investments, and expenditures, which are essential for accumulating adequate retirement funds. Higher financial literacy levels are associated with improved retirement outcomes, as individuals can better navigate financial products and services, resulting in optimized savings and investments (Selvadurai et al., 2021).

Financial literacy programs should be tailored to different life stages, ensuring that individuals acquire relevant knowledge at each point in their working lives. For instance, young professionals need to understand the importance of early savings and compounding interest, while those in mid-career should focus on asset diversification and risk management. Near-retirees, on the other hand, should prioritize strategies to preserve capital and secure a steady income stream during retirement.

Utilizing appropriate investment strategies tailored to an individual's life-cycle stage is equally crucial. This involves selecting a mix of assets that balance risk and return, adjusting the portfolio as one ages to reflect changing risk tolerance and financial goals. Younger individuals might focus on growth-oriented investments, such as equities, which offer higher returns but come with greater volatility. Conversely, those nearing retirement might shift towards more conservative options, such as bonds or annuities, to preserve capital and ensure a reliable income stream. Regular portfolio reviews and adjustments are essential to align with evolving financial goals and market conditions (Yuan et al., 2023).

1.2.2. Role of Governmental Policies and Employer-Provided Pension Schemes

Governmental policies and employer-provided pension schemes play a pivotal role in retirement planning. Effective retirement planning necessitates a supportive framework of social security and pension policies that are adaptable to demographic shifts and economic fluctuations. These policies ensure a safety net for retirees, providing stability and reducing reliance on personal savings alone (Hassan et al., 2021).

Government policies can influence retirement outcomes significantly. For instance, tax incentives on retirement savings, matching contributions, and subsidized pension schemes can encourage higher savings rates among employees. Moreover, policies that mandate employer contributions to retirement funds ensure that employees have a financial cushion when they retire. Employers, in turn, can offer various retirement plans, such as defined benefit and defined contribution plans, tailored to the needs of their workforce. These plans can be designed to provide guaranteed income streams or accumulate savings over time, helping employees achieve financial security in retirement.

Employer-provided pension schemes, such as the Employees Provident Fund (EPF) in Malaysia, play a critical role in securing the financial well-being of retirees. These schemes require both employees and employers to contribute regularly, ensuring a steady accumulation of retirement savings. Additionally, the management of these funds by professional entities ensures that contributions are invested prudently, balancing growth and security. However, to remain effective, these schemes must adapt to changing demographic trends, such as increasing life expectancy and shifting employment patterns (Hassan et al., 2021).

1.2.3. Risk Management and Healthcare Considerations

Understanding and mitigating financial risks, including market volatility, inflation, and healthcare costs, is essential for effective retirement planning. Retirement planning involves identifying potential risks and devising strategies to minimize their impact on retirement savings. For instance, market volatility can erode the value of retirement investments, necessitating a diversified portfolio that can weather market fluctuations. Inflation, on the other hand, can diminish the purchasing power of savings, highlighting the need for investments that provide inflation-adjusted returns (Mustafa & Islam, 2021).

Healthcare costs represent a significant risk to retirement savings. As individuals age, their healthcare needs typically increase, leading to higher medical expenses. Given the rising costs of healthcare, incorporating healthcare needs and insurance into retirement planning is vital to prevent unforeseen medical expenses from depleting retirement funds. Long-term care insurance, health savings accounts, and Medicare plans are some of the tools that can help manage these costs effectively. Planning for healthcare expenses ensures that retirees can access necessary medical care without compromising their financial stability (Chek & Ismail, 2023).

1.2.4. Continuous Process and Adaptation

Retirement planning is not a one-time activity but a continuous process that requires regular review and adjustment based on changes in personal circumstances, economic conditions, and policy environments. Life events such as marriage, childbirth, career changes, and health issues can significantly impact financial needs and retirement goals. Therefore, individuals must regularly revisit and update their retirement plans to ensure they remain aligned with their evolving circumstances.

