THE DETERMINANTS OF RETIREMENT PLANNING DECISIONS BY ADOPTING A PRIVATE RETIREMENT SCHEME (PRS) AMONG YOUNG WORKING ADULTS IN MALAYSIA

CHAI LI MIN
HONG HUI YI
LEE YONG JIE
TAY MING MING
TONG JIA YEE

BACHELOR OF BUSINESS ADMINISTRATION (HONOURS) BANKING AND FINANCE

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TEH HONG PIOW FACULTY OF BUSINESS AND FINANCE
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A final year project submitted in partial fulfillment of the requirement for the degree of

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Name of Student:	Student ID:	Signature:
1. Chai Li Min	2202389	
2. Hong Hui Yi	2106068	
3. Lee Yong Jie	2203560	
4. Tay Ming Ming	2202485	
5. Tong Jia Yee	2203158	

Date: 16/4/2026

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DEDICATION

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PREFACE

Students pursuing Bachelor of Business Administration (Hons) Banking and Finance at Universiti Tunku Abdul Rahman (UTAR) must complete a final year project as a fulfilment to graduate. The topic created is "The Determinants of Retirement Planning Decisions by Adopting a Private Retirement Scheme (PRS) Among Young Working Adults in Malaysia". This study aims to explore how the factors influence the willingness of young working adults in Malaysia from adopting PRS.

By applying Theory of Planned Behaviour (TPB), this research investigates the impacts of financial literacy, attitude towards PRS, government policy and income level on the adoption of Private Retirement Schemes. This study is inspired by the increasing of awareness of retirement adequacy and the lack of participation in PRS by Malaysian young working adulthoods.

This study accumulates our months of reading, data collection, critical thinking, and collaborative effort. In addition to advance the scholarly knowledge of the adoption of private retirement plans, it is hoped that this research will help individuals become more financially resilient and offer useful insights to service providers, policy makers, and contributors.

ABSTRACT

This study investigates the determinants influencing retirement planning decisions, specifically concerning the adoption of the Private Retirement Scheme (PRS) by young working adults in Malaysia. Given Malaysia's demographic shift towards an ageing population and the escalating concerns regarding inadequate retirement savings, the Employees Provident Fund (EPF) alone is deemed insufficient. Despite the introduction of the PRS as a supplementary voluntary savings mechanism, its adoption remains relatively limited, particularly within the younger demographic. Therefore, this study aims to investigate the key factors influencing PRS adoption, specifically attitude towards PRS, financial literacy, government policy, and income level. The quantitative research approach was used, and primary data were gathered via structured questionnaires that were sent to young working adults. Statistical analysis methods such as descriptive analysis, reliability test, and multiple regression analysis were used to analyze the data. The results indicate that the attitude towards PRS significantly affects the PRS adoption whereas financial literacy, government policy, and the level of income have weaker or insignificant effects. The research has identified the need to create positive attitudes and the need to increase financial capabilities to increase the ability to participate in voluntary retirement schemes. The findings are informative to policy makers, financial institutions, and service providers in developing more effective policies to facilitate retirement planning among the young Malaysians. Finally, this study will help enhance financial readiness and long-term retirement in Malaysia.

Keywords: Private Retirement Scheme (PRS); Retirement Planning; Attitude Towards PRS; Financial Literacy; Government Policy; Income Level; Young Working Adults

HD7091–HD7099: Social security, pensions, retirement systems

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LIST OF ABBREVIATIONS

A	Attitude towards Private Retirement Scheme
APRS	Adoption of Private Retirement Scheme
B40	Bottom 40%
DOSM	Department of Statistics Malaysia
DV	Dependent Variable
EPF	Employees Provident Fund
ETFs	Exchange-traded Funds
FEN	Financial Education Network
FIMM	Federation of Investment Managers Malaysia
FL	Financial Literacy
GP	Government Policies
IL	Income Level
IV	Independent variable
M40	Middle 40%
OECD	Organisation for Economic Co-operation and Development
PBC	Perceived Behavioural Control
PPA	Private Pension Administrator

PRS	Private Retirement Schemes
RIA	Retirement Income Adequacy
SARA	Sumbangan Asas Rahmah
SC	Securities Commission Malaysia
SEM	Structural Equation Modeling
SPSS	Statistical Package for the Social Sciences
SWRC	Social Wellbeing Research Centre
T20	Top 20%
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
TTM	Transtheoretical Model
VIF	Variance Inflation Factor

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CHAPTER 1: RESEARCH OVERVIEW

1.0 Introduction

This chapter focuses on the domain of retirement planning and adoption of the Private Retirement Scheme (PRS) among Malaysian young working adults. With Malaysia becoming an aging society, achieving financial preparedness for retirement has become increasingly important, while voluntary retirement savings plans, PRS remain low. This study examines the determinants of adoption of young working adults towards PRS with a focus on attitude, financial literacy, government policies and income level. This chapter discusses the research background, problem statement, research questions, and objectives and specifies the significance of the study.

1.1 Research Background

Retirement planning is now more critical with global demographic transformation and longevity. The United Nations World Population Prospects reported that the population that is 65 years old and older is growing at a higher rate than the population aged less than 65 years. The proportion of the world's population aged 65 years and above will increase from 10% in 2022 to 16% in 2050 (Harper et al., 2022). Throughout the world, several countries have shifted from state pensions to contribution plans, placing individuals in charge of their retirement money (Ebbinghaus & Whiteside, 2012). Initiated by fiscal prudence, population aging, and the need to make retirement income systems sustainable in the longer term, this shift is underway. In the United States, employer-sponsored retirement plans such as 401(k) coverage have been at the center of retirement readiness, whereas in

Singapore, the Central Provident Fund (CPF) is a mandatory savings system supported by employee-employer contributions (Kneale, 2025).

Malaysia's journey in promoting formal retirement planning began with the establishment of the Employees Provident Fund (EPF), which was established in 1951. Originally set up by the former British colonial power to cater to 108 expatriate workers, the Malaysian EPF is the oldest operating provident fund under the EPF Act 1951 (Caraher, 2007). The EPF is an essential retirement savings scheme for Malaysian private-sector and non-pensionable public-sector employees (KWSP, 2024). The EPF Act 1991 later modernized the fund's governance and allowed greater flexibility in withdrawals for housing, education, and medical expenses, which were socio-economic necessities for Malaysia during its process of rapid industrialization (KWSP, 2020). This is the first step towards retirement planning for Malaysia, which will pave the way for future reforms and other supplementary schemes.

The Department of Statistics Malaysia (DOSM) has estimated that by 2030, Malaysia will become an aging nation whereby 15% of the population will be aged 60 years and above (Abdullah et al., 2024). Life expectancy in Malaysia has also increased, with the average lifespan of males being 71.8 years and 77.2 years for females (Yusoff et al., 2024). Nevertheless, this demographic shift happens in a time of increasing living expenses, as more expenditures on healthcare and other needs add pressure on the people. Malaysia's income groups include the top 20% (T20), middle 40% (M40), and bottom 40% (B40). As of the year 2023, the Employee Provident Fund (EPF) savings are RM1,087.94 billion. The group within the B40 has had the smallest contribution to the overall savings, amounting to 1.01% of the total amount of saved EPF, while the M40 group saved 16.56% and the T20 holds the most savings at 82.42% (Yusoff et al., 2024). This data proves that retirement security is heavily correlated to the income group in Malaysia and that the current savings mechanism is not sufficient for the lower-income group households. As such, the government is considering increasing the age of statutory retirement from 60 to 65 years (Azmi, 2025). Delayed retirement and financial

strain emphasized the need to reassess retirement strategies, especially for younger Malaysians planning their financial future.

In Malaysia, the Employees Provident Fund (EPF) remains the main channel for retirement savings, however, it is not adequate, as EPF statistics show that a significant number of the participants do not have enough funds for a comfortable retirement life. By October 2024, only about 36 percent of currently active EPF members had managed to reach the baseline savings target, which is RM 240,000 at the age of 55, the minimum savings level considered sufficient to allow a comfortable retirement (Sum, 2025; KWSP, 2024). This figure is significantly below the RM 476,000 adequate savings target at the age of 55 as suggested under the Retirement Income Adequacy (RIA) framework (KWSP, 2024). Consequently, the EPF alone has proved insufficient to ensure financial security for the retired, and the government has been forced to introduce regulatory reforms and develop a more diversified retirement program, such as the Private Retirement Scheme (PRS).

The Private Retirement Scheme (PRS) is a voluntary long-term savings and investment scheme to help Malaysians save more for retirement (Private Pension Administrator Malaysia (PPA), 2026). PRS established in 2012 was initiated with the view of promoting additional retirement contributions among Malaysians, especially self-employed people, freelancers, and workers in the informal sector, as a substitute for retirement fund building (PPA, 2024). PRS is a fixed percentage contribution that gives more control over the savings pace. The PRS is also an integral feature of the private pension industry as part of the Economic Transformation Programme under Entry Point Project 6 (EPP 6), with the objective of improving living standards for Malaysians at retirement through additional savings (PPA, 2022). With the regulatory framework developed by the Securities Commission Malaysia, PRS forms the 3rd pillar of Malaysia’s multi-pillar pension framework (PPA, 2022).

One of PRS's main advantages is the potential for higher long-term returns, as contributions are invested in a variety of funds. These include growth, moderate,

conservative, and Shariah-compliant options managed by private fund providers (Chan, 2025). Growth funds are designed for individuals under 45 years of age and aim to steadily increase their portfolios by investing in growth assets with the goal of outperforming inflation and exhibiting high volatility (PPA, 2026). The Moderate Fund, which is for people between the ages of 45 and 54, seeks to continue the growth of the portfolio while earning income through a balanced investment approach, with moderate risks and moderate volatility (PPA, 2026). The Conservative Fund, which is for people aged 55 and above, seeks to preserve capital and generate steady income, with minimal risks and very low levels of volatility, to ensure the portfolio is ready for retirement (PPA, 2026). This allows the contributors to have the option to select investment strategies based on their goals, while the professionalism and compounding ensure the portfolio grows. The portability of the PRS accounts allows the savings to accompany the individual through their working life, and the withdrawal restrictions until the age of 55 ensure that savings are for the long term.

The government has taken several measures to encourage the public to contribute to the Private Retirement Scheme (PRS). The government introduced the PRS Youth Incentive, where the government deposited RM1,000 into the members' accounts who are between 20 and 30 years old and accumulated at least RM1,000 from 2017 to 2018 (AIA Pension and Asset Management Sdn. Bhd., n.d.; Tan, 2018). Besides that, members of the PRS also receive personal income tax relief of up to RM3,000 annually on contributions to the PRS, a measure introduced in 2012 but extended up to the year of assessment 2030 to encourage voluntary membership of the PRS to enhance financial independence in old age (PPA, 2025). Nevertheless, the PRS was introduced to address the inadequacy of members' savings in the EPF, especially among the younger generation, PRS had as few as 617000 subscribers and RM7.61 billion of assets under management by 2024 (Securities Commission Malaysia, 2024). This low take-up signals a wide gap between availability and utilization of PRS.

The current state of the research has progressively recognized the importance of voluntary retirement savings to supplement the mandatory Employees Provident Fund (EPF). However, literature that is particularly concerned with the PRS is comparatively limited. Existing studies highlight behavioral and socioeconomic factors such as attitudes towards PRS, financial literacy, government policies, and income level as key determinants shaping retirement planning decisions. For instance, Muda et al. (2024) examined how financial knowledge and attitude have a significant effect on retirement planning for Malaysian adults. The study of Mustafa et al. (2023) discovered that high income was not sufficient for proper retirement planning without good financial attitudes and financial literacy. Current research in this area often employs quantitative methods using primary data to examine how these variables interact and influence PRS adoption. Findings of Ismail et al. (2024) and Lin et al. (2025) suggest that while government incentives and tax relief measures have improved awareness, gaps persist in financial literacy and willingness to commit to long-term retirement planning. Ongoing investigation aims to better understand how income levels and public policy interventions can shape positive attitudes towards voluntary retirement savings, providing valuable insights into strengthening Malaysia’s retirement planning by adopting PRS and improving financial preparedness among younger generations.

1.2 Problem Statement

Although the Employees Provident Fund (EPF) is a crucial component of Malaysia's retirement system, it has been an inadequate measure in determining long-term retirement sufficiency for Malaysians. Recent data reveal wide gaps in levels of saving, especially among the younger and lower-income groups. More than 90% of EPF members under the age of 30 do not reach the minimum threshold of RM 38,000, with many at less than RM 10,000 in their accounts (Goh, 2024). They are below the RM 47,500 adequate savings figure at age 30 suggested under the Retirement Income Adequacy (RIA) Framework (KWSP, 2024). The employees need to contribute 11% of their monthly salary, while the employers

need to contribute 13% of the employee's monthly salary for employees whose salaries are less than or equal to RM5,000 and 12% for employees whose salaries are higher than RM5,000 (Finserv, 2025). The combined contribution rate of employers and employees is relatively low at an average around 23%, and the members are allowed to make early withdrawals for purposes such as the purchase of a house, funding of education, or dealing with emergencies such as the Covid-19 pandemic. These withdrawals drain account balances and fail to leave enough money for retirement. Additionally, the coverage of the EPF is not comprehensive, as it is a mandatory retirement scheme for formal sector employees and not mandatory for informal sector employees (Pardo, 2023). As a result, the irregular and non-contributions of freelancers and informal sector workers increase the retirement savings deficit.

Due to these problems, the government launched the Private Retirement Scheme (PRS) in 2012 as a voluntary and supplementary savings program that would be able to provide retirement savings, particularly for freelancers, workers in the informal sector, and young working adults. However, despite the introduction of the PRS as a voluntary supplement to Malaysia's mandatory Employees Provident Fund (EPF), the uptake among working professionals is still low. As of 2024, the number of registered members of PRS is only 671,000; of the people under the age of 30, only 9% are total members (Securities Commission Malaysia, 2024). The members under age 30 adopting in PRS are declining as compared to the year 2023, which is 12%, indicating a drop in adoption among younger Malaysians (Securities Commission Malaysia, 2023). This reflects poor participation by younger working adults, who are best positioned to take advantage of the long-run compounding returns.

Further proof of the lack of adoption of PRS is revealed in a survey conducted by the Federation of Investment Managers Malaysia (FIMM) and Ipsos Sdn. Bhd., which showed that only 28% of respondents were even aware of the PRS, indicating that it came in 11th place out of retail investment products in terms of awareness among the public (Goh, 2024). Such low awareness means that many Malaysians

are either not familiar with the PRS or do not consider it as a priority saving tool. As a result, despite the existence of voluntary retirement schemes, there remains a large gap in retirement preparedness, especially among people in the age range of 18 to 35 years. The poor uptake of the PRS among young working adults must be addressed to ensure they are able to maintain a standard of living after retirement, as they will face problems such as the rising cost of living, continuous inflation, and increasing life expectancy, which require more financial resources in old age (Krishnaveni et al., 2024).

The adoption of the PRS is low because of the negative attitude of young working adults towards the scheme, as they view it as a complex product. Since PRS are not automatic enrollment schemes, it reduces the demand for PRS from younger employees, as they prefer easier or employer-provided saving channels like EPF (Lin et al., 2025). Instead of prioritizing retirement savings, many individuals prefer to allocate their income toward immediate consumption. 65% of respondents start to think about retirement seriously only in their 30s, as younger people have no intention of putting their minds to understanding their spending patterns and learning how to manage their finances; they are enjoying their current income, and their priorities are mostly short-term lifestyle such as travelling and entertainment (Securities Commission Malaysia, 2022). A survey conducted by the Asian Development Bank and the University of Malaya in 2023 found that nearly two-thirds of Malaysians did not prioritize retirement savings (Muslim, 2024). Without sufficient retirement savings, individuals may face difficulties maintaining their standard of living in old age and may experience greater financial stress. They may become increasingly dependent on government support or family assistance, which could place additional pressure on public welfare systems such as Sumbangan Asas Rahmah (SARA) and the younger generation (De Carvalho Oriol et al., 2025; Muslim, 2024).

