

RELIABILITY TEST ON FACTORS INFLUENCING RETIREMENT CONFIDENCE AMONG WORKING ADULTS IN MALAYSIA: A PILOT STUDY

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ABSTRACT

The paper aims to identify the determinants of retirement confidence among Malaysian working adults from both government and private sectors. In order to achieve the retirement confidence, an individual needs to have proper retirement planning and preparation. This research is based on quantitative research design which is a method used to quantify the findings through utilizing structured questionnaire with predetermined response. The measurement items which were listed in the questionnaire were adapted from the previous literature and it was modified accordingly to align with this study. The researcher of this study had carried out a pilot test to check the internal consistency and stability of all the measurement items used in the questionnaire. The pilot test was conducted with sample size of 40 working adults from both government and private sectors. The data collected from the pilot study was analyzed with the assistance of SPSS version 21 to check the reliability scale which was represented by Cronbach alpha coefficient. The results of the reliability test indicate that the measurement items used in the questionnaire are reliable and this enables the researcher to proceed to collection of data needed for the actual study.

Keywords: Pilot study, quantitative research design, retirement confidence, working adults

INTRODUCTION

In developed countries, retirement life was referred to as a period of relaxation after contributing productively during the working years. However, in a developing country such as Malaysia, this scenario is no longer applicable for everyone because the elderly people are still obligated to work. In line with that, according to Azli Jamil (2013), there were about 50% of Asian people planning to work after retirement. This indicated that, retirement situation in the past was different from today and it will keep changing in the future. According to the Department of Statistics Malaysia, by 2040, the 65 and above age group population is estimated to be three times more than in 2010. Moreover the Department of Statistics Malaysia (2016), also revealed that the human life expectancy in Malaysia has also increased to 74.7 years in 2016 compare to 59.42 years in 1960. In accordance with that, Malaysia will be having more aging population in the near future. Thus, the working adults in Malaysia should be working towards retirement preparation in order to face the retirement life confidently.

Generally about 40% of Malaysians having low average household income as at RM1440 will tend to have less amount of saving for retirement (Samad and Mansor, 2013). Any

working adult with limited amount of saving will be unable to face the retirement and this is linked towards poor quality life during retirement. Furthermore another study by Samad and Kari (2007), indicated that those Malaysian working adults who contributed 11% of their income in Employee Provident Fund (EPF) found it inadequate to support their cost of living during retirement. Besides that, Malaysian society is also getting evolved in the situation of extended families whereby, the elderly people in the family are no longer living together with their children (Tan and Folk, 2011). According to Yip (2013), about 42% of Malaysian parents prefer to stay with their children but only 38% of children are willing to accept the concept of extended family. Therefore, the elderly people in Malaysia upon retirement should not be depending on their children which eventually will encourage them to continue to work in order to earn a living.

In line with that, retirement planning was poorly ranked in Malaysia based on a survey carried out by Hongkong and Shanghai Bank in 2013. The results of the survey also indicated that the increase in cost of living and financing children's education are the reasons for not being prepared for retirement. In addition to that, AFFIN Life Insurance Retirement Scope report (2010) supported this findings that the percentage of Malaysians engaged in retirement planning declined from 48% in 2007 to 38 in 2010. Similarly a report by Manulife Financial Release (2014) also revealed that planning for retirement was not their priority. Thus, Malaysian working adults are not putting priority in preparing themselves to face the retirement life. Furthermore with such situation, according to Tolos et al., (2014), there were emerging issues in retirement systems which includes increasing the age of retirement, extending the duration of working life and the shift towards defined-contribution (DC) pension plans.

Based on the explanation from previous research results, it is indicating that there is no proper retirement preparation among Malaysian which will not help them to face the retirement life confidently. There are few reasons which have caused this phenomenon such highly dependent on the pension income or Employee Provident Fund (EPF), high cost of living according to the modern lifestyle, lack of knowledge in terms of good financial practices, as well as insufficient amount of savings. The situation of improper retirement preparation which will affect the retirement confidence among Malaysian working adults is a crucial matter which needs to be resolved. Therefore, this paper is aimed at investigating the factors or determinants which influence retirement confidence among working adults from both government and private sector. In this research, the researcher had carried out a pilot study with a small number of respondents representing the research population. The purpose of the pilot study is to ensure the reliability of the research instrument as well as to get a clear view prior to the actual study. In accordance to that, Zikmund (2003), had explained that a pilot study is an essential step in developing the measurement scales which is used as an experiment to get the clarity of the research instrumentations in order to have the goodness of data for the actual study. The results of the pilot study on the determinants that influence retirement confidence among Malaysian working adults will be presented at the end of this paper.

