DETERMINANTS OF ISLAMIC FINANCIAL LITERACY TOWARDS RETIREMENT PLANNING

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DETERMINANTS OF ISLAMIC FINANCIAL LITERACY TOWARDS RETIREMENT PLANNING

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ABSTRACT

This study attempts to investigate the determinants of Islamic financial literacy towards retirement planning. The survey involved 230 Muslim respondents among the University Utara Malaysia, College of Business (UUM COB) staffs. All the data were analyzed through Statistical Package for Social Science (SPSS) by conducting statistical method namely, Independent Samples T-Test, Analysis of Variance (ANOVA), Pearson Correlation and Multiple Linear Regression analysis to archive the objectives of this research. The result of this study shows that the level of retirement planning of the respondents is high. The findings also revealed that there are four determinants that significantly influence towards retirement planning. Among them are goal clarity, knowledge of financial planning for retirement planning, income and gender, the result on gender shows that the male respondents have higher retirement planning compare to females.

Keyword: retirement planning, Islamic financial literacy

ABSTRAK

Kajian ini bertujuan untuk mengkaji penentu literasi kewangan Islam ke arah perancangan persaraan. Kajian ini melibatkan 230 responden beragama Islam di Universiti Utara Malaysia, iaitu kakitangan Kolej Perniagaan (UUM COB). Data dianalisis melalui Pakej Statistik untuk Sains Sosial (SPSS) dengan kaedah statistik iaitu Sampel bebas Ujian-t, Analisis Varians (ANOVA), Korelasi Pearson dan analisis Regresi Linear dalam mencapai objektif kajian ini. Hasil kajian ini menunjukkan bahawa tahap perancangan persaraan daripada responden adalah tinggi. Dapatan kajian juga menunjukkan bahawa terdapat empat faktor penentu yang ketara mempengaruhi ke arah perancangan persaraan. Antaranya ialah matlamat yang jelas, pengetahuan tentang perancangan kewangan untuk perancangan persaraan, pendapatan dan jantina, jantina menunjukkan bahawa responden lelaki mempunyai perancangan persaraan yang lebih tinggi berbanding dengan perempuan.

Katakunci: Perancangan persaraan, literasi kewangan Islam

ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS

UK: United Kingdom

USA: United States of America

IV: Independent Variable

DV: Dependent Variable

UUM: Universiti Utara Malaysia

COB: College of Business

RP: Retirement Planning

IFL: Islamic Financial Literacy

GOC: Goal of Clarity

KFR: Knowledge of Financial Planning For Retirement

CHAPTER ONE

1.1   Introduction

This chapter covers and outlines the research plan. It designates the bases of the research. The chapter provides a clear picture on background of the research, problem statement, research objectives, and research questions, significant of the study, sco.pe of the study and organization of the study.

1.2   Background of the study

Retirement has been considered one of the main important future life changes (Szinovacz 1980) and permanent stage that can be enjoyable experience for some and still shocking others (Marshall 2004). Particularly, retirement is a self-defined idea that can mean different things to different individuals. In other words, retirement may also be reducing the number of working hours from fulltime status, whereas others it may mean working on unpaid basis (Marshall 2004). According to Richardson (1999), retirement means stopping from paid and unpaid workplace activity. This may mean that the salary of individuals will stop directly due to retirement though their living expenditures will last and they will need continue their lives rely merely on their accumulated savings. As the key source of income is saving (Russell & Stramoski, 2011), appropriate preparation during pre-retirement planning stage is important for a protected retirement life.

Regardless of the importance of retirement planning, there is only less than 5% of Malaysian citizens are well planning for their retirement (Habib, 2007). Retirement planning is a preservative factor to understand. In Malaysia, there are two types of pension system for all working Malaysian such as the Civil Service Pension and Employees Provident Fund (EPF). Civil Service Pension is provided Malaysians working in the public sector while the EPF is a contribution plan for only Malaysians working in the private sector. the civil service pension system in Malaysia is insufficient for comfortable retirement, mostly because of the lower replacement rate of the public pension system. Poor retirement funds can be a disaster for retirees.
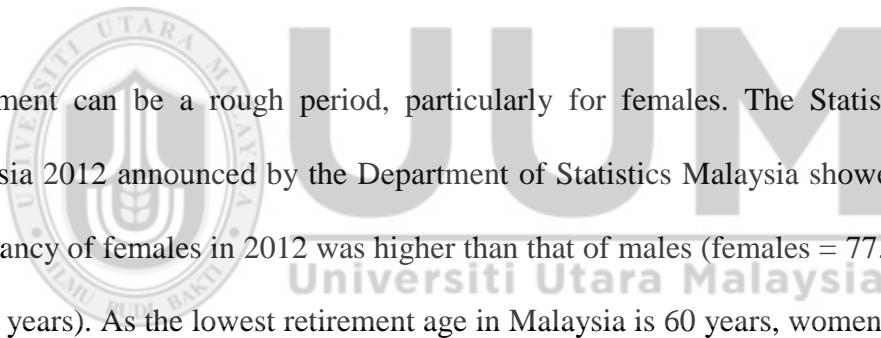
Retirement can be a rough period, particularly for females. The Statistics Yearbook Malaysia 2012 announced by the Department of Statistics Malaysia showed that the life expectancy of females in 2012 was higher than that of males (females = 77.2 years, males = 72.3 years). As the lowest retirement age in Malaysia is 60 years, women can anticipate living for 17 years after retirement. These 17 years can be stressful if females fail to save sufficient retirement funds. As such, females surely need to have a satisfactory retirement plan for their retirement life to avoid financial crisis.

Studies on financial literacy and retirement planning have been carried out in many countries including Chile, the United States and Russia. In their research on financial literacy and financial planning done in the US, Lusardi and Mitchell (2011) found that individuals who score higher on the financial literacy questions are much more likely to plan for retirement, which is likely to leave them better positioned for old age. They

noted that individuals and their families are increasingly taking on responsibility for safeguarding their own financial well-being in retirement in the US and around the world. They found that financial literacy is significantly and positively related to retirement planning involving private pension funds. Thus, along with encouraging the availability of private retirement plans, efforts to recover financial literacy can be pivotal to the expansion of the use of such pension funds.

Accordingly, Lusardi and Mitchell (2011) state the personally managed accounts will increasingly become the mainstay of retirement. For this reason, individuals will increasingly be called to 'roll their own' retirement saving and accumulation plans, and their retirement safety will depend ever more on their own decisions and behavior. The paper by Lusardi examined the extent to which Americans are equipped to make decisions in this new pension and financial landscape and, in particular, whether they are sufficiently knowledgeable about economics and finance to plan for retirement. Their objective was to focus on financial literacy, which means knowledge of fundamental financial concepts and the ability to do simple financial calculations. The analysis is facilitated by a new US dataset of 1,488 American adults collected as part of the National Financial Capability Study (Lusardi and Mitchell, 2011).

In other word, Islamic encourages Muslims to plan their lives economically and financially in order to achieve the objectives of Shariah (i.e. Maqasid Shariah). The intention to conduct Islamic financial planning must be aligned with the application of Maqasid Shariah, which emphasizes on protection of essential needs of Muslims that

include preservation of wealth. Financial Planning Association of Malaysia and Islamic Banking and Finance Malaysia (FPAM 2009), asserted that the foundation of Islamic financial is *shariah* as the comprehensive guide for Muslims to manage their lives in this world and for redemption in the Hereafter. Shariah is the guide in innovating strategies to achieve life goals. According to (Ali 2013) financial literacy gives the significant knowledge, skills and tools for people to make knowledgeable financial decision, to achieve personal wealth with efficiency and to improve financial ability to demand for well financial service.

However, financial literacy is vital to the middle class because middle class common are the target market of unit trusts, takaful and insurance salesmen, demonstratively referred to by product owners at the financial institutions as the mass affluent group. The men and women of this group work hard for their money and have a sizeable disposable income. If they do not understand finance, they are easy prey for salesmen. And, some are so poorly literate that they even fall for outright financial scams.

Further, financial planning is an important factor for success of an individual and also the business world as well financial planning is a place of financial forecasting that arranges a person for prosperous life and peace in the future and caters the organization for success in the near global competition. Financial literacy is the prerequisite of having a suitable financial strategy either in business management and human life. OECD (2005) describes financial literacy as the mixtures of investor's understanding of financial

products and ideas and their ability to gain financial opportunities and risks to achieve informed choices, to distinguish where to go for help, and to take different actions to enhance their financial well-being. Financial literacy allows and educate the clients to be knowledge in finance in a way that connected their lives and let them apply this knowledge to evaluate products and make optimal decision. It is widely expected that adequate financial knowledge would help overcome recent problems in advanced credit markets.

Financial literacy is the knowledge of terminologies and principles of financial issues; it offers ability to read, analyze, strategy for the future, understanding choice of finance, and respond appropriately to incidence that affect decision of finance. Greenspan (2002) pointed out that financial literacy help to instill in the people with financial knowledge to establish house budgets, initiate saving plans and create strategy investment decisions. Applying suitably knowledge supports households to deal with their financial obligations in a broad planning, and reserve allocation to take supreme usefulness. Conversely, Sceptics (Lyons, Palmer, Jayaratne, & Scherpf, 2006) question the importance of financial education in improving financial literacy. Van Rooij, Lusardi, and Alessie, (2007) show low financial literacy families have more prospective compare others to base their financial guidance on behavior from friends and invest less in stock.

Increasing evidence demonstrating that individuals who are low financial literate are possible to face more challenges with regard to savings, credit, and debt management and

are less expected to plan for the future. This research is attempting to examine the determinants of Islamic financial literacy towards retirement planning and how gender differs in retirement planning.

1.3   Problem Statement

Malaysian workers are unaware for their golden retirement years, this is because they save just one-third of their income in order to retire comforbly (Moorthy et al., 2012). In fact, half of the 21 to 71 years individuals will not have adequate saving to support their future lives of their retirement (Warshawsky and Amerika, 2000). The young and old citizens in Malaysia appeared be woefully under-informed about basic financial literacy such as the concepts, implication of retirement planning (Moorthy et al., 2012). Malaysian workers are lacking very much in terms of knowledge about retirement. More importantly, due to financial illiteracy Malaysian are said to have no proper saving planning for after retirement life.

Moreover, financial literacy is an important factor in relation to retirement planning, lack of financial literacy leads to a lack of retirement planning (Lusardi and Mitchell, 2009). Even after controlling for multiple socio demographic factors such as age, gender and income, financial literacy influences retirement planning and, in turn, increases future wealth (Lusardi and Mitchell, 2007a). Retirement planning leads to an increase in wealth because it raises the probability to plan for future savings and actually make a donation

(van Rooij et al., 2011a). Today's financial world is highly complicated as compared to past (Thilakam, 2012). For many individuals it is difficult to understand about financial instruments (Rasheed and Arshad, 2009). There are fewer chances for the individuals who have less financial knowledge to plan for their retirement (Arrondel et al, 2013). The problem identified here is to what extent do UUM COB staffs plan for their retirement, and what are the challenges involved in planning towards one's retirement.

Therefore, although there are numerous studies on determinants that affecting the relationship of financial literacy and retirement planning, but to the author's knowledge, none of them was done particularly on Islamic perspective. Hence, based on that ground, this study try to minimize gaps in the study of retirement planning in Muslims by examining factors that would influence Islamic financial literacy in retirement planning. Additionally, the study also examines awareness of retirement planning between male and female. The aim of this study is to explore in the relation among staff in College of Business, University Utara Malaysia (UUM COB) in aspects of Islamic financial literacy, Goal clarity, knowledge of financial planning for retirement planning and selected demographic factors (gender, income).

1.4 Research Questions

Problems such as lack knowledge about personal financial barriers, financial problems in life, having many choices when making financial decisions but not having adequate time

to learn personal financial issues have led to less financial literacy among individuals (Vitt, et al. 2000). However, the following are key questions that the present paper is attempting to address.

➢ Are there any difference between selected demographic factors (gender, income) and retirement planning?

➢ What is the relationship between financial literacy and retirement planning?

➢ How is the relationship between goal clarity on retirement planning?

➢ What is the relationship between knowledge of financial planning for retirement planning and retirement planning?

1.5   Research Objectives

The aim of this study is to examine factors effecting the relationship in financial literacy towards retirement planning a. Therefore, the following are the objectives of the research:

➢ To identified the difference between selected demographic factors (gender, income) and retirement planning.

➢ To identify the relationship between financial literacy and retirement planning.

➢ To examine the relationship between goal clarity on retirement planning.

➢ To investigate the relationship between knowledge of financial planning for retirement planning and retirement planning.

1.6   Significance of the Study

The benefit of this study is for individuals striving to understand the importance of retirement planning to build a future life and know the factors that may influence their decisions about retirement planning. This study seeks to understanding about personal financial literacy from retirement planning perspective. An individual should have their early initiative before their retirement. According to Bernheim & Garrett (2001) Workers are responsible for their personal finance due to the need to accumulate and invest for retirement. To accomplish financial goals individuals have difference resources. Hence, workers want to be financially safe, some among them have no sufficient of information to decide optimal financial decisions. This study will directly or indirectly gives advantage for several parties. Firstly, this study will help the community especially employees. It is of great interest for the employees to develop the level of Islamic financial literacy to aware their retirement planning as it is not violate to the *Shariah* principles and this study could help them to ascertain and improve their preparation of retirement. Besides that, this study also enables to help policy makers, provident funds, Islamic Banks to guard and guide the awareness of retirement planning of their customers.

1.7 Scope of the study

The restriction of the study aimed to determine factors that influence the relationship between Islamic financial literacy and retirement planning. The researcher focused on Staffs of COB in University Utara Malaysia. In addition, it will also look into demographic profiles influenced towards the Staffs in personal financial literacy towards retirement planning had been used as dependent variable. On the other hands, the influence factors used in this research as independent variables are selected demographic factors (gender, income) financial literacy, attitudes, goal clarity and knowledge of financial planning for retirement planning. Prior to that, this study will highlight the relationship between the factors and financial literacy of personal financial planning by examining their relationship. The data had been taken from questionnaires which were distributed among Staffs of University Utara Malaysia. Besides that, the journals, articles and other materials that relevant had also been used in this study.

1.8 Organization of the study

The structure of the remaining part of the research is organized as follows: in chapter 2 provides an overview of literature review on factors influence the relationship of Islamic financial literacy on retirement planning, knowledge of financial planning for retirement, and selected demographic factors such as gender and income had been discussed in this chapter.

Chapter 3 explains the research methodology used in the study, which contains of research design of the study, operational definitions, instrument development and measurement of the variables, as well as sample and data collection. Additionally, the method of data analysis, proposed research framework and the research hypotheses are also described in this chapter. Then, chapter 4 will explain the findings of the study. The demographic factor of the respondents, the results of descriptive analysis such as the level of Islamic financial literacy and retirement planning, on the other hand, the results of all hypotheses are appear and tested in this chapter.