Furthermore, the level of financial literacy of the young adults in Malaysia is not satisfactory; according to a survey conducted by the Securities Commission in 2022, there are 62% of Malaysian youth with a low level of financial literacy and low

knowledge of capital market products such as the PRS due to poor financial management skills, as well as competing financial priorities (Khazanah Research Institute, 2024). Besides, the Federation of Investment Managers Malaysia (2021) reported that 93% of PRS non-investors had a low understanding and low literacy towards PRS specific information. This result shows that initial lack of understanding towards PRS is a major barrier to entry. In other words, many young adults may not invest in the PRS, as they do not understand how it works and how it can help them plan for retirement (Chek & Ismail, 2023). If financial literacy levels continue to be low, participation rates of PRS will continue to be low, possibly resulting in inadequate retirement savings among the next cohorts (Mustafa et al., 2023). These results highlight the need for better financial education on the PRS, especially to raise the awareness of young working adults and get them to participate in retirement planning.

Despite government efforts to promote PRS, adoption among young working adults remains low. Although tax relief of up to RM3,000 is available for PRS contributions, many individuals fail to take advantage of these incentives due to being less aware of the incentives, particularly where outreach has been insufficient and poorly targeted (Lin, 2025). This lack of awareness not only reduces the effectiveness of incentives but also exacerbates inequality, as higher-income groups are more likely to participate in retirement savings instruments due to better access to financial advice and the ability to fully benefit from incentives, whereas lower-income groups remain largely excluded (Kling et al., 2020). Besides, even targeted programs, such as the PRS Youth Incentive, which provides a one-off RM1,000 contribution to youths aged 20 to 30 who accumulate at least RM1,000 in a single PRS fund between 1 January 2017 and 31 December 2018, have limited impact because the incentive is short-term and not consistently organized by the government (Tan, 2018). These challenges highlight a critical policy gap in promoting sustainable and inclusive retirement planning among Malaysian youth.

Moreover, income level significantly affects the adoption of PRS. Young working individuals, particularly fresh graduates, fall into the B40 category, the bottom 40%

of income earners. Their financial focus is typically on short-term obligations such as student loans, car loans, housing loans, and credit card debts (Bank Negara Malaysia, 2025; Othman et al., 2024). Therefore, their salaries are often just enough to cover basic living expenses due to higher living costs, which limits their involvement in PRS. Besides, according to the RinggitPlus Financial Literacy Survey 2020, almost 26% of Malaysians aged 18 to 35 cannot survive beyond 1 month based on their savings, while nearly 60% cannot survive beyond 3 months and 47% reported spending as much as or more than they earn, and nearly half had not set aside any form of retirement plan (Malaysian Financial Literacy Survey 2020, 2020). Additional evidence from more recent survey data by the Financial Education Network (FEN) points out that 84% of Malaysians do not maintain fixed monthly savings, and 69% prefer spending over saving (Nawang, 2025). As a result, low income cause they lack savings, directly reduces their ability to participate in retirement schemes such as PRS or make voluntary contributions, as they prioritize short-term financial survival over long-term security.

If the young working adults still ignore the importance of adopting the PRS, the gap between actual and desired retirement planning behaviors will continue to widen, posing serious threats to young adults' future financial well-being. They may end up borrowing more and saving less, leaving them financially vulnerable. Without adequate savings or additional income streams, retirees may struggle to maintain their standard of living, resulting in financial hardship and a lower quality of life during old age (Tat et al., 2023). This situation will also increase their dependence on family members or government assistance programs (Team, 2020). In the long run, the government could face rising fiscal pressure to support these individuals, which may strain public resources and negatively impact national economic stability (IMF, 2023).

1.3 Research Objectives

1.3.1 General Objectives

The general objective of this study aims at determining how the individual's attitude towards PRS, financial literacy, government policies, and income level influence the adoption of PRS.

1.3.2 Specific Objectives

To fulfil our general objective, the subsequent specific objectives are constructed.

1. To investigate the influence of individuals' attitude on the adoption of PRS.

2. To investigate the impact of financial literacy on the decision to adopt PRS among young working adults in Malaysia.

3. To investigate government policies (e.g., tax incentives, awareness campaigns) influence PRS adoption behaviour.

4. To investigate income level in shaping individuals' retirement planning adoption PRS.

1.4 Research Questions

1. Does an individual's attitude influence adoption of Private Retirement Scheme?

2. Does financial literacy affect Malaysia young working adults in adopting PRS?

3. Do the government policies support Malaysia young working adults in adopting PRS?

4. Does the income level influence Malaysia young working adults in adopting PRS?

1.5 Significance of the Study

This study is significant as it evaluates on the determinants of Private Retirement Scheme (PRS) adoption among young working adults in Malaysia across different dimensions. The findings are expected to be beneficial to academics, policymakers, service providers, and the broader body of authorities related to retirement planning and financial behavior in Malaysia.

From an academic perspective, the research enriches the existing body of knowledge on retirement planning and behavioural finance by explaining the Theory of Planned Behaviour (TPB). In this framework, attitude evaluates that adopting PRS is a beneficial decision. The subjective norms can be linked to the role of government policies and social awareness, meanwhile the perceived behavioural control relates to financial literacy and income level that shape one's ability to adopt PRS (Ajzen, 1991; Lin et al., 2025). The study advances theoretical discussions on voluntary retirement savings behaviour beyond mandatory schemes such as the Employees Provident Fund (EPF) by integrating financial literacy, income level, TPB theory, and institutional factors.

Policy makers, such as the Securities Commission Malaysia (SC), the Private Pension Administrator (PPA), and the Ministry of Finance help Malaysians to adopt PRS (Securities Commission Malaysia, 2020; Private Pension Administrator Malaysia (PPA), 2024). As Malaysia transitions toward an aging society, there is an urgent need of evidence-based insights that can effectively strengthen the young working adults in participating voluntary retirement saving schemes such as the PRS. This research provides quantitative evidence on the barriers that young working adults from adopting PRS. By understanding which policy levers resonate most with young Malaysians, policymakers can reallocate resources more efficiently and avoid the fiscal costs of an underprepared ageing population in the future.

For service providers, including private fund management companies, financial institutions, and insurance companies that offer PRS products, the study offers valuable insights by highlighting the need to refine marketing strategies, customize PRS products according to different income levels, and foster trust through transparent communication to encourage active participation. Since individuals with higher incomes are generally more motivated to seek professional advice on investment decisions, while those with lower incomes tend to rely less on such guidance, income plays a crucial role in shaping retirement planning behaviours. This suggests that income level is strongly associated with the choice and accessibility of retirement income sources (Kaur & Hassan, 2018).

In terms of research contribution, the study addresses a gap by considering the combined influence of financial literacy, income level, attitude of adopting PRS, and government policies on PRS adoption, focusing on Malaysian young working adults who are often overlooked in retirement planning literature (Lin et al., 2025; Private Pension Administrator Malaysia, 2025). With regard to framework contribution, the study proposes a model that integrates these determinants of PRS adoption by using TPB, offering a useful reference for future empirical studies (Lin et al., 2025).

1.6 Conclusion

In conclusion, this chapter has presented an overview of the study on the determinants of retirement planning decisions by adopting a Private Retirement Scheme (PRS) among young working adults in Malaysia. It explained the background of the study and provided insights into key issues related to the low participation despite its value in terms of financial security during retirement. In addition, several key variables, including attitude towards PRS, financial literacy, government policy and income level, were identified as factors influencing the decision to adopt PRS. Based on these variables, the research objectives and research questions were clearly developed to guide the direction of the study. Furthermore, this chapter described the significance of the study to the academic researchers, policymakers and service providers in the finance and retirement planning area. In general, this chapter serves as a foundation for the subsequent chapters by establishing the context, direction, and significance of the study.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

The chapter previews existing literature on retirement savings decisions in Malaysia, namely the adoption of the Private Retirement Scheme (PRS) among young working people. The chapter states the PRS attitude, financial knowledge, government policy, and income level determinants of voluntary retirement savings. The chapter begins with the theoretical discussion, followed by a literature review on PRS adoption, PRS attitude, financial literacy, government policy, and income level. The chapter is also where the conceptual framework is presented, hypotheses are scripted, and it concludes with a summary of key points.

2.1 Theoretical Review

Underlying theories of the relationship between the awareness of adopting the PRS toward the attitude towards PRS, financial literacy, government policies, and income level can be explained by the following theory: Theory of Planned Behavior (TPB).

2.1.1 Theory of Planned Behavior (TPB)

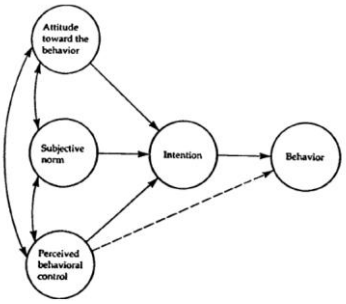

Figure 2. 1: Structure of Theory of Planned Behaviour

Source: Ajzen (1991)

The theory of planned behaviour (TPB) is a conceptual framework for understanding the complexities of human social behaviour, stating that the greater the behavioural intention, the greater the possibility of the behaviour occurring. TPB was developed by Icek Ajzen as an extension of the Theory of Reasoned Action (TRA) proposed earlier by Martin Fishbein and Ajzen (Fishbein & Ajzen, 1975). The difference between TRA and the TPB is the additional component named perceived behavioural control. The expansion is necessary to overcome the original model's limitations in addressing the behaviour of an individual is not entirely under volitional control (Ajzen,1991). Figure 1 provides a structural diagram of the TPB, illustrating its three core components and their significant relations with each other, such as attitudes towards the behaviour, subjective norms, and perceived behavioural control, which shape an individual's behavioural intentions.

Relying on the expectancy-value formulation, attitudes towards the behaviour is formed based on behavioural beliefs. This belief refers to a person's perception of the likely outcomes or experiences resulting from performing a behaviour. If the expected outcomes are evaluated positively, the individual will develop a favorable attitude toward the behavior. For example, the belief that wearing a heart monitor can detect heart arrhythmia or is inconvenient. Consequently, a positive attitude increases the likelihood that the individual will intend to perform the behaviour (Ajzen, 2020).

Besides that, subjective norm refers to the perceived social pressure to perform or not perform the behaviour (Ajzen, 1991). It consists of two key components which are the individual's perception towards the other people's expectations and their motivation to fulfil the expectations. The one that is influential could be someone's parents, friends, or cultural beliefs (Sus, 2023).

In addition, a person's expectation that their behaviour is within their control is known as perceived behavioural control (PBC). Whereby this concept is similar to psychologist Albert Bandura's concept of self-efficacy (Garrido, 2025). Control can be viewed as a continuum. At one end is the behaviours require greater opportunities, resources, and specialised abilities, meanwhile the other end is behaviours that can be carried out easily. PBC mainly is seen as moderating the effect on intention on behavior such that intentions have stronger effects when PBC is strong and reflects actual control (Norman & Conner, 2017).

This theory can serve as a useful framework for understanding the retirement planning decisions, particularly the adoption of Private Retirement Schemes (PRS) (Jakaria et al., 2024). In the context of PRS, a positive attitude toward long-term savings and investment increases the likelihood of adoption, as young adults who perceive PRS as beneficial for financial security are more motivated to participate (Lin et al., 2025). However, according to TPB, attitude as a single factor is insufficient to fully explain behavioural intentions; social and contextual influences must also be considered (Ajzen & Kruglanski, 2019). Subjective norms, referring to peer influence, societal expectations, and family encouragement, also play a role in shaping retirement planning decisions, especially in collectivist societies like Malaysia (Sus, 2023).

In generally, tax incentives applied by governments encourage people to adopt retirement planning. As an example, in 2025, it was proposed to increase the tax relief on contributions to the PRS and on premiums paid on a deferred annuity between 2026 and 2030 and will enable it to continue to claim tax deductions up to RM3,000 annually (Tax Measures 2025, 2025; Yusoff et al., 2024).

2.2 Review of Variables

2.2.1 PRS Adoption (Dependent Variable)

The adoption of the Private Retirement Scheme (PRS) refers to an individual's decision or intention to voluntarily participate in a long-term retirement savings plan that complements mandatory retirement schemes such as the Employees Provident Fund (EPF) (Private Pension Administrator Malaysia (PPA), 2024). PRS is designed to encourage individuals to accumulate additional retirement savings beyond statutory contributions, thereby strengthening financial security in old age. Adoption of PRS is commonly assessed through several indicators, including account ownership, contribution frequency, and the number or amount of contributions made by participants (Hashim et al., 2023). At a broader level, PRS adoption can also be reflected through macro-level indicators such as the total number of contributors, the value of contributions, and the assets under management, which collectively demonstrate the level of public participation in the scheme (Securities Commission Malaysia, 2024).

In empirical research, PRS adoption is often operationalized in two ways which are actual participation and behavioral intention to participate. Actual participation is typically measured through account ownership and contribution activities, while behavioral intention refers to an individual's willingness or likelihood to invest in PRS in the future (Lin, 2025). Lin et al. (2025) examined consumer attitudes toward the intention to invest in PRS using a structured survey with 501 respondents and structural equation modeling, finding that advertising, financial literacy, and social influence significantly affect attitudes that in turn shape investment intentions in PRS. This study highlights the mediating role of attitudes between determinants and

investment intention, suggesting psychological factors are crucial drivers of PRS adoption. Besides, this dual approach allows researchers to capture both behavioral and psychological aspects of adoption, acknowledging that individuals may express positive intentions toward retirement saving but may not necessarily translate these intentions into actual participation (Eberhardt et al., 2020; Lin et al., 2025).

Joining a Private Retirement Scheme (PRS) reflects an individual's financial knowledge, long-term planning, and commitment to retirement security. Financial literacy and strategic savings are essential for adopting PRS and ensuring long-term financial stability. According to Krishnaveni et al. (2024), the researchers conducted conceptual research and found that individuals with higher financial understanding are more likely to plan and save effectively for retirement. Similarly, Shah et al. (2023) conducted a qualitative approach by conducting library-based research and found that low adoption rates have been linked to limited financial literacy and awareness, showing that lack of understanding will decrease the people engaging in voluntary retirement schemes. For instance, a national survey by Bank Negara Malaysia (2025) revealed that over 50% of Malaysians do not grasp basic financial concepts such as the time value of money and risk diversification, and nearly half lack clearly defined long-term financial goals, demonstrating how gaps in knowledge and planning hinder PRS participation.

Despite various initiatives such as tax incentives, regulatory support, and financial education programs introduced to encourage participation in the PRS, participation rates remain relatively modest compared to mandatory retirement systems. As reported by Securities Commission Malaysia (2023), which highlighted that even after liberalization measures allowing PRS funds to invest in foreign assets and gold exchange-traded funds (ETFs), many young working adults continue to show reluctance to commit their funds to voluntary, long-term retirement savings products that restrict short-term liquidity.

The study by Yusoff et al. (2024) indicates that income disparity affects retirement savings, suggesting that lower income reduces the likelihood of voluntary

retirement saving. Similarly, Aziz et al. (2025) found through a quantitative survey that the research population comprises private sector employees and self-employed individuals in Klang Valley, Malaysia, and found that financial well-being, closely linked to income level, significantly influences PRS participation, with individuals having greater financial capacity more likely to contribute. This effect is particularly evident among younger working adults, who often prioritize short-term financial commitments such as living expenses, loans, or lifestyle consumption over long-term retirement planning, resulting in relatively low PRS participation within this group.

In conclusion, PRS adoption is influenced not only by awareness but also by behavioral and psychological factors, including individuals' attitudes toward retirement planning, financial literacy, perceived benefits of PRS, and trust in the scheme's management. Understanding these determinants is important for identifying barriers that may discourage individuals from participating in voluntary retirement savings.

