

## Understanding Factors Influencing Voluntary Contribution of 'I-Saraan' among Malaysian: A Conceptual Model

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### Abstract

I-Saraan is the government retirement scheme to help Malaysian citizens to have comfortable retirement times. Evidence pertinent to Malaysian participation is marginal and inconclusive. Therefore, this work proposes a conceptual framework to understand the factors that influence the voluntary contribution of I-Saraan among Malaysian citizens. The main motivation of this study is to increase self-contribution of retirement savings among self-employed. From the synthesis review of literature, the study identified four elements that influencing the voluntary contribution of I-Saraan, attitude, subjective norm, perceived behavioral control, and amount of information. The study contributes to our understanding of the factors that influence voluntary retirement savings behavior among self-employed toward the government retirement scheme. This work is based on a conceptual model, which yet received an empirical result at best. Generally, this work provides fresh knowledge concerning a conceptual model proposed to reflect I-Saraan in the context of Malaysia.

**Keywords:** Retirement Saving, Voluntary Retirement Contribution, I-Saraan, self-employed, Malaysia

**Introduction**

The Voluntary Contribution with Retirement Incentive, or I-Saraan, is a government incentive programme that aims to ensure that everyone, especially the self-employed and business owners, has sufficient retirement funds. Self-employed individuals defined as the person who derive income from own work and are not an employee (EPF, 2021). I-Saraan scheme provides a platform to the EPF members who are self-employed and do not earn a regular income to contribute voluntarily to their retirement saving and receive an incentive contribution from the government. This programme objective also seeks to increase the number of self-employed individuals who participate in the EFP for retirement savings. Contributions can be made by members in any amount, and withdrawals can be made based on predetermined conditions. Members under the age of 60 are eligible for a 15 percent government incentive on their contributions, up to a maximum of RM250 per year from 2018 to 2022. Besides all the above mentioned, members also would enjoy death benefit, annual dividend and tax income exemption.

In recent years, the number of people who are self-employed has increased considerably, and became the second largest group in the Malaysia workforce while the number of people in regular paid work has begun to drop. For instance the category of employees, which accounted for 77.6% of all employed, decreased by 4.4 thousand people to 11.87 million people in July 2021. In spite of this, the number of workers on their own account continued to increase for six consecutive months, increasing by 6.8 thousand (0.3% of the total) to 2.50 million in July 2021 (Department of Statistics, 2021).

However, most self-employed employees are uninformed of the program due to inadequate literacy, which stems from an inability to realize future benefits for continuing income inflows, which also are required for higher well-being and quality of life after retirement. As a result, less than 10% of Malaysia's 2.7 million self-employed contribute to the i-Saraan scheme, and only 18% contribute regularly (The Star, 2020).

According to the Department of Statistics Malaysia, males may expect to live until they are 78 years old, while females can live until they are 81 years old (Department of Statistics Malaysia, 2021). Living longer may increase the expenses and the chances of experiencing poverty. However, more than half of the Malaysian adults are not covered by any pension plan. More than two-thirds (68%) of EPF members aged 54 had EPF savings of less than RM50,000. Even worse, around 20% retire with less than RM10,000 in savings. Low investment returns and pandemic-related withdrawals, especially i-Sinar, i-Lestari, and i-Citra, during the epidemic have led to even fewer retirement savings (The Star, 2017).

Numerous factors influence the necessity of retirement planning such as financial need after retirement, children financial education, health, leisure, and early retirement age. (Zabri et al., 2016). If not properly managed, insufficient retirement funds contribute to the major economic problem and create stress on an individual level. (Yusof et al., 2018). Most of the past studies highlighted the issue about the retirement planning (Dahlia et al., 2012b; Hassan et al., 2016; Kimiyagahlam et al., 2019; Lai et al., 2009; Zabri et al., 2016).