METHODOLOGY

This article is focused on a pilot study which was conducted to identify the determinants of retirement confidence among working adults in Malaysia. The research population of this study is the Malaysian working adults from both government and private sectors in the northern states of Malaysia which comprises Kedah, Perlis, Penang and Perak. Based on the data revealed by Department of Statistics Malaysia (2016), the population of working adults

from these states are totaled at 2,795,800. However, for a pilot study a small sample size is sufficient. Thus, by using convenient sampling technique, the researcher had selected the respondents who are employed in both government and private sectors randomly in the area of Kedah and Penang states. In line with that, Malhotra (2010) had mentioned that the sample size for a pilot test is ranged from 15 to 30 respondents. Besides that, Donald and Pamela (2003) indicated that sample size for a pilot study should be in the range of 25 to 100 respondents. In accordance with that, the researcher had distributed a total of 60 questionnaires and 40 only were returned. During this process, each respondent was given about 20 to 30 minutes to answer the questionnaire survey. Once all the completed questionnaires were returned, the researcher perform reliability analysis to check the internal consistency of variables involved using SPSS version 21 for windows. Prior to distributing the questionnaires for pilot study, the researcher had prepared the questionnaires in both English Language and Bahasa Malaysia by considering that Malaysia is a multiracial society. Firstly the researcher had prepared the questionnaire survey in English and then it was translated into Bahasa Malaysia using 'back to back' technique of translation. As a result, the researcher was able to develop the questionnaire in both English and Bahasa Malaysia for the purpose of maintaining accuracy level which was supported by Douglas, S.P., & Craig, C.S. (2007). The whole process of pilot study was conducted within 4 months from April till July 2016.

Measurement of Variables and Instrumentation

In this research, quantitative research design was chosen which is a method utilized to analyze certain features through formal questions attached predetermined response option (Hair et. al., 2010). There are three main advantages of quantitative research design which includes the ability of the researcher to reach higher number of respondents, the data gathered are more reliable and the data can be used to compare between other aspects of unit of analysis. Thus, the present research utilized a questionnaire which is a pre formulated instrument (Sekaran, 2016) to collect data from the respondents who are Malaysian working adults from both government and private sectors. As mentioned earlier, the questionnaire was both in English and Bahasa Malaysia which allows the respondents to understand and answer it. All items in the questionnaire were measured on five point likert scale ranges from "1 = strongly disagree" to "5 = strongly agree". This research instrument used 5 point likert scale as to avoid confusion among respondents as well as to obtain more reliable data as mentioned by Darbyshine and MsDonalld (2004). The questionnaire survey of this study was divided into two parts namely part one measuring all the variables of the study and part two is on the demographic details of the respondents.

In this study, retirement confidence is the dependent variable which was measured using items adapted from Ali, Rahman and Bakar (2013); Kim, Kwon and Anderson (2005); Sabri and Juen (2014); Boon T.H.Yee. H.S. Ting. H. W (2011) and Prawitz et al., (2006). Retirement confidence refers to the readiness and preparedness of working adults in facing their retirement life without any doubts (Shanmugam A., Zainal Abidin and Tolos, 2017). There were 14 items altogether for this variable. Those items used to measure this dependent variable represent aspects such as saving for retirement, having sufficient fund to pay basic, medical, long term nursing care expenses, ability to resolve debt and early retirement preparation. The scale of reliability of all items adapted from the previous research is in the range of 0.60 to 0.956. Behaviour intention to plan for retirement which is referred as a situation of an individual who plan to perform certain behaviour in the future will be the moderator variable in this research. There were 4 items under this variable and all the measurement items for this variable was adapted from Perugini and Bagozzi (2001); Terry Hogg and White (1999) and Kennedy and Wated (2011). All 4 items mainly related to

intention to plan for retirement, predicting thre retirement planning might take place in the future, intention to adopt any financial plan as well as represent the benefits from retirement planning. The reliability scale for those items adapted ranges from 0.68 to 0.95.

Among the independent variables included in this research are socio-demographic variables (age, gender, education, income), expected retirement age, financial practices, financial literacy, attitude towards retirement, goal clarity of retirement, financial socialisation and insurance planning. Expected retirement age can be explained as the retirement age of an individual. For this variable, there were 10 items which has been adapted from Luchak and Gellatly (2002); Kim and Devaney (2005) and Schultz (2002) and have scales of reliability from 0.64 to 0.86. Under this variable those 10 items were mainly focus on the meaning of when retirement begins in a person's life, mandatory retirement age, willing to extend the retirement age, intention to work even after the retirement, feelings towards job after retired from job. This is followed by financial practices as another independent variable which describes on an individual's financial behaviour. There were 15 items used for this variable which are related to budgeting, financial goals, purchasing behaviour, saving behaviour, understands the risk profile in investment and usage of credit card. The measurement items for this variable adapted from Jariah et al., (2012); Porter and Garman (1993); Garman and Fogue (2004) and Boon T.H. Yee. H.S. Ting. H. W (2011) have reliability scale above 0.63. Next, financial literacy is an independent variable of this study which is referred as the financial knowledge as well as financial skills that an individual has. There were 12 items listed under this variable which describe on value of money over time, impact from inflation, knowledge on interest computation, investment through stocks as well as bond and knowledge on investment. All the items of financial literacy adapted from Boon T.H. Yee. H.S. Ting. H. W (2011) and Ali, Rahman and Bakar (2013) have the reliability scale range from 0.60 to 0.86.