Ongoing financial education and access to reliable financial advice play crucial roles in maintaining a robust retirement plan. Financial advisors can provide valuable insights and guidance, helping individuals navigate complex financial decisions and adapt their strategies to changing market conditions. Additionally, financial literacy programs should emphasize the importance of regular financial check-ups, encouraging individuals to review their savings, investments, and retirement goals periodically (Selvadurai et al., 2021).

Retirement planning is a dynamic and multifaceted effort. It requires a well-rounded approach that integrates financial literacy, strategic investment, supportive policies, risk management, and continuous adaptation to achieve financial security in retirement. By adopting a proactive and flexible approach to retirement planning, individuals can better prepare for the uncertainties of the future and ensure a dignified retirement.

1.2.5. Lifecycle Planning for Dignified Retirement

Retirement planning is a critical aspect of financial stability and well-being in one's later years. With the increasing life expectancy and changing demographics, it is essential to ensure that individuals can maintain a dignified lifestyle post-retirement. Lifecycle planning for retirement involves a comprehensive approach to managing financial resources throughout an individual's working life to ensure adequate income during retirement. This article examines the factors influencing the choice of retirement savings schemes among statutory body and local authority employees in Sabah, Malaysia, with the aim of providing insights for improving retirement planning strategies.

Lifecycle planning entails a holistic approach to financial management, addressing the unique needs and goals of individuals at different stages of their lives. Early in one's career, the focus should be on building a solid financial foundation through disciplined saving and investing. Mid-career, individuals should concentrate on maximizing their earnings potential and refining their investment strategies to balance growth and risk. As retirement approaches, the emphasis should shift towards preserving capital and ensuring a stable income stream to support post-retirement living expenses.

The retirement landscape in Malaysia is experiencing significant changes due to an aging population and growing concerns about the financial security of retirees. By 2040, it is projected that 14% of the population will be aged 65 and above, doubling the 2020 figure of 7%. This demographic shift necessitates a closer examination of the factors influencing retirement planning and the effectiveness of current retirement schemes.

1.2.6. Issues and Challenges of the Current Pension System

The primary retirement system in Malaysia, the Employees Provident Fund (EPF), is facing challenges in ensuring adequate post-retirement income for all its members. Research indicates that a significant portion of Malaysians may not have sufficient savings to support themselves during retirement. Factors contributing to this include low contribution rates, premature withdrawals for housing and education, and increased life expectancy. These issues highlight the need for reforms to enhance the sustainability and adequacy of retirement savings (Hassan et al., 2021).

The growing financial burden on the government to support retirees is a significant concern. The Pension Trust Fund, established in 1991, and the Retirement Fund (KWAP), created in 2007, face sustainability issues given the increasing number of retirees and the rising costs of pensions. This situation is exacerbated by the financial impacts of the COVID-19 pandemic, which has strained government resources. Additionally, there is a notable reluctance among government and statutory body employees to opt for the EPF scheme instead of the traditional pension scheme. This preference for the pension scheme over the EPF adds to the financial burden on the government, as the pension scheme typically requires higher funding levels to ensure long-term sustainability (Hassan et al., 2021; Mustafa & Islam, 2021). Comprehensive policy reforms are needed to ensure the long-term sustainability of Malaysia's retirement system and to provide adequate support for future retirees. Encouraging a shift towards the EPF system, through incentives and education, could help alleviate the financial pressures on the government while ensuring retirees' financial security (Yuan et al., 2023).

The aging population and existing retirement planning challenges in Malaysia highlight the urgent need for improved financial literacy, tailored retirement planning strategies, and policy reforms to ensure financial security for retirees. Addressing these issues is crucial for sustaining the well-being of Malaysia's elderly population in the coming decades.

1.2.7. Demographic, Gender and Economic Disparities

There are notable disparities in retirement savings across different demographic groups. Individuals with low incomes, women, and informal sector workers are particularly vulnerable. Studies have shown that lower-income individuals and women tend to have less EPF savings due to factors such as lower wages and career interruptions. Addressing these disparities requires targeted policies and programs to ensure equitable access to retirement savings opportunities for all demographic groups (Yuan et al., 2023).