2.2.2 Attitude towards PRS

Attitude towards the Private Retirement Scheme (PRS) refers to an individual's overall perception, evaluation, and affective response towards voluntary participation in retirement savings programs. It captures the degree to which a person holds a favourable or unfavourable view regarding the benefits, trustworthiness, and suitability of PRS for long-term financial security (Lin, 2025). Lin et al. (2025) define attitude towards PRS as the extent to which individuals perceive the scheme as advantageous, reliable, and appropriate for achieving retirement preparedness. Similarly, Shariff et al. (2023) describe it as the degree to which one believes enrolling in retirement planning programs will positively contribute to future financial well-being. Individuals with positive attitudes towards

PRS are more likely to consider it a valuable financial tool, trust its management, and make regular contributions.

Empirical studies consistently highlight that attitude significantly influences PRS adoption. Lin (2025) surveyed 501 respondents in the Klang Valley to examine factors affecting participation in voluntary retirement savings. The study found that trust in PRS providers and positive perceptions of scheme benefits were strongly associated with higher adoption levels. Respondents' intentions were largely shaped by their evaluation of PRS's security, expected returns, and accessibility, suggesting that favorable attitudes toward these attributes increase the likelihood of active participation. Lin et al. (2025) further demonstrated, using structural equation modeling (SEM) on 501 respondents, that external factors such as marketing exposure, social influence, and financial literacy primarily affect PRS investment intention indirectly through attitude formation. The study confirms the Theory of Planned Behavior, indicating that behavioural intention is formed through attitudinal transformation in response to external stimuli. Observing positive retirement planning outcomes among family members or peers was found to strengthen favourable attitudes towards PRS participation, highlighting the role of social influence in shaping perceptions.

Hashim et al. (2023) examined 200 student respondents to assess retirement planning awareness among younger cohorts. Using Statistical Package for the Social Sciences (SPSS) for data analysis, the study revealed that positive evaluations of PRS perceiving it as beneficial, necessary, and relevant for future financial security significantly increased intention to invest. Importantly, awareness alone did not translate into behavioural intention; favourable attitudes were required to mediate the relationship between knowledge and actual intention to participate. Aziz et al. (2025) explored broader attitudes in a quantitative survey of private sector employees and self-employed individuals in the Klang Valley. The findings indicated that individuals with future-oriented, disciplined, and security-driven attitudes toward money were more likely to engage in proactive retirement savings. Even after controlling for demographic and economic factors, attitudinal

orientations remained significant predictors, underscoring the importance of psychological dispositions in shaping long-term financial planning. By extension, positive attitudes toward structured retirement instruments, such as PRS, can be expected to influence investment intention similarly.

Despite strong empirical support for the role of attitude in shaping retirement saving behaviour, several studies highlight that positive attitudes do not always translate into immediate adoption of the Private Retirement Scheme (PRS). Aziz et al. (2025) and Lin et al. (2025) observed that individuals who express favourable perceptions towards PRS may still postpone participation due to financial limitations or competing life priorities. For many young working adults, immediate financial commitments such as housing loans, further education expenses, and family responsibilities often take precedence over long-term retirement savings (Bank Negara Malaysia, 2025). This phenomenon reflects the well-documented attitude behaviour gap, where individuals acknowledge the importance of retirement planning but fail to act due to situational constraints. Similarly, previous studies on retirement saving behaviour indicate that financial capability and income stability significantly influence an individual's ability to translate positive attitudes into actual participation in voluntary retirement schemes (Yusoff et al., 2024). Individuals with limited disposable income may prioritize short-term consumption and debt obligations despite recognizing the benefits of retirement planning.

Overall, literature consistently demonstrates that attitude functions as a key determinant of PRS adoption, mediating the influence of awareness, social influence, and financial literacy on behavioural intention. Positive perceptions regarding the scheme's benefits, security, and relevance encourage participation in voluntary retirement savings. However, gaps remain in understanding how external constraints such as financial capacity and competing commitments interact with attitude to affect adoption among young working adults.

2.2.3 Financial Literacy

Financial literacy refers to a person understanding and managing personal financial resources effectively and can be investigated through the person's financial decisions made and achieved financial well-being (Financial Literacy | Essential Money Skills Explained | Britannica Money, 2023). In many studies, financial literacy is identified as a key determinant of retirement planning behaviour, including the adoption of voluntary retirement savings products such as Malaysia's Private Retirement Scheme (PRS). By collecting data from 20 Organisation for Economic Co-operation and Development (OECD) countries, financial literacy encompasses three core dimensions, such as basic financial knowledge, financial behaviour, and financial attitude. Each of them plays a distinct role in shaping individuals' retirement decisions (OECD, 2023).

Malaysia is predicted to become a "super-aged nation" in the year 2056; however, Malaysians are still not aware of the importance of retirement planning (*Malaysia expected to become a "super-aged nation" by 2056*, 2023). Hence, Haron et al. (2019) conducted a study by examining 501 respondents through a quantitative method and found that low literacy leads to weak confidence in investment decision-making, which ends up in poor retirement preparedness. As evidence, low financial literacy among Malaysian private-sector workers hinders awareness towards retirement planning and has prevented the uptake of retirement instruments. The study showed that understanding financial concepts plays a key role in how people plan for retirement in Malaysia (Haron et al, 2019).

Apart from that, the study by Kimiyagahlam et al. (2019) defined that Malaysians are worried about not having enough retirement funds to retire at the old age. The study used Partial Least Squares (PLS-SEM) to examine 900 adults in Klang Valley, Malaysia, finding that financial literacy, alongside saving attitudes and goal clarity, are significant in influencing the retirement planning adoption among Malaysians. This study demonstrates that financial literacy not only equips individuals with

technical knowledge but also interacts with psychological traits to influence retirement outcomes (Kimiyagahlam et al., 2019).

In addition, Hashim et al. (2023) conducted a study through 200 respondents. By using Cronbach's alpha reliability analysis, the study found that financial literacy significantly predicted awareness and intention to invest in PRS. This study highlights that individuals should have started their financial education from their young age and actively search for help or guidance from the others to have more accurate financial decisions (Hashim et al., 2023). Similarly, Lin et al. (2025) employed structural equation modeling (SEM) to study 501 respondents and highlights that financial literacy drives PRS intention. This study mentioned that educating the public about PRS products are challenging.

Beyond giving professional financial education to Malaysians from a young age, the learning content should be tailored to the learner's age. The study by Jakaria et al. (2024) evaluates 176 respondents by using the PLS-SEM model. In this study, the researchers diversify life stages into three, which are young professionals, mid-career, and near retirees. The young professionals need to have basic knowledge of early saving and compound interest, the middle stage of people needs to prioritize risk management and asset diversification, while the elderly should focus on income protection and asset preservation strategies (Jakaria et al., 2024). Financial literacy program is a long-term compounding activity to gain knowledge and to benefit from it.

Other than the studies by academic researchers, the Securities Commission Malaysia (2022) reported that youth with higher financial literacy scores are more likely to engage in long-term savings and investment. This indicates the literacy gaps are directly constraining PRS participation. This statement is further supported by Financial Literacy Core Competencies for Malaysian Adults (FLCC). It states that higher financial literacy and capability correlate with healthier financial behaviours, such as retirement saving, reinforcing literacy's role as an important component for PRS adoption (*Financial Literacy Core Competencies for*

Malaysian Adults (FLCC), 2021). In addition, cross-country evidence from the national authorities also indicate that higher financial literacy is associated with better retirement planning outcomes globally, situating Malaysia's challenges within a broader international context (OECD ,2023).

In conclusion, the literature consistently demonstrates that financial literacy is a key determinant of PRS adoption by enhancing awareness towards retirement planning, shaping attitudes, and strengthening confidence to make financial decisions. The overall fills a gap by examining the factors influencing actual PRS adoption among young Malaysian working adults, providing real evidence that goes beyond attitudes to explain actual retirement saving behaviour.

2.2.4 Government Policy

Government policies have a significant impact on people's financial behaviours, especially when it comes to retirement planning decisions. This is especially true when it comes to encouraging voluntary saving options like Private Retirement Scheme (PRS). Although the Employees Provident Fund (EPF) serve as the main retirement savings option for Malaysian employees, simply relying on it alone is not enough, as recent updates to the EPF Retirement Income Adequacy Framework suggest that individuals require higher levels of savings to support them in retirement due to increasing costs of living and life expectancy **(**Mail, 2024). As a result, Malaysians are encouraged to seek additional retirement savings options to supplement their EPF funds, such as the Private Retirement Scheme (PRS), which provides individuals with a voluntary platform to enhance their retirement preparedness. The Malaysian government has implemented several measures, such as tax incentives, direct financial assistance, and regulatory supervision, to encourage the adoption of PRS.

One of the important measures implemented by the Malaysian government to encourage participation in the Private Retirement Scheme (PRS) is the provision of tax relief on PRS contributions. In Malaysia, individuals are eligible for annual tax relief of up to RM3,000 for contributions made to PRS accounts, which serves as a financial incentive to promote voluntary retirement savings among working adults (Private Pension Administrator Malaysia, 2025). Such fiscal incentives effectively reduce the financial burden of saving, as contributors are able to deduct part of their PRS contributions from their taxable income, thereby lowering the overall cost of retirement saving. As a result, retirement planning becomes more affordable and attractive to individuals. Empirical evidence also suggests that financial incentives can positively influence individuals' participation in retirement savings schemes. Recent studies indicate that tax incentives significantly increase individuals' willingness to contribute to voluntary retirement savings plans by providing additional financial benefits and encouraging long-term financial planning (Chan et al., 2022). A study by Sabri et al. (2019), which surveyed 384 Malaysian respondents, found that tax incentives positively influence voluntary retirement savings participation. According to behavioral economics, tax relief can also act as a loss-avoidance mechanism, encouraging people to enrol in retirement savings plans like PRS because they believe they will lose out on financial benefits if they do not take advantage of available tax deductions (Kenton, 2024).

Furthermore, the Malaysian government introduced the PRS Youth Incentive to encourage early participation in voluntary retirement savings among young adults. Under this initiative, Malaysians aged between 20 and 30 who contributed at least RM1,000 to a PRS fund were eligible to receive a one-off government incentive of RM500, which was credited directly into their PRS accounts. The policy was designed to promote early retirement planning and cultivate long-term saving habits among young individuals. By providing a direct financial reward, the initiative aimed to increase participation in PRS while raising awareness about the importance of supplementing retirement savings beyond the Employees Provident Fund (EPF). Research indicates that monetary incentives, such as one-time payments might act as behavioral signals to encourage people to begin saving earlier and take part in long-term retirement programs more regularly. These

incentives encourage individuals to take advantage of government benefits while strengthening their retirement preparedness (*PRS an Effective Channel for Retirement Savings*, n.d.).

In addition to financial incentives, government policies must ensure stability and trust through effective regulatory oversight. In Malaysia, the Securities Commission (SC) supervises the Private Retirement Scheme (PRS) under the Capital Markets and Services Act 2007, guided by the Guidelines on Private Retirement Schemes. These regulations set operational requirements for PRS providers, trustees, marketing, withdrawals, and consumer protection, ensuring transparency and safeguarding contributors' interests (Private Pension Administrator Malaysia (PPA), 2025). Regulatory monitoring fosters trust in the system, which is crucial for young working adults who may be or unfamiliar with investment products. Research shows that individuals with higher trust in financial institutions are more likely to participate in long-term savings schemes (Facchini et al., 2024).

In summary, government policy through targeted tax incentives, direct contributions, and aggressive regulatory policy plays a crucial role in facilitating the adoption of PRS. For young working Malaysians, such policies reduce barriers to entry, create positive perceptions of security, and highlight the necessity to top-up mandatory savings, retirement planning behavior in Malaysia is therefore impacted.

2.2.5 Income Level

Income level describes how much money an individual or household makes during a specific time period, typically expressed annually (Leite et al., 2024). According to the Kaur & Hassan study, retirement planning among Generation Y in Malaysia was analyzed by distributing 150 questionnaires, with a final sample of 137

respondents analyzed using SPSS 22. The findings show that income, education, and financial literacy are significant variables contributing to retirement planning. Specifically, income is important in the sense that one must have enough money or wealth resources to make retirement preparation work, as income level directly influences the retirement planning of this generation. The research further reveals behavioural differences based on earnings: workers from higher income groups prefer financial education on estate planning, while those with lower levels of income prioritize education on debt clearance, mortgage purchasing, and budgeting. It is nearly impossible to start retirement planning without a sufficient income (Kaur & Hassan, 2018).

The Malaysian retirement landscape is characterized by a stark savings gap, where the top 20% (T20) of earners hold more than 80% of the total savings, leaving the bottom 40% (B40) with less than 1% of the total retirement fund pool (Yusoff et al., 2024). Higher income groups tend to have better access to financial resources, leading to increased participation in PRS, while lower-income groups face barriers that hinder their involvement. There is a bigger positive correlation between attitude and PRS investment intention among individuals with higher incomes than among those with lower incomes. Among the 501 respondents, 42.1% of participants with incomes exceeding RM10,001 participated in the Private Retirement Scheme (PRS), compared to only 3.4% earning RM4,000 or less. This data underscores that higher income levels heavily influence the adoption of voluntary retirement schemes, with high earners forming the majority of participants (Lin et al., 2025).

According to research conducted in the Northern Region of Malaysia, retirement planning among low-income earners, specifically the Bottom 40% (B40) group, remains a significant challenge due to severe financial resource constraints (Chelliah et al., 2022). Utilizing a quantitative approach with 160 respondents, the study highlights that this demographic continues to struggle with the dual pressures of rising living costs and economic insecurity. Consequently, the primary obstacle to participating in voluntary schemes such as the Private Retirement Scheme

(PRS) is a critical lack of disposable income, as monthly earnings are almost entirely consumed by immediate survival needs and debt obligations. Correlation and regression analyses further confirm that without sufficient financial surplus, the intention to engage in long-term retirement investment remains secondary to day-to-day financial coping mechanisms (Chelliah et al., 2022).

2.3 Proposed Research Framework

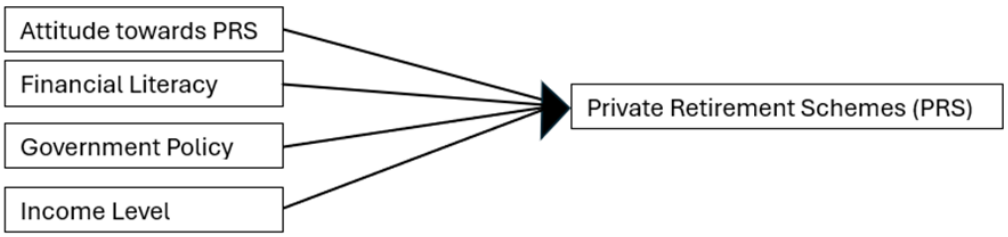

Figure 2.2 Proposed Research Framework

The proposed research framework for this study illustrates the relationship between the independent variables which are the attitude towards PRS, financial literacy, government policy and income level and the dependent variables which are the adoption of the Private Retirement Scheme (PRS) among Malaysian young working adults. It is based on the presumption that personal variables such as individuals' perceptions and beliefs towards PRS, as well as their level of financial literacy, are strong determinants of their willingness to subscribe to voluntary retirement savings. External determinants such as the government's policies, including tax relief, assistance from the regulating agencies, and promotion campaigns, also act as driving forces to initiate the adoption of PRS. The income level also determines the monetary capability of an individual to contribute regularly to PRS. As shown in Figure 2.2, each independent variable is hypothesized to have direct influence on PRS adoption, providing a foundation for the hypotheses tested in this research.