Attitude towards retirement which is another independent variable for the study can be explained as an individual's attitude and behavior on his or her retirement life. For this variable, there were 13 items used in the questionnaire. Items for this variable were adapted from Lai, Lai and Lau (2009) and Lim V. K. G (2003) which have scale of reliability from 0.60 to 0.830. Then, goal clarity of retirement as another independent variable can be described as the way an individual sets goal in preparing him or herself in reaching the retirement phase during his or her life. There were only 5 items for this variable which explain on setting specific goals as well as clear picture in getting retirement information and all the measurement items were adapted from Stawksi et al., (2007) and Moorthy et al. (2012) with the reliability scale from 0.730 till 0.90. This is followed by financial socialisation as the next independent variable in this study whereby it can be elaborated as the learning process of an individual in acquiring financial knowledge or guidelines through social influence from parents, peers, media and financial consultant. This variable which listed 9 items in the questionnaire were adapted from Shim et al. (2009); Falahati and Paim (2012) and Mathur and Moschis (1999) with the scale of reliability range from 0.85 to 0.92. Lastly insurance planning as another independent variable for this research explained the way an individual prepares himself or herself through financial protection upon purchasing insurance policies as a guarantee of compensation due to illness, damage or loss during retirement life. For this variable, 9 items were adapted from Boon T.H. Yee H.S. T W (2011) and Chua and Lim (2000) have reliability scale from 0.730 to 0.90.

RESULTS OF RELIABILITY TEST FOR PILOT STUDY

Reliability in statistics can be defined as the process of checking the overall stability and consistency of the measurement instrument in a research. In line with that, as mentioned by

Sekaran (2013), the reliability test indicates the goodness of measure. Besides, through the same methodology, if the results can be reproduced to represent the population in the actual study, then it is considered the instrument is reliable (Joppe, 2000; Golafhani, 2003). In this research, internal consistency was checked in order to identify the inter-correlation among items used in the instrument. Cronbach alpha coefficient was used to measure the reliability of items used for all the independent, dependent as well as moderator variables (Sekaran, 2013). According to Pallant (2016), different coefficient alpha values in research will show different interpretation. Based on table 1 below, it shows that general rule of thumb for the reliability test.

Table 1. General rule of thumb for reliability test

Cronbach's alpha	Internal Consistency
$\alpha \geq 0.90$	Excellent
$0.90 \leq \alpha \leq 0.80$	Good
$0.80 \leq \alpha \leq 0.70$	Acceptable
$0.70 \leq \alpha \leq 0.60$	Questionable
$0.60 \leq \alpha \leq 0.50$	Poor
$0.5 > \alpha$	Unacceptable

As shown in table 1 above, even though the Cronbach alpha coefficient is only acceptable if it is within the range of $0.80 \leq \alpha \leq 0.70$, but Nunnally and Bernstein(1994) as well as Sekaran (2013) mentioned that in social science based research, Cronbach alpha coefficient more than 0.60 generally will be accepted. However, Hinton, P. R. (2014) explained that Cronbach alpha coefficient range of $0.70 \leq \alpha \leq 0.50$ are still accepted as moderate reliability and Cronbach alpha coefficient of 0.50 and below indicate as low reliability.

The results of reliability test for the pilot study on this research is shown in table 2 below. As indicated in the findings, the Cronbach alpha coefficient for retirement confidence is found to be 0.883 which is good. Meanwhile, the Cronbach alpha coefficient for expected retirement age, financial practices, financial literacy, attitude towards retirement, goal clarity of retirement, financial socialisation and insurance planning are in the range of 0.675 to 0.855 which is acceptable (Sekaran, 2013). However, the Cronbach alpha coefficient of the intention to plan for retirement is 0.551 which indicates moderate reliability (Hinton, P. R. 2014). Thus, all the items which were used in the instrument for pilot study in this research have an acceptable level of reliability.

Table 2. The summary of Reliability Analysis in Pilot Study (n=40)

Variable	Type of Variable	Number of items	Cronbach's Alpha
Retirement Confidence	Dependent	14	0.883
Intention to plan for Retirement	Moderator	4	0.551
Expected Retirement Age	Independent	10	0.781
Financial Practices	Independent	15	0.730
Financial Literacy	Independent	12	0.855
Attitudes towards Retirement	Independent	13	0.761
Goal Clarity of Retirement	Independent	5	0.822
Financial Socialisation	Independent	9	0.765
Insurance Planning	Independent	7	0.675

CONCLUSION

As mentioned earlier, the main purpose of this paper is to measure the reliability of the research instrument through a pilot study. Based on the measurement items which have been selected and adapted in this study, the respondents did not face any problems in understanding and answering the items stated in the questionnaire. The results of the reliability test for the pilot study revealed that all the variables have met the minimum 0.60 and above of Cronbach alpha coefficient except for one variable namely intention to plan for retirement which was found to be as moderately reliable. In line with that, all the independent variables namely expected retirement age, financial practices, financial literacy, attitude towards retirement, goal clarity of retirement, financial socialisation and insurance planning items were reliable to be used in the actual study. Besides that dependent variable and mediating variable items are also been accepted. On the other hand, during the pilot test, the researcher was able to get constructive feedback on how to improvise the items in the questionnaire and amendments were made prior to the data collection for the actual study of this research.

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