Employees of statutory bodies and local authorities in Sabah face unique challenges compared to the broader Malaysian population. These employees often deal with distinct financial and policy-related issues that complicate their retirement planning. The aging population in Malaysia, coupled with these unique challenges, underscores the need for a tailored approach to retirement planning in Sabah. Regional economic conditions, cultural factors, and access to financial services must be considered to develop effective retirement strategies for this demographic (Chek & Ismail, 2023).

Gender differences and economic disparities further complicate retirement planning. Women generally have lower savings due to lower wages and career interruptions. Economic disparities mean that those with higher incomes can save more effectively, while lower-income individuals struggle to accumulate sufficient retirement savings. Policies aimed at closing the gender pay gap and providing support for lower-income workers can help mitigate these disparities and improve retirement outcomes for all (Mustafa & Islam, 2021).

1.2.8. Low Level of Financial Literacy and Inadequate Planning

Financial literacy is crucial for effective retirement planning. However, many Malaysians lack the necessary financial knowledge, which undermines their confidence and ability to make informed decisions about their retirement. Improving financial literacy and access to expert financial advice is essential for empowering individuals to plan better for their retirement. Financial education programs should be widely accessible and designed to address the specific needs of different demographic groups (Selvadurai et al., 2021).

Hence, this study aims to explore the factors influencing the preference of statutory body and local authority employees for the Government pension scheme over the EPF contribution scheme as their chosen retirement plan. Specifically, the objectives of this research are to investigate how subjective norms influence the decision to select a particular retirement scheme, examine the impact of personal attitudes on the choice of retirement scheme, and evaluate the effect of perceived behavioral control on the decision-making process regarding retirement scheme selection. By understanding these factors, the study seeks to provide insights that can inform policy decisions and enhance retirement planning strategies for employees in statutory bodies and local authorities.

2. Literature Review

This study is grounded in two prominent theoretical frameworks, namely. the Theory of Planned Behavior (TPB) and the Life-Cycle Theory. The TPB, developed by Ajzen (1991), posits that an individual's behavior is influenced by their attitudes towards the behavior, subjective norms, and perceived behavioral control. This theory provides a comprehensive framework for understanding the decision-making processes related to retirement planning.

Attitudes refer to an individual's positive or negative evaluations of performing a particular behavior. In the context of retirement planning, attitudes encompass beliefs about the benefits and drawbacks of different retirement schemes. For instance, if an individual perceives the government pension scheme as more secure and beneficial compared to the EPF, they are more likely to choose it. Subjective norms involve the perceived social pressure to perform or not perform a behavior. This includes the influence of family, peers, and societal expectations. For employees of statutory bodies and local authorities, the collective preferences and norms within their work environment can significantly impact their retirement planning choices. Perceived behavioral control relates to the perceived ease or difficulty of performing the behavior, reflecting past experiences and anticipated impediments. In retirement planning, this involves an individual's confidence in their ability to manage their retirement savings and make informed decisions (Ajzen, 1991).

The Life-Cycle Theory, introduced by Modigliani and Brumberg (1954), suggests that individuals plan their consumption and savings behavior over their lifetime to ensure a stable standard of living. According to this theory, individuals aim to smooth consumption throughout their life by saving during their working years and dis-saving during retirement. This theory implies that retirement planning is a dynamic process influenced by various life stages and economic conditions. Younger individuals might focus on accumulating wealth, while older individuals might prioritize preserving capital and ensuring a stable income during retirement. This theory highlights the importance of understanding how different life stages influence retirement planning decisions and the choice between different retirement schemes.

The integration of TPB and Life-Cycle Theory provides a robust conceptual framework to explore and enhance retirement planning strategies, ensuring they are responsive to the behavioral, social, and economic factors that influence individuals' retirement decisions (Selvadurai et al., 2021; Chek & Ismail, 2023; Yuan, Chong, Hii, & Li, 2023).

2.1. Research Gaps

Despite the extensive literature on retirement planning, significant gaps remain in understanding the specific factors influencing retirement scheme choices among employees of statutory bodies and local authorities in Malaysia. Previous studies have predominantly focused on the general population or private sector employees, with limited attention to the unique challenges faced by public sector employees. This study seeks to fill this gap by examining the relationships between subjective norms, attitudes, perceived behavioral control, and retirement scheme choices.