Eventually chapter five will conclude the summary of the findings of the research followed by the discussion. This chapter will also show the theoretical contribution and policy implication as well as the potential areas of the future researches and conclusion. In the closing, this chapter shows overall scenario that relevant to the background of the research. Therefore, next chapter will discuss the previous studies that related this study.

CHAPTER TWO

Literature review

2.1 Introduction

This chapter includes a review of relevant literature, articles or journals related to the financial literacy and. The literature review related to the selected demographic factors such as gender and the respondent's year of study also will be discussed in this chapter

2.2 Personal financial planning

Personal financial planning is vital unit of finance which assists to level the movement of all features of life. Personal finance refers to the process of managing money to obtain economic satisfaction by which individuals and families need to achieve savings and monetary resource over time Kapoor *et al*. (2004). Personal finance has becoming more complex than ever before with increasing needs to manage own financial matters such as planning for retirement, paying tax and protecting against losses. Personal finance encompasses simple daily activities including saving money and paying bills, and challenging tasks such as doing tax planning and assessing future risks. As such, not everyone can fare comfortably when it comes to making the best use of one's own income. The danger of a poor self-financial management is that one may spend more than

his/her earnings, leading to the person owing too much debt and possibly going bankrupt.

According to Zuluaf (2003), conducted a research on post-retirement financial planning. The results were optimal allocation strategies diverge in dissimilar conditions and are not intuitive, the buy annuity-reinvest strategy has possible to collect more estate than a pure investment strategy, catastrophic illness coverage is an essential piece of any optimal asset allocation strategy, a life annuity is often a significant component in optimal strategies. Berstein (2003) concluded three essays many workers are spending more and saving less than they should, whereas others are under-spending and over-saving. Overton (2007) discussed foundation theories of financial planning and the theories of its applications and disciplines of origin. In this successive exploratory mixed manners were used. Gounaris (2004) shows a model for financial therapy seminar with couples. Findings were financial planning services will be most effective if pair have a thorough understanding of their psychological relationship with money, the role money plays marriage, and the psychological allows that operate on actual financial decision making.

2.3   Retirement planning

According to report from the Department of Statistics Malaysia (2011) show that the amount of employed age people between 15 to 64 year improved by 4.5(2000) to 67.3 percent in 2010. The same condition also take place to the amount of aged people (65 years and above) that also dramatically increase of 1.2 percent from 3.9% in 2000 to 5.1

% in 2010. Therefore, this had lead the middle age in 2010 to rise to 26.2% from 23.6% in 2000. The trends abovementioned indicators expose that Malaysia is facing the change in age structure which is moving near aging people. In this situation, keeping the superiority of life of a person as well as his or her dependent has turn out to be primary concern particularly when that individual moves into a new transition life retirement neither by old age nor health difficulties.

The age of retirement is not similar across countries. According to OECD (2011), age of retirees in US is 66 year old, while Japan, Canada Germany, and Sweden are similarly 65, in Korea is 60. By the way generation of baby boom changes to 60 years old in 2006 and 2011 was 65 old, retirement matters has become a crucial to be studies by the researchers. Moreover, Malaysian Government has announced the new system that allowed civil servant and private workers too efficiently apply the new retirement age which is 60 years. Ng et al. (2011) revealed that the pre-retirement planning permits the pensioner to stay with a high standard of living in their golden years. Kim et al. (2005) also highlighted the importance of preparing the initial retirement for future benefits.

However, retirement is a situation in which an individual is allowed to leave the labor market. It is closely related to the life cycle of an individual so that the transition to early retirement planning phase should particularly in terms of finance. Since life expectancy is increasing (Department of Statistics Malaysia, 2011) the quantity of time that labors spend in retirement also growing. Throughout the recent period, there have been

researchers defined retirement is bigger than just pass the financial position, which can be done by many factors (Lahey et. *al*., 2006).

The purposes and changes in desires have a direct impact on decision-making as an individual moves vary stages of life. This is essentially vital in retirement planning because of the impact of demographic factors. Moen *et al.* (2005) suggest that men are very likely engage in retirement planning than women. The elderly married and are very likely to plan for retirement because they hold a higher exposure to the quality of life as a young mature have low engagement (Ng *et al.*, 2011). Nevertheless, half of either women or men desire to retire about the same time with their spouse. Nevertheless, the decision to retire the timing of the men will not be influenced by his wife while in contrast, the husband' plan has an impact on the timing of retirement of the wife. This result is reliable if the husband gets more than his wife (Moen et al., 2005) .In addition, lack of skills, health, and responsibility of the family and mandatory retirement are the reasons people to leave their workplace (Chan et al., 2010).

On the perspective of retirement age, respondents claim that retirement age should not be compulsory but the choice for the workers neither they wish to continue working or not, depends on their health (Mehta, 1999). People still work if they are healthy are more likely (Kim et al., 2005; Moen et al, 2005). The results show 41 percent of the samples has definite to rejoin the work force. This group is likely to be women, lack of health insurance sponsored by the employer to have children and have financially supported

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their children. Moreover, the findings shows that by satisfaction with the retirement and supporting dependents are significant factors that influence for who are originally wanted to retire.

The ability to be desired for a required and appropriate income is essential to create a successful retirement personal financial plan (Hershey and Lawson, 2012). This replacement income is defined by the authors as a single income expected to earn in retirement that can be further stated as percentage of income before the immediate retirement.

In addition, during the recent period there have been several studies examined the relationship between retirement planning and financial literacy in development countries, for example Lusardi, (2011) studied financial literacy using SAVE survey in Germany. The study explored the association of causality between retirement planning and financial literacy and create an instrumental variables strategy by use of upper level regional variation in the financial knowledge. Author used ordinary least square regression and suggest that female lived in the east Germany lacked the financial and basic financial concept. It is also suggested that there is no significant change in the retirement planning age group and no longer changes in education. Tend to plan for retirement increases with income. The results of this research indicate positive effect of knowledge about financial planning for retirement.

Lusardi & Mitchell (2011) studies that retirement planning can be trace back to financial literacy and found that respondents who have easily understand of inflation and tackle simple calculations and those who have understanding the idea of risk diversification are highly be expected to plan their retirement.

Furthermore, many researchers suggested positive relationship between financial literacy and retirement planning includes Klapper & Panos, (2011) who studied the relationship of financial literacy and retirement in Russia. They use data from secondary wave of a data set and found that there is a positive relation associated with financial literacy and retirement planning.

However, a study by Lai and Tan, (2009) in Malaysia have found that the Asian people have lower saving than those in United States because they are more likely to receive financial support from their children in their retirement (Horioka and Okui, 1999).

2.3.1 Financial literacy

The ability to manage personal money is significant factor to being successful in life. One of the factors to being personally financial well-being is financial literacy. Personal financial literacy can be defined as a person's capability to analyze, understand and manage personal matters. (Bryce & Jyoti, 2010). Explicitly, personal financial literacy is the ability of an individual to make suitable judgments and effective decision in everyday life (Chinen & Endo, 2012). According to (Huston 2010) financial literacy encompasses

knowledge, awareness and financial instruments and their application in personal life and business. In all-purpose, these definitions demonstrate that financial literacy contains the aptitude to balance a bank account, budget preparation, save for the future and study strategies to manage debt. A individual is known as financial literate if he/she is capable of managing personal finance in life and altering community in order to which he/she muse accomplish essential perceptions and be able to comprehend the effect of individual's financial decision on his/her own, others and the environment (Remund, 2010). Recently, financial literacy becomes more vital in human life as low level of financial literacy may lead an individual fail to make financial decisions (Nyamute & Maina, 2011).
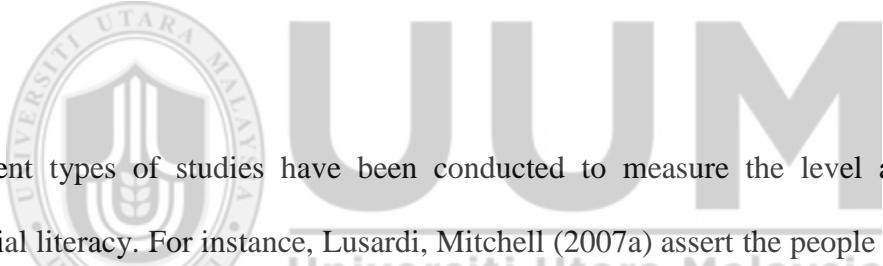
Different types of studies have been conducted to measure the level and spread of financial literacy. For instance, Lusardi, Mitchell (2007a) assert the people with low level of education, women, African-Americans and Hispanics, show levels of financial literacy that subsequently affect making financially decision. Results of the research found that these respondents fail to plan appropriately for their retirement period. They have low participation in the stock market, and have poor borrowing behavior, perhaps due to low level of knowledge in basic concepts. According to Mandell, L. (2008) a study on financial literacy Jumpstart Coalition survey, which measures individual personal capability amongst high school students. The researcher asked four different questions in the survey, more importantly, in the part of spending and credit; saving and spending: money management, and income. The study also includes questions concerning investments of stocks, insurance and bonds. According to Mandell (2003), the study have

found that graduating high school seniors remain to struggle with the financial literacy basics. It is due to the tests are conducted upon graduation high school students, it demonstrates the maximum level of financial literacy among schooling youths (Hogarth, 2002).

Many factors were found significant relationship in the financial literature include age, sex and education. Some studies found age as an important factor in the description of financial literacy (Lusardi and Mitchell, 2006; 2008; Worthington, 2006). Moreover, Lusardi and Mitchell (2011) noted that middle-aged are financial literature compared to young and old. Worthington (2006) shows that financial literacy is more for people aged between 50 and 60, by which while Bhushan et al (2014) found that age is not influenced by financial literacy. Few researches shows that women make less than male (2011;Arrondel et al, 2013; Koenen and Lusardi, 2011; Lusardi and Mitchell, 2006; 2008). In addition, there are several studies revealed that respondents who have high level of education have a higher degree of financial literacy than others.

Research conducted by Al-Tamimi and Kali (2009) depicted a significant positive association exists among financial literacy and age, gender, level of income and level of education. The study stated that the respondents' education background had a significant impact on their financial literacy. The results indicate the male students, business majors, graduate students, and mature pupils, junior and senior students and members who have

high level of income tend to have more knowledge about their finances than non-business majors, female students and participants with a low income level and little work.

2.3.2 Islamic Financial Literacy

Until now, most of the literatures have emerged contradictory study which more generally focus on the financial literacy. In fact the instruments used by the previous study to measure the financial literacy are constructed on the conventional sides and do not specifically focus on the Islamic perspectives. Therefore in this study, the researcher also considered all the characteristics of the financial literacy mentioned by (OECD, 2012) and (PISA, 2012) are appropriate to be used for to explain the conceptual definition of Islamic financial literacy, because the all the definitions does not violate towards the Islamic or *Shariah* law. Hence, for the conceptual definition of Islamic financial literacy in this study, the researcher refers the conceptual definition as the ability of a person to use understanding (PISA, 2012), awareness, knowledge, skill, attitude (OECD, 2012), and to manage their financial resources efficiently and effectively according to the Islamic spirit.

Over the years, the financial industry have expanded beyond a variety of products which permitting individuals to invest in a broad range of assets, borrowing opportunities either in conventional or Islamic financial system. These dramatic changes especially in Islamic

financial system implies a new financial landscape that Muslims today have greater responsibility for their financial well-being than in the past.

The emergence of Islamic finance as a new phenomenon today has become an increasingly substantial segment within the global financial market whereby it is a reflection of the comprehensiveness and completeness of Islam as a religion and it is governed by the Islamic law or *Shariah* which is based on Al-Quran and As-Sunnah (Zin *et al.* 2011).

Principally, the fundamental structure of Islamic finance lays in its eschewing of conventional financial tools such as interest (*riba*), uncertainty (*gharar*) and gambling (*maysir*) that is abhorrence to the principles of the Al-Quran (Ayub, 2007). Indeed, Islamic finance is built upon some distinctive and unique characteristics which are based upon certain principles underlined by *Shariah* such as mutuality of risk sharing, profit-loss sharing, and money as potential capital (Iqbal and Mirakhor, 2011).

Therefore, in order to understand the basic principles of financing in Islam, the differences between *riba* and trade is of essential importance as Allah S.W.T explicitly prohibits the element of *riba* and permitted the trade as been deduced in Surah Al-Baqarah verses 275. Based on the Quranic verse, Muslims have been reminded to abstain themselves from *riba,* and violating the prohibition constitutes a great sin (INCEIF, 2006).

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Besides that, the Muslims also need to avoid the element of *gharar* and *maysir* in their financing. This is because, according to a contemporary scholar who is Sheikh Wahbah al-Zuhaily, the occurrence of *gharar* in financial transaction may result in oppression or injustice and leads the loss of properties to any one of the parties (ISRA, 2012). Besides in Surah Al-Maidah verse 90 to 91, Allah S.W.T has explicitly condemned and prohibits the element of *maysir* because it may invokes enmity in society and distracts believers from worshipping Allah S.W.T.

Other than that, Islamic finance is also constructed upon the principle of brotherhood and cooperation which stands for a mutuality of risk-sharing. Islamic finance, with the aim of offering alternatives to the conventional interest-based system, promotes its own paradigms that are based on the profit-loss sharing (PLS) which is predominantly grounded on the *mudarabah* (profit-sharing) and *musyarakah* (joint venture) concepts of Islamic contracting (Chong & Liu, 2007). It promotes the sharing and cooperation between the provider of funds and the user of funds in returns for profits or losses (Dusuki & Abdullah 2011).

Lastly, the fundamental of Islamic finance is related to the function of money as a potential capital. This means, money should be considered as potential capital rather than capital. According to Iqbal & Mirakhor (2011), money can only become the actual capital when it is combined with other resources to undertake a productive activity. Additionally,

the involvement of risk, human effort as well as the initiative in a venture of productivity, are equally important as the money used to finance it. Hence, money can only become capital when it is invested in any permitted productive venture (Ismail, 2010).

Consequently, for today's financial decision making, the fundamental of Islamic finance should be taken into consideration especially for the Muslims as it is considered as a part of *Ibadah* to Allah S.W.T. Thus, Islamic financial literacy plays a crucial component to enhance their capability in making the financial decision for their future.