Due to the aforementioned factors, it is crucial for self-employed to save money into the I-Saraan scheme as their retirement financial support. Having a thorough understanding of the factors influencing retirement savings can help to overcome insufficient retirement savings among self-employed. Hence, this research is aimed at explaining the determinants for I-Saraan patronisation. The study's main objectives are to examine the relevance of the DTPB model in the context of I-Saraan. Further, this study also provides significant evidence on the amount of information as the significant factor determining influencing behavior in I-Saraan scheme.

## **Literature Review**

### *Retirement Saving Behavior*

Retirement saving is defined as allocating a portion of one's income and ensuring that the money matches one's objectives and beliefs (Baistaman, et al., 2019). As Malaysia's population is forecast to age by 2030, retirement savings are becoming more critical as part of their long-term financial planning (Daim, 2021). Despite the increasing media and government initiatives to highlight the current acute shortfall in retirement savings amassed by most Malaysians, the fact remains that almost 70% of Malaysians have less than RM50,000 saved up for retirement throughout their working lives (The Star, 2017).

Previous academics have paid much attention to retirement studies. Past studies found that social influence, financial literacy, the propensity to plan, future orientation, financial attitude, and income are predictors of working adults planning for their future retirement. (Baistaman et al., 2019; Kimiyagahlam et al., 2019; Lai et al., 2009). For instance, Lai et al (2009) focused on money attitudes and related academic retirement issues in Malaysia's higher education. A questionnaire was individually distributed to 458 academics in 16 Malaysian institutions (public and private). The survey found that income is the main motivator in retirement planning among academic staff. The survey also found that female academics and public universities had more positive attitudes about retirement. The results provide important insights for the top management at universities on the need for advice and assistance in the early retirement period to facilitate the transition into retirement for academics. The study also pointed out that Malaysia's present EPF was insufficient to guarantee income for the growing elderly population after retirement.

Understanding the factors of retirement savings may lead to solutions for overcoming insufficient retirement savings. From Malaysia perspectives, Yusof et al (2018) studying the effect on the intention to save in a voluntary retirement fund under private fund system.

The Decomposed Theory of Planned Behavior (DTPB) was used in this study to investigate Malaysian citizens' intentions to save in voluntary retirement plans. The findings showed that a person's intention to save in a voluntary retirement fund is significantly influenced by attitude, subjective norms, and perceived behavioral controls. The strongest predictor was thought to be behavioral controls, followed by attitude and subjective norms. According to the authors, PBC give the strong effect on intention to save in voluntary fund although showed the moderate effect on the saving behavior in voluntary fund.

Afthanorhan et al (2020) focused their study on the youth's retirement planning behavior model. Align with the previous finding, the authors found that financial literacy, saving attitudes, social influence, and goal clarity on retirement planning are significantly and positively associated with retirement planning using structural equation modeling (SEM). The findings have been supported by a study from (Kimiyaahlam et al., 2019). The authors found that attitude and behavior have strong relationships in the study. Findings from the study give better insight into the complexity of human behavior. The authors applied the Theory of planned behavior (TPB) and used structural equation modeling techniques to analyze the data in the study. The analysis also, shows that financial literacy, a propensity to plan, and future orientation are directly associated with retirement planning behavior. The saving attitude is also found to mediate these relationships partially. However, family education and materialism are not associated with retirement planning.

Awareness is one of the crucial factors in determining individual behavior. A study from Dahlia et al (2012) focused on the awareness of retirement as the main issue as it is still a vague issue among society in Malaysia. There are various types of retirement products even in the market, yet multiple factors still influence the initiatives to save for retirement. The study proposed a theoretical framework to illustrate the relationship between demographic, financial education programs, social influences, and personal retirement savings behavior.

The level of household income also became the main motivator influencing private retirement savings through individual pension plans. By focusing on the household income, study from (Vivel-Bua et al., 2019) found income distribution plays an outstanding role in determinants of retirement saving behavior in private retirement scheme. Besides the income, demographic characteristics such as age, education, and occupation also became influential in retirement saving behavior. Overall, socio-demographic, and economic variables gives the impacts towards participation on individual pension plan in Spain (Vivel-Búa et al., 2019).