2.4 Hypotheses Development

2.4.1 Attitude towards PRS

Several studies have highlighted the importance of attitudes in determining participation in voluntary retirement savings, the Private Retirement Scheme (PRS). Individuals with a positive attitude towards PRS, who perceive it as reliable, rewarding, and advantageous for securing their financial future, are more likely to engage in retirement saving and maintain regular contributions to retirement schemes. Negative attitudes in terms of not trusting fund managers, doubt about returns, or the belief that retirement planning might have been found to discourage membership (Lin et al., 2025). Kerdvimaluang et al. (2023) found that financial attitude has a positive and significant influence on retirement saving behavior among working adults, showing that better financial attitudes encourage individuals to save for retirement. Besides, Hashim et al. (2023) mentioned that the individuals who hold the perception that PRS is a satisfying and safe choice are more inclined to contribute repeatedly. Individuals' attitudes toward retirement savings can be influenced by prior financial experiences, perceived integrity of scheme providers, and the intensity of promotional as well as financial education initiatives conducted by fund managers and relevant authorities.

Keeping these findings in consideration, the following hypothesis is proposed:

H_1: Attitude towards PRS has a significant relationship with the adoption of PRS among Malaysian young working adults.

2.4.2 Financial Literacy

Financial literacy plays a distinct role in influencing the adoption of PRS. According to the studies as discussed in 2.2.3, most studies indicate that there will be a positive relationship between the financial literacy and implementation of retirement planning. However, the study by Yong et al. (2018) emphasizes that even if a person has well financial literacy, the actual behaviour is dependent on the person's attitude. As evidence, the study by Muda et al. (2024) demonstrate that the attitude is the strongest factors influencing the adoption of retirement planning not the financial literacy. Hence, a significant relationship between financial literacy and adoption of PRS among Malaysian young working adults is expected, no matter positive or negative.

Based on the statement, the following hypothesis will be proposed:

H_2: Financial literacy has a significant relationship with the adoption of PRS among Malaysian young working adults.

2.4.3 Government Policy

Government policy plays an important role in people's decisions when planning for retirement, particularly in encouraging membership of voluntary schemes such as the Private Retirement Scheme (PRS). As discussed in Section 2.2.4, policy interventions like tax relief, public information campaigns, and regulation attempt to push up PRS take-up rates, particularly amongst younger working Malaysians. Earlier research reveals that individuals are more likely to engage in retirement saving conduct where government incentives are perceived to be in their own best interests (Sabri et al., 2019).

Therefore, it is reasonable to expect that favourable government policies will positively influence the decision to adopt PRS.

H_3: Government policy has a significant relationship with the adoption of PRS among Malaysian young working adults

2.4.4 Income Level

Income is important in the sense that one must have enough money or wealth. resources in order to make retirement preparation work. People who have higher income are more motivated to seek professionals' help regarding investment-related decisions, but the people who come from lower-income groups, which have less income, are less likely to look for professional help on retirement investment decisions. For this reason, income can be considered very much associated with the retirement income source (Kaur & Hassan, 2018). According to Hashim et al. (2023), higher income is associated with more favorable views regarding retirement and greater retirement planning. The results confirmed that the relationship between income and PRS adoption has a substantial influence.

Therefore, the following hypothesis will be tested:

H_4: Income level has a significant relationship with the adoption of PRS among Malaysian young working adults.

2.5 Conclusion

In conclusion, this chapter reviewed the relevant literature on the adoption of the Private Retirement Scheme (PRS) with a focus on the key factors that influence the participation of individuals. The findings from research show that attitude towards PRS is a significant determinant, as people who hold positive views are more likely to be involved in retirement planning. Financial literacy is also an important aspect of this, as an increased amount of knowledge about finances allows for individuals to have a greater understanding of the importance and benefits of PRS. In addition, government policy is identified as an important external driver in which incentives, regulations, and awareness initiatives can drive increased adoption amongst the public. Moreover, income level is found to be a critical factor influencing the adoption of PRS, as people with higher incomes are generally more capable of making consistent contributions towards retirement savings. Overall, the literature supports the relationship of the independent variables attitude, financial literacy, government policy, and income level and the dependent variable, PRS adoption. The research methodology that was employed in examining these relationships empirically will be presented in the next chapter.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

The research technique used to investigate the factors influencing Malaysian young working adult decisions to plan for retirement through the adoption of the Private Retirement Scheme (PRS) is presented in this chapter. It describes the sample design, data collection methods, research design, and data analysis processes used in this investigation. This chapter also describes how variables are measured and how a quantitative approach is used to examine the link between the dependent variable (PRS adoption) and the independent factors (attitude towards PRS, financial literacy, government policy, and income level).

3.1 Research Design

The research design should list the appropriate schemes for our research that can deal with the research problem logically.

We have resolved to implement our study using quantitative data. Using quantitative data is due to the determination of whether there is a cause-and-effect relationship between the dependent variable (the adoption of PRS) and other independent variables (attitude towards PRS, financial literacy, government policy and income level). The behaviours, opinions or attitude of the respondent can be defined by quantitative research. The quantitative data refers to information and data on the statistical analysis that has been gathered through the administration of surveys/questionnaires to the target sample group. In addition to that, quantitative research is also capable of measuring the trend of our data. As an instance, we can

design the questionnaire survey to enable the respondents to rate their opinion between strong agreement and strong disagreement.

In the study, we use causal research. The relationship or probability of the causal research can be done to translate the relationship between independent variables (attitude towards PRS, financial literacy, government policy, and income level) and the dependent variable (the adoption of PRS). Statistical and econometric tools can be used in the test of causal research methods. Thus, we do feel that the causal research method would best suit our research as opposed to other research methods.

3.2 Sampling Design

3.2.1 Target Population

A target population is a subset of the larger population under investigation that is distinguished by particular qualities or standards that are directly related to the research question. Finding the target group helps researchers better tailor their sample plans and research goals to the goals and objectives of the study (Willie, 2024).

The target population of the study comprises young working adults in Malaysia aged 18 to 35 years old. The age range of 18 to 35 aligns with the demographic focus used by the Securities Commission Malaysia (2020) in its Youth Capital Market Survey. The Commission identifies this cohort as a critical segment for the future of Malaysia's capital market, as they are transitioning into the workforce and beginning to make long-term financial commitments.

3.2.2 Sampling Location

This study identifies the Northern Region (Kedah, Penang, Perak, and Perlis) as a primary sampling location to capture a diverse economic landscape (Chelliah et al., 2022).

Kedah is chosen for this study as it represents a key demographic in the Northern Region, particularly highlighting the retirement preparedness and saving behavior of working adults in a state with a significant proportion of low-income earners (Chelliah et al., 2022). Chong et al. (2023) highlight that states like Penang serve as vital economic hubs with a high concentration of private sector employees, making them essential for studying retirement planning determinants among young working adults. Perak is selected for this study as it represents a state with a relatively older population profile, featuring a higher proportion of residents aged 65 and above, making it a relevant location for examining long-term retirement preparedness among the younger workforce (Department of Statistics Malaysia, 2025). Additionally, the state's lower median household income compared to other industrialized states provides a unique context to investigate the financial constraints that may influence the adoption of Private Retirement Schemes (PRS) (Khazanah Research Institute, 2022). Perlis is part of this study to explore the retirement preparedness within a relatively semi-rural area, where the state economy is tightly coupled with agricultural-related activity and facilitated by employment in the public sector (Department of Statistics Malaysia, 2023; 2024). This provides a unique contrast to more industrialized states, highlighting how different career paths in the Northern Region influence long-term financial security (Ramli & Shariff, 2023).

Besides that, there were many studies related to financial preparedness and retirement well-being that have been conducted in the Klang Valley, Kuala Lumpur (Masran & Hassan, 2017; Haron et al., 2021). However, there were very few studies

that were carried out in the northern region of Malaysia. Thus, it can be justified that conducting this study in these four states in the northern region will be a contribution to the body of knowledge in the field of personal financial planning.

3.2.3 Sampling Elements

The sampling element of this study refers to the individual Malaysian young working adult currently residing in Malaysia. To qualify as a valid sampling element, the respondent must be aged between 18 and 35 years and possess an active employment status, whether as a salaried employee or a self-employed individual. This unit of analysis is chosen because these individuals are the key decision-makers regarding their personal retirement planning and the adoption of the Private Retirement Scheme (PRS) (Lin et al., 2025). Moreover, respondents must have access to the internet and be able to complete the online questionnaire distributed through Survey Forms.

3.2.4 Sampling Technique

In this study, convenience sampling is selected primarily because it is the most feasible method to reach a large number of respondents within the 18–35 age bracket, especially since a centralized database of all young employees in Malaysia is inaccessible due to privacy regulations (Lin et al., 2025; Zulfaka & Kassim, 2021).

3.2.5 Sample Size

Sample size refers to the number of participants, observations, or any combination thereof that will be collected in an empirical study. It is a crucial aspect of study design, as justifying the sample size helps explain how the collected data will provide valuable information relevant to the researcher's inferential goals (Lakens, 2022).

Instead of relying on general population tables, this study employs G*Power 3.1.9.7 software to calculate the minimum sample size required for statistical significance. This approach follows the recommendation of Memon et al. (2020), who argue that power analysis provides a more precise estimation based on model complexity. For a linear multiple regression with 4 predictors, using an effect size (f^2) of 0.15, a significant level (α) of 0.05, and a statistical power of 0.95, the G*Power output suggested a minimum of **129** respondents (Appendix 3.1).

3.3 Data Collection Method

The research will be based on primary data. Primary data is data collected for the first time by the researcher (Ajayi, 2023). Primary data collection generally requires longer timeframes compared to secondary data analysis, but this investment in time often results in more robust and applicable findings (Johnston, 2017). The properties of primary data are especially crucial to specific forms of research design which demand the accuracy of measurements and the control over the conditions. Quality control in the data collection process can be achieved by the researchers through the collection of primary data (Taherdoost, 2021). Primary data can be especially useful in this study because it will give the first-hand outputs concerning the attitudes and behaviours of the young working adults in Malaysia in relation to retirement planning and adoption of the Private Retirement Scheme (PRS). We can also have more control over the design of the questions, as we can collect the data directly, thus designing questions according to the specific objectives of the study.

A survey which will be shared via Google Forms would become the primary instrument of the collection of this primary data. A survey on the internet was selected due to its ability to be convenient and time-saving since it allows researchers to collect data while they work on other tasks (Wright, 2005). Online survey will be appropriate especially for young working adults, as they mostly feel comfortable with digital platforms and have higher chances of answering digital questionnaires. With Google Forms, it is also easy to collect and manage responses, something that enhances accuracy and saves time on entering the data manually (Adene et al., 2021).

The survey also uses 5-point Likert-scale introduced by Rensis Likert in 1932 and has been widely used to measure observable attributes in social science studies (Li, 2013). The Likert scale converts the subjective perceived to measurable data, thus making it simple to analyse the trends and to test hypotheses (Joshi et al., 2015). In the proposed study, Likert-scale questions will allow the respondents to indicate the extent to which they agree or disagree with the statements. The point is especially relevant since decision-making concerning retirement planning is subjective because perceptions and attitudes are not measurable in terms of yes and no.

3.4 Data Analysis

Data analysis is the process of examining large volumes of data to derive insights and inform decision-making. It involves analyzing variables, such as independent and dependent variables, which are used to understand relationships and patterns within the data. This involves organizing, categorizing, and summarizing large datasets to identify patterns and themes, often utilizing statistical software like SPSS. The process can be approached in a top-down or bottom-up manner, depending on the research objectives (Sileyew, 2019).

3.4.1 Pilot Test

Before the main survey, a pilot test will be conducted with a small group of respondents who share similar characteristics with the target population (young working adults). The pilot aims to assess item clarity, wording, flow, and completion time, as well as the reliability of each construct. Reliability will be evaluated using Cronbach's alpha, with values ≥ 0.70 considered acceptable (Hulin et al., 2001). Structures with value below the cutoff will be examined and improved. More rigorous reliability testing requires a larger sample size usually more than 30 respondents and therefore will be performed during the main survey stage (Hair et al., 2018).

3.4.2 Descriptive Statistics

Descriptive statistics are brief informational coefficients that summarize a given dataset, which can be either a representation of the entire population or a sample of a population. Descriptive statistics are broken down into measures of central tendency and measures of variability (spread). Measures of central tendency include the mean, median, and mode, while measures of variability include standard deviation, variance, minimum and maximum variables, kurtosis, and skewness (Hayes, 2024).

3.4.3 Scale Measurement

3.4.3.1 Reliability Test

Reliability analysis evaluates the consistency and stability of a measurement instrument over time. This technique ensures that the instrument produces reliable results under consistent conditions. Firstly, reliability analysis examines the extent to which the instrument yields the same results when repeated under identical circumstances. Secondly, it assesses various reliability coefficients, such as Cronbach's alpha, to determine the internal consistency of the instrument (Admin, 2024).

$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq o.6$	Questionable
$o.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Un acceptable

Figure 3.1: Reliability cutoff values- Cronbach's alpha Degree of Reliability
Source: Admin (2024)

3.4.4 Preliminary Data Screening

3.4.4.1 Multicollinearity

Multicollinearity occurs when independent variables are highly correlated with each other. To detect this issue, tolerance values and variance inflation factor (VIF) will be examined. A VIF of 1 will mean that the variables are not correlated; a VIF

between 1 and 5 shows that variables are moderately correlated, and a VIF between 5 and 10 will mean that variables are highly correlated (Hayes, 2025).

3.4.4.2 Normality

Normality testing will be performed to determine whether the dataset follows a normal distribution, as this is an assumption for multiple regression analysis. Normality will be assessed using skewness and kurtosis values, where values between -2 and +2 and kurtosis is between -7 to +7 indicate acceptable normality (Hair et al, 2010; Byrne, 2010).

3.4.5 Inferential Statistics

3.4.5.1 Pearson Correlation Analysis

Pearson correlation analysis will be used to examine the strength and direction of the linear relationships between the independent variables (attitude towards PRS, financial literacy, government policy, and income level) and the dependent variable (PRS adoption). Correlation coefficients (r) range from -1 to +1, where values closer to ±1 indicate stronger relationships. A significance level of $p < 0.05$ will be used to determine statistical significance (Fernando, 2024).

3.4.5.2 Multiple Linear Regression Analysis

To test the hypotheses, multiple regression analysis will be conducted. This technique is appropriate because the study seeks to determine the influence of several independent variables on a single dependent variable (Hayes, 2025a).

$$PRS = \beta_0 + \beta_1 (Attitude) + \beta_2 (Financial\ Literacy) + \beta_3 (Government\ Policy) + \beta_4 (Income\ \ Level) + \epsilon_1$$

3.5 Conclusion

In conclusion, the data analysis involves descriptive statistics to provide a general understanding of the respondents and their responses, reliability tests to ensure the consistency of the measurement scales, preliminary data screening to validate regression assumptions, and inferential statistics to test the hypotheses. These analyses will provide empirical evidence to understand the determinants of PRS adoption among Malaysian young working adults.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

This chapter presents the analysis and findings of the data collected for this study. A total of 187 valid responses were obtained through the questionnaire and analysed using the Statistical Package for the Social Sciences (SPSS). The chapter begins with the descriptive analysis to summarise the demographic characteristics of the respondents, including age, gender, marital status, and highest education level. This is followed by reliability analysis to assess the consistency of the measurement scales. Finally, inferential analyses, including correlation and regression analysis, are conducted to examine the relationships between the independent variables and the dependent variable, as well as to test the research hypotheses of this study.