2.3.3   Selected demographic factors

i.   **Gender**
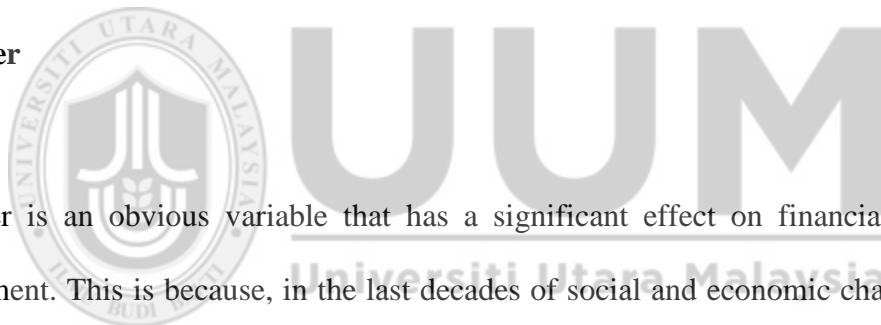
Gender is an obvious variable that has a significant effect on financial planning for retirement. This is because, in the last decades of social and economic changes have had a significant effect on the workplace and these changes have affected men and women in different ways. (Huh Weagley and 2004). Specifically, males and females tend to experience different working patterns throughout their lives and it affects their ability to gather wealth for retirement. For example, while women are now major contributors in the workplace, the study found that more than half of working women do not contribute to pension plans. However, these women who tend to contribute significantly less than male because of disturbances in their careers (US Department of Labor, 2007).

Previous research has shown that, in general, of the order of financial decision making of women and men differ significantly. For example, women were found to delay their investment decisions as they tend to choose less risky investment vehicles than men (Sunden and Surette 1998). Another differential gender aspect is financial literacy .While studies generally report low scores overall financial literacy, it appears that women receive significantly lower than men (Euwals, Borsch-Supan and Eymann 2004). This is mainly in Australia Worthington (2005, 2006) suggested that women have not only less financial literacy, but also lower knowledge of the pension fund than the male. In this study, it is shocking that men are found to be greater capacity and more confidence in making financial decisions (Chen and Volpe 1998).
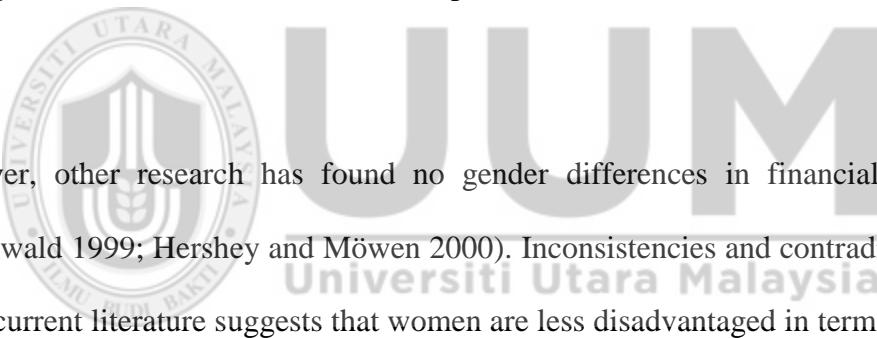
However, other research has found no gender differences in financial preparedness (Greenwald 1999; Hershey and Möwen 2000). Inconsistencies and contradictory findings in the current literature suggests that women are less disadvantaged in terms of retirement planning compared to two decades ago. The results of an Australian national survey conducted Wolcott (1998) argue that the attitudes of women towards retirement have changed. In this spirit, a closer examination of the key factors that are discussed in differentiating retirement planning for men and women is necessary.

Females have unique considerations in retirement planning, which are frequently overlooked. Females must factor issues such as, shorter time in the workforce due to childbirth, care giving, and social security of spouses (since women live longer than

men). Under allocating or simply forgetting to allocate costs for any of the above points can drastically affect an individual's retirement. Studies showed that 68.5% of women did not realize the short-term costs of providing care and 83.5% of caregivers did not realize the long-term financial effects of providing care (Orel et al, 2004).

Efficient retirement savings relies heavily on successful retirement planning. Study has revealed that 30.9% of older women age 50 and up are simple planners (made at least one retirement savings calculation), 20.3% are serious planners (developed a plan), and 17.4% are committed planners (developed a plan and followed it) (Lusardi et al, 2008). Given the gender precise necessities of retirement planning and the general unpreparedness of women, it has been suggested that retirement programs should be tailored to gender.
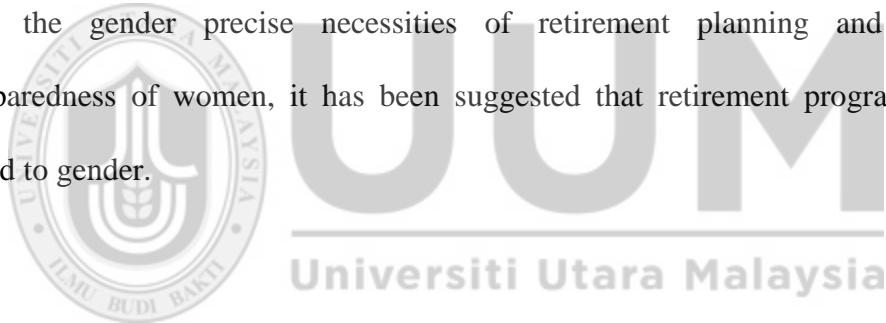
Gender also influence retirement planning through financial literacy, as men typically possess more financial expertise than women. Regardless of having more financial expertise than females, it has been asserted that males tend to see retirement as a natural progression in life (Grace et al, 2010). This perspective often causes males to overlook the need for retirement planning thus leaving them in the same state of retirement unpreparedness as their female counterparts. Women are very mindful that unplanned obstacles may occur during the course of their life, which could potentially impede their financial stability in retirement. Being aware of these difficulties may cause women to

save more for short-term rather than saving for retirement. These problems may also pose an issue in the amount of money devoted to savings overall (Hayhoe et al, 2000).

Last not least, from the researcher point of view, it is vital to measure the level of retirement planning among the genders because the researcher view that women and men would influence a different level of Retirement planning behavior. The variety in gender role expectations would provide different strategies to financial planning and consequently the level of retirement planning behavior among them would differ. Moreover, the researcher consider that Retirement planning behavior is effected by the gender.
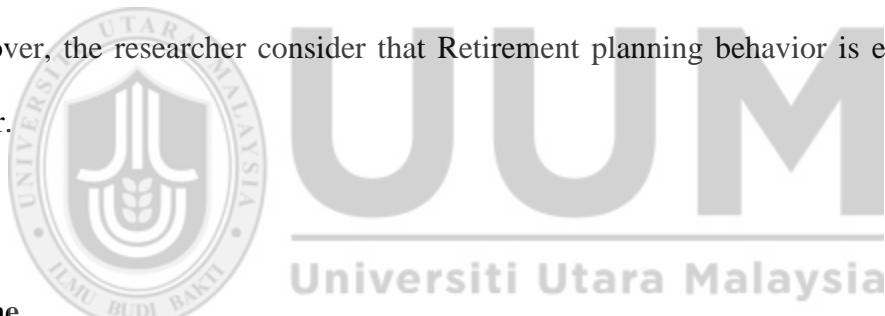
ii. **Income**

Income is an important issue in financial planning especially where there is no relationship between income and the economies of low-income families, but it is closely linked with the high-income families. Educational level and occupancy are not as important for low-income families as those of high-income families. Low Income and behaviors of high-income families are similar in regard to the relationship between how important it is to save and the amount recorded. In addition, low-income households and high income have similar attitudes towards the importance of savings and the level of satisfaction. The examination of attitudes and behaviors of selected financial

management 199 low-income youth ages means black, white and Hispanic people in Arizona revealed that a large proportion of each racial group did not save (36, 25 and 38%, respectively) (Hurd, 1990). Of those who save a large proportion of each group was satisfied with the money they saved (59, 61 and 56%, respectively). Barber and Odean (2001), with a sample of 672 non-metropolitan households in Kansas, examined the behavior of the financial management of households with different levels of financial resources and found that low-income households were much less likely that group's medium and high income save a specific amount of money on a regular basis.

The gradual increase in the elderly population with a longer life expectancy, stresses the need and importance of a well-planned personal financial planning (Lim, 2003). One thing we should consider carefully when planning for our retirement and to put aside funds for this purpose is how much money we feel we need to have quality of life, we hope to have retirement. This provision under laws such as social security and pension schemes do not guarantee a certain level of comfort at the time of retirement as it may not provide enough income to ensure a comfortable standard of living, or security against the costs of health care, or even much less a legacy to pass on to his heirs. A pension plan is a deferred compensation program set up by the employer to establish personal pension funds for employees. Benefits that employees receive are generally based on years of employment, the employee's income, or a combination of both (James et al., 2002). People invest their own assets and the effective personal income to ensure their economic security can be guaranteed, not only during their working lives but also after the period of the retirement needs.

All in all from the researcher point of view, it can be assumed that, there would be a relationship between income level and Retirement planning behavior. In regards to the influence of income level towards Retirement planning behavior, the researcher also assumes that income level could influence the Retirement planning behavior. This is because, once a person a satisfied with their financial status or position, he or she would be more literate on making decision either to consume conventional or Islamic products. Thus it is vital to determine the influence between the two variables. People need to have a source of income to continue their lives. If income is too low, individuals will merely have sufficient income for saving purposes, which will lead to poor retirement preparations. Thus it is important to determine the impact between the two variables.
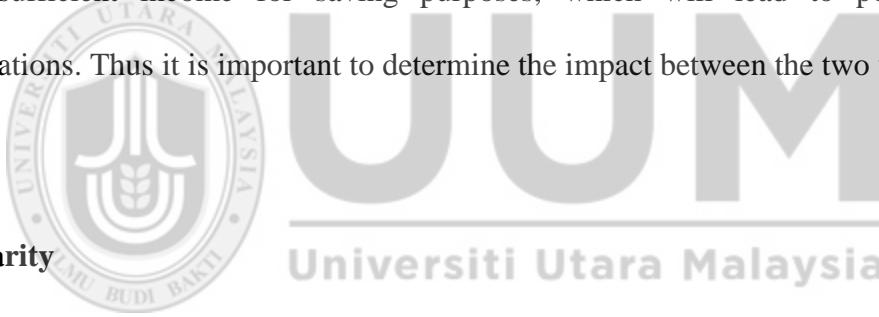
2.3.5 Goal clarity

According to Austin and Vancouver (1996), the research literature on goals can be divided into three broad categories: research content, which focuses on the content of the specific goals of individuals (eg, Travel, Relaxation); structural research, which describes how the goals are interrelated (eg hierarchically, sequentially); and research process, which aims to characterize how goals influence motivation, information processing, and behavior. This survey, which focuses on how the objective activity of clarity and planning are linked to energy saving practices among the last of these research traditions.

Winnell (1987) argued that the goals of an individual "define the long-term values that give meaning to the strong person, a sense of coherence and meaning" (p. 271). She also said that, ideally, the goals must be clear enough to provide feedback on whether the specific goals have been achieved. This led him to conclude that people with clear goals in life are expected to experience higher levels of self-efficacy and satisfaction life. Clear and specific goals not only improve the operation and provide a yardstick by which we measure our achievements, but they also provide a framework to help establish future intentions, and guide the adoption of intentional behavior (Gollwitzer, 1993).

Only a handful of empirical studies have focused on the topic of retirement goals, which is surprising given the important role they play in structuring long term planning activities (Beach, 1993, 1998). Cantor and Zirkel (1990; see also Cantor & Kihlstrom, 1987) argued that there exist a series of "age-graded normative goals" that correspond to specific tasks encountered at different life stages. Consistent with this developmental perspective, Hershey, Jacobs-Lawson and Neukam (2002) observed age-related reductions in the number of retirement goals workers hold, as well as age differences in the concreteness of specific retirement goals. These developmental differences in the number and concreteness of individuals' goals suggest that retirement goal clarity may also reveal a changing normative developmental profile.

A few recent studies have demonstrated the impact of retirement goals on retirement savings tendencies. For instance, using a 5-item "Planning Drive" indicator of financial goal strength, Neukam and Hershey (2003) demonstrated that financial goals are

significantly related to retirement savings contributions. Similarly, Glass and Kilpatrick (1998b) revealed that the level of priority of one's retirement savings goals was an important indicator of the magnitude of individuals' financial accumulations. Moreover, in a recent savings intervention study, Hershey, Mowen, and Jacobs-Lawson (2003) found that the presence of goal-based content in a brief, group-based retirement seminar had a noteworthy impact on planning activities one year following the intervention.

Taken together, the studies cited above indicate that goals play a critical role in the retirement planning process. By all accounts, clearer retirement goals are associated with a more active model of retirement planning behavior. Statistically, the effects of retirement goals on planning and saving behavior tend to be in the reasonable range. Goals assistance to structure perceptions of retirement experience, they allow individuals to form expectations about future resource needs, and as mentioned above, they help to increase real savings levels and the intention to save. In the following section of the article the spotlight shifts from goals to planning activities, which have also been shown to be a critical determinant of savings tendencies.

However, Hershey and Jacobs-Lawson (2007) showed that retirement goal clarity is a significant predictor of planning practices, and planning, in turn to predict savings tendencies.

2.3.6   Knowledge of financial planning for retirement

The different psychological variables studied in relation to savings, perhaps no one has gotten as much attention as financial knowledge. Research shows that the knowledge is positively related to retirement planning activities (Ekerdt, Hackney, Kosloski & Deviney, 2001) and the financial savings practices (Hershey & Mowen, 2000; Yuh & Devaney, 1996). In fact, Hayslip, Bezerlein and Nichols (1997) suggest that young adults tend to have a high level of retirement anxiety because they show no accurate information about retirement. In accordance with this statement, Mitchell and Moore (1998) report a reason individuals fail to plan for retirement is because they do not have sufficient knowledge. Also Loewenstein, and Prelec Weber (1999; see also Hershey, Brown, Jacobs-Lawson & Jackson, 2001) find that preretirees should become more knowledgeable about retirement saving and investments. These findings suggest that many workers around retirement age do not have the necessary knowledge to make informed decisions about whether it is economically feasible to leave the workforce.

Grable and Lytton (1997) find that investment knowledge is positively related to saving behaviors. Research also shows that investment in knowledge can have a significant impact on the quality of individual's investment decisions. For example, Walsh and Hershey (1993) report that financial plan experts and elder people are more accurate than novices and younger people to determine how much should be invested in 401 (k) accounts hypothetical investors. Hershey and Walsh (2000/2001) also find that expert financial planners make better investment decisions than novices; but novices trained,

who are taught to understand the "deep structure" of a 401 (k) investment task, to make decisions that are ten times better than novices. In sum, these results indicate that knowledge of financial planning for retirement can have a deep effect on retirement savings decisions.

