

INDIVIDUAL RETIREMENT
SAVINGS BEHAVIOUR :
EVIDENCE FROM MALAYSIA

NURASYIKIN JAMALUDIN

2012

Doctor of Philosophy

**INDIVIDUAL RETIREMENT SAVINGS BEHAVIOUR:
EVIDENCE FROM MALAYSIA**

**School of Accounting, Finance and Economics
Faculty of Business and Law
Edith Cowan University, Perth
Western Australia**

Principal Supervisor:

PROFESSOR MALCOLM SMITH

Associate Supervisor:

PROFESSOR PAUL GERRANS

2012

EDITH COWAN UNIVERSITY

USE OF THESIS

This copy is the property of Edith Cowan University. However, the literary rights of the author must also be respected. If any passage from this thesis is quoted or closely paraphrased in a paper or written work prepared by the user, the source of the passage must be acknowledged in the work. If the user desires to publish a paper or written work containing passage copied or closely paraphrased from this thesis, which passages would in total constitute an infringing copy for the purpose of the Copyright Act, he or she must first obtain the written permission of the author to do so.

ABSTRACT

This thesis investigates factors that influence individuals' investment choice decisions within the context of retirement savings in Malaysia. The focus is on individuals' likelihood of investing part of their retirement savings in approved unit trusts (also known as mutual funds). In addition, individuals' choice of fund and mutual fund selection criteria are also explored.

This thesis utilised questionnaire-based surveys to solicit responses from members of the Employees Provident Fund (EPF), as well as from unit trust consultants. Data collected from 440 EPF members and 561 unit trust consultants were analysed using statistical procedures of SPSS version 18.0 (also known as PASW 18).

The results of logistic regression models revealed three significant predictors of individuals' likelihood to invest part of their retirement savings in the unit trusts: perceived importance of financial advisor, financial risk tolerance, and perceived plan design. Financial knowledge appeared to be insignificant in influencing individuals' investment choice decision. Furthermore, the thesis found that religious affiliation, religious commitment and Muslim religiosity had no significant effect in individuals' investment choice decision. In terms of demographic variables, gender, age, and marital status were all found to be significant predictors of individuals' likelihood to invest part of their retirement savings in the unit trusts.

With respect to mutual fund selection criteria, the thesis found that the fund's commitment to Islamic principles, past performance of fund and overall reputation of fund were the top three criteria considered important by the EPF members. In contrast, from the consultants' point of view, the top three criteria considered important were the past performance of fund, overall reputation of fund, and fund ratings.

Although the earlier results indicated no significant effect of religion on the individuals' likelihood to invest part of their retirement savings in the unit trusts, additional analyses revealed that religious affiliation, religious commitment, and Muslim religiosity had significant influence on the individuals' choice of unit trust fund.

Several implications emerge from these empirical findings. First, the thesis highlighted the role of the unit trust consultants in individuals' investment decision making. Therefore, fund management companies and the governing body of the unit trust consultants should ensure that ongoing training is provided so that proper advice and recommendations can be delivered to the consultants' clients. Next, the thesis provided insightful information to the EPF as the policy maker, on the retirement savings behaviour of its members. In particular, the study presented the first evidence with regard to the EPF Members Investment Scheme (MIS), a unique feature that differentiated this retirement plan from its counterparts in emerging countries, as well as developed countries. Last, but not least, given that Malaysia is a multi-cultural nation, the findings of the thesis suggest that religion had some effect on individuals' choice of fund. Therefore, fund management companies might make use of the information provided by the thesis in better promoting their funds.