

Determinants of Awareness to Invest in *Shariah*-based Private Retirement Scheme (PRS): The Case of Public University Students in Malaysia

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This study aims to identify four determinants that influencing students' intention to invest into *Shariah*-based Private Retirement Scheme (PRS) in Malaysia among public university students. The purpose of this study is to identify the relationship between determinant namely attitude, social influence, religious obligation, and government support on intention to invest into *Shariah*-based PRS. The sample comprised of 370 students who were taking business courses in their programme. By using survey as a method to collect the data, the study found that all four determinants have significant influence on the awareness to invest in *Shariah*-based PRS. In addition, these findings will enhance the students' awareness, knowledge and understanding of the importance of having a good financial planning for their retirement once they start their career.

Keywords: Awareness, *Shariah*-based PRS, Retirement planning.

1. Introduction

Retirement planning is important to ensure that each individual has enough saving during retirement period. A retiree will face a dilemma when he/she is unable to have a steady income after their retirement. This situation will bring negative effects in their life especially if it has an impact to the family financial resources and also will affect society living standards. According to ((Warshawsky & Ameriks, 2000) indicated that half of the individuals aging between 25 years old to 71 years old do not have sufficient funds to support themselves during retirees. Also the old age group that is getting bigger due to a very low population growth and an increasing average life span of 71.7 years for males and 75 years for female (Samad & Mansor, 2013). So that, due to burden of life expenses after retiring and an increasing average life span, people need to have a smart financial planning for their future after they are retired.

From the Islamic perspective, planning for future especially planning for retirement was encourage to human especially Muslims. Based on hadith that was narrated by Al Hakim, as Prophet (pbuh) said that;

"Take benefit of five things that is youth before your old age, your health before your sickness, your wealth before your poverty, your free time before you are preoccupied, and your life before your death".

(Narrated by Al Hakim, Kitab al-Mustadrak, vol. 4, p 341).

From the hadith above, it strongly reminds Muslims to have prevention or protection planning which must be in a good manner. The planning serves as assurance that human needs to focus on planning for future in order to guarantee a better life. As Islam teaches us from the hadith that we have to plan for the better life starting at young age for the betterment of our old age. We have to allocate some saving now for our early preparation while having difficulties in the future.

In Malaysia, there are an issue with regards to the Malaysian people attitude towards their financial planning especially retirement planning. The current changes of human lifestyle and people need to be fulfilled with the changes in human daily expenses have bring a burden if they do not have enough saving for their retirement. According to (Jamaluddin and Wah, 2013) they revealed that retirees were forced to continue working during their retirement to sustain their living standards. Also according to (Hamid and Tyng , 2013) they claimed that majority Employees Provident Funds (EPF) members will retain their EPF fund within first five years after they retired and then they are out of savings to survive for their life.

In addition, it is hard to create awareness among Malaysians about the need to have a good sound of financial planning especially during their retirement days. Even though this matter must be stressed and emphasized more in order to create awareness among youth, but most college students do not care

enough about their retirement planning. James, Hadley, and Maniam, (2002) from their study indicated that most college students fail to understand the importance of retirement planning because they do not care what will happen when they retired. They also found that students' main concern is to find a job and start their new career once they graduated hence they could not grasp the idea of having a plan for their retirement.

Therefore, the aim of this study is to investigate four determinants that may significantly influence students' awareness to understand the Islamic private retirement planning known as *Shariah*-based Private Retirement Scheme (PRS). The four determinants are attitude, social influence, religious obligations and government support. Section 2 of this paper provides a review of the literature on the attitude, social influence, religious obligation, government support, and awareness. Section 3 outlines the method use for this study includes sample of the study, data collection, research instruments and data analysis. Finally, results and conclusion from the study is discussed in Section 4 and 5, respectively.

2. Literature review

This section discusses the Islamic private retirement scheme in Malaysia. Furthermore, this section also discusses few determinants that may influence students' awareness to invest in the *Shariah*-based PRS. Some of the factors are attitude, social influences, religious obligation, and government support.

2.1 *Shariah*-based Private Retirement Scheme (PRS) in Malaysia

The introduction of private retirement planning known as Private Retirement Scheme (PRS) in Malaysia in 2012 is to provide complementary retirement scheme for employees and employers in Malaysia. With the introduction of PRS, Malaysians have another option to have an additional saving plan for their retirement period instead of only depending on the Government Pension Scheme especially for government servant only and Employee's Provident Fund (EPF) as their income when they retired. This PRS offers both conventional funds and Islamic funds. For Islamic funds are called as *Shariah*-based PRS.

The *Shariah*-based PRS is based on the *Wakalah* principle. *Wakalah* principle is a fee based contract. Providers act as agent that manage members' fund. They are responsible in managing PRS members' fund to invest in *Shariah* compliance stocks that were listed by Security Commission (SC).