However, financial knowledge is the understanding the calculations of interest, the relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in reducing risk. The financial behavior evaluates how the individual deals with money. It includes the prompt payment of bills, to frame appropriate within budget and monitoring, continuous savings habits etc ... financial attitude influences the behavior of the individual. The fiscal stance is the opinion of the person about the belief in the planning.
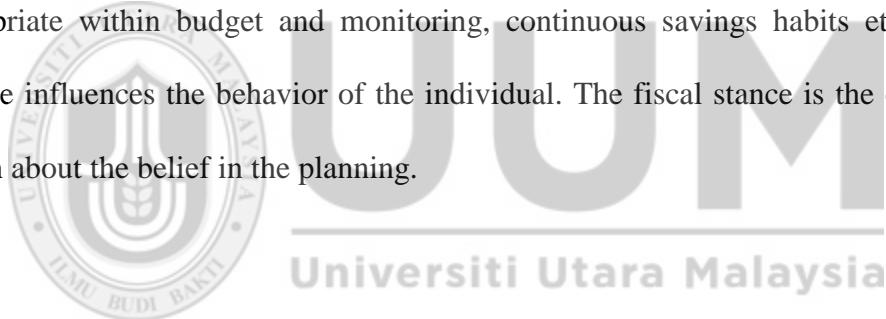
2.4 Summary of Chapter

In the nutshell, this chapter gives an overall scenario related to the literature that discussed on dependent and independent variables of the study. The review of literature which is related to the selected demographic factors also had been touched. The literature reviews are important basis in order to develop a theoretical framework for this study. The following chapter will be the continuation of this study that will be discussed on the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1   Introduction

This chapter discusses the main part of the research which include - how this research was accomplished; how the empirical analyses were organized in academic way and; how the final findings of the research is assembled and presented . First part will be the theoretical significance of research methodology and the research framework methodology used in this thesis. The items addressed in this chapter include: Sample Design, Type of Study , Unit of Analysis, , Questionnaire Design, Data Analysis, Descriptive Analysis and, and Conclusion. The chapter precedes a description of the research design and data collection method which includes primary data followed by a describing the sample selection which involves in the survey. Finally, after explaining the research instrument will be used by the researcher, the researcher will elaborate on the concept and operation definition of the variables and how they involves in the questionnaire making. Hence this chapter covers the methodology to be used in this study.

3.2 Theoretical Framework

Research framework is the base of the research, is the image of the research, it all completely explain what research is all about. Research framework generally explains the concept of the research. It also explains the examiner beliefs on how particular variable are related and associated each other (Sekaran & Bougie, 2013). This part enables the researcher to enlarge the knowledge by studying the validity of the theory through different analysis test of the both dependent and independent variables according to the offered research framework. Based on the literature review, the following figure is theoretical framework of the study.
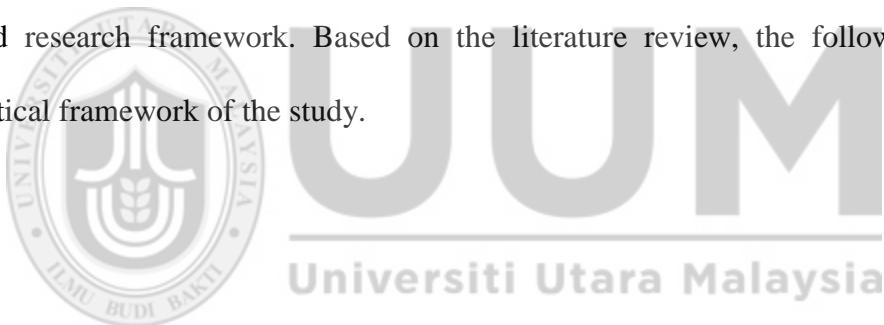
Theoretical framework

Figure 3.1 proposed conceptual framework
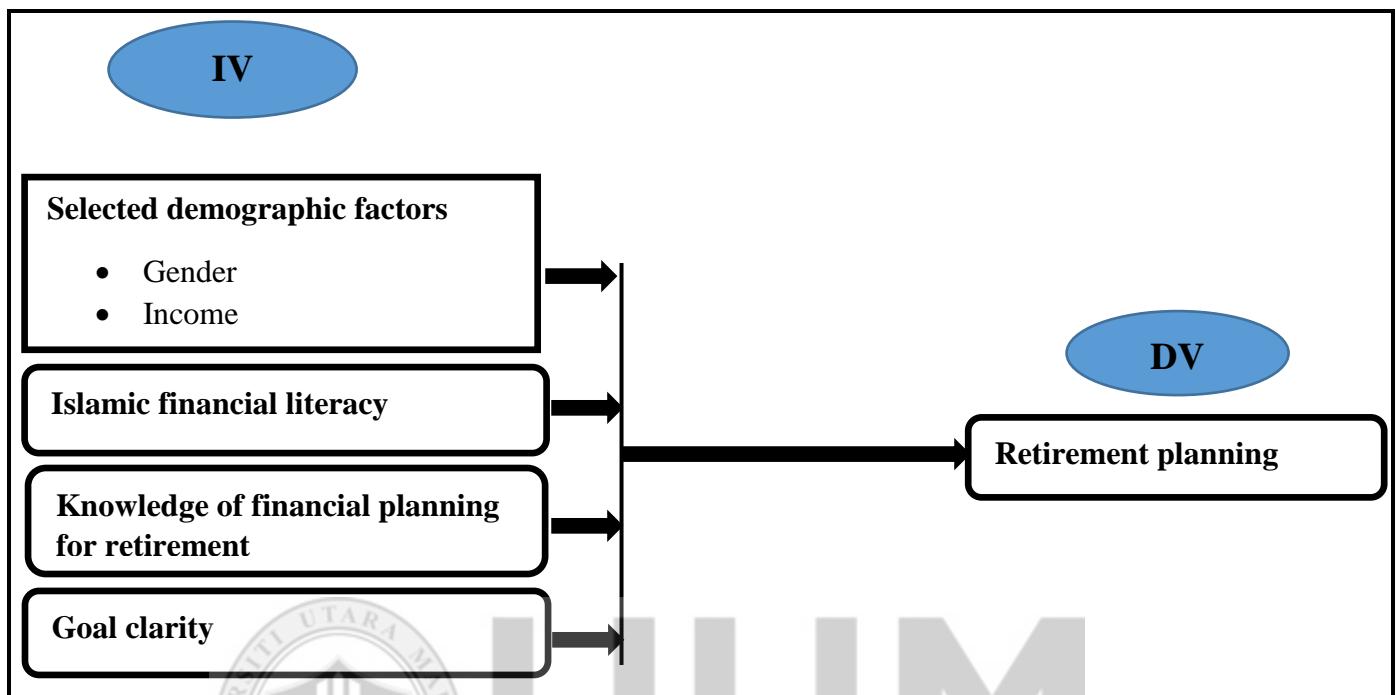
Figure 3.1 shows the proposed research framework for the study which was adopted to fit in to the aim of the research. Based on the above proposed research framework, the demographic factors (gender, income) and Islamic financial literacy, knowledge of financial planning for retirement and goal clarity are chosen as independent variables whereas the dependent variable is the Retirement planning . Therefore four independent variable will be used to test relationship between financial literacy and retirement planning on the staff s of University Utara Malaysia (UUM) particularly College of Business (CO).

3.3 Hypotheses Development

Hypothesis can be explained as logically conjectured difference between two or more variables expressed in the testable statement form (Sekaran, 2003). for this research, the hypothesis are categorized into types, first one is null hypothesis (H0) which articulate as no (significant) relationship between two variables or no (significant) difference between two variables, while second hypothesis of alternate hypothesis (Ha) shows the opposite of the null (Sekaran & Bougie, 2013). The research developed the following hypothesis.

Hypothesis 1

To determine the difference between selected demographic factors (gender, income) and retirement planning.
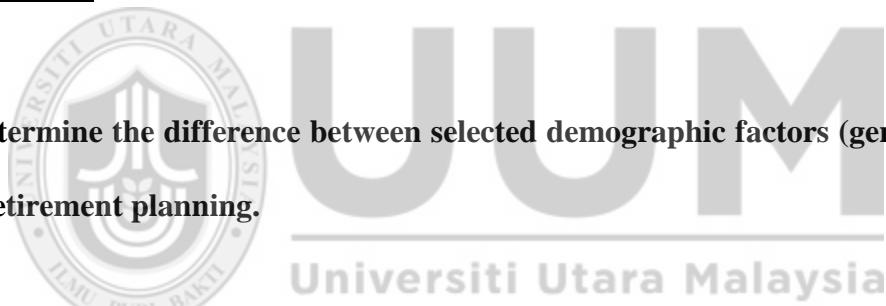
H_0: There is no significant difference between selected demographic factors (gender, income) and retirement planning.

H_a. There is a significant difference between selected demographic factors (gender, income) and retirement planning.

Hypothesis 2

To examine the relationship between Islamic financial literacy and retirement planning.

$H_o.$ There is no significant relationship between Islamic financial literacy and retirement planning.

$H_a.$ There is a significant relationship between Islamic financial literacy and retirement planning.

Hypothesis 3

To determine the relationship between goal clarity and retirement planning.

$H_{0:}$ There is no significant relationship between Goal clarity and retirement planning.

$H_{a.}$ There is a significant relationship between Goal clarity and retirement planning.

Hypothesis 4

To investigate the relationship between Knowledge of financial planning for retirement and retirement planning.

H$_0$. There is no significant relationship between Knowledge of financial planning for retirement and retirement planning.

H$_a$. There is a significant relationship between Knowledge of financial planning for retirement and retirement planning.

3.4   Research Design

In this research quantitative approach has been used through primary data collection survey study by distributing a self-administrated questionnaire to the respondents which is found to be most suitable research strategies to be conducted in order to encounter the objectives of this study. The major reason of using the quantitative approach is because it is usually low cost and time consuming than the other research strategies (Sekaran & Bougie, 2013).

Therefore, Bhatti et al. (2012) shows that the survey study is the most well-known manner of the data gathering in the quantitative approach and some researchers agreed this manner as it provide a potentially for more factual and unmistakable responses than others forms of research methodology. Furthermore, most of the self-administered questionnaires will be remain totally confidential. Although, the anonymity of the respondents would be greater and almost 100% of the response rate guaranteed (Sekaran & Bougie, 2013).

Nevertheless, the objective of this research is the descriptive study. Since the researcher intended to study the relationship between demographic factors and retirement planning behavior, while the descriptive study is designed to show the relationship associated with two variables (Sekaran & Bougie, 2013). Next, the descriptive study also ensure the researcher to think systematically about the factors that might impact the level of retirement planning and offer conceptual for further study and investigation.

The method that used to collect the information is cross sectional survey and the questionnaire is based on research model and the purpose is to find out descriptive between the selected variables. . This is because the data that been collected for the study is gathered just at one shot in times which is within a week in order to meet the requirement of data collection. Finally, in order to ensure complete secrecy, no names or identification numbers were associated with the surveys. Respondents indicated the extent to which they agree or disagree with statements such as' your company considers your goals and values. The appropriate unit of analysis for the investigation of researcher concept is those individuals among in University Utara Malaysia (UUM, COB), Kedah.

3.5   Sample Design

Sampling design can be explained as a process to choose an appropriate number of units from the target population to provide precise information about the all population (Hair, Babin, Money, & Samouel, 2003).

3.5.1 Population of the research

This study aims to study the effects of selected demographic factors and Islamic financial literacy, knowledge of financial planning for retirement, goal clarity towards retirement planning. The population in this research is the employees of Public Higher Education Institution in Kedah especially UUM Staff Sintok. The unit of analysis of this research is each individual's response is considered an independent data source which denotes to COB staffs.

3.5.2 Sample Elements

The researcher is interested in collecting the data specifically towards the staffs who are currently working in University Utara Malaysia. As the purpose of this research is to identify the impact of demographic factors and Islamic financial literacy, financial knowledge as well as goal clarity. Therefore, UUM COB staffs have been chosen as the research sample for some reasons. Firstly, employing university staffs for this study was suitable because they were possible plan in retirement since they are having income every month. Secondly, COB is the largest school in UUM and they can represent the entire population. Lastly, the researcher has chosen COB employees particularly academician staff s taking consideration of their background and knowledge towards their level of Islamic financial literacy towards awareness of retirement planning. Furthermore, according to information from UUM Register Department, the employees in COB are 678 workers which comprises of 576 academicians and 102 administrative staffs.

Therefore, this study on targeting only academician employees, considering their level of knowledge towards Islamic financial literacy and retirement planning. Henceforth, the respondents were from dissimilar demographic composition such as multi income level and they were generally well educated. Additionally, in order to meet the aims of this study, the samples will be selected based on the subsequent criteria to meet the purpose of this study:

- Samples should be currently working in University Utara Malaysia.

- Respondents should be Muslim.

- Samples are categorized as professors, associate professors, senior lecturers, and lecturer.

Therefore, according to Malhotra (2004), a sample size is based on the number of element to be included in the study. Big amount of sample gives more reliable results than smaller samples. So, selecting the appropriate sample size is definitely significant because a valid and reliable sample allow a researcher to analyze the findings from the sample under investigation.

From table 3.2 summaries generalized the scientific guideline for the sample size decisions; hence the sample size of this study is 230 questionnaires. Sekaran (2003) asserted that the rules of thumb for defining sample size, which is sample size larger than 30 and less than 500, are suitable for most research.

Table 3.1

Sample Size for a Given Population Size

N(Population size)	S(Sample Size)	N(Population size)	S(Sample Size)
440	205	600	234
460	210	650	242
480	214	700	248
500	217	750	254
550	226	800	260

 Source: Sekaran (2003).

Moreover, according to the information from Registrar Department, the total numbers of UUM COB academician workers are 505. This study had chosen only three stage cluster sample. First, the population of UUM COB staffs had been divided into four clusters which were Assoc. Professor, Professor, Senior Lecturer and Lecturer. The sample in the clusters would be chosen purposive sampling, so that only academicians would be included in the sample. This technique could prevent any appearance of bias in the distribution of the questionnaire. When the sample had been identified, then the questionnaires were distributed considering the sample as explained in the table 3.

Table3.2

 Proportion of sample among Academician in COB

College of COB	Number of staff s	Proportion	disproportion
Professor	28	6%	10
Assoc. Professor	71	14%	19
Senior Lecturer	263	52%	120
Lecturer	143	28%	81
Total	505	100%	230

 Sources: Registrar Department (2015)

The researcher distributes the questionnaire to this considering their availability and percentage they present the academician staff s.