4.1 Descriptive Analysis

4.1.1 Demographic Profile

1. Age Group

Table 4.1: Age Group Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 – 24 years	123	65.8	65.8	65.8

	25 – 29 years	43	23.0	23.0	88.8
	30 – 35 years	21	11.2	11.2	100.0
	Total	187	100.0	100.0	

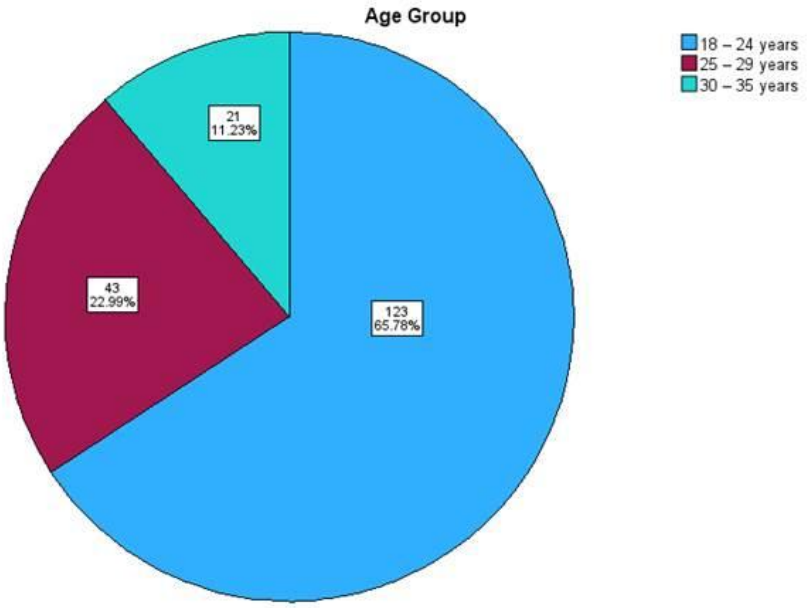

Figure 4.1: Pie Chart for age group

According to table 4.1 Age Group Descriptive Analysis, 66.1% of respondents of this research are aged between 18-24 years old, which amounts to 125 respondents. Besides that, 22.8% of respondents representing 43 individuals are aged between 25-29 years old. However, only 21 respondents are aged between 30-35 years old participating in this study, which is 11.1%.

The age distribution is significant, as the younger population those aged 18-24 years old may have a relatively lower income level and lack of experience, which may affect their decision and participation in PRS. However, they may have a greater exposure to digital financial platforms, which may improve their financial literacy and PRS awareness. On the other hand, the 25-35 age group may have a relatively stable income and greater financial commitments, which may positively affect their attitude towards PRS and actual adoption.

2. Gender

Table 4.2: Gender Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	52	27.8	27.8	27.8
	Female	132	70.6	70.6	98.4
	Prefer not to say	3	1.6	1.6	100.0
	Total	187	100.0	100.0	

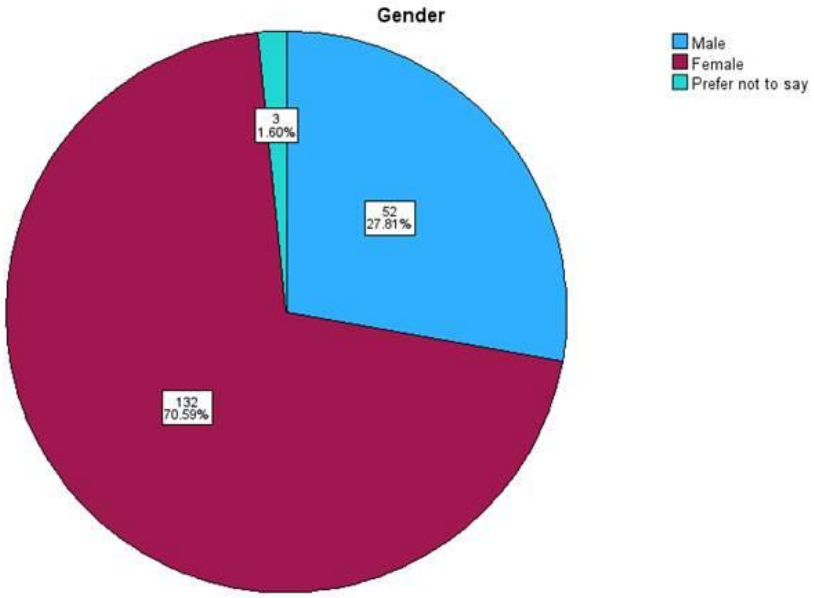

Figure 4.2: Pie Chart for gender

From Table 4.2, most of the respondents in this study are female, since 132 of them accounted for 70.6%. Next are the male respondents with 52 of them representing 27.8%. Besides, there are those who did not prefer to disclose their gender with 3 of them representing 1.6%. In total, 187 respondents are participating in this study. The gender distribution is important as it may influence the overall findings of the study, particularly in relation to retirement planning behaviour and the adoption of Private Retirement Schemes (PRS). Previous studies have suggested that females tend to exhibit more cautious financial behaviour and may place greater emphasis

on long-term financial security, which could positively influence their attitude towards PRS. Additionally, differences in financial literacy levels between genders may also affect decision-making related to retirement planning.

3. Marital Status

Table 4.3: Marital Status Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	173	92.5	92.5	92.5
	Married (no children)	6	3.2	3.2	95.7
	Married (with children)	7	3.7	3.7	99.5
	Divorced / Widowed	1	0.5	0.5	100.0
	Total	187	100.0	100.0	

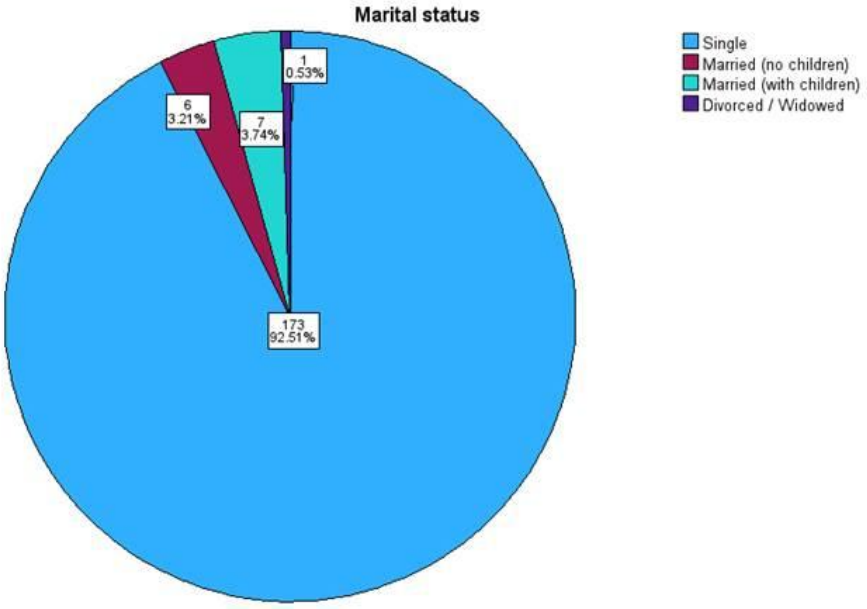

Figure 4.3: Pie chart for marital status

Based on Table 4.3, 173 respondents (92.50%) as a whole are single, making up the bulk of study participants. Besides, 6 respondents (3.2%) are married without

children, whereas 7 respondents (3.7%) are married with kids. Furthermore, 1 respondent (0.5%) is widowed or divorced. This survey involved 187 respondents in total.

This marital status distribution is significant as it may influence respondents' financial priorities and retirement planning behaviour. Single individuals, especially younger adults may place less emphasis on long-term financial planning such as participation in Private Retirement Schemes (PRS), as they generally have fewer financial commitments and focus more on short-term goals. In contrast, married individuals those with children are more likely to engage in structured financial responsibilities. Therefore, the dominance of single respondents may affect the overall findings, as the results are, more reflective of unmarried young married adults and should be considered when interpreting the relationships between financial literacy, attitude, income level, and PRS adoption.

4. Highest Education Level

Table 4.4: Highest Education Level Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	25	13.4	13.4	13.4
	Bachelor's Degree	137	73.3	73.3	86.6
	Master's Degree	15	8.0	8.0	94.7
	Others	10	5.3	5.3	100.0
	Total	187	100.0	100.0	

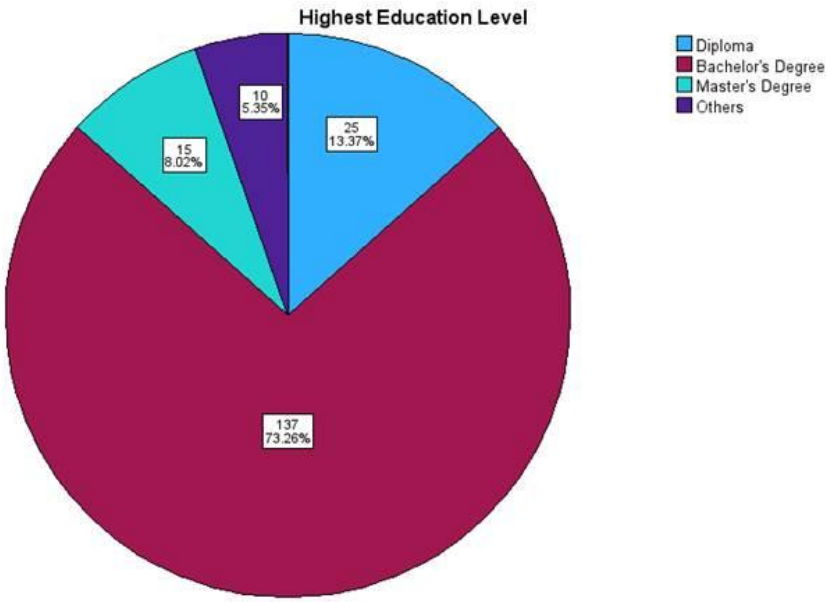

Figure 4.4: Pie chart for higher education level

According to Table 4.4, the majority of respondents hold a Bachelor's Degree, with 137 respondents representing 73.3% of the total sample. This is followed by Diploma holders, with 25 respondents (13.4%), and Master's Degree holders, accounting for 15 respondents (8.0%). In addition, 10 respondents (5.3%) possess other higher education level.

This distribution suggests that the sample is largely composed of individuals with formal tertiary education, which may influence their ability to access and process financial information effectively. Consequently, respondents may be more aware of available financial products and more confident in making financial decisions. However, this concentration may also indicate that the findings are more reflective of educated individuals, potentially limiting insights into the behaviour of those with lower educational backgrounds in relation to retirement planning and PRS adoption.

5. Employment Sector

Table 4.5: Employment Sector Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Public Sector (Government / GLC)	15	8.0	8.0	8.0
	Private Sector	112	59.9	59.9	67.9
	Self-Employed	31	16.6	16.6	84.5
	Freelancer / Gig Worker	29	15.5	15.5	100.0
	Total	187	100.0	100.0	

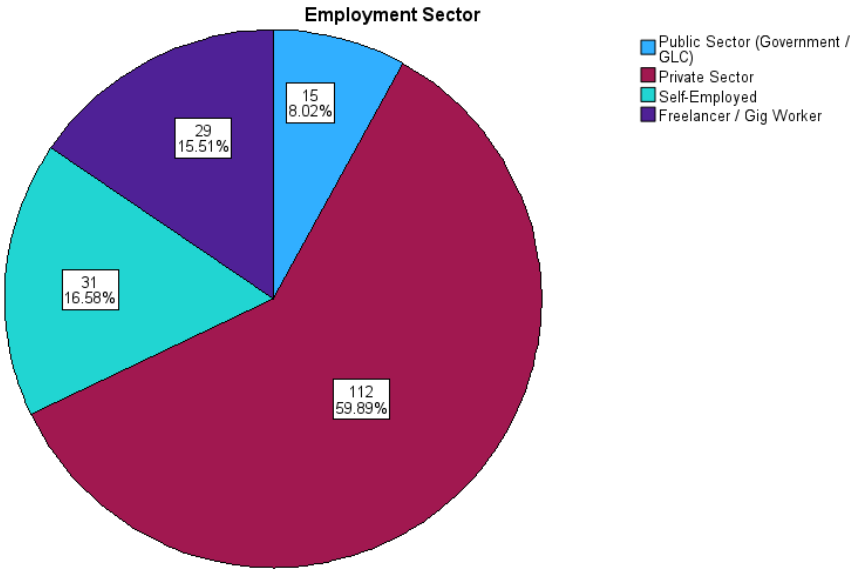

Figure 4.5: Pie chart for Employment Sector

According to Table 4.5, the majority of respondents are Private Sector, with 112 respondents representing 59.89% of the total sample. This is followed by Self-Employed individuals, with 31 respondents (16.58%), and those in the Freelancer/Gig Worker, accounting for 29 respondents (15.51%). In addition, 15 respondents (8.02%) are employed in the Public Sector (Government/GLC).

This distribution implies that the sample size includes a significant number of people working in non-traditional or precarious employment arrangements and this could affect their ability to access employer-provided retirement benefits like the Employees Provident Fund (EPF). This leads to changes in the amount of variability of income stability, and respondents might not have determined and automated saving systems usually attributed to formal employment. Nonetheless, this level of concentration can also suggest that the results are specifically indicative of the retirement planning behavior and preferences of gig workers and the self-employed, which can provide useful information about the utilization of private retirement schemes (PRS) among this expanding segment of the workforce when they do not have access to traditional employer-based pension provision.

6. Monthly Income Level

Table 4.6: Monthly Income Level Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below RM2,500	81	43.3	43.3	43.3
	RM 2,501 – RM5,000	81	43.3	43.3	86.6
	RM 5,001 – RM7,500	13	7.0	7.0	93.6
	RM 7,501 – RM 10,000	5	2.7	2.7	96.3
	Above RM 10,000	7	3.7	3.7	100.0
	Total	187	100.0	100.0	

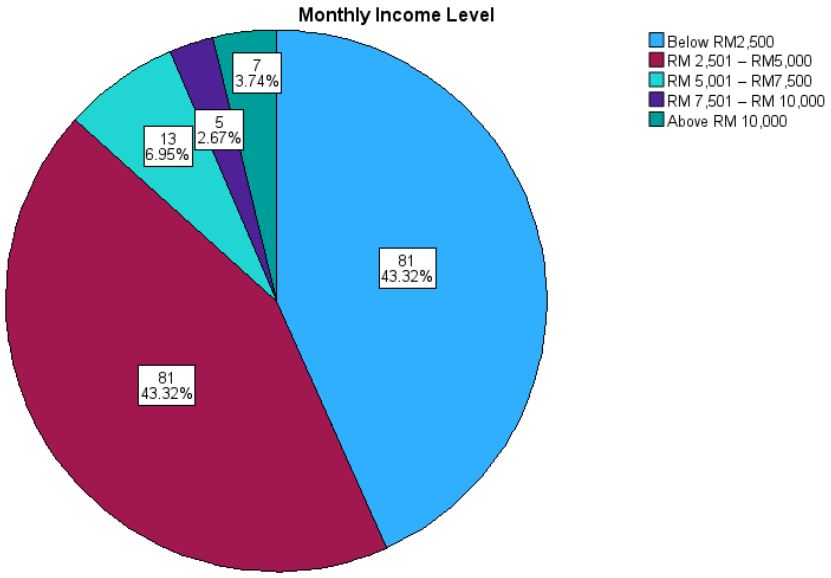

Figure 4.6: Pie chart for Monthly Income Level

According to Figure 4.6, most respondents fall into the two lowest monthly income brackets. Specifically, 81 respondents earn Below RM2,500, representing 43.32% of the total sample, while another 81 respondents earn between RM2,501 and RM5,000, also accounting for 43.32%. This is followed by those earning RM5,001 to RM7,500, with 13 respondents (6.95%), and those earning Above RM10,000, with 7 respondents (3.74%). In addition, 5 respondents (2.67%) earn between RM7,501 and RM10,000.

This distribution indicates that the sample consists mainly of the people with moderate and lower monthly incomes with 86.6 percent of the respondents having a gross of RM5,000 or less. This tendency of income can affect their ability to save money to retire because much of the income can go to meet basic needs of survival. As a result, the respondents will find it difficult to make regular contributions to the private retirement schemes (PRS) or other long term investment vehicles. Nonetheless, such a high concentration can also reflect that the results are especially representative of the retirement planning behaviours and financial limitation encountered by middle- and lower-income earners and suggest a lot on the accessibility and the attractiveness of PRS products to this group, but it may also restrict the views of higher-income earners who are more likely to be financially liberated.