This *Shariah*-based PRS offers three core funds that are similar with the conventional funds options. These three core funds are Growth fund, Moderate fund, and Conservative funds. Every fund is different according to the asset allocation for the investment purposes. Members are allowed to invest under default option funds that is based on the members' age, or based on the members' risk appetite. Currently PRS funds that offered in the market are about 56 numbers of funds. Detail of the PRS funds as shown in Table I below.

Last but not least, the introduction of *Shariah*-based PRS is also supported by Malaysian government by giving RM 1000 to encourage youth involvement to invest into PRS. The RM 1000 is one-off incentive and qualified individuals will only receive it once for the entire period between 2017 until December 2018 (Private Pension Administrator, 2017). For this incentive youth of Malaysian must be aged between 20 to 30 years old within the incentive period. Table 1 shows the performance of the PRS until 30 September 2017.

Table I: Private Retirement Scheme Statistic as at 30 September 2017

No. of Launched Funds	56
-Conventional	31
- <i>Shariah</i> compliant	25
Units in Circulation (billion units)	4,201

-Conventional	2,822
- <i>Shariah</i> compliant	1,379
Total NAV (RM billion)	1.868
-Conventional	1.256
- <i>Shariah</i> compliant	0.613

Source: Security Commission Malaysia, 2017

2.2 Attitude

According to (Ajzen and Fishbeen, 1980) attitude is an index of degree to determine like or dislike of people towards behaviour. Attitude has a positive and significant relationship with customers' preference to choose Islamic banking products and services (Taib, Ramayah, and Abdul Razak, 2008; Amin, et al., 2011). In addition, according to (Zainuddin, Jahyd, and Ramayah, 2004) they also found that attitude is significant with the intention to use Islamic banking services and products. Based on these previous findings, this study believes that attitude could be the main factor in influencing respondents to get involved and invest in the Islamic financial transaction.

It is also supported by (Ramayah and Suki, 2006) who found in their study that students' intention to use mobile personal computer are significant with attitude. In brief, preference to use Islamic banking product and services are positively related by customers' attitude.

2.3 Social influence

Subjective norms are an original construct from Theory of Reason Action (TRA) that deals with the influences of social environment or social pressure on the individuals and thus on behavioral intention (Fishbein and Ajzen, 1975). The term of social influence used in this study refers to subjective norm or normative pressure. It can be defined as one's perception that those who are important to her or him should or should not perform the behavior (Fishbein and Ajzen, 1975).

Previous study found that social influence is significantly influence customers behaviour towards Islamic banking product and services (Amin, et al., 2011; Taib, et al., 2008). In addition according to (Chan and Lu, 2004) who study about adoption and user behavior in the context of internet banking services in Hong Kong, their findings show that subjective norms are significant in influencing the intention to adoption of internet banking among respondents.

2.4 Religious obligation

Other factor that could influence the awareness towards preference for choosing Islamic banking products is religious obligation. According to (Metawa and Al Mosssawi, 1998) religion is the highest factor that influences the selection of Islamic banking services. They found that the religious score is 4.7 where the mean value is not more than 5. Whereas other factors that were determined from their study are family and friend, convenience of location, and rate of return with the score 3.51, 3.00, and 3.85 respectively.

It is also supported by (Renneboog and Spaenjers, 2009) their findings show that religion has a relationship with the financial decision to get involved in the financing transaction. Gait (2008) also concludes that religion is the main factor for preference involving the Islamic finance services.

2.5 Government support

Government plays a vital role in encouraging the development of economic growth in particular country. In other words, the rules and regulations which is posed by the government also affect the economic growth. Moreover, according to (Amin, et al., 2006) the government has an influence in developing the

Islamic banking industry in Malaysia, as Malaysia had established a full fledged Islamic banking institution – the Bank Islam Malaysia Berhad since 1983.

As discussed earlier, even customer awareness in consuming Islamic bank products and services is significant but it is not a major determinant. According to (Amin, et al., 2011) they deduce that government support may be positively related with the intentions to use the Islamic banking products and services, but it is not in great significant. But their study indicate that even the government provides a good support, but it is less likely Islamic financing going to be used by the customers.

2.6 Awareness

To create awareness is really crucial as it helps the public in general and youth in particular to understand and realise the existence of the Islamic financial products and services. However, the level of awareness sometimes is different when it involves with age, gender, and income level. According to (Amin, 2007) from his study on Borneo Islamic automobile financing, he found that the consumers of Islamic banks are homogeneous in terms of their awareness and usage as supported by age, marital status and occupation. Although this may be true, people may be aware on the current existing Islamic products but they are unwilling to engage themselves with the products. This scenario has been supported by (Rammal and Zurbruegg, 2007) who found that people who are considered of being aware of Islamic banking products cannot be considered that they are willing to get involved in the halal products. They perceived by engaging in this activity they might incurred high losses due to the risk exposure. This strengthens the fact that although people know about the existence and nature of the Islamic financial products, they are still unwilling to do any transaction.