3.5.3 Sample Size

Since the academician staffs of COB are 505, a total of 230 respondents were measured from the total population which will serve as sample size for the objective of this research. According to Sekaran (2003) stated that the population of 575, a sample size of 230 is required which 43% of the respondents. Further, the Sampling size refers to the number of elements to be included in the research. In this study, 230 sets of questionnaires were distributed by hand to the respondent throughout staff s of UUM COB.
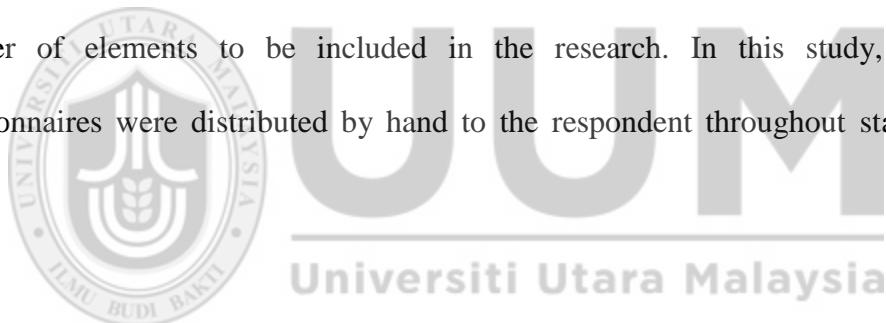
3.5.4 Sample Technique

There are two types of sampling techniques, which are probability and non-probability sample technique. Non-probability technique was chosen to become sample technique in this study. This research engages purposive sampling. The purposive sampling is one of the non-probability sampling techniques. The researcher applied this technique as the UUM staff s are divided into a different groups based on their level of reputation.

Researcher distributed the questionnaire taking the appointment from the respondents in their offices. In order to ensure that respondents understand, the researcher used face to face manner to clarify how to answer the questionnaire. This technique is opted because it is quicker and efficient method to finish the survey.

3.6 Research Instruments

This study adapts the questionnaire method to collect the information of the research which in the form of self-administered questionnaire has been used from various past studies related to the topic. The questionnaire has been divided into two parties whereby section A contains demographic profile of the respondents whereas four independent variables and dependent variable are in section B. The target population is staff s in UUM Sintok campus. Therefore the Researcher distributes questionnaires taking consideration on availability of the respondents. The questionnaires will be answered in 15 minutes.

Thereafter, 230 questionnaires are disseminated to the target respondents by the researcher in selected school. The respondents are required to read intentionally the questions and fully applied their ideas towards each section of the questionnaire. After that the researcher summarized the questionnaire and ran the data using SPSS version 20.0

3.7   Variable measurements

This section the researcher wants to measure the variables by looking how the past studies are measured. Measurement is stated to the assignment of numbers to objects systematically. There are four types of measurement scale which are nominal, ordinal, interval and ratio. The table below shows the measurement for all the variables.

Table 3.3

Summary of the dependent and independent variables and measurement

Variables	Scale	Original No Items	No. of Valid Items	No. of Reliability Items
Retirement planning	1-5 points	8 items	5 items	4 Items
Islamic financial literacy	1-5 points	10 items	8 items	7 Items
Goal clarity	1-5 points	8 items	6 items	5 Items
Knowledge of financial planning for retirement	1-5 points	9 items	8 items	7 Items

3.7.1 Independent Variables

The interval scale measurement is engaged to measure the independent variables. The entire independent variables of the study are estimated through five-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

45

3.7.1.1 Selected Demographic Factors

In this study, there are seven independent variables and one dependent variable. The independent variables are divided into three types which are demographic factors: gender, income and factors include Islamic financial literacy, goal clarity as well as and financial knowledge for retirement planning. Therefore, either ordinal or nominal scales are used to estimate the demographic information of the respondents in section A. Variables that cater demographic profile are age, gender, marital status, ethnicity, education level working experience, academic category and income level are classified under categorical groups and nominal measurement have been used these variables.

3.7.1.2 Islamic Financial literacy

There will be seven questions that are designed to achieve the agreement level of respondents on the extent to which financial literacy influenced. The basic financial literacy concepts were mainly adapted from the studies by Lusardi and Mitchell (2011) as well as Klapper and Panos (2011). The respondents were required to rate their understanding on each Islamic financial literacy aspect on a 5-point Likert scale for all items. A higher scale shows that respondents influence greater financial and vice versa.

3.7.1.3 Goal Clarity

The researcher assessed goal clarity using a five-item scale established by Stawski et al. (2007) designed to estimate the level of retirement goal clarity. The researcher of the study also used a five-point respond format where 1=strongly disagreed and 5= strongly agree. A higher scale indicates a greater influence of goal clarity to the respondents' retirement planning behavior and vice versa.

3.7.1.4 Knowledge of Financial Planning For Retirement

The knowledge of financial planning for retirement scale contains five questions designed to measure individuals' general knowledge of the topic (Hershey & Mowen, 2000; Mowen, Hershey & Jacobs-Lawson, 2000). All items use a five-point response format (1=strongly disagree, 5=strongly agree). A higher scale demonstrates a greater influence of knowledge of financial planning for retirement respondents' retirement planning behavior and vice versa.

3.7.2 Dependent Variable

3.7.2.1 Retirement planning behavior

Meanwhile, retirement planning behavior was also employed a six-item scale developed by from Warren and Rossiter-Base (2004) designed to measure individuals' behavior

towards retirement planning. All the items in this scale with a five-point response format (1= strongly disagree, 5= strongly agree). Last not least, the respondents were asked to appropriate question to measure their behavior of retirement planning. A higher score asserts the respondents effective on retirement planning behavior and vice versa.

Table 3.4

Variable Measurement

Measurements	Number of Questions	Total of Items	Source	Developer
Islamic financial literacy	5	7 items	Thomas Githui & Philip Ngare (2012)	Lusardi and Mitchell (2011)
Goal Clarity	5 to 10	5 items	M.Krishna et al. (2012)	Stawski et al. (2007)
The knowledge of financial planning for retirement	1 4to 20	7 items	Joy M. Jacobs-Lawsona, Douglas A. Hersheyb, (2005)	(Hershey & Mowen, 2000; Mowen, Hershey & Jacobs-Lawson, 2000).
Retirement Planning Behavior	20 to 25	4 items	M.Krishna et al. (2012)	Warren and Rossiter-Base (2004)

3.8 Data Collection

The research is conducted by gathering primary data from the respondents to represent the population. The technique used in collecting data is a questionnaire technique. All the participate is asked respond to the equivalent set of questions, it gives the researcher efficient way in collecting responses from a large sample of working staff s to obtain quantitative analysis. In this research, the program named Statistical Package for Science Social (SPSS) will use to analyze the collected data. This software is able to generate the

result on descriptive and inferential analyses. 230 questionnaires were distributed to the (UUM) Sintok. The process of data collection was conducted almost two weeks. The researcher distributes the questionnaire to the respondents at their offices during working hours beginning at 9.00 am until 4.00 pm.

The survey was used to collect the primary information towards retirement planning behavior. The survey was conducted among the UUM C.O.B staffs. According to the Sample size, this research is anticipated to get 230 of the responses. But, the overall number of questionnaire returned was 191 of the responses.
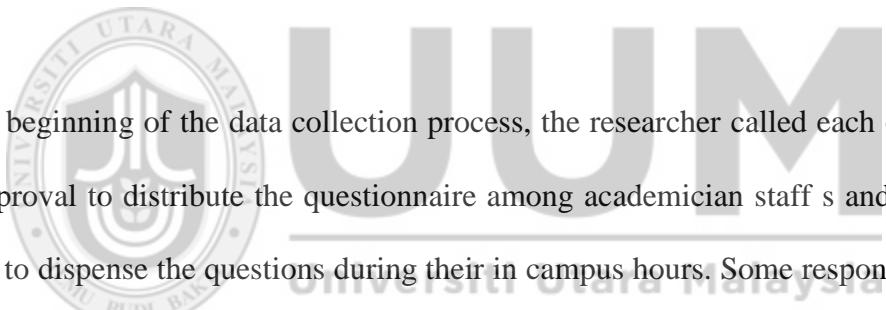
At the beginning of the data collection process, the researcher called each of the units to get approval to distribute the questionnaire among academician staff s and went to their rooms to dispense the questions during their in campus hours. Some respondents hold the questionnaire one days due time and bring to the researcher next day.

3.8.1 Pilot test

Before gathering the actual data from the respondents, a pilot test was conducted for the data collection tools and procedures. The benefits of conducting a pilot test include the identification of errors, detection of mistakes and making corrections to the questionnaire. Chua (2011) indicate that the least number of respondents that are appropriate for a pilot test to validate the questionnaire ranges from 20 to 40 respondents.

Hence, this study uses 20 UUM COB stufss as respondents for the pilot test. This pilot test was distributed in May 2015.

Table 3.5

Pilot test Cronbach's Alpha

Variables	Number of items	Cronbach's alpha
Retirement Planning	6	0.810
Islamic Financial Literacy	9	0.923
Goal of Clarity	8	0.871
Knowledge retirement planning	9	0.814

As presented in Table 3.2, pilot test for Cronbach"s alpha value shows that the independent variables Islamic Financial Literacy has the highest Cronbach"s alpha value (0.923), knowledge of financial planning for retirement is (0.814), and Goal of Clarity is (0.871), whereas retirement planning is 0.810. Hence those in the 7.0 range are acceptable and the majorities are very good.

3.8.2 Validity Analysis

In this study, the validity of the independent variables can be considered acceptable and can be described by discriminant validity. This validity describes the degree to which the concept of the particular independent variable is not similar or not correlated to each other's concept that it theoretically should not be similar to. Therefore, the researcher removed eight items to test the reliability analysis of the study (Appendix A2).

3.8.3 Reliability analysis

Reliability analysis is a test of Cronbach's alpha to make sure the measurements are without bias in order to achieve reliable results consistent measurement across time and across several items in the instrument (Sekaran, 2003). The test of Cronbach's alpha value is suitable for multi- scaled items and is a perfectly satisfactory index of the inter-item consistency reliability (Cavana, Delahaye, & Sekaran, 2001). The coefficient alpha value is range from zero to one while value less than 0.60 show poor internal consistency reliability (Hair et al., 2006; Malhotra, 2010). Internal consistency is the amount in which the items or questions about the measure consistently evaluate the same constructs. All questions should be expected at measuring the similar thing. Reliability analysis is prepared to improve the level of reliability of the survey instruments.

In this research, the reliability analysis has been used to analyze all the independent variables and dependent variable. Result of reliability test discusses with pilot test was distributed to 20 respondents of UUM staffs and to be found significant with the coefficient reliability of Cronbach's alpha to forecast the scale reliability for each factor, Cronbach's alpha coefficient must be totaled for all indicated factor.

According to Sekaran (2003) stated that cronbach's alpha is a reliability coefficient that reveals how well the items in a set are positively associated to each other. In other word,

any reliability coefficient is in the range of 0.7 is acceptable and if 0.8 and above are considered good. In other word, the close Cronbach's alpha is to one the higher is the internal consistency reliability. The rule of thumb for Cronbach's alpha coefficient value is shown in the next table. Reliability results of this study is shown as below table 3.6

Table 3.6:

The rule of thumb for Cronbach's alpha coefficient value.

Alpha Coefficient Range	Strength of Relationship
Lower than 0.60	Poor
0.60 to lower than 0.70	Moderate
0.70 to lower than 0.80	Good
0.80 to lower than 0.90	Very good
0.90 and above	Excellent

Source: Hair et.al, (2003).

3.8.4 Normality

The assumption of normality is a prerequisite for many inferential analyses such as Multiple Regression Analysis (Coakes and Steed, 2007). If the disparity from the normal is sufficiently huge, all resulting statistical tests are unacceptable because normality is compulsory to use the F and t statistic (Hair, Balck, Babin, Anderson and Tatham, 2006). There are many different ways to examine this assumption namely boxplot, normal probability plot and Skewness and Kurtosis.

The normal analyze is particularly essential because it gives the original basis for many of the inferences by the researcher who is collecting the data through sample. Hence, in this research the investigator has been conducted a normality test to ensure the normality of the distribution and the outliers. For the aim of this study, each of the independent variables were tested through SPSS to make sure no damage of the normality assumption using the explore procedure in SPSS.

In this research, the first medium to acknowledge the normality of the data is using the graphical analysis. Refer to Hair et al. (2006), the most reliable approach to measure the normality of the data under graphical analysis is using the normal probability plot, which compares the cumulative distribution. The normal distribution forms a straight diagonal line and the plotted data values are compared with the diagonal. If the distribution is normal, the line representing the data distribution closely follows the diagonal.

The second medium to acknowledge the normality of the data is using the statistical test of normality. Normality also can be assessed to some extent by obtaining Skewness and Kurtosis values. According to Hair et al. (2006), a simple procedure for this test based on the Skewness and Kurtosis values which available from the SPSS program.

Therefore, Outliers indicate non-normality and can be checked with boxplots. After the boxplots tests of normality assumptions, the outliers Islamic financial literacy, knowledge

of financial planning for retirement, goal clarity and retirement planning have been identified and removed 17 questionnaires from the sample size during the screaming data.

3.9 Data Analysis

After completed data collection, data processing was done before running the data analysis. Data processing involved steps such as coding the responses, data screening and selecting the appropriate data analysis strategy for hypothesis testing. Data screening was performed to identify data entry errors and to examine how appropriate data meets the statistical assumptions which involve missing data, treating outliers and descriptive statistics of variables. Missing data is an essential step before testing the collected data. It is considered a vital part before data analysis since data is often riddled with mistakes and data entry errors which could completely mess up the analysis result. Missing data refer to cases where valid values of one or more variables are entered by mistake or are not available for data analysis, especially in a multivariate analysis (Hair et al., 2006).

This research hired the SPSS program for either descriptive or inferential statistic. Descriptive statistic is employed to explain data in general, whereas inferential statistic is used for the purpose of hypothesis testing over Independent Samples T-Test, Analysis of Variance (ANOVA), Pearson Correlation and Multiple Linear Regression.

3.10 Descriptive Statistics

Descriptive analysis is the test to review and analyze the great amount of the data into the method which is easier to understand by the reader. As in other past research, the researcher stated that the descriptive analysis is presented the data by more meaningful way such as mean, median, percentage, average, standard deviation , frequency and so on (Kelechi, 2012).

The frequencies calculated to define the percentage of the respondents profile in terms of gender, marital status, age, highest education level, position in university, monthly income and working period. Moreover that, descriptive analysis was used to measure the financial literacy, attitude towards retirement, goal clarity, Knowledge of financial planning for retirement and retirement planning behavior. In order to measure the level of all variables, the mean score for each variable were computed as well as the standard deviation. The standard deviation is also important in demonstrating the level of each variable and also to point out the distribution of the score of the mean. According to Hair et al. (2007), the standard deviation describes the spread or variability of the sample values from the mean. If the value of standard deviation is low, therefore the responses in a sample distribution of number fall very close to the mean.