From consumer behavior perspectives, Rickwood & White (2009) examine pre-purchased decision-making processes among individuals in Sydney to save for retirement. The study applied exploratory research using eight focus groups with 55 participants. In the study, the authors argue that external, internal, and risk factors significantly impact saving for retirement. Factors include involvement level, motivation, needs and wants, family influence, marketer influence, competitive options, financial risk, functional risk, and psychological risk. However, the study found no apparent differences between gender.

However, the limitation of the past studies is a focus on the retirement planning and private retirement scheme rather than a government-based scheme. Hence, the study aims to fill the gap by identifying factors influencing voluntary contribution from the government-based scheme perspective specifically I-saraan scheme.

### **Decomposed Theory of Planned Behaviour**

The DTPB is used in this study to generate a theoretical foundation for investigating the elements that influence the voluntary contribution of I-Saraan intention. The DTPB was based on Taylor and Todd's (1995) modifications to the Theory of Planned Behavior (TPB) to improve the theoretical contributions extracted from the TPB. The fundamental TBP constructs of

attitude, subjective norms, and perceived behavioral control were decomposed further in DTPB. These authors deconstructed the three types of belief, attitudinal, normative, and control, into dimensions to better understand the elements that influence behavioral patterns (Amin, 2020).

Based on these merits, DTPB is a suitable method for predicting human intention to engage in a specific behaviour. The DTPB provides superior explanatory power than the pure TPB for two reasons. First, it gives more precise and easier to understand relationships among the multi-dimensional construct. Second, in terms of explanatory power, the DTPB outperformed the pure TPB. Third, Decomposed belief structures can help overcome some of the drawbacks of standard models in several contexts (Aziz et al., 2017).

The PBC construct is introduced to overcome the TRA model's limitations and apply in situations where people do not have voluntary control over their actions (Ajzen, 2002). The Theory is a person's assessment of how easy or difficult it is to perform specific behaviors. It states that the higher a person's PBC, the more likely they will engage in the behavior (Ajzen, & Fishbein, 1974). The confidence of individual to perform the behavior is related to the behavior performance.

The DTPB is a decision-making model that was previously utilized and validated to comprehend and predict intention behavior (Abdullahi & Othman, 2021; Amin, 2020; Maulana et al., 2018; Tao & Fan, 2017). For instance study from (Husin & Rahman, 2016) used DTPB as the baseline theory to understand intention behavior among an individual to participate in the family takaful scheme.

## **Literature Review and Hypotheses Development**

### *Attitude Construct*

Attitudes are developed by beliefs that result in a value judgment being placed on the outcome of behavior (Fishbein & Ajzen, 2010). If the consequence is deemed pleasant or desirable, an individual's attitude will be favorable, resulting in the individual engaging in the behavior. Past studies proved that attitude has a direct relationship and positively influences an individual's behavior (Abdullahi & Othman, 2021; Badaj & Radi, 2018; Hwa & Perumal, 2018; Tao & Fan, 2017). Numerous studies also documented that attitudes have a significant relationship with the consumption of financial services. (Abdullahi & Othman, 2021; Badaj & Radi, 2018; Husin & Rahman, 2016). Selectively, an interesting study from (Husin & Rahman, 2016) examined an individual's intention to participate in a family takaful scheme and proved a significant relationship between attitude and intention consumption of takaful.

Hence, adapting the attitude construct seems justified. Based on this study, I-Saraan offered protection after retirement, saving, and investment to the retired individual. Therefore, if I-Saraan fulfills the individual's expectation, the individual's attitude to join the I-Saraan should be a positive relationship. To illustrate, a study by Yusof et al (2018) showed a significant relationship between attitude and an individual's intention to save in a voluntary fund. Hence, decomposing the attitude into protection, saving and investment seem relevant. Hence,  $H_1$  was hypothesised as

$H_1$ : Attitude will influence the I-Saraan patronization significantly.