Moreover, the lack of financing knowledge might be one of the reasons even though they may realise that there are a lot of Islamic banking products in the market. Hamid and Nordin (2001) indicate that even the level of awareness among Malaysian Islamic banking customers is high but they are still lacking of financial knowledge in order to invest in the Islamic banking product and services.

3. Research method

A total of 370 local students consist of 120 male and 250 female from one of public universities in Malaysia participated in this study. Respondents are choosing based on their courses background and majority from business study faculties. There are four major courses that offered by their faculties such as Islamic business, accounting, business management, economic finance and banking.

A set of questionnaire was developed and has been distributed in the library. Respondents are randomly selected in the library entrance. For every 10 students who are entered to the library, researcher will select one person and ask them to answer the questionnaire. This survey is conducted during weekday to ensure and get many respondents can answer the survey. Researcher took about 3 weeks to distribute 400 set of questionnaires.

The questionnaire was divided into two sections. The first section consists of demographic profile while second section consists of the measurement of independent and dependent variables. Three of the measures for each determinant was adapted and adopted from previous studies. The adoptions of instruments are as shown in Table II.

For this study, researcher run a pilot test by distributing 30 set of questionnaires to the respondents to ensure the items are reliable and valid. The study also used Cronbach's alpha test in order to assess the reliability of the scales employed in this study. Cronbach's alpha for attitude is the highest which is 0.895. Cronbach's alpha value for social influence and awareness are 0.836 and 0.750 respectively. These three alpha values are exceeding minimum alpha value of 0.6 (Hair, et al., 1998).

Table II: *The sources of the independent and dependent variables of the questionnaire*

Variables	Original author	No. of items
Awareness	Amin (2007)	7
Attitude	Taib et al., (2008)	6
Social influence	Taib et al., (2008)	5

Religious obligation	Naser et al., (1999)	5
Government support	Amin et al., (2006)	5

4. Results

4.1 Correlation

Table III presents the correlations analysis for the major variables used in this study. The results indicated that attitude and social influence, religious obligation, and government support are positively correlated with the awareness to invest in the *Shariah*-based PRS significant with p-value less than 0.01. This means the stronger the attitude, social influence, religious obligation, and government support, the greater the awareness to invest into *Shariah*-based PRS. Results were supported and consistent with (Taib, et al., 2008) indicating that attitude, religious obligation and social influence have great influence on the respondents to get engage in the Islamic financial transaction and business.

Table III: *Bivariate Pearson's Correlations results*

	Attitude	Social influence	Religious obligation	Government support	Awareness
Attitude	1				
Social influence	0.644**	1			
Religious obligation	0.724**	0.612**	1		
Government support	0.519**	0.518**	0.578**	1	
Awareness	0.468**	0.563**	0.423**	0.366**	1

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

4.2 Multiple regression analysis

Table IV summarises the results of the regression analysis based on the study. The adjusted R^2 is 0.323, indicating that 32.3% of the awareness towards *Shariah*-based PRS has been explained by these four determinants. It can be seen that attitude is significantly related to the awareness to invest into *Shariah*-based PRS (p -value = 0.035, t = 2.115) and the result is in line with previous studies (Ramayah and Suki, 2006; Zainuddin et al., 2004).

Social influence is also related to the awareness towards *Shariah*-based PRS (p = 0.000, t = 6.928). This result confirms the findings of (Taib, et al., 2008) as they used social influence as the determinant to measure the intention to use Islamic financing product. The study however, found insignificant results of the impact of religious obligation and government support on the awareness towards *Shariah*-based PRS in Malaysia.

Table IV: *Regression results*

Variable	Standardized B	t-value	p-value
Attitude	0.145	2.115	0.035**
Social influence	0.415	6.928	0.000***
Religious obligation	0.052	0.764	0.445
Government support	0.041	0.734	0.464

F-value=41.266

R^2 =0.331

Adjusted R^2 =0.323

Notes: Dependent variable: Awareness towards *Shariah*-based PRS

*** Significant at 0.01, **significant at 0.05, *significant at 0.1

4. Conclusions

The findings of this study revealed that there are only two determinants of awareness are significant and influence them to invest in the *Shariah*-based PRS. From this study it can be conclude that attitude and

social influence are those determinants that are significantly influence awareness to invest into *Shariah*-based PRS among public university students in Malaysia. The findings are consistent with previous studies (Taib, et al., 2008; Amin, et al., 2011; Chan and Lu, 2004; Renneboog and Spaenjers, 2009). Interestingly, attitude is the highest correlation with awareness towards the *Shariah*-based PRS as compared to other three determinants such as social influence, religious obligation, and government support. Meanwhile, government support has the lowest correlation with the awareness on the *Shariah*-based PRS.

Last but not least, social security scheme in Malaysia are still in the infant stage. Therefore, more efforts must be put in placed especially from the government support. Government needs to put more effort in promoting and also creating awareness towards this scheme especially focusing on the youth. There are also more other factors of awareness that were not analysed in this studies for example the sources of awareness.

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