3.11 Inferential Statistics

Inferential Statistics are used to infer from the information through analysis so as to attain the analysis objectives during this study. Therefore, for the aim of this study, inferential statistics area unit used through the analysis of freelance Samples T-Test, One-Way ANOVA, Pearson Correlation and Multiple Linear Regressions.

3.11.1 Test of Differences

The test of differences is used in order to achieve the first research objectives in this study. Therefore, for the purpose of this study is conducted through the analysis of Independent Samples T-Test and One-Way ANOVA.

i. **Independent Samples T-Test**

In this study, Independent Samples T-Test is used to compare the means of two independent groups. According to Coakes and Steed (2007), Independent Samples T-Test is appropriate when the participants in one condition are different from the participants in the other condition. Before undertaking the T-Test analysis, there are certain assumptions need to be evaluated because the accuracy of test interpretation depends on whether assumptions have been violated (Coakes and Steed, 2007). The generic assumption underlying of t-test are scale of measurement, random sampling and normality. In order to test the first hypothesis in terms of gender and position in university, Independent

Samples T-Test is applied to examine whether there are significant differences between (a) gender and (b) position in university towards Retirement planning behavior.

ii.   One-way Analysis of Variance (ANOVA)

One-way Analysis of Variance (ANOVA) is associate applicable analysis to match the means that of over two groups of independent groups. ANOVA tests solely offer data on whether or not there's vital distinction or not between clusters means that being compared.

If there are differences, ANOVA do inform state which group mean is higher and which is lower. To determine which mean is higher or lower, Post Hoc test should be conducted. The item statistics commonly used to test the Post Hoc is Tukey. Before performing One-way ANOVA test, certain requirements must be satisfied which are the data if distribution are normal and the data has the same variance (Coakes and Steed, 2007). This is to validate that all compared groups are originated from the same Population.

In this study, an ANOVA analysis is conducted to examine whether there are significant differences between respondents profile (age, and income) toward retirement planning behavior.

3.11.2 Pearson Correlation

Pearson Correlation analysis is administrated to see the link between the dependent and independent variables. During this study, the hypotheses are tested using Pearson correlation to explain the strength associate degreed direction of the link between 2 variables on an interval measure of scale. The correlational statistics indicates that joined variable increase the opposite issue can increase too. A correlation indicates that joined variable decrease and also the alternative issue can decrease too.

According to Coakes and Steed (2007), correlation analysis has a number of underlying assumptions such as follows: (i) Related pair, (ii) Scale of measurement, (iii) Normality, (iv) Linearity and (v) Homoscedasticity. In this study, Pearson Correlation is used to determine the relationship between the selected factors with Retirement planning behavior in order to achieve the second research objectives.

3.11.3 Multiple Linear Regressions

In order to attain the third analysis objectives, the use of regression for subsequent analysis is acceptable, since the information area unit usually distributed. The multiple linear regressions is employed within the hypothesis to see whether or not the independent variables justify a major variation within the variable quantity whether or not a relationship exists and set the mathematical equation relationship relating the independent and dependent variables (Malhotra, 2004). Regarding to Coakes and

warhorse (2007), the findings of regression is associate degree equation that represents the simplest prediction of a variable quantity from many freelance variables.

Thus, multiple regression analysis was used to establish the influence of the group of independent variables which are selected demographic factors, financial literacy, attitude toward retirement and knowledge of financial planning While, the retirement planning behavior as a dependent variable.

According to Coakes and Steed (2007), there are four main assumptions underpinning the use of regression which are (i) ratio of cases in independent variables, (ii) outliers, and (iii) linearity, and normality. The researcher simply expanded the formulation of the multiple regression model as shown in Figure.
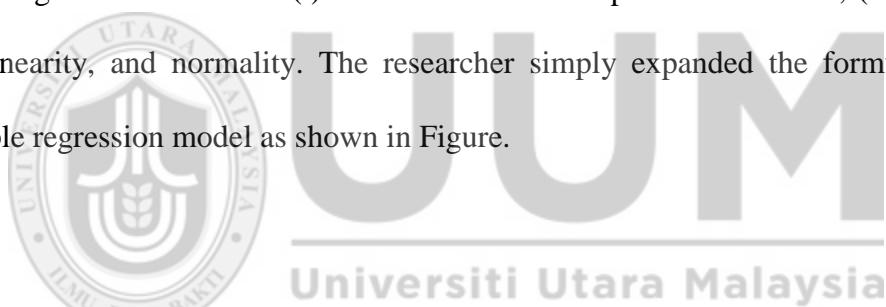
Formula for multiple Linear Regression

$$RP = a + \beta_1 (IFL) + \beta_2 (GOC) + \beta_3 (KFPR) + \sum$$

Where   a = Intercepts (constant)

             β = Unstandardized beta coefficient

             RP = Retirement Planning (dependent Variable)

             IFL = Islamic Financial literacy

             GOC = Goal of Clarity

KFR = Knowledge of Financial Planning for Retirement

The interpretation of the regression analysis is based on the unstandardized coefficients (B) and R square (R^2) which provides evidence whether to support or not the hypotheses as stated above. The R^2 obtained in the multiple regressions indicated the percentage of variance in the dependent variable that can be explained by the independent variables.

The multiple regression analysis helps to know what quantity of the variance within the variable quantity, the retirement planning behavior is explained by a group of predictor's particularly selected demographic factor, financial literacy, attitude toward retirement and knowledge of financial planning.

Table 3.9

Data Analysis Technique

1	Area of measurement	Type of analysis
2	The respondents demographic profile	Descriptive Statistics (Frequencies & percentage)
3	There are significant differences between selected demographic factors (gender & income) towards retirement planning.	a. Independent Samples T-test b. One-way ANOVA
4	There are relationship between Islamic financial literacy, goal of clarity, knowledge for financial planning for retirement with retirement planning	Pearson Correlation
5	Islamic financial literacy, goal of clarity, knowledge for financial planning for retirement have significant influence on retirement planning	Multiple Linear Regression

3.12   Summary of the Chapter

This chapter explained and gives a detail concerning about research design includes Sample Design, Type of Study , Unit of Analysis, Time Horizon, Questionnaire Design, Data Analysis, Descriptive Analysis. The chapter precedes a description of the research design and data collection method which includes primary data and secondary data followed by a describing the sample selection which involves in the survey also this chapter have been showed framework of the variables. The results of the study discuss in chapter four.

CHAPTER FOUR

FINDINGS AND ANALYSIS

4.1   Introduction

This chapter describes the results obtained from the data analysis of the study. In this chapter, 230 copies of questionnaire collected are analyzed by using SPSS 20.0 software. Based on the data collected. The discussion also includes a description of the respondent's demographic profile, the level of retirement planning each independent factor of the respondent. Therefore in order to analyses them; a descriptive statistical analysis will be used. The results of the inferential analysis Pearson Correlation Analysis, and Multiple Regression Analysis which presents the hypotheses tests will also be reported in this chapter.
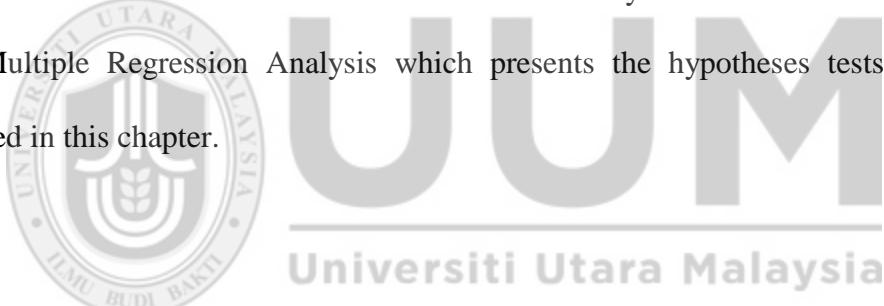
4.2 Research Response

The respondents' profile for this research has been classified into eight main categories such as gender, age, marital status, race, educational qualification, work experience income and academic category. For the purpose of data collection, a total of 230 sets of questionnaires were distributed to the respondents. However, the researcher found that only 191 questionnaires were usable. The total of the usable questionnaires represent 83% of response rate. Moreover, according to Sabri *et al.* (2012), the response rate within the worldwide range is from 46% to 96%. Consequently, it can be considered passable for the researcher to conduct the data analysis.

4.3   Demographic Profile of respondents

The respondents participated in the study contains the academician staff s in Universiti Utara Malaysia, Sintok, Kedah. Table 4.1 presents the value of frequencies and percentage for respondents' demographic profile and the distribution of the respondents.

Table 4.1

Respondet profile

	Demographic Profile		Frequencies (no=191)	Percentages (%)
1	**Gender**	Male	86	45
		Female	105	55
2.	**Age**	31-35 years	93	48.7
		36-40 years	52	27.2
		41-46 years	23	12.1
		47 years above	23	12.0
3.	**Marital Status**	Single	37	19.4
		Married	154	80.6
4.	**Educational Level**	Degree	18	9.4
		Master	82	42.9
		PHD	91	47.6
	Work experience	Less than 5 years	18	9.4
		6-10 years	34	17.8
		11-15 years	64	33.0
		16-20 years	44	23.0
		Above 21 years	31	16.2
5	**Income**	RM4,000-5,999	35	18.3
		RM 6,000-8,000	88	46.1
		RM 8,000 above	68	35.6
6	**Academic Category**	Professor	5	2.4
		Assoc. Professor	10	4.8
		Senior Lecturer	89	46.7
		Lecturer	87	45.5

(Please refer Appendix D for detailed output)

According to the above table, the results demonstrated that the numbers of male respondents are less than the number of female respondents. Out of 191 respondents, 105 (55%) of them are females whereas 86 (45%) are male. This shows the difference between the number of male and respondents which is about 24 (12%).

Age group between 31 to 35 years is dominant in academic staff s in University Utara Malaysia under this research making 93 (48.7%) of the total respondents followed by the age group from 35 to 40 years 52(27.0%) while 47 above years groups were 25 (12.0%) and others groups were 41-46 years 25(12.0%) . The majority of the respondents in this study are married which is 154 (80.6%) whereas 37 (19.4%) the respondents are single. Hence in education level the moste of the respondents were PHD holders 91 (47.6%) followed by master level that is 82 (42.9%) whereas degree holders are 18 (9.4%).
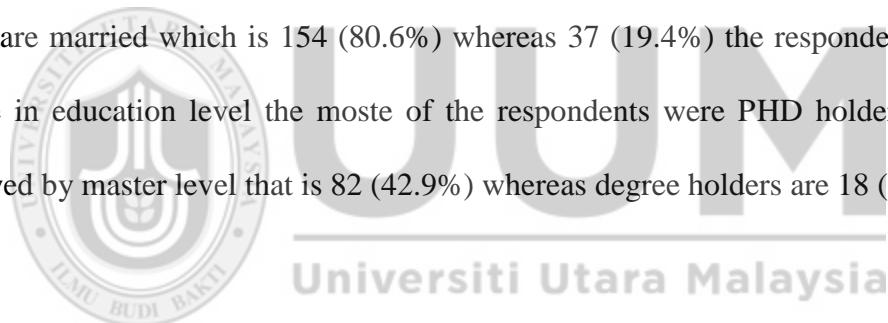
Among the respondents involves in this study, most respondents (64 and 33%) have working experience between 11-15 years while 23% (44) has been working between 16 to 20 years whereas 44 (23%) of the academic staff s has working experience of 6 to 10 years and lastly staff s are have less five years of experience is 18 (9.4%).

The study demonstrated that 46.6 % (97) of the respondents earn a monthly income between RM 6,000 to 8,000, followed by the monthly income of RM 8,000 above which have total of 35.6% while monthly income of RM 4,000 to 5,999 have 18.3% and only.

In the academician category the majority of the staff s were senior lecturers 89 (46.6%) and lecturer 87 (46.5%) and associate professors and professors were only 10 (4.8%) and 5 (2.4 %).

4.4 Reliability Analysis

Reliability is the amount of which an experiment, test or even measurement process, is expected to yield the same outcome on a recurrent trial, (Sekaran, 2010). According to Zikmud, (2003) reliability simply means the extent to which measurement tools are free from error and, therefore, produce a consistent result. Reliability result of this study is shown as below.After changing the wording of the questionnaire and also removed four items (Appendix A3) and the reliabilities of all the variables were above 7.0 as shown in below table 3.6 that all the independent variables are reliable. This is evidenced by the high cronboach's alpha which is higher than 0.7. In fact the Cronbach's alpha for all of the variables are considered as good as they are higher than 0.7 (Sekaran, 2010).

Table 4.2

Result of Reliability Test

Variables	Number of items	Cronbach's alpha
Retirement Planning	4	0.832
Islamic Financial Literacy	7	0.904
Goal of Clarity	5	0.700
Knowledge retirement planning	7	0.902

4.5 **Level of Retirement Planning and Determinant Factors**

This section required the researcher to determine the level of Retirement planning and the factors of the respondents such as Islamic financial literacy, goal clarity, knowledge of financial planning for retirement. Table 4.2 provide the results of the overall respondent's level on Islamic financial literacy and each psychosocial factor.

Table 4.3

Level of Retirement and Determinant Factors

	Mean	Std. Deviation
Retirement Planning	3.67	.885
Islamic Financial Literacy	3.69	.805
Goal of Clarity	3.67	.673
Knowledge of financial planning for retirement	3.67	.799

(Please refer Appendix D for detailed output)

Table 4.3 shows mean and the standard deviation, the overall mean and the standard deviation of all variables. Looking at the mean value of Retirement planning and each factors, the result indicates that most of the mean values are in the range 3.67 to 3.69. Based on the results, it revealed that the level of retirement planning among the academician staff s in UUM COB is considered high. This is because the mean values for Islamic financial literacy is 3.67 which is closer to 4.0. Besides, the value of standard deviation for retirement planning which indicates the distribution of the score of the mean is 0.885. One of the reasons why the respondents have a higher level of retirement planning is that the staff s have capability to desire for required and suitable income to create a crucial success of personal planning for retirement. Next, the result also shows

that the Islamic Financial Literacy factor recorded the highest mean value among the other factors which is 3.69. This result reveals that the level of Islamic Financial Literacy among the respondent is high. This is due to the fact that the majority of the respondents are Muslims and they have basic knowledge toward Islamic Financial Literacy. In overall, the level of factors of the respondents was found to be high. In contrast, the mean value of goal clarity and Knowledge of financial planning for retirement are found to be the similar which indicates the mean value of 3.67. It can be concluded that the level of goal clarity and Knowledge of financial planning for retirement of the respondents is also quit high this is because they have specific goals towards retirement and sufficient knowledge.

4.6   The differences between Demographic Factors and Retirement Planning

This model was adopted in this research to attain whether there are any differences between respondent's demographic profiles (gender and income) and retirement planning. The test of different was applied to conduct through Independent Sample T-Test and One-Way ANOVA to define Hypothesis one (H_1).