### *Relative Advantages*

Relative advantage, according to Roger (1983), is the extent to which an innovation is considered to offer advantages in place of those of its predecessor. It may include convenience, satisfaction, image improvement, and economic positions. Customers frequently see relative advantage in terms of the financial advantages and costs that may result from adopting an innovation and changes that are reasonable to their social position. Hence, the relative advantage will influence the rate of adoption process. It should be a positive correlation between an innovation's rate of adoption and its relative advantages (Roger, 1983; Taylor & Todd, 1995).

Those who contribute to a voluntary retirement fund would have a relative advantage due to the retirees' increased capacity to support themselves throughout their retirement (Yusof et al., 2018). Several studies using the DTPB have found a positive relationship between relative advantage and attitude. These include Aziz & Afaq (2018), who found that attitude to use Islamic banking in Pakistan is determined by relative advantage. From the internet banking perspective, study by Shih & Fang (2004) found the relative advantage was also found to be positively related to Attitude. Another study by (Abdullahi & Othman, 2021; Maulana et al., 2018) also found that relative advantage positively and significantly influences attitude toward the adoption of Islamic microfinance. Therefore, we postulate:

H<sub>1b</sub>: Relative advantages will influence the attitude toward the I-Saraan patronization significantly.

### *Complexity*

Complexity is the degree to which an innovation is perceived to be difficult to understand, learn or operate (Roger, 1983; Taylor & Todd, 1995). In general, new concepts that are easier to comprehend will be accepted more quickly than those that require the user to gain knowledge and skills (Roger, 1983). Barriers to obtaining resources to be used for retirement contribute to complexity as well (Yusof et al., 2018). Study by Shih & Fang (2004) found complexity is significantly related to attitude in the context of internet banking in Taiwan. However, the finding by Echchabi & Olaniyi (2012) was contradicts. A study discovered that client attitude towards Islamic banking services were unaffected by complexity.

H<sub>1c</sub>: Complexity will influence the attitude toward the I-Saraan patronization significantly.

### *Compatibility*

Compatibility is the degree to which an innovation or new technology aligns with the existing values, prior experience, and present demands of potential adopters (Roger, 1983; Taylor & Todd, 1995). It is the degree to which potential adopters perceive an innovation to be compatible with their current values, experience, and requirements. If an innovation contradicts a person's shared norms, values, or culture, it is less likely to be accepted. Essentially, compatibility should have a favourable relationship with attitude.

Aziz & Afa (2018) found that the compatibility of Islamic banking products has a favourable effect on attitude in their research on the intention to adopt Islamic banking in Pakistan. Another study from Abdullahi & Othman (2021) found compatibility positively influence attitude towards Islamic microfinance in Nigeria. Study from Echchabi & Olaniyi (2012) found compatibility have significant influence on the attitude towards Islamic banking services.



However, according to a study by Yusof et al (2018), compatibility has a negative impact on behavioral intentions to save voluntarily for retirement. Support the previous finding, study by (Shih & Fang, 2004) also found compatibility is not related to the attitude in the internet banking behavioral intention in Taiwan. Accordingly, this study postulated the following hypotheses:

H<sub>1c</sub>: Compatibility will influence the attitude toward the I-Saraan patronization significantly.

### **Subjective Norm Construct**

Subjective norms are defined as perceived social pressure to perform or stay away from performing a behavior (Ajzen, 1991; M. Fishbein & Ajzen, 1975). Subjective norms regulate behaviour motivated by a desire to behave according to how others believe you should behave

(Ab. Rahim & Amin, 2011). Previous studies found that subjective norms are important predictors of an individual's intention (Ab. Rahim & Amin, 2011). Similarly, a study conducted in the financial service sector discovered that subjective norms have a positive correlation with intention behavior (Alam et al., 2012; Ganesan et al., 2020; Ibrahim et al., 2017; Warsame & Ileri, 2016). Thus, the following hypothesis needs to be substantiated:

H<sub>2</sub>: Subjective norm will influence the I-Saraan patronization significantly.