Firstly, there is a need to understand why employees of statutory bodies and local authorities show a preference for the government pension scheme over the EPF. The TPB suggests that subjective norms, such as the influence of colleagues and organizational culture, might play a significant role in this preference. Previous research indicates that in collectivist cultures like Malaysia, social influences are particularly strong (Hofstede Insights, 2021). Therefore, this study hypothesizes that subjective norms positively influence the choice of the government pension scheme over the EPF.

Secondly, the study aims to explore how personal attitudes towards retirement schemes impact decision-making. Research has shown that attitudes significantly affect financial behaviors (Lusardi & Mitchell, 2014). If employees perceive the government pension scheme as more beneficial in terms of financial security and stability, they are likely to favor it over the EPF. Thus, it is hypothesized that positive attitudes towards the government pension scheme correlate with a higher likelihood of choosing it.

Thirdly, the role of perceived behavioral control in retirement planning decisions is crucial. Financial literacy and confidence in managing retirement savings are components of perceived behavioral control. Studies have highlighted that many Malaysians lack adequate financial literacy, affecting their retirement planning (Sabri & MacDonald, 2010). This study hypothesizes that higher perceived behavioral control, reflecting greater financial literacy and confidence, is associated with a preference for the government pension scheme.

Additionally, the study examines how demographic factors such as income level, age, and gender moderate the relationships between subjective norms, attitudes, perceived behavioral control, and retirement scheme choices. Previous research suggests that demographic variables can significantly influence financial behaviors and decisions (Tan et al., 2019). For example, higher-income individuals might have more confidence in managing their retirement savings and thus might be more inclined towards schemes they perceive as financially advantageous. Similarly, age and gender could influence risk tolerance and retirement planning preferences.

In a nutshell, this study addresses significant gaps in the literature by focusing on the specific factors influencing retirement scheme choices among employees of statutory bodies and local authorities in Sabah, Malaysia. By applying the TPB and Life-Cycle Theory, it provides a comprehensive framework for understanding these choices. The findings aim to inform policy decisions and enhance retirement planning strategies to better serve this demographic, ultimately contributing to more effective and sustainable retirement systems.

3. Research Methods

The study utilized a quantitative research design with a survey methodology to gather data from employees of statutory bodies and local authorities in Sabah. A purposive sampling technique ensured that the sample was representative of the target population. The final sample size consisted of 176 completed questionnaires, which were analyzed to understand the factors influencing the choice of retirement schemes. A structured questionnaire was developed as the primary data collection instrument. The questionnaire was designed to measure the independent variables (attitudes, subjective norms, and perceived behavioral control) and the dependent variable (choice of retirement savings scheme). The items for the dependent variable were adapted from Amorim and França (2020), focusing on anticipated sources of financial support in retirement. The questionnaire underwent rigorous pretesting and pilot testing to refine the items and ensure clarity and effectiveness. Data were collected through self-administered questionnaires distributed electronically via google form and in paper format to maximize response rates. Participants were briefed on the study's purpose and assured of the confidentiality of their responses. The data collection spanned several weeks to ensure a comprehensive and representative sample.

The data analysis process was designed to ensure robustness and reliability through several key steps. Initially, data cleaning addressed missing values, detected outliers, and ensured normality. Missing data were managed, and outliers were handled using statistical techniques such as the Z-score and Mahalanobis distance. Normality was assessed via descriptive statistics and visual inspections using scatterplots and normal Q-Q plots. The study utilized Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS Version 4. PLS-SEM was selected due to its ability to estimate complex models with both latent and observed variables, accommodate small sample sizes, and handle non-normal data distributions. This method allowed for a comprehensive examination of relationships among variables and provided insights into the overall model fit. PLS-SEM was particularly suitable for this exploratory research, enabling the validation of both measurement and structural models effectively.