The Independent Sample T-Test was used to test the Hypothesis one in terms of gender. Meanwhile One-Way ANOVA is conducted to examine the significant different between demographic factors that have more than two groups with the retirement planning. There is a one hypothesis that had been analyzed which is income.

4.6.1   The differences between Gender and Retirement Planning

Independent Sample T-Test analysis was conducted to test null hypothesis one (H0) in terms of gender which is as follows:

H$_0$:   There is no significant different between gender and retirement planning.

H$_a$.   There is a significant different between gender and retirement planning.

Table 4.4

The Difference between Gender and Retirement Planning

	Gender	Mean	Standard Deviation	t-value	Sig.
Retirement planning	Male	3.83	0.84	2.40	0.017
	Female	3.54	0.91		

Table 4.4 demonstrates that the difference of mean and standard deviation between male and female with the retirement planning behavior. The result shows that mean value and standard deviation of for the male respondents is 3.83 and 0.84 respectively. Whereas, the mean value for female is 3.54 and its standard deviation is 0.91. Therefore, the mean difference is merely 0.29. From the significant (2-tailed) value, it shows that the value of 0.017 is less than the value of 0.05. Therefore it can be concluded that there is a significant difference between genders and the retirement planning in this study. Based on the results, it indicates that the null hypothesis (H0) is rejected while the alternate

hypothesis (Ha) is accepted. From the mean value, the researcher found that male respondents are likely to involve in retirement planning than female respondents. Additionally, the result is consistent with the researcher's expectation that there would be a significance difference between genders on the retirement planning.

4.6.2 The deference between income and Retirement Planning

One-Way ANOVA analysis was conducted to test null hypothesis one (H0) in terms of income level which is as follows:

$H_{0:}$ There is no significant different between income and retirement planning.

$H_{a.}$ There is a significant different between income level and retirement planning.

Table.4.5

The Difference between Income and Retirement planning

Income	Mean	Std. Deviation	F	Sig.
RM4000-5999	3.6014	.87888	0.78	0.037
RM6000-8000	3.6134	.93334		
RM8000 and Above	3.8273	.80920		

The table above conducted using One-Way ANOVA analysis shows that the value of F is 0.78 and the significance value of 0.037. This showed that there is a significance differences between income level and retirement planning since the significant value is below than 0.05. Therefore, in this analysis, the null hypothesis (H0) should be rejected

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while the alternate hypothesis (Ha) is accepted. From the mean value, the researcher found high income respondents are aware on retirement planning than low income respondents.

This result is consistent with the earlier assumption made by the researcher that there is a significant difference between the income level and retirement planning Thus, it can be concluded that there is a significant difference between the income level and retirement planning.

4.7   The Relationship between the factors with the Retirement Planning

Correlation can be explained as a statistical relationship between two variables. Using Pearson Correlation Coefficient and level of significance, the strength and the direction ($\pm$) of relation associated with the variables can be analyzed.

The level of significance $p < 0.05$ and $p <$ is applied to determine the correlation. This indication demonstrates that 99% out of % of the relationships associated with the variables can be defined as a true or having significant correlation and there is only 5% or 1% chance that the relationship is not exist. The value of the strength of relationship (r) between variables also plays an important role in in ascertaining levels of relationship among the variables.

Moreover, Pearson Correlation was applied to obtain the research objective which is to examine the relationships between Islamic financial literacy, goal clarity and knowledge of financial planning for retirement with the retirement planning. The calculation of the Pearson Correlation Coefficients was performed to achieve an understanding of the relationships associated between all the variables in this study.

Correlation table below shows that a significant strong positive relationship between dependent variable (retirement planning) and independent variables (Islamic financial literacy, goal clarity and Knowledge of financial planning for retirement). From the correlation analysis table, it observed that retirement planning is positively correlated with Islamic financial literacy (r=.738, p < 0.01). There is also strong positive relationship between retirement planning and goal clarity (r=0.647 p < 0.01). While the relationship between retirement and knowledge of financial planning is strongly positive(r=.746 p <0.01).

Table4.6

Results of Pearson Correlation Analysis among Variables

Variables	Retirement Planning	Islamic Financial Literacy	Goal Clarity
Islamic Financial Literacy	.738**		
Goal Clarity	.647**	.900**	
Knowledge of financial planning for retirement	.746**	.980**	.921**

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

Therefore, there was three proposed hypothesis which are:

1. H_O. There is no significant difference between Islamic financial literacy and
   retirement planning.

   Ha. There is a significant difference between Islamic financial literacy and
   retirement planning.

The result indicates that the correlation between Islamic financial literacy and retirement
planning is .738, which is significant at 0.01 levels and significant value between both
variables is 0.000. This shows that there is a strong positive relationship between Islamic
financial literacy and retirement planning. As result, the null hypothesis (H_o) is rejected.

2. $H_{0:}$ Goal clarity is no significantly related to retirement planning.

   H_a. Goal clarity significantly related to retirement planning.

As for factor goal clarity and retirement planning, the correlation between both variables
is .647 which is significant at 0.01 levels. Further, the significant value for correlation of

goal clarity is 0.000. This indicates that there is strong positive relationship between goal clarity and retirement planning. Thus, the alternate hypothesis (H_a) is accepted and the null hypothesis (H_0 is rejected.

3. H_0. There is no significant relationship between Knowledge of financial planning for retirement and retirement planning.

H_a. There is significant relationship between Knowledge of financial planning for retirement and retirement planning.

Lastly factor of knowledge of financial planning for retirement and retirement planning, the correlation between both variables is .746 which is significant at 0.01 levels. Further, the significant value for correlation of variable is 0.000. This shows that there is strong positive relationship between goal clarity and retirement planning. Thus, the alternate hypothesis (H_a) is accepted and the null hypothesis (H_0) is rejected.

4.8   Factors influencing the Retirement Planning

The multiple linear regression analysis applied this study to determine the influence selected demographic, financial literacy, goal clarity and knowledge of financial planning for retirement towards retirement planning. The regression model summarized in Table indicates the value of R and R^2. The value of R that shows simple correlation between

variables is ($R = 0.754$). This revealed high degree of correlation between the variables. R^2 is a determination of coefficient that shows the wellness of the model to the data. R^2 coefficient measures the goodness to which regression line approximate the real data (Sekaran & Bougie, 2013).

The value of R^2 defines the total variation extent by how much on dependent variable (Sekaran & Bougie, 2013). This demonstrates how much the total variation on retirement planning can be explained by the independent variables together (selected demographic, financial literacy, goal clarity and knowledge of financial planning for retirement). Adjusted R^2 tends to adjust the value of R^2 for the model's complexity and also to clarify more variance compared to simple model.
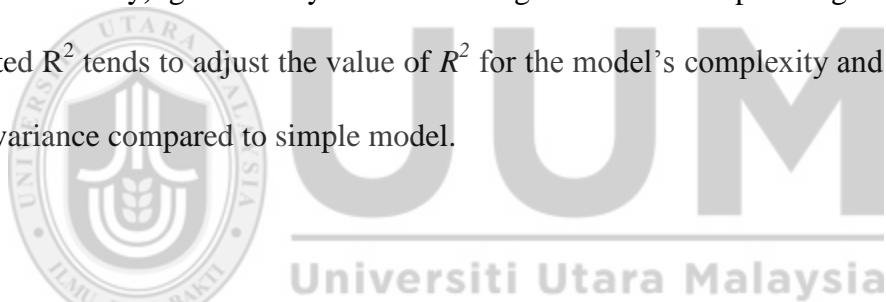
In this study, it is observed that R^2 value is 0.769 ($R^2 = 0.769\%$), whereas the adjusted R-square value is 0.562 (= 0.562%) which means one percentage change on independent variables explains 0.562% variables on dependent variable (retirement planning).

Table 4.7

Results of Multiple Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	**Std. Error**	**Beta**		
(Constant)	3.645	.927		3.934	.000
Islamic Financial Literacy	.093	.146	.149	.641	.522
Goal of Clarity	-.277	.124	-.263	-2.227	.027
Knowledge of financial planning of retirement	.534	.164	.843	3.248	.001

Dependent Variable = Retirement Planning

F-Value = 89.596

Significant = 0.000

$R^2 = 0.769$

(Please refer Appendix E for details output)
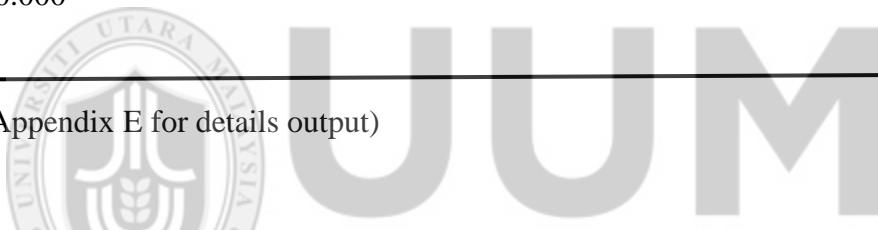
Table 4.6 presents the results of the multiple regression analysis which is used to test the factors influence retirement planning namely Islamic financial literacy, goal of clarity and knowledge of financial. It is evident that the Islamic financial literacy has not significantly predicted on retirement planning (B = 0.093, significant at 0.522) it can be explained that, one unit of Islamic financial literacy decrease will contribute to decrease of 0.093 in retirement planning. In contrast, the result also shows that goal clarity has a significant influence on retirement planning (B = -0.277, significant at 0.027). It means that one unit increase in goal clarity will decrease – 0.277 unit of retirement planning. The results of the multiple regression that knowledge of financial literacy has significant effect on retirement planning (B = 0.534, significant at 0.001), this means that one unit

increase in knowledge of financial planning for retirement will positively increase 0.534 unit of retirement planning.

The following equitation shows the multiple regression analysis based on the formula established in the Chapter three.

$$RP = 3.645 + 0.093(IFL) ** - 0.277 (GOC) **+ 0.534(KFR) **$$

Where

a = Intercepts (constant)

β = Unstandardized beta coefficient

RP = Retirement Planning (dependent Variable)

IFL = Islamic Financial literacy

GOC = Goal of Clarity

KFR = Knowledge of Financial Planning for Retirement

Table 4.7 presents the results of the multiple regression analysis which is used to test the factors influence retirement planning namely Islamic financial literacy, goal of clarity and knowledge of financial. It is evident that the Islamic financial literacy has not significantly predicted on retirement planning (β = 0.093, significant at 0.522) it can be explained that, one unit of Islamic financial literacy decrease will contribute to decrease

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of 0.093 in retirement planning. In contrast, the result also shows that goal clarity has a significant influence on retirement planning (β = -0.277, significant at 0.027). It means that one unit increase in goal clarity will decrease – 0.277 unit of retirement planning. The results of the multiple regression that knowledge of financial literacy has significant effect on retirement planning (β = 0.534, significant at 0.001), this means that one unit increase in knowledge of financial planning for retirement will positively increase 0.534 unit of retirement planning.

Therefore, from the analysis, the greatest factors that gives an impact towards the retirement Planning are goal clarity and knowledge of financial planning for retirement, while factors of Islamic financial literacy followed by selected demographic factors shows insignificant indications. Therefore, this results should become the area of concern and need for the further discussion in the next chapter

4.9   Summary of the Findings

The researcher obtained this study conducting the descriptive analysis, correlation and regression analysis.   Moreover, the descriptive analysis showed that the level of retirement planning among the respondents is high. For Independent Sample T-Test and One-Way ANOVA, the findings indicate that there are no significant differences between the selected demographic factors (gender and income) and retirement planning. However, in terms of correlation, all the independent variables (financial literacy, goal clarity and

knowledge of financial planning for retirement) show a positive correlation. Last not least, in the multiple linear regression analysis, the result demonstrated that the goal clarity and knowledge of financial planning for retirement factors are significantly influencing the level of retirement planning, whereby the Islamic financial literacy showed insignificant influence of the level of retirement planning.

Table 4.8

Hypothesis Test

Hypothesis	Results
H1: There is a significant different between gender and retirement planning.	**Accepted : 0.017, p < 0.05**
H2: There is no significant different between income and retirement planning.	**Accepted: 0.037, p < 0.05**
H3: There is a significant difference between Islamic financial literacy and retirement planning behavior.	**Accepted: 0.738, p < 0.01**
H4: Goal clarity is no significantly related to retirement planning behaviors	**Accepted 0.647, p < 0.01**
H5: There is no significant relationship between Knowledge of financial planning for retirement and retirement planning behavior.	**Accepted 0746, p < 0.01**

CHAPTER FIVE

DISCUSSION AND RECOMMENDATION

5.1 Introduction

The study investigates the relationships between Islamic financial literacy, goal clarity knowledge of financial planning for retirement planning towards retirement planning. This chapter presents the summary of the empirical results based on the research objectives and research questions. Further, the significant of the findings theoretically, practically, and their implications and limitations are presented. Finally, the study provides conclusion and recommendations for possible future research.
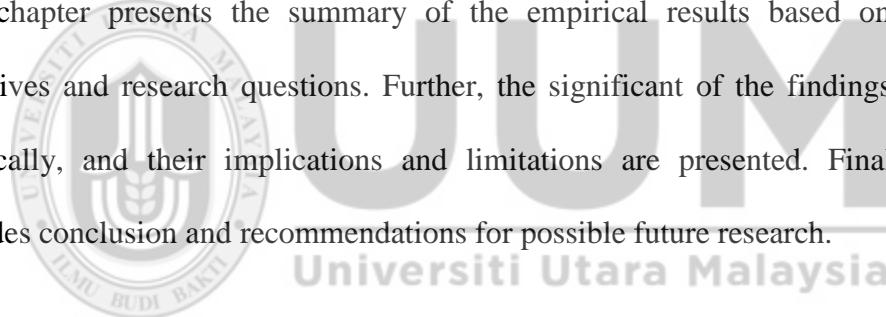
5.2 Summary of the Study

This study attempted to identify the relationship between the independent variables (Islamic financial literacy, goal clarity and knowledge of financial planning for retirement) and the dependent variable which is Retirement planning. It also attempted to identify the influencing selected demographic factors (gender, income) on Retirement planning. The data were collected from college of business in University Utara Malaysia. For the purpose of data collection, a total of 230 sets of questionnaires were distributed to

the respondents. However, the researcher found that only 191 questionnaires were returned, it appeared that (83%) were usable for analysis.

This research had also set up to accomplish the following particular objectives:

❖ To determine difference between selected demographic factors (gender, income) and retirement planning

❖ To determine relationship between financial literacy and retirement planning

❖ To examine the relationship between goal clarity and retirement planning

❖ To explain the relationship knowledge of financial planning for retirement planning and retirement planning

❖ To the factors that influence Retirement planning?