### *Word of Mouth*

Word of mouth is the informal communication in which consumers inform one another about the characteristics, use, qualities, and benefits of specific goods and services. The term "word of mouth referents" refers to personal referents such as family members and friends. (Husin & Rahman, 2016). People might feel that his personal references, including his parents and friends, may encourage him to participate in the particular behaviour.

According to prior research, the opinions of others can impact the purchase decisions of individuals. (File & Prince, 1991; Husin & Rahman, 2013; Shih & Fang, 2004; Zolait & Sulaiman, 2009). For instance, in the family takaful perspectives. study from Zolait (2014) discovered that self-efficacy was strongly associated with subjective norms. A study by (Husin & Rahman, 2016; Shih & Fang, 2004) also found that family members, peers, and the like have a positive influence on subjective norm. Accordingly, this study postulated the following hypotheses:

H<sub>2a</sub> : Word-of-Mouth will influence on the subjective norms towards I-Saraan patronization significantly

### *Media Referents*

Media referents refers to the influence of mass media on an individual's intention toward behavior In the context of this study, media referent refers to mass media, which covers all methods of message transmission such as radio, television, newspapers, and the Internet, and other related channels can also encourage people to save in the I-Saraan scheme.(Ahmadi, 2019; Aziz et al., 2020; Husin & Rahman, 2013; Zolait, 2014).

The influence of the mass media is best represented by their ability to reach a large audience rapidly, create knowledge, spread information and change weakly held attitudes. (Bhattacharjee, 2000). A positive relationship between media referent and subjective norms

is also found in study by Zolait, (2014) which examines users in the context of internet banking. Hence, H2 is hypothesized as:

H<sub>2b</sub> : Media Referents will influence on the subjective norms towards I-Saraan patronization significantly

### **Perceived Behavioral Control Construct**

Perceived behavioral control refers to the presence or absence of necessary resources and opportunities and the individual's perception of the ease or difficulty of performing the behaviour of interest. (Ajzen, 1991). For instance, a study in the zakat perspectives from Ram et al (2010) stated that individuals should have full control over the factors such as experience, skills, resources and opportunities to perform the behavior. Study found that zakat payers should have the resources and full control over the resources to pay zakat. Without it, the zakat payers' intention behavior to pay zakat would be low.

On the other hand, study from (Sayuti et al., 2020) found that perceived behavioral control is the strongest factors influencing buyer's intention to choose Islamic home financing than other factors examined in the study. The study's findings indicate that the greater the perception of behavioural control, the greater the likelihood that future first-time homebuyers will choose Islamic mortgage financing.

A person must have control over relevant resources and environmental opportunities to act (Ajzen, 1985, 1991). According to Ajzen (2002), the control factor may be internal or external. The DTPB identified three variables as predictors of perceived behavioral control: self-efficacy, resources facilitating condition, and technology facilitating. Based on the perspectives of the study, the authors only adopted two determinants self-efficacy and facilitating condition.

H<sub>3</sub>: Perceived behavioural control will influence the I-Saraan patronization significantly.

### *Self-efficacy*

Self-efficacy is the belief that someone can perform well in a given circumstance (Ajzen, 1991; Bandura, 1978) It is also characterized as confidence in one's capacity to combine the motivation, cognitive resources, and action plan necessary to meet a particular situational demand (Bandura & Wood, 1989). Individuals are more likely to engage in a certain behaviour if they have control over it and are prohibited from engaging in another behaviour over which they have no control even the behavior has been supported by positive attitude and subjective norms (Bandura, 1978; Yusof et al., 2018).

Self-efficacy can be a factor in determining the degree of perceived behaviour control. Study conducted by Abdullahi & Othman, (2021) on the behaviour to adopt microfinance in Nigeria have found that self-efficacy positively influences perceived behavioural control. Study by Husin & Rahman (2016) also found a similar result. From the context of takaful, study found self-efficacy gives a significant effect effects on PBC. Result indicate that self-confident is a crucial aspect in the decision to participate in a family takaful plan.