A total of 176 usable questionnaires were collected. The demographic analysis revealed an equal gender distribution, with 50 percent male and 50 percent female respondents. The age distribution showed that 34.7 percent of respondents were aged 36-45, and the income distribution indicated that the majority (34.7 percent) earned between RM4,000 and RM8,000 monthly. This demographic profile aligns closely with the broader population of Kota Kinabalu, Sabah.

4. Results

In this study, a comprehensive confirmatory factor analysis (CFA) to assess the reliability and validity of the constructs, namely Attitude, Perceived Behavioral Control, Retirement Options, and Subjective Norms was conducted. The factor loadings for all items were robust, ranging from 0.737 to 0.930, exceeding the recommended threshold of 0.70, thus demonstrating strong convergent validity. The composite reliability (CR) values ranged from 0.914 to 0.972, significantly surpassing the acceptable criterion of 0.70, indicating high internal consistency across all constructs. Furthermore, the average variance extracted (AVE) values were between 0.640 and 0.792, all above the 0.50 threshold, confirming that the constructs captured a substantial portion of the variance in their respective indicators. These findings, as detailed in Table 1, substantiate the reliability and validity of our measurement model, ensuring that the constructs are well-specified for further analysis.

Table 1: Measurement Model for the First Order Constructs

Variable	Item	Loadings	CR	AVE
Attitude	ATT1	0.806	0.923	0.706
	ATT2	0.881		
	ATT3	0.846		
	ATT4	0.855		
	ATT6	0.810		
Perceived Behavioral Control	PBC1	0.837	0.972	0.774
	PBC2	0.835		
	PBC3	0.903		
	PBC4	0.815		
	PBC5	0.899		
	PBC6	0.858		
	PBC7	0.906		
	PBC8	0.928		
	PBC9	0.930		
	PBC10	0.877		

Retirement Options	RO1	0.786	0.914	0.640
	RO2	0.839		
	RO3	0.737		
	RO6	0.759		
	RO7	0.850		
	RO8	0.823		
Subjective Norms	SN1	0.901	0.919	0.792
	SN2	0.929		
	SN3	0.837		

Note. RO4, RO5, SN4, and SN5 were deleted due to low loading.

As presented in Table 2, the hypothesis testing results reveal that Subjective Norms (H1) and Perceived Behavioral Control (H3) have significant positive effects on Retirement Options, with standardized beta coefficients of 0.230 ($p = 0.021$) and 0.359 ($p = 0.033$), respectively. These findings suggest that individuals' perceptions of social expectations and their control over retirement decisions significantly influence their retirement planning behaviors. However, the relationship between Attitude and Retirement Options (H2) was not supported, as indicated by a non-significant standardized beta coefficient of 0.199 ($p = 0.196$). This suggests that while attitudes towards retirement are important, they may not be as influential in determining retirement options as subjective norms and perceived behavioral control. These insights contribute to the existing literature by highlighting the critical factors that drive retirement planning behaviors, offering practical implications for policymakers and financial advisors in guiding individuals toward better retirement planning decisions.

Table 2: Hypothesis Testing Direct Effect

Hypothesis		STD BETA	STD DEV.	T-VAL	P-VAL	LLCI	ULCI	Results
H_1	Subjective Norm -> Retirement Options	0.230	0.100	2.305	0.021	0.039	0.428	Supported
H_2	Attitude -> Retirement Options	0.199	0.154	1.293	0.196	-0.113	0.479	Not supported
H_3	Perceived Behaviour Control -> Retirement Options	0.359	0.168	2.134	0.033	0.031	0.699	Supported

Note. The study uses a 95% confidence interval with a bootstrapping of 5,000.

Social pressures and influences play a crucial role in retirement scheme decisions. Employees are significantly influenced by the expectations and opinions of family, friends, and colleagues. The collective nature of Malaysian society, where decisions are often made considering the welfare of the family and community, underscores the importance of subjective norms. Subsequently, the confidence employees have in their ability to manage and control their retirement savings also significantly impacts their choices. Those who feel capable of effectively handling their retirement planning are more likely to make proactive decisions, such as opting for the EPF scheme, which requires more personal management compared to the government pension scheme. Surprisingly, this study found that attitudes toward retirement planning did not significantly influence the choice of retirement scheme. This suggests that while employees may have positive or negative feelings about retirement planning, these attitudes do not directly translate into their decisions regarding which scheme to choose.