5.3 Discussion

The main focus of this study is retirement planning, which is an important factor that plays a vital role on how well individuals prepare their future life. Consequently, analyzing retirement planning in Muslim people is important to know whether they are fully equipped on Islamic financial literacy in managing their money. Hence, Retirement has been considered one of the main important future life changes and permanent stage that can be enjoyable experience for some and still shocking others. According to

Richardson (1999) retirement means stopping from paid and unpaid workplace activity. This may mean that the salary of individuals will stop directly due to retirement though their living expenses will last and they will need continue their lives rely merely on their accumulated savings. Therefore, this study intend to show how important is retirement planning among Muslim community by examined the factors influence the relationship on Islamic financial literacy on retirement planning.

5.3.1 Selected Demographic Factors with the retirement planning

The first question of the study was to determine the difference between selected demographic factors (gender, and income) on retirement planning. The first hypothesis forecasts that there are significant differences between genders with retirement planning. The result showed that there is a significant difference between genders and Retirement planning. Therefore, the study found that there are significant difference between genders in preparing Retirement planning. From the data analysis, the finding revealed that male employees of UUM COB are more aware on retirement planning compare to female.

This result is consistent with previous studies (Greenwald 1999; Hershey and Mowen 2000; Rosenkoetter and Garris 2001), who found that male and females tend to experience different work patterns throughout their lives and this impacts their ability to collect retirement wealth. For example, while females are currently an important contributors in the workplace, study found that more than half of working females do not

contribute to retirement plans. However, those females who do tend to contribute significantly less than male because of disruptions to their careers.

The findings for the second hypothesis dictated that there is no significance differences between income levels with retirement planning. The study have done on this factor and showed no difference for the income level in the preparation of retirement planning.

This result is similar with Ng et al. (2011) that provide evidence on significance differences between income level and retirement planning. This is because the people with high income have the propensity to planning for the future. Higher income level can lead individual to retirement satisfaction as well as retirement planning confidence (Kim et al, 2005).
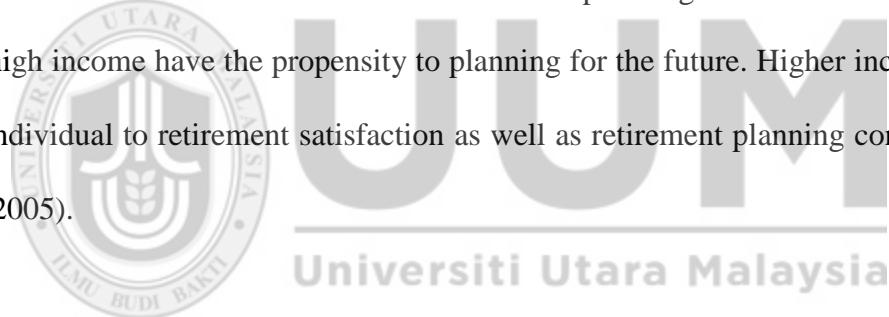
Therefore, income level is significantly difference on retirement planning. It means that low and high income UUM COB staff s are difference with regarding to the relationship between how important it is to save and the amount to save.

5.3.2   Islamic Financial Literacy with Retirement Planning

The second research question deals with the relationship between Islamic financial literacy and retirement planning. Accordingly, hypothesis two (H2) states, There is a

significant relationship between Islamic financial literacy and retirement planning. The findings of Islamic financial literacy revealed that it has a positive relationship, but does not significantly influence the retirement planning. ($\beta = 0.093$, significant at 0.522) that gives a significant value above 0.05. Hence, it doesn't support the H2. Therefore, data analysis findings shown that Islamic financial literacy factor did not have significant relationship with retirement planning.

This result does not support previous study of (Nyamute & Maina, 2010) who found that financial literacy has significantly positive correlated with the retirement planning. On the other hand, the findings show that UUM COM staff s have lack of literacy towards Islamic knowledge and poor borrowing from Islamic banks. Therefore, it can be seen that UUM COB employees have low Islamic literate on retirement planning.
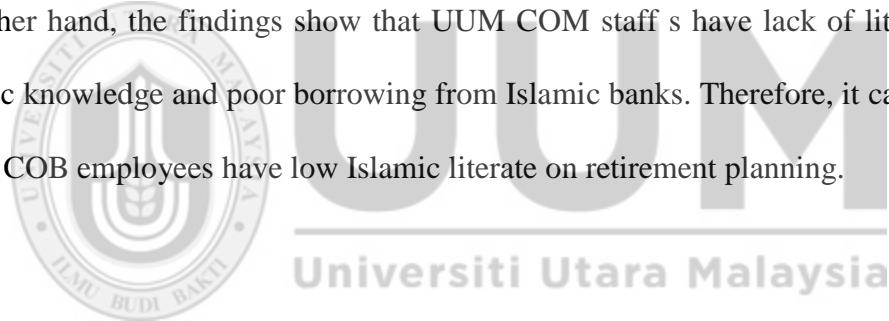
5.3.3 Goal clarity with Retirement Planning

The third research question deals with the relationship between goal clarity and retirement planning. Hypothesis four (H3) states, "There is a positive relationship between goal clarity and retirement planning. The study found goal clarity to be a predictor of retirement planning and it shows a negative and significant influence with retirement planning ($\beta = -0.277$, significant at 0.027).

However, result of present study was consistent with the study of Stawski, Hershey and Jacobs Lawson (2007) showed that retirement goal clarity is a significant predictor of planning practices, and planning, in turn to predict savings tendencies.

5.3.4   Knowledge of financial planning for retirement

The four research question deals with the relationship between knowledge of financial planning for retirement and retirement planning. Accordingly, hypothesis three (H4) states, "There is a significant relationship between knowledge of financial planning for retirement and retirement planning The findings of knowledge of financial planning for retirement shows that it has a positive relationship and significant effect on retirement planning (β = 0.534, significant at 0.001), that give a significant value above 0.05. Therefore, it is supported the H4. This might be UUM COB employees are knowledgeable about retirement planning and they are able to make informed decision about their future life.

According to research of Ekerdt, et al (2001), knowledge is positively related to retirement planning. Therefore, UUM COB staff s have enough knowledgeable to towards retirement planning.

5.4 Contribution and Implication of the study

There are several theoretical contribution and policy implication that can be derived from the results of this research. The theoretical contribution and policy implication of this study can be explained as follow.

5.4.1   The theoretical contribution

The theoretical implication of the study has discovered through determining factors (Islamic financial literacy, goal clarity and knowledge of financial planning for retirement) and selected demographic (gender, income) that influencing retirement planning. Moreover, the majority of the earlier and existing literatures are generally concentrated on retirement planning based on conventional perspective. Besides, there is a very view studies emphasizes on retirement planning, generally Islamic financial literacy. The study also used Islamic financial literacy to determine retirement planning.

Therefore, this study contributes to the Islamic financial literacy literature by examining the influence of factors (Islamic financial literacy, goal clarity and knowledge of financial planning for retirement) and selected demographic factors (gender, income) towards retirement planning.

5.4.2   Practical Implication

The results of the study also give some implications to the society and institutions. After measured for the selected demographic factors of gender and income level, the difference in retirement plans between male and female remains different and statistically not significant, therefore, this study suggesting that women consistently have a poor level of retirement planning compared to men. Poor financial literacy is one of most causes of prepare less retirement planning. This might be their greater problem in raising families, begin work later and generate less during their careers.
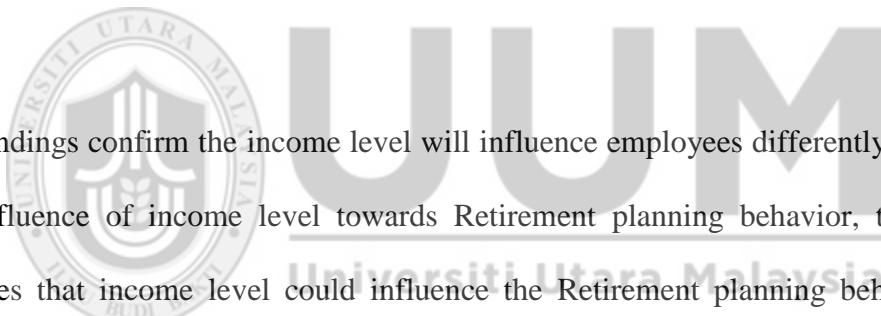
The findings confirm the income level will influence employees differently. In regards to the influence of income level towards Retirement planning behavior, the study also assumes that income level could influence the Retirement planning behavior. This is because, once individuals satisfied with their financial status or position, they would be more literate on making decision either to consume conventional or Islamic products. Therefore, this result could be helpful for provident funds, financial educator, Islamic banks and other institutions to advise customers about their retirement planning. The present study supports the previous results that those who are in lower income are less likely to plan for retirement and need to have access to retirement planning seminars (Doverspike, 2003). Researchers, policymakers, and practitioners should concentrate on the design and broadcasting of retirement planning seminars for low income individuals.

Next, the results from the study also shows important data to the university academicians, where they should pay attention to provide more Islamic education opportunities for the staffs. They recommended preparing and offering effective courses, seminar and other Islamic programmer based on the essential of retirement planning. In this way, it would enhance the awareness the of staff s to make effective decision on their retirement plane saving and at the same time could enhance their Islamic financial literacy toward retirement planning.

Last but not least, this study would benefit financial advisers and planners to assess with the client for counseling and educational purposes. For instance, a customer low in financial knowledge with a short future perspective might benefit from receiving information packets.
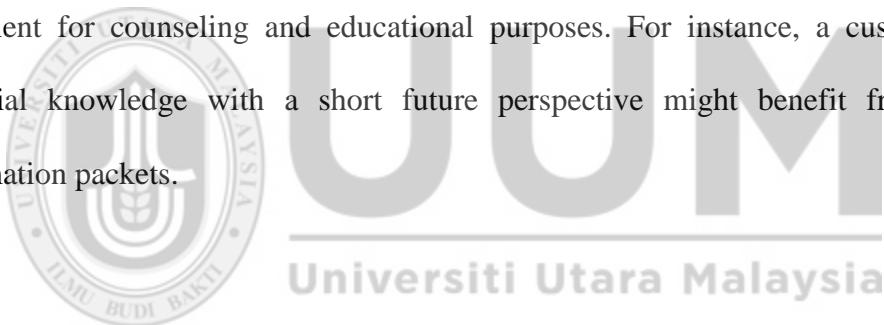
5.5   Limitation of the Study

There are some limitations that appeared in the current study. First, due to time constraints, the study involves particular groups in specific locations which is the staffs of UUM COB. To tackle this limitation, future researches should expand the similar work to shelter other groups in outside UUM or other geographic areas.

Thirdly, the sample size of this study may not generalized to the entire, therefore more comprehensive researches in the future having huge sample size. On the other hand, most of the respondents were very knowledgeable and some of them were also not lie their true of giving responses particularly about demographic part.

Lastly, the present study is limited by the fact that only a few variables are included in the analysis of the possibly many that effective retirement planning. Other factors such as one's attitudes towards retirement.

5.6 Future Research and Recommendation

This study investigated using small sample of population regarding retirement planning. Thus, this study could be generalized to a large number of populations by examining the retirement planning in Malaysia. In addition, this could be extended through cross country studies and compare how Malaysia and other countries citizens aware retirement planning.

Furthermore, Islamic financial literacy does not give significant influence on retirement planning. Hence, this result need further investigations which may be carried out for future research to improve our Islamic financial literacy about it and to provide more details regarding its influence on retirement planning. Comparative study can also be

carried out by investigating responses from the working individuals in public sectors and across the private sector.

The study identified factor influence Islamic financial literacy towards retirement planning, it possible that there could be other variables which are still to be captured within this research framework. Therefore, more future research can be done to explore other variable that can better explain the framework.

5.6   Conclusion
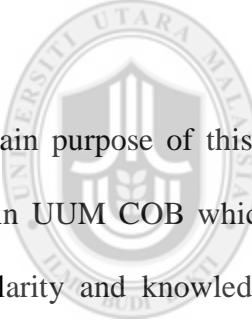
The main purpose of this study was to assess the retirement planning among Muslim staffs in UUM COB which involved several factors such as Islamic financial literacy, goal clarity and knowledge of financial planning for retirement planning as well as selected demographic factors (gender, income).
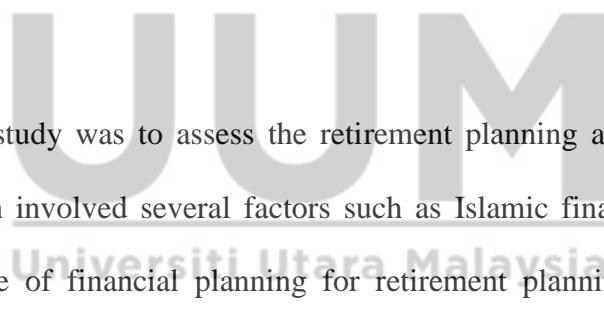
The finding indicates that all factors except for goal clarity shows positive relationship with retirement planning meanwhile goal clarity show a negative relationship. The findings also revealed that there are four factors that significantly influence towards retirement planning. Among them are goal clarity, knowledge of financial planning for retirement planning, income and gender, the result on gender shows that the male respondents have higher retirement planning compare to females.

It is recommended that the university administrators and the policy maker to prepare and offer effective courses such as seminar and workshop related to Islamic finance in order to achieve a high level of awareness of retirement planning among society and university employees. Moreover, this study also will enable the managers to evaluate the awareness level of retirement planning of their employees and strengthen them that Islamic financial education is a life-long pursuit.

Therefore, this study has provided understanding on how each of factors and selected demographic factors influencing the level of Islamic financial literacy among staff s of School of Business in University Utara Malaysia. Thus, it is essential for future research to conduct an in depth study on retirement planning since it is foreseen as a vital issue for most of the country nowadays.

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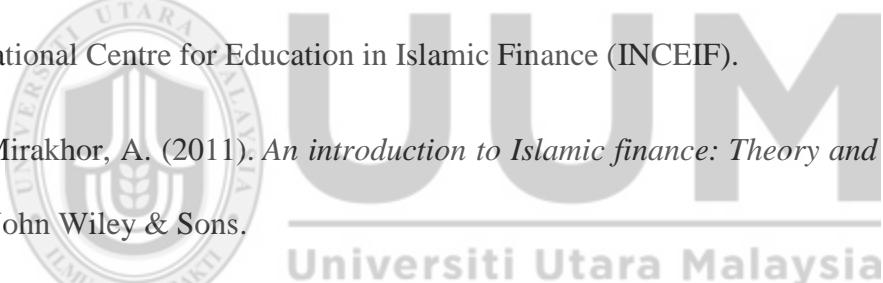
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