These argument lead to the following hypothesis:

H<sub>3a</sub> : Self-efficacy will influence on the perceived behavioural control towards I-Saraan patronization significantly



### *Facilitating Condition*

The second component of perceived behavioural control is facilitating condition. Resource facilitating conditions refer to beliefs about the availability of resources to facilitate the intended behaviour (Taylor and Todd, 1995). In general, resources such as time, money, skills, or opportunities are known as influencing factors on perceived behavioural control (Ajzen, 1991; Shih & Fang, 2004). When individuals believe they have greater resources, their perceptions of control are enhanced, and as a result, they will have a greater intention to engage in the behaviour (Amin et al., 2016; Husin & Rahman, 2016; Shaikh et al., 2021). Hence, facilitating condition is expected to be positive.

For instance, from a perspectives private retirement plan, a study by (Yusof et al., 2018) found facilitating conditions gives a strong effect towards perceived behavioural control compared to self-efficacy. The findings indicate that people will be motivated to save in these funds if they believe it would be financially advantageous and if it matches their lifestyle. These arguments lead to the following hypotheses for H3b:

H<sub>3b</sub> : Facilitating condition will influence on the perceived behavioural control towards I-Saraan patronization significantly

### **Amount of Information**

It is important to note that the amount of information relevant to a product or service impacts the individual's behavioral attention. In the context of a marketing strategy, information about the product or service, including its advantages and features, became the primary promotion strategy to increase an individual's intended usage. However, few research has established a correlation between "amount of information" and "voluntary contribution saving" in retirement scheme specifically I-Saraan". Previous researchers have been proofed that the amount of information can influence individuals' behavior towards product and service. (Amin, Abdul-Rahman, et al., 2014; Pikkarainen et al., 2004; Rahim & Amin, 2011).

For instance in the context of online banking, (Pikkarainen et al., 2004) showed that the amount of information on online banking was the most significant factor in explaining the use of online banking services. Authors stated that the more information individuals receive, the more knowledgeable they became about its benefits. The previous findings has been supported by (Abdul-Rahman et al., 2014). Explained in more details, (Amin, Rahim, et al., 2014) examines the factors influencing online waqf in Malaysia. Results proved that the amount of information on online waqf significantly influences an individual's decision to perform online. Hence, H<sub>4</sub> was hypothesized as:

H<sub>4</sub>: Amount of information will influence the I-Saraan patronization significantly.

### A Conceptual Model

This study aims to identify the factor influencing the voluntary contribution of I-Saraan among Malaysians. Figure 1 shows the proposed conceptual framework built based on the extensive literature review