5. Conclusion

This study has provided valuable insights into the factors influencing retirement scheme choices among statutory bodies and local authority employees in Sabah. The significant roles of subjective norms and perceived behavioral control highlight the need for a multifaceted approach to improving retirement planning. By addressing social influences and enhancing individuals' confidence in managing their finances, policymakers and financial institutions can support employees in making more informed and proactive retirement decisions. Policymakers and EPF administrators should focus on leveraging these factors to encourage EPF participation (Selvadurai et al., 2021).

Financial literacy programs and access to financial advisory services are critical components for empowering employees to make informed retirement decisions. Cultural and social dynamics unique to Sabah, including its diverse ethnic composition and traditional values, further influence retirement planning behavior. These factors affect how retirement planning is perceived and acted upon, emphasizing the need for tailored financial advisory services that cater to the unique cultural and social contexts of the region (Hofstede Insights, 2021). This study recommends implementing enhanced financial literacy programs and improving access to financial advisory services as crucial steps. By doing so, employees can be better equipped to understand their retirement options and make more informed decisions, ultimately leading to improved financial stability and security in retirement.

This study highlights the critical need to promote participation in the Employees Provident Fund (EPF) among statutory bodies and local authority employees. One strategy is to address the perceived risks associated with the EPF scheme compared to the government pension scheme. This involves enhancing communication and outreach efforts to clearly convey the benefits and security provided by the EPF. For instance, highlighting the long-term financial security and potential returns of the EPF can help alleviate concerns about its risks. Additionally, educational initiatives aimed at improving financial literacy among potential members can empower them to make more informed retirement planning decisions (Mustafa & Islam, 2021). The study also emphasizes the importance of social proof and endorsements from respected members within the organization or community. Utilizing testimonials and endorsements from satisfied EPF members can positively influence the perceptions of potential members. Furthermore, simplifying the decision-making process by providing clear, concise information and reducing the number of available options can help mitigate decision paralysis and promote a more favorable view of the EPF scheme (Hassan et al., 2021).

Implement targeted financial literacy programs to improve understanding of retirement planning options among all civil servants and statutory bodies employees. Numerous studies underscore the importance of financial education and literacy programs in enhancing retirement planning behaviors. Lusardi and Mitchell (2011) and Hasnah Haron et al. (2019) emphasize that financial literacy significantly impacts retirement savings. They suggest that tailored educational programs can improve individuals' knowledge and attitudes towards retirement planning, leading to more active saving behaviors. Kamal Halili et al. (2016) further highlights the need for age-specific financial education, recommending that younger individuals learn about early savings benefits, while older adults focus on catch-up strategies and fund management. They also advocate for gender-specific workshops to boost financial confidence among women.

Folk, Beh and Baranovich (2012) and Lusardi and Mitchell (2014) discuss how financial education improves retirement planning outcomes. They stress the need for customized programs to address the unique challenges faced by different economic groups. Lusardi and Mitchell (2014) provide evidence that financial education significantly enhances retirement preparedness, calling for programs tailored to various life stages. Collectively, these studies advocate for targeted financial education initiatives to meet the diverse needs of different demographic groups, ensuring effective and comprehensive retirement planning.

Future research should consider exploring additional factors that may influence retirement planning behavior, such as cultural differences, economic conditions, and long-term changes in financial markets. Longitudinal studies could also provide deeper insights into how retirement planning behaviors evolve over time and the long-term impacts of different retirement schemes on financial security in old age.

Ethics Approval and Consent to Participate

The researchers used the research ethics provided by the UMS Research Ethics Committee. All procedures performed in this study involving human participants were conducted in accordance with the ethical standards of the institutional research committee. Informed consent was obtained from all participants according to the Declaration of Helsinki.

Acknowledgement

Part of this article was extracted from a Master thesis submitted to University Malaysia Sabah, Kota Kinabalu, Sabah. Malaysia

Funding

This study received no funding.