7. Number of Dependents (children, spouse, parents you financially support)

Table 4.7: Number of Dependents Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	111	59.4	59.4	59.4
	1 – 2 dependents	63	33.7	33.7	93.0
	3 - 4 dependents	9	4.8	4.8	97.9
	5 or more dependents	4	2.1	2.1	100.0
	Total	187	100.0	100.0	

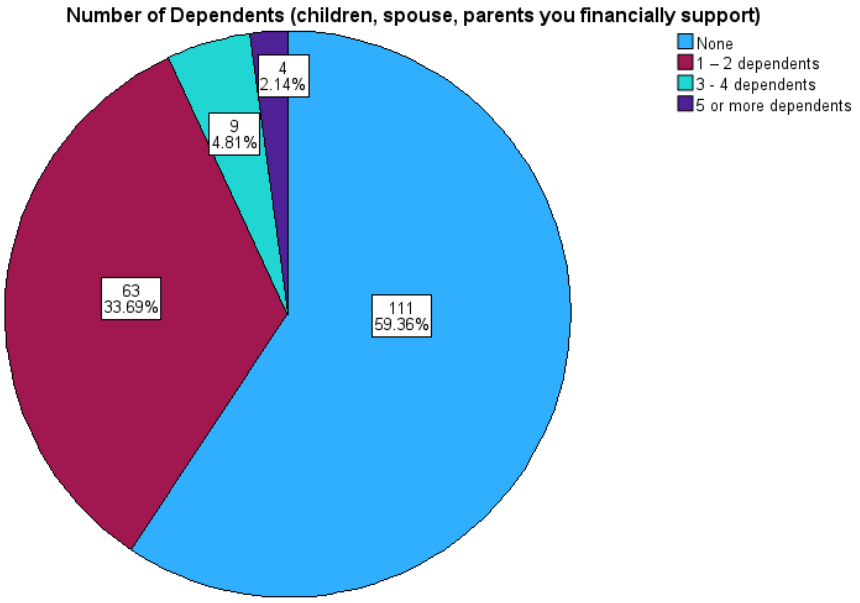

Figure 4.7: Pie chart for Number of Dependents

According to Figure 4.7, the majority of respondents have no dependents, with 111 respondents representing 59.36% of the total sample. This is followed by those with 1 to 2 dependents, with 63 respondents (33.69%), and those with 3 to 4 dependents, accounting for 9 respondents (4.81%). In addition, 4 respondents (2.14%) have 5 or more dependents.

This distribution implies that the sample consists mostly of people with little or no financial dependency and this can affect the capacity to spend resources on saving towards retirement. Having reduced short-term financial commitments like child support, spouses, and elderly parents, respondents can have more spare money and have increased room to contribute to the private retirement schemes (PRS) and other long-term investment vehicles. As a result, respondents can be in a better position to plan on retirement than others who have higher dependent burdens. Nonetheless, such a concentration can also be used to suggest that the data is especially representative of people in the earlier life phase, or with no caring demands, which can restrict understanding of the retirement planning practices and financial constraints of people with bigger families, who can find it difficult to balance existing costs with longer-term savings objectives.

8. Planned Retirement Age

Table 4.8: Planned Retirement Age Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 50 years old	36	19.3	22.2	22.2
	50 – 54 years old	44	23.5	27.2	49.4
	55 – 59 years old	24	12.8	14.8	64.2
	60 years old (current statutory retirement age in Malaysia)	44	23.5	27.2	91.4
	Above 60 years old	14	7.5	8.6	100.0
	Total	162	86.6	100.0	
Missing	I am not sure yet	25	13.4		
Total		187	100.0		

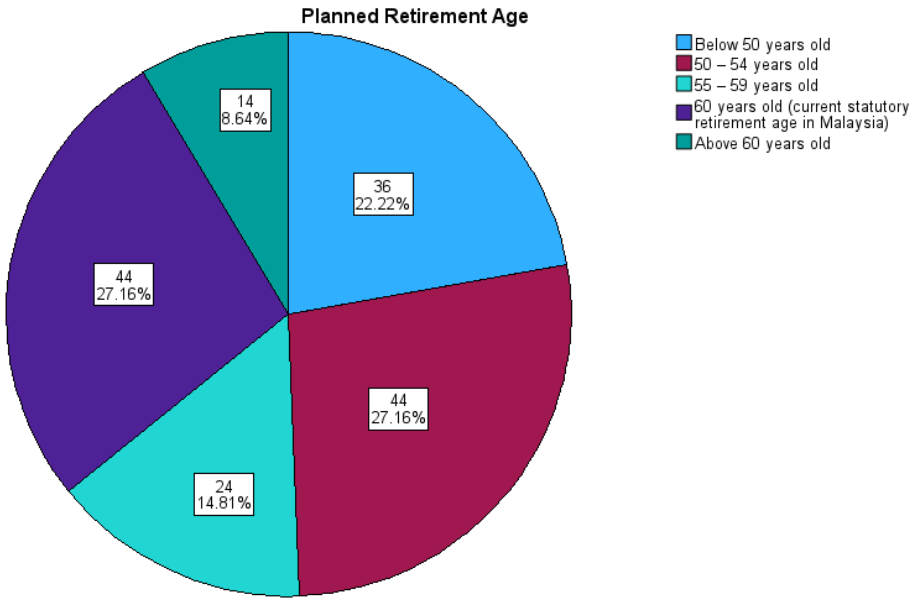

Figure 4.8: Pie Chart for Planned Retirement Age

According to Table 4.8, among the 162 respondents who provided their planned retirement age, the distribution is relatively varied. The largest groups are those planning to retire between 50 and 54 years old, with 44 respondents representing 27.16% of the valid sample, and those planning to retire at 60 years old (the current statutory retirement age in Malaysia), also with 44 respondents accounting for 27.16%. This is followed by those planning to retire below 50 years old, with 36 respondents (22.22%), and those planning to retire between 55 and 59 years old, with 24 respondents (14.81%). In addition, 14 respondents (8.64%) plan to retire above 60 years old. It is also noted that 25 respondents (13.4% of the total sample) did not provide a response to this question.

This distribution implies that there are a wide range of expectations in retirements by the respondents as a significant percentage of them are expecting to retire at or before the age of 60 as per the statutory age or even at 50s. The fact that the majority of respondents (91.4) who succeeded in responding to the question were planning to retire at or before 60 years may reflect a general inclination towards retiring within the traditional retirement age. As a result, the respondents might have different time horizons of saving towards retirement, which would determine their interest in the adoption of the PRS in retirement, as well as their investment risk

attitude. Retirement planners who intend to retire earlier might have more pressure to save as much as possible within a fixed time and therefore will be more open to proactive retirement planning tools. But there are also non-responses (13.4), which can be at the same time interpreted as the fact that some of the respondents are still not convinced of their retirement date, indicating a certain amount of financial uncertainty that can impair successful long-term planning.

4.1.2 Central Tendencies and Dispersion Measurement of Construct

4.1.2.1 Adoption of Private Retirement Schemes (PRS)

Table 4.9: Central Tendencies Measurement for Adoption of PRS

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
I am willing to participate in the PRS to increase my retirement savings.	187	1	5	3.87	0.999	0.998
I intend to contribute to the PRS in the future.	187	1	5	3.85	0.978	0.956
I believe that the PRS is an effective way	187	1	5	3.81	1.035	1.070

to prepare for retirement.						
I would consider including the PRS as part of my long-term financial planning.	187	1	5	3.64	1.070	1.145
I am likely to invest in the PRS if I have sufficient financial resources.	187	1	5	4.10	0.784	0.614
I would recommend the PRS to others as a retirement savings option.	187	1	5	4.03	0.883	0.779
Valid N (listwise)	187					

The descriptive analysis for the adoption of Private Retirement Scheme (PRS) shows that the mean values for all items range between 3.64 and 4.10, indicating a moderate to high level of agreement among respondents. The highest mean score is 4.10 suggests that respondents are more likely to invest in PRS when they have sufficient financial resources, highlighting the importance of financial capability in influencing adoption. In additions, the lowest mean score is 3.64 indicates relatively low agreement in including PRS as part of long-term financial planning.

The standard deviation values, ranging from 0.784 to 1.070, show a moderate level of variability, suggesting that respondents' opinions are relatively consistent. Overall, the findings indicate a generally positive attitude towards PRS adoption among the respondents.

4.1.2.2 Attitude towards Private Retirement Schemes (PRS)

Table 4.10: Central Tendencies Measurement for Attitude towards PRS

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
I believe PRS is an important tool for securing financial stability in retirement.	187	1	5	4.03	0.895	0.800
I feel that PRS offers better retirement benefits compared to normal savings accounts.	187	1	5	3.95	0.838	0.702
I do not think PRS is necessary if	187	1	5	3.13	1.172	1.375

I already have EPF.						
I am confident that PRS is a safe way to grow my retirement funds.	187	1	5	3.89	0.832	0.692
I believe contributing to PRS will reduce my financial burden in old age.	187	1	5	4.07	0.874	0.764
I have already considered opening a PRS account.	187	1	5	3.57	1.187	1.408
Valid N (listwise)	187					

The descriptive analysis of the attitude towards Private Retirement Scheme (PRS) reveals that the values of the mean range from 3.13 to 4.07. This indicates that the respondents have a moderate to high level of positive attitude. The highest value of the mean is 4.07, indicating that the respondents have a strong belief that contributing to PRS will reduce their financial burden in their old age. Similarly, the higher values of the mean for statements related to financial security and better benefits in retirement indicate that the respondents have a positive perception of PRS. The lowest value of the mean is 3.13, indicating that most of the respondents

disagree that PRS is not required even if they already have EPF. The values of the standard deviation range from 0.832 to 1.187. This indicates that the respondents have a moderate level of variability in their attitudes. The findings clearly indicate that the respondents have a positive attitude towards PRS.

4.1.2.3 Financial Literacy

Table 4.11: Central Tendencies Measurement for financial literacy

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
I find retirement savings too complex to understand.	187	1	5	3.23	1.185	1.404
I know that starting retirement savings early will lower my financial stress later.	187	1	5	4.16	0.929	0.863
I understand that PRS is a voluntary scheme separate from EPF.	187	1	5	4.03	0.867	0.752

I understand that PRS savings can grow more over time because of interest.	187	1	5	3.99	0.889	0.790
I feel knowledgeable about the risks and benefits of PRS.	187	1	5	3.67	1.020	1.040
I feel confident in making investment-related decisions for my retirement savings.	187	1	5	3.79	0.988	0.976
Valid N (listwise)	187					

Moreover, the descriptive analysis on financial literacy shows that the mean values vary from 3.23 to 4.16, which shows a moderate to high level of financial knowledge among the respondents. The highest mean value is 4.16, which shows a high level of awareness among the respondents that saving early in life may reduce future financial stress. Besides, the relatively high mean values on the understanding of PRS as a voluntary scheme apart from EPF and the concept of savings growth over time show that the respondents have good basic financial knowledge. However, the lowest mean value is 3.23, which shows a negatively worded statement, indicating that some respondents find it complex to understand the concept of retirement savings. The standard deviation values vary from 0.867

to 1.185, showing a moderate level, which indicates that the respondents have a relatively consistent level of financial literacy. Based on the above analysis, it is safe to conclude that the respondents have a good level of financial literacy.

4.1.2.4 Government Policies

Table 4.12: Central Tendencies Measurement for Government Policies

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Government tax incentives encourage me to consider contributing to PRS.	187	1	5	3.84	0.913	0.834
Awareness campaigns by the government influence my decision to join PRS.	187	1	5	3.80	1.022	1.045
Government awareness campaigns have improved my understanding of PRS.	187	1	5	3.80	1.048	1.098

Government support increases my confidence in PRS as a retirement savings option.	187	1	5	3.88	0.916	0.840
I would be more willing to adopt PRS if the government increased tax incentives.	187	1	5	4.10	0.827	0.683
I would consider PRS more seriously if there were stronger government promotions.	187	1	5	4.09	0.863	0.745
Valid N (listwise)	187					

The analysis of government policy factors indicates a moderate to high influence on respondent's willingness to participate in PRS, with mean scores ranging from3.80 to 4.10. The highest mean is 4.10 shows that increased tax incentives strongly encourage adoption, followed closely by stronger government promotions which is 4.09, highlighting the importance of financial and promotional support. Other factors, such as government support and existing tax incentives, show moderate effectiveness, while awareness campaigns appear slightly less impactful.

The standard deviation values between 0.827 and 1.048 suggest moderate consistency in responses. The findings suggest that the role of government policies, especially financial incentives and promotions is quite significant in motivating individuals to participate in PRS.

4.1.2.5 Income Level

Table 4.13: Central Tendencies Measurement for Income Level

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
My current monthly income is sufficient to allow me to contribute to PRS.	187	1	5	3.49	1.161	1.348
A stable income makes me more confident to commit to PRS contributions.	187	2	5	4.22	0.757	0.573
Even with a limited income, I would still try to save through PRS.	187	1	5	3.61	1.068	1.141

I often prioritize short-term expenses over saving for PRS.	187	1	5	3.58	1.116	1.245
I would only consider PRS if my salary increased in the future.	187	1	5	3.93	0.984	0.968
I believe PRS is more suitable for individuals with higher income levels.	187	1	5	4.02	0.913	0.833
Valid N (listwise)	187					

The analysis of income level shows a moderate influence on respondents' willingness to contribute to PRS, with mean scores ranging from 3.49 to 4.22. The highest mean is 4.22 indicates that having a stable income strongly increases confidence in committing to PRS contributions. Additionally, respondents generally agree that PRS is more suitable for individuals with higher income levels with mean 4.02 and that they will consider contributing more if their salary increases with mean 3.93. However, lower mean scores for income sufficiency is 3.49 and prioritizing short-term expenses is 3.58 suggest that financial constraints remain a barrier. The standard deviation values between 0.757 and 1.161 indicate moderate variability in responses. Overall, the findings suggest that income level, particularly income stability and sufficiency, plays an important role in influencing PRS participation.

4.2 Scale Measurement

4.2.1 Reliability Test

Table 4.14: Summary of Reliability Analysis of Dependent and Independent Variables

Types of the variable	Name of the variable	Number of Item	Cronbach's Alpha	Reliability Test
DV	Adoption of Private Retirement Schemes (PRS)	6	0.879	Good
IV 1	Attitude towards Private Retirement Scheme (PRS)	6	0.741	Acceptable
IV 2	Financial Literacy	6	0.734	Acceptable
IV 3	Government Policies	6	0.839	Good
IV 4	Income Level	6	0.703	Acceptable

A reliability test was conducted to assess the internal consistency of the measurement of scales. A finding shows that every variable had Cronbach's Alpha values above the acceptable level of 0.70, demonstrating the dependability of the resources that applied. The dependent variable which is the adoption of Private

Retirement Schemes (PRS) recorded a Cronbach's Alpha of 0.879, indicating good reliability. For the independent variables which attitude towards (PRS) is 0.741, financial literacy is 0.734, and income level is 0.703, they demonstrated acceptable reliability, while government policies is 0.839 showing good reliability. Overall, the findings confirm that all constructs have satisfactory internal consistency and are suitable for further statistical analysis.

4.3 Preliminary Data Screening

4.3.1 Multicollinearity Test

Table 4.15: Collinearity Tolerance and Variance Inflation Factor (VIF) Analysis

Types of the variable	Variable	Collinearity Tolerance	VIF	Result of Collinearity
IV 1	Attitude towards Private Retirement Scheme (PRS) (A)	0.412	2.425	Acceptable
IV 2	Financial Literacy (FL)	0.361	2.767	Acceptable
IV 3	Government Policies (GP)	0.454	2.205	Acceptable
IV 4	Income Level (IL)	0.434	2.306	Acceptable

All the four independent variables, namely Attitude towards Private Retirement Scheme (PRS) (A), Financial Literacy (FL), Government Policies (GP) and Income Level (IL) are not in problematic multicollinearity, as indicated by the collinearity diagnostics. The two related statistics that form the basis of this assessment are Tolerance and the Variance Inflation Factor (VIF). Variable Tolerance levels vary between 0.361 and 0.454 with the lowest Tolerance of 0.361 belonging to Financial Literacy (FL) and Government Policies (GP) with the highest Tolerance of 0.454. As Tolerance is a ratio of what an independent variable predicts that is not explained by the other independent variables, these values suggest that each of the independent variables will retain between 36.1 and 45.4 percent of unique variance. All Tolerance is well above the threshold of 0.20, which is widely used to check whether one of the predictors is too redundant compared to the others.