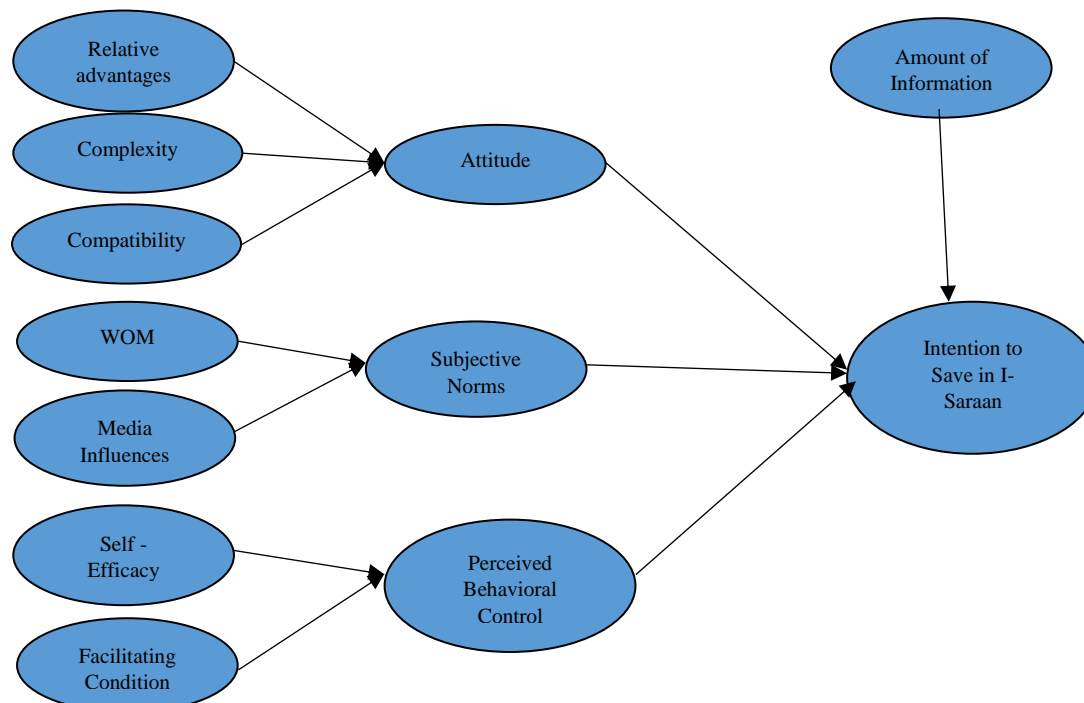


Figure 1: Conceptual framework.

### Implications and Limitations of The Study

#### *Theoretical Implications*

Theoretically, these study results contribute to the current body of knowledge in multiple ways. First, the authors contribute to the retirement study literature by offering insight into the elements that tend to influence consumers' intention to save in voluntary retirement fund schemes, specifically I-Saraan scheme.

Second, this study enriched a retirement study literature by introducing a new relationship between "amount of information" and "intention to save" in I-Saraan scheme. This study contributes to the literature of retirement from a theoretical standpoint by extending the DTPB frameworks.

Further, the authors additionally present a list of dimensions and components that influence each latent variable. It provides a more profound knowledge of the particular factors that influence participation in the scheme, which will aid future academics and practitioners in constructing the Theory and identifying the most influential factors determining participation in the scheme. However, additional research is required to improve and empirically test the proposed conceptual frameworks.

#### **Practitioner's Implications**

Understanding the factors that motivate participation in voluntary retirement schemes is one of the essential strategies in attracting individuals to the scheme. The proposed framework is

relevant to practitioners because it enables them to understand the aspects that particularly attract consumers' intention to save in I-Saraan schemes. It would assist the practitioner in developing the right marketing strategies based on the determinant factors identified in the study.

The study identifies attitude, subjective norm, perceived behavioral control, and the amount of information that influences individual engagement in the program. As mentioned in the research framework, AOI should closely monitor to ensure that individuals acquire accurate, reliable, and valuable information about I-Saraan. Active marketing can boost the amount of information and public awareness about the scheme. Public awareness can be increased via official website, television, magazine, brochure, promotional campaign, and other related media.

### **Limitation**

As this study is a conceptual paper, the proposed variables still need to be empirically tested. Despite the fact that our approach is based on the synthesis of the past literature review, a future researcher might need to consider other variables into the framework. Frameworks of the study is based on an extensive literature review that has never been tested empirically from the study context. Hence, attention should be taken by future researchers in adapting frameworks to empirical tests.

Notwithstanding the above limitations, this study contributes to a better understanding of the factors influencing participation in saving involuntary retirement schemes. As I-Saraan received low contribution, finding from this study would help practitioners plan the right strategies to increase the contribution from the market.

### **Conclusion**

In this study, the authors extended a DTPB to give a better understanding of the factors that drive consumers' intention to participate in I-Saraan schemes among Malaysian. From the extensive past literature review, identifies attitude, subjective norm, perceived behavioural control, and amount of information on I-Saraan, which influence consumers' intention to save into the scheme voluntarily. The findings of this study provide insights for voluntary saving retirement, specifically I-Saraan scheme among Malaysians.

There are at least two originalities sprung from this proposed framework. First, this work is considered as one of the pioneering efforts that captures I-Saraan in the context of Malaysia, where its integration with the DTPB is brought into play. Second, this work provides enhancement to the battery items sourced from the DTPB to better reflect the context of I-Saraan. In all, our work provides new insights into the understanding of I-Saraan from the context of DTPB in Malaysia, at least.

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