Conflict of Interest

The authors reported no conflicts of interest for this work and declare that there is no potential conflict of interest with respect to the research, authorship, or publication of this article.

References

Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, *50*(2), 179–211. https://doi.org/10.1016/0749-5978(91)90020-t

Amorim, S. M., & de Freitas Pinho França, L. H. (2020). Health, financial and social resources as mediators to the relationship between planning and satisfaction in retirement. *Current Psychology*, *41*(6), 3510–3524. https://doi.org/10.1007/s12144-020-00836-8

Chek, M. Z. A., & Ismail, I. (2023). Retirement Planning Issues, Problems, and Opportunities in Malaysia. *International Journal of Research and Innovation in Social Science (IJRISS), 7*(9), 1926-1932. https://doi.org/10.47772/IJRISS.2023.71055

Folk, J. Y., Beh, L. S., & Baranovich, D.-L. (2012, July 23). Financial education: Determinant of retirement planning in Malaysia. *Journal of Business Management and Economics, 3*(2), 069-078.

Hasnah Haron, Nat Razali N.N.S & Mohamad F., 2019, Factors Influencing Financial Planning Retirement Amongst Employees in the Private Sector in East Coast Malaysia: Literature Review and Research Agenda. *FGIC 2nd Conference on and Integrity, KnE Social Sciences*, pp. 1115-1129. (doi:10.18502/kss.v3i22.5115)

Hassan, M. K., & Lawrence, S. (2007). *Financial Preparation for Retirement: Factors Affecting Retirement Preparation Through Employer Sponsored Retirement Plans*. https://doi.org/10.2139/SSRN.985671

Hofstede Insights. (2021). *Country comparison tool: Malaysia*. Retrieved from https://www.hofstede-insights.com/country-comparison-tool?countries=malaysia https://econpapers.repec.org/article/etrseries/v_3a3_3ay_3a2012_3ai_3a2_3ap_3a069-078.htm

Kamal Halili Hassan, Rohani Abdul Rahim, Fariza Ahmad, Tengku Nor Azura, Rooshida Rahim Mericam, & Siti Kohlijah Bahari, 2016, Retirement Planning Behaviour of Working Individuals and Legal Propositionfor New Pension Systems in Malaysia. *Journal of Politics and Law, 9*(4), 43-52. (doi:10.5539/jpl.v9n4p43)

Lusardi, A., & Mitchell, O. S. (2011). *Financial literacy around the world: An overview* (Working Paper No. 17107). National Bureau of Economic Research. http://www.nber.org/papers/w17107

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature, 52*(1), 5–44. https://doi.org/10.1257/jel.52.1.5

Modigliani, F., & Brumberg, R. (1954). Utility analysis and the consumption function: An interpretation of cross-section data. In *Kenneth K. Kurihara, ed., Post Keynesian Economics* (pp. 388–436). essay, Rutgers University Press.

Mustafa, W. M. W., & Islam, M. A. (2021). Financial retirement planning among self-employed workers in Malaysia: A conceptual investigation. *AIP Conference Proceedings, 2339*(1), 020145. https://doi.org/10.1063/5.0045147

Sabri M. F., & MacDonald M. (2010). Savings behavior and financial problems among college students: The role of financial literacy in Malaysia. *Cross-Cultural Communication, 6*(3), 103-110. https://www.researchgate.net/publication/50946039

Selvadurai, V., Kenayathulla, H. B., & Siraj, S. (2018). Financial Literacy Education and Retirement Planning in Malaysia. *Malaysian Online Journal of Educational Management (MOJEM), 6*(2), 41-66. Retrieved from https://doi.org/10.22452/mojem.vol6no2.3

Tan P. H., Ting H., & Mong S. K. (2019). Income inequality and retirement savings in Malaysia. *Journal of Financial Counseling and Planning, 30*(2), 242-257. https://www.researchgate.net/publication/281269248

Yuan, J., Chong, K. M., Hii, I. S. H., & Li, H. L. (2023). Retirement Planning among Female Workforce in Malaysia and China. *Journal of ASIAN Behavioural Studies, 8*(26), 57–77. https://doi.org/10.21834/jabs.v8i26.437