In line with this, the VIF values have values between 2.205 and 2.767. Government Policies (GP) has the lowest VIF of 2.205 which means it is least correlated with the other predictors, and Financial Literacy (FL) has the greatest VIF of 2.767, meaning that it is most correlated with the rest of the set, although again, not very high. These values of VIF are significantly smaller than the standard cutoff point of 5 which is normally used to indicate moderate multicollinearity and the critical value of 10 that would indicate gross multicollinearity. Combined, the Tolerance and VIF statistics establish that although certain correlation is inherent between the predictors, which is only natural given the conceptual connection in between them and the behavior of retirement savings, the amount of shared variance is insufficient to inflate standard errors and undermine the integrity of regression coefficient estimates. Thus, the four variables can be retained with a high degree of confidence in the regression model without the need to take corrective action like dropping the variables or transforming the data.

4.3.2 Normality Test

Table 4.16: Normality Test Results

Types of the variable	Variable	Skewness	Kurtosis
Dependent Variable	Adoption of Private Retirement Scheme (APRS)	-1.593	2.805
Independent Variable 1	Attitude towards Private Retirement Scheme (PRS) (A)	-0.996	2.930
Independent Variable 2	Financial Literacy (FL)	-1.208	3.803
Independent Variable 3	Government Policies (GP)	-0.864	1.084
Independent Variable 4	Income Level (IL)	-0.463	0.412

The normality test values of skewness show the extent of asymmetry in the distribution of each variable. The variables in this analysis show that, all of them have negative skewness, with Adoption of Private Retirement Scheme (APRS) being the most skewed with a skewness of -1.593, followed by Financial Literacy (FL) with skewness -1.208, Attitude towards Private Retirement Scheme (A) with skewness -0.996, Government Policies (GP) with skewness -0.864 and Income Level (IL) with skewness -0.463. Negative skew implies that the distribution is skewed toward the left tail, which means that most of the respondents obtained a higher score, with fewer respondents means gave a lower score. The variable with the least skew value, Income Level, has a skewness value that is nearest to zero which indicates that the distribution of income is more balanced across income groups.

The variables have different results as to kurtosis, which is the tailness of a distribution compared to a normal distribution (the benchmark value of 3). Attitude towards PRS (2.930) and Adoption of PRS (2.805) are mesokurtic with nearest values to 3, mesokurtic distributions that are approximately normal with intermediate tails. The value of Financial Literacy (3.803) is greater than 3, and it is leptokurtic with heavier tails and stiffer peak which suggests the probability of extreme values is high. Conversely, Government Policies (1.084) and Income Level

(0.412) are well below 3 indicating platykurtic distributions whose tails are lighter and are more flattened implying that there are fewer outliers and more spread out throughout the range.

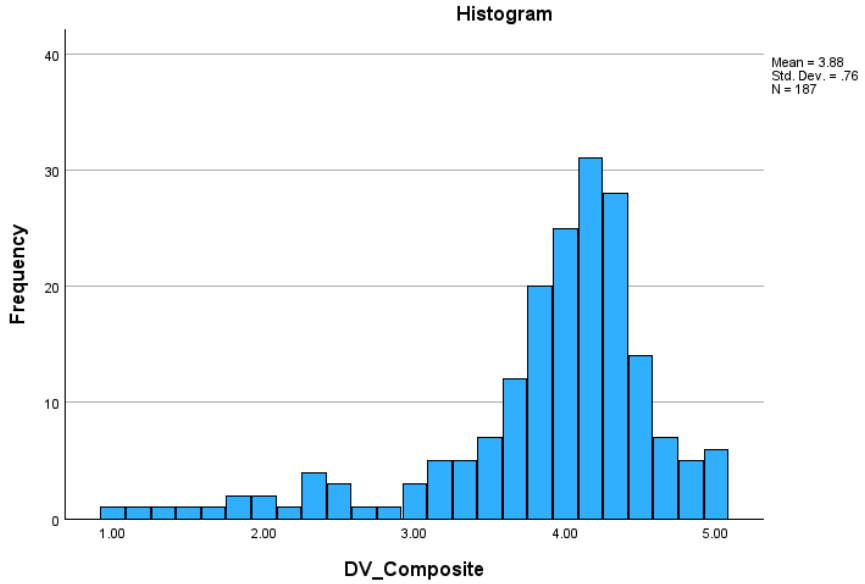

Figure 4.9: Histogram of DV Normality Test Results

According to the histogram on the dependent variable, Adoption of Private Retirement Scheme (APRS), the distribution has a negative skew as seen by a skewness value of -1.593 as indicated above. The average of 3.88 on a 5-point scale demonstrates that most of the respondents had relatively high adoption scores, and the frequency bars are clustered to the right of the histogram in the range of 4.00 to 5.00. The standard deviation of 0.76 indicates that most of the responses are concentrated on the mean, but there is a moderate distribution, with fewer responses on the left tail under the lower categories of adoption. Graphically, the histogram also substantiates that the data are no longer symmetrical but rather have a left-tailed shape, a feature of negative skewed distributions.

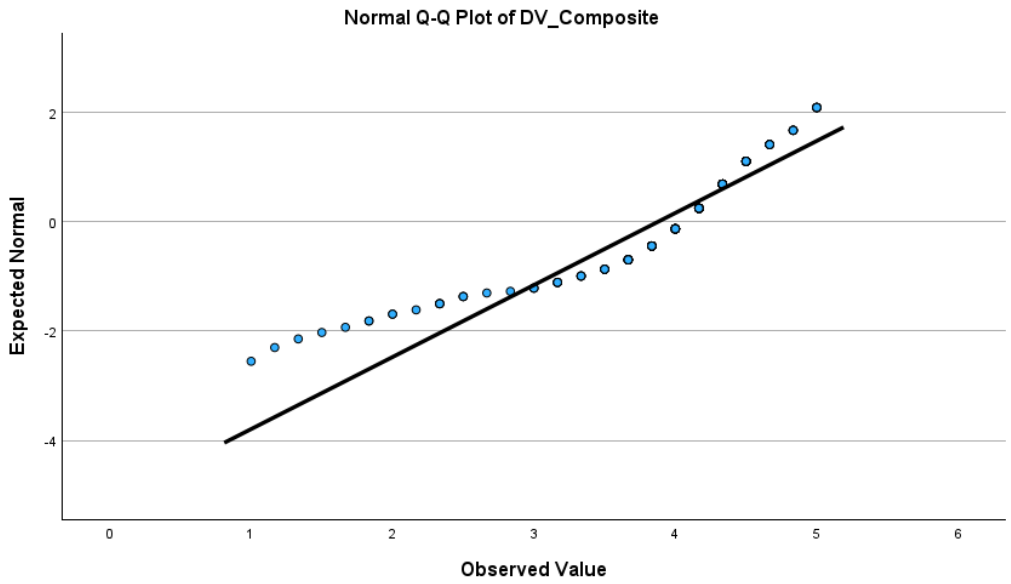

Figure 4.10: Normal Q-Q Plot of DV Normality Test Results

According to the Normal Q-Q Plot of the dependent variable, Adoption of Private Retirement Scheme (APRS), the plot fits the actual values of the variables with the normal distribution of the values. The points are mostly aligned with the diagonal reference line, and this indicates that the data is more or less distributed normally. But there is some slight deviation at the ends of the distribution, with the observed values being a little higher than the expected values in the upper end, and in the lower end with a few points being rather lower than the line. This trend aligns with the earlier observed negative skewness of -1.593, which implies that the scores are strongly clustered at the higher end of the scale resulting in a slight violation of the perfect normality.

According to the results of the analysis conducted on the normality tests, it is concluded that the distribution of the dependent variable which is Adoption of Private Retirement Scheme (APRS) does not satisfy the assumption of normality. This conclusion is mainly influenced by the skewness of -1.593 that shows a strong left asymmetry whereby the scores are concentrated on the upper end of the scale. The value of skewness of 2.805 is not in the acceptable range; however, the value of 2.805 is not close to zero, which indicates that the skewness value is large enough to be considered a non-normal distribution. Also, the outliers of the data point out

the diagonal line in the Normal Q-Q Plot to affirm the presence of a slight yet significant breach of perfect normality. As a result, the deviation might not be extreme, but the distribution is not statistically normal.

The non-normal distribution of APRS can be justified with the skewness statistics being sensitive to moderate sample sizes of 187 respondents. Even though the Central Limit Theorem implies that sampling distributions tend to be more normal with a growing sample size, a sample of 187 is not large enough to capture the variety of the population, especially lower half of the adoption behavior. By chance, if the sample might have accidentally represented a larger percentage of the respondents having positive opinions or greater access to personal retirement plans, the distribution would inherently tend to be skewed towards higher scores. Also, since the number of respondents towards the lower end of the scale is lower, then the left tail is under-represented, leading to the negative skewness of -1.593. Therefore, non-normality may be not necessarily a sign of a defective dataset, but the result of a sample size that does not allow representing the entire range of adoption practices.

4.4 Multiple Linear Regression Analysis

4.4.1 Model Summary

Table 4.17: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.493	0.243	0.226	0.66836

According to the summary of the multiple linear regression model, the analysis shows that the model illustrates a moderate degree of predictive capacity. The value

of the R is 0.493 that represents a strong positive correlation between the combination of the independent variables: Attitude towards Private Retirement Scheme (A), Financial Literacy (FL), Government Policies (GP), and Income Level (IL) and a dependent variable, Adoption of Private Retirement Scheme (APRS). The value of R Square that is obtained is 0.243, which indicates that the four independent variables of the model can explain around 24.3 percent of the variation in the adoption of private retirement schemes. This means that although the independent variables collectively explain a significant part of the variation in adoption behavior, a large part (which is around 75.7) is not explained and this may be explained by other factors that are not included in this model such as social influences, risk tolerance or marketing efforts.

The Adjusted R Square at 0.226 is a less biased estimate as it takes into consideration the count of predictors in the model in comparison to the sample size. The marginally less value compared to the R square value implies that the model has predictors that are not duplicative and are not overfitted. The standard error of prediction of 0.66836 is an indication of the average distance between the measured values and the predicted values indicating that the predictions given by the model are off the measurement scale by about 0.67 units. All these measures suggest that the regression model provides a statistically useful, though modest, framework of determiners' adoption of the concept of adopting the use of private retirement plans. Although the model fails to explain most of the variance, the combination of attitude, financial literacy, government policies and level of income proves to be significantly predictive, and further analysis of the contribution of each predictor is essential to learn which variables play a significant role in the adoption behavior.

4.4.2 Coefficient

Table 4.18: Table of Coefficient

Types of the variable	Variables	Unstandardized B	Coefficient Std. Error	Beta	t	Sig
DV	Adoption of Private Retirement Scheme (APRS)	1.789	0.334	-	5.350	<0.001
IV 1	Attitude towards Private Retirement Scheme (PRS) (A)	0.608	0.118	0.517	5.146	<0.001
IV 2	Financial Literacy (FL)	-0.033	0.126	-0.028	-0.259	0.796
IV 3	Government Policies (GP)	-0.067	0.105	-0.062	-0.644	0.520
IV 4	Income Level (IL)	0.049	0.116	0.041	0.421	0.674

Regression Equation: APRS = 1.789 + 0.608A - 0.033FL - 0.067GP + 0.049IL

According to the multiple linear regression analysis, the results are valuable information on the aspects that affect the Adoption of Private Retirement Schemes (APRS). The regression equation obtained after the analysis is as follows: APRS = 1.789 + 0.608A - 0.033FL - 0.067GP + 0.049IL. The constant term (1.789) is the level of adoption which is expected to be achieved when all independent variables take the value of zero. Out of the four independent variables, the only statistically significant predictor is the Attitude towards Private Retirement Scheme (A), and

the unstandardized predictor coefficient (B = 0.608, $p < 0.001$) is positive. This indicates that for every one-unit increase in attitude scores, the adoption of private retirement schemes increases by approximately 0.608 units, holding all other variables constantly. The standardized beta coefficient (b = 0.517) once again proves that the factor of attitude is the most influential one in the model, meaning that people having better attitudes towards PRS have much higher chances of adopting such schemes.

However, the other three independent variables, Financial Literacy (FL), Government Policies (GP) and Income Level (IL) do not have a statistically significant association with the dependent variable with the p-value of above the conventional significance level of 0.05 (p = 0.796, 0.520 and 0.674 respectively). Financial Literacy exhibits an insignificant negative coefficient (B = -0.033), implying a weak negative relationship that is not statistical and practical. In the same way, Government Policies depict a small negative coefficient (B = -0.067), whereas Income Level depicts a small positive coefficient (B = 0.049). But since they have high p-values, these results imply that in this model these variables have no significant explanatory power regarding differences in adoption behavior. This is a somewhat remarkable result because the traditional assumptions could have expected financial literacy and government policies to play a substantial role in this option, but the data is not connected to the assumptions in this regard.

A combination of these regression outcomes suggests that attitude towards private retirement schemes is the most important and the only significant predictor of adoption. The summary of the model that quoted an RS of 0.243 indicates that about 24.3 percent of the variability in adoption is explained by the four predictors, but the most significant predictor is attitude. The significance of financial literacy, government policies, and income levels is non-significant. This indicates that either these elements have an indirect impact on adoption in this sample, or their impacts are mediated by other factors like attitude.

4.4.3 Pearson Correlation Analysis

Table 4.19: Correlation Matrix Among DV, IV1, IV2, IV3, IV4

	DV	IV1	IV2	IV3	IV4
DV	1	0.489**	0.322**	0.250**	0.339**
IV1 (A)	0.489**	1	0.707**	0.590**	0.687**
IV2 (FL)	0.322**	0.707**	1	0.703**	0.661**
IV3 (GP)	0.250**	0.590**	0.703**	1	0.632**
IV4 (IL)	0.339**	0.687**	0.661**	0.632**	1

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

N=187

The table shows the Pearson Correlation Analysis reveals that all variables which are adoption of Private Retirement Schemes (PRS) (DV), attitude towards PRS (IV1), financial literacy (IV2), government policy (IV3), and income level (IV4). These variables are positively and significantly correlated at the 0.01 significance level (2-tailed), based on a sample size of 187.

Adoption of PRS has weaker but still significant positive associations with Financial Literacy (IV2) (R=0.322), Government Policy (IV3) (r=0.250) and Income Level (IV4) (r=0.339), but it has a moderately positive relationship with Attitude towards PRS (r=0.489). Government policy has the shorter the correlation with PRS adoption among the independent variables, while attitude towards PRS shows the strongest.

Furthermore, the positive correlations between the independent variables show that these variables tend to move in the same direction, indicating that people who are more financially literate have more positive attitudes, support government policy and have higher income levels are generally more likely to adopt PRS. Overall, the

results show that, despite varying degrees of influence, all independent variables are significant and favorably connected to the adoption of PRS.

4.5 Conclusion

Finally, the chapter summarized and discussed the empirical results of the research through the application of descriptive statistics, reliability tests, and multiple linear regression analysis. The findings suggest that the attitude towards the Private Retirement Scheme (PRS) plays a strong positive role in influencing the adoption of PRS amongst the young working adults in Malaysia. Conversely, the level of income and government policy as well as financial literacy were observed to have no significant influence on adoption behaviors. These results indicate that psychological factors are more important in determining retirement planning decisions than external policy measures, knowledge-based factors, and financial capability. Overall, the analysis gives a better insight into the major determinants of PRS adoption and creates a solid foundation of discussion, implications, and recommendations that are presented in the next chapter.

CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

In this chapter, the research will discuss and analyze the findings of this study. The first section explores the most significant findings concerning all independent variables and their significance in connection with the research goals and the current literature. Next, it is succeeded by a discussion on the implications of the findings and the contributions to the theories and practice and the limitations that were faced in the course of the study. Moreover, this chapter makes a number of suggestions for future research to fill the identified gaps and contribute to future studies in this field. Lastly, the chapter wraps up with a conclusion to the general research, highlighting the key results and how the study contributes to the body of knowledge in the area of retirement planning and the adoption of the Private Retirement Scheme (PRS) among young working adults in Malaysia.

5.1 Discussion of Major Findings

The findings of this study provide critical insights into the factors influencing the adoption of the Private Retirement Scheme (APRS). Based on the multiple regression analysis, only attitude towards PRS demonstrated a significant positive influence, thus supporting H_1 ($\beta = 0.517$, $p < 0.001$). This aligns with the Theory of Planned Behavior (TPB), which posits that an individual's positive evaluation of a behavior is the strongest predictor of their intention to perform it.

Conversely, the study found that Financial Literacy (H_2), Government Policies (H_3), and Income Level (H_4) were statistically insignificant, with p-values of ($p = 0.796$), ($p = 0.520$), and ($p = 0.674$), respectively. The rejection of H_2 (Financial Literacy) reflects what Aluodi et al. (2017) describe as the "knowledge-action gap," where possessing financial knowledge does not automatically translate into retirement-saving behavior due to factors like cognitive biases or procrastination. Similarly, the rejection of H_3 (Government Policies) suggests that existing incentives, such as the RM3,000 tax relief, may not be perceived as sufficiently attractive or are not being effectively communicated to the public. The Social Wellbeing Research Centre (SWRC) Policy Brief (2024) highlights that Malaysia requires more robust engagement strategies to improve retirement planning, including enhanced financial literacy, policy interventions, and multi-stakeholder support, as voluntary participation alone remains insufficient for adequate retirement preparedness.

The insignificant impact of Income Level (H_4) further indicates that PRS adoption is not strictly dependent on an individual's earning capacity. This finding highlights the inclusive nature of the scheme, where flexible contribution amounts allow individuals across various socio-economic backgrounds to participate if they possess the right mindset. The Private Pension Administrator Malaysia (PPA, n.d.) highlights that the Private Retirement Scheme (PRS) is designed as a voluntary and accessible retirement savings instrument with relatively low entry requirements, allowing wider participation among Malaysians. In general, these findings highlight the importance of internal psychological drivers, particularly attitude, as the main causes of PRS adoption, and this implies that future research ought to concentrate on changing the perception of the public instead of merely increasing financial literacy or monetary rewards.

5.2 Implications of the Study

This study provides important implications for policymakers, financial institutions, employers, and academics in understanding the determinants influencing retirement planning decisions through the adoption of the Private Retirement Scheme (PRS) Malaysia among young working adults. The implications of this research are discussed from both practical and theoretical perspectives.

5.2.1 Practical Implications

This research has several implications for government entities, financial institutions, employers and academics. Through this study, these parties will get a better understanding of the initiatives and actions required to encourage and improve the uptake of voluntary retirement schemes, in particular, the Private Retirement Scheme (PRS) among the young working adults in Malaysia.

The results offer policymakers information on how to enhance young adult's engagement in PRS. Since attitude towards PRS is the most significant determinant of adoption, the government should focus on initiatives that have a positive impact on the perception and build trust in the scheme. For instance, organizing nationwide campaigns, workshops, and seminars specifically for young adults can be effective for better understanding and participation in PRS (Phung, 2026; Lin, 2025). These initiatives can be conducted with the use of simple, relatable language, and real-life scenarios to show the tangible benefits of early retirement savings (Securities Commission Malaysia, 2013). While the financial incentive, in the form of tax relief for individual contributors or employer-supported contributions remains important. Therefore, policymakers should ensure that the impact of these incentives is communicated in a manner that is clear, effective and in a way that emphasizes practical advantages. Additionally, using technology to promote accessibility to online PRS platforms, mobile applications, and digital investment tools can make it more convenient, interactive, and engaging, particularly for young working adults who are actively immersed in an increasingly technology-driven environment (PPA,

2026). Governments might also place targeted efforts for particular demographic groups, industries, or income segments to lower barriers to participation, foster early adoption, and foster equitable access to retirement planning opportunities (Phung, 2026).

This research also gives financial institutions and providers of PRS valuable insights for boosting the adoption among young working adults. Providers can create accessible and easy-to-use digital platforms, mobile applications and automated investment tools such as algorithm-based PRS that provide model portfolios based on an individual's risk preferences (Kuek, 2023). Clear and accessible information about contribution procedures, returns and risks from investment is the key to building confidence and trust in the system. Moreover, institutions can complement these platforms with educational programs such as webinars, online tutorials and workshops on long-term retirement planning and the benefits of PRS (Universiti Tunku Abdul Rahman, 2021). By encouraging young adults to understand the importance of PRS, these initiatives can help promote informed decision-making and promote proactive financial behaviour. Financial institutions collaborating with employers to offer matched contributions, workplace financial education programs or guided enrollment support can help to deliver an awareness that reinforces positive saving for retirement habits and improves engagement with PRS (Mahony, 2025; Akhter & Chauhan, 2024).

Employers have a very important role to play in encouraging retirement savings among their employees. Employers can also support internal financial literacy training, one-on-one sessions, and tailored advice to help employees navigate PRS enrollment, understand contribution options, and make appropriate investment decisions (Mahony, 2025). These measures not only make retirement planning more concrete and action-oriented but also encourage the development of a culture of financial responsibility in the organization. By actively supporting employees on their journey to retirement, employers play a role in long-term employee financial security, overall workplace satisfaction, and organizational resilience by encouraging financially prepared employees (Akhter & Chauhan, 2024).

For the researchers and academics, this research shows an attitude towards PRS as the central determinant of adoption, hence the important role of behavioral and psychological factors in retirement saving decisions (Lin et al., 2025). Future studies can investigate the underlying mechanisms forming this attitude, such as trust in financial institutions, risk perception, motivation, and cognitive biases that affect decision-making. Additionally, researchers may examine the interaction between demographic characteristics, technology use, targeted behavioral interventions, and attitude on participation in PRS. Such insights can guide better ways to encourage voluntary retirement savings, especially among young working adults whose behavior is more important than socioeconomic or policy incentives.

In sum, the study suggests a positive attitude towards PRS is a significant influence on the adoption of PRS. A holistic approach that integrates behavioral motivation, accessible digital tools, clear communication, supportive policies, and organizational engagement is necessary to motivate young adults to adopt PRS, develop consistent saving habits, and ensure long-term financial security.

5.2.2 Theoretical Implications

From a theoretical perspective, this study contributes to the literature on retirement planning behavior in an important way by addressing a gap in research on voluntary pension scheme participation, such as the Private Retirement Scheme (PRS) in Malaysia, while previous research had mostly concentrated on mandatory retirement schemes, such as the Employees Provident Fund (EPF). There is limited literature available on voluntary retirement schemes and PRS participation. This study extends the literature by examining both behavioral, which is attitude towards PRS, and socioeconomic determinants, which are financial literacy, government policies and income level towards PRS.

The results suggest that attitude towards PRS is a significant determinant of adoption, whereas financial literacy, income level, and government support are not significant. This finding has several important theoretical implications. Firstly, it provides strong empirical support for the Theory of Planned Behavior (TPB), which indicates that intention to perform a behavior is primarily determined by attitude, subjective norms, and perceived behavioral control (Amirludin et al., 2024). In this regard, people's attitude, which refers to people's perceptions of PRS benefits, trustworthiness, and personal relevance, is a key determinant of adoption (Lin et al., 2025). The significance of attitude over financial literacy, government policies and income level indicates the importance of psychological and behavioral constructs in the determination of financial decision-making, thus reinforcing the behavioral finance perspective that people's decisions are not entirely rational but rather involve cognitive evaluation, risk perception, and long-term value assessment.

Moreover, the insignificance of financial literacy implies that even though financial literacy may provide people with cognitive ability, it may not be adequate to induce voluntary participation in PRS unless people have positive attitudes towards PRS. This distinction helps to differentiate between capacity, which refers to knowledge and resources, and intentionality, which refers to attitude and motivation in explaining PRS planning behavior (Ghadwan et al., 2023). Furthermore, the insignificance of government policy, such as tax incentives and policy promotion, indicates that external institutional factors may not be effective in influencing participation unless it resonates with the individual's personal evaluation of the scheme; hence, the need for behavioral engagement in influencing voluntary retirement planning (Lin, 2025). Besides, the insignificance of income level implies that financial capacity may not be adequate to induce voluntary participation in PRS. This result supports behavioral economic theory, which suggests that individuals may prioritize current consumption or other financial goals over saving for retirement due to cognitive biases such as present bias and the tendency to favor immediate gratification (Makinde, 2025).

In conclusion, the present study contributes to the theory of knowledge on voluntary retirement planning by emphasizing the central importance of attitude in the adoption of PRS. The study indicates that voluntary retirement savings behavior is not driven by financial capability and external incentives but rather by the individual's perception and evaluation of the benefits of the scheme. This study has found implications for future research on the subject, indicating that the theoretical models of voluntary retirement savings behavior need to incorporate behavioral constructs alongside socioeconomic factors, particularly in the context of emerging economies where the phenomenon of voluntary pension participation is still in its infancy. The present study bridges the research gap in the context of PRS and contributes to the formulation of a more holistic theoretical construct that explains the phenomenon of voluntary retirement savings behavior and non-behavior.

5.3 Limitations of the Study

Within the research, there were several limitations that could be found. One concern about the finding was that sampling bias and generalizability exist, as the study focused on young working adults aged from 18 to 35 years old. However, the respondents are mainly aged between 18 to 24 years old. This limits the ability to generalize about finding older age groups or retirees since not all the members of the population have an equal chance of being selected (Saunders et al., 2023). Different age groups may have different financial priorities, levels of income stability, and retirement planning behaviours.

Moreover, the study may rely on individual self-reported data, which can be commonly seen in the research of behavior to present notable methodological limitations. This is because the collection of data is only through Google Forms. Where such data may inherently carry the risk of social desirability bias. The respondents will modify their answer in a way they perceive as socially accepted rather than truthfully (Podsakoff et al., 2003).

The major limitation of the presented study is the adoption of cross-sectional research design, which captures respondents' perceptions and behaviours at a single point of time. The Google Form only collects the respondents' answers once, and this study does not track the respondents for future research. Therefore, the changes in attitudes, income, financial literacy, or retirement planning behavior cannot be observed over time. A longitudinal approach would better capture the behavioral changes and long-term retirement planning decisions (Kimiyagahlam et al., 2019).

Another concern of the finding is that the independent variable for the study is too few since there were only four of them. There are many factors that can influence the adoption of PRS. Other than planning attitude, financial literacy, government policies, and income level, many factors have also been seen, such as financial risk tolerance, personal trust, goal clarity, retirement preparedness, and family education in several studies (Lin et al., 2025; Kimiyagahlam et al., 2019; Hashim et al., 2023).

In conclusion, the limitations of this study are sampling bias and generalizability, individual self-reported data, adoption of cross-sectional research design, and the limited scope of variables. The limitations are acknowledged, but they do not detract from the significance of findings but merely provide platforms for future research.

5.4 Recommendations for Future Research

Based on the research outcome, several recommendations are obviously suggested for future researchers regarding the adoption of private retirement planning. Future researchers may expand their studies, which include different demographic groups, such as older employees, self-employed individuals, or rural populations, to

examine whether the determinants of PRS adoption differ across demographic segments. This is because retirement planning behavior may vary significantly depending on age, employment status, and financial commitments (Lusardi & Mitchell, 2014).

From the limitations listed above, future researchers are encouraged to conduct longitudinal studies to track the changes in independent variables throughout the timeline and the actual enrolment for the period of time (*What Is a Longitudinal Study? Types, Advantages, Examples and Limitations Explained*, 2026). This is because people will change their minds after gaining experience and learning knowledge.

By the study by Lin et al. (2025), the incorporate qualitative method is suggested because this method is better in investigating deeper psychological motivators behind PRS non-participation. Since then, mixed-method approaches are also recommended for future study in terms of gaining deeper insights into factors that affect the individual's willingness to adopt or to give up PRS, particularly in relation to behavioral and psychological motivations (Creswell, 2014).

To provide a more thorough explanation of PRS adoption behavior, future researchers can study more theories. Such as the transtheoretical model of behaviour change (TTM) as this theory gives support to the theory of planned behaviour (TPB). Individuals can be guided toward positive actions stage by stage through this theory (Xiao, 2008). Other than that, future researchers should also study the life-cycle theory, which provides insights for individuals into their financial planning over the lifetime (Logue, 2023). Human capital theory is also recommended as it mentions that the higher financial literacy individual will have higher engagement in adopting retirement (Bucci et al., 2025).

Additionally, the research can be conducted through other forms of survey instead of google form. Paper-based survey forms or physical interviews are suggested as

these forms will not cause personal data leakage. Some people refuse to fill up the google form during the survey as these people, especially the elderly, are more concerned about personal data breaches which will cause scams and fraud (Boey et al., 2025).

In a nutshell, the recommendations for the futures studies include the expansion of demographic groups, conducting longitudinal research, implementing mixed-method approaches, giving more insights of different theories and the way of collecting data.

5.5 Conclusion

In conclusion, this chapter highlighted that attitude towards PRS is the most significant determinant influencing its adoption among young working adults in Malaysia, while financial literacy, government policies, and income level were found to be insignificant. These findings reinforce the importance of psychological and behavioral factors in shaping retirement planning decisions, consistent with the Theory of Planned Behavior. The study also provides valuable practical and theoretical implications in terms of improving PRS participation. Despite the limitation, we believe future researchers which are related to this study can improve from the foundation of this study.

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APPENDICES

Appendix J1: Application for Certification Letter

UNIVERSITI TUNKU ABDUL RAHMAN DU012(A)
Wholly owned by UTAR Education Foundation (200201010564(578227-M))

26 September 2025

To Whom It May Concern

Dear Sir/Madam,

Permission to Conduct Survey

This is to confirm that the following students are currently pursuing their Bachelor of Business Administration (Honours) Banking and Finance program at the Teh Hong Piow Faculty of Business and Finance, Universiti Tunku Abdul Rahman (UTAR) Perak Campus.

I would be most grateful if you could assist them by allowing them to conduct their research at your institution. All information collected will be kept confidential and used only for academic purposes.

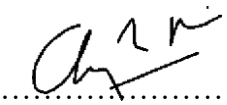
The students are as follows:

Name of Student	**Student ID**
Hong Hui Yi	2106068
Chai Li Min	2202389
Lee Yong Jie	2203560
Tay Ming Ming	2202485
Tong Jia Yee	2203158

If you need further verification, please do not hesitate to contact me.

Thank you.

Yours sincerely,



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Mr Chong Tun Pin

Head of Department,

Department of Banking and Risk Management

Teh Hong Piow Faculty of Business and Finance

Email: chongtp@utar.edu.my

Appendix 3.1: Questionnaire

Research Topic: The determinants of retirement planning decisions by adopting PRS and studies on Malaysian young working adults.

Dear respondents,

We are undergraduate students of Bachelor of Business Administration (HONOURS) Banking and Finance from Universiti Tunku Abdul Rahman (UTAR). As part of our final- year research project, we are conducting an Analysis of Retirement Planning: The Impact of Attitude towards Private Retirement Scheme (PRS), Financial Literacy, Government Policies (Tax Incentives & Awareness Campaigns) and Income Level. The questionnaire consists of five sections. We would greatly appreciate it if you could take a few minutes to complete this survey. We would like to invite you to participate in this study by completing a short survey. The target respondents for this study are anyone who aged between 18 to 35 years old.

Your responses are extremely valuable and will contribute significantly to the findings of this research. Please rest assured that all responses will remain strictly confidential, used solely for academic purposes, and your anonymity will be fully protected.

Best regards,

Lee Yong Jie - 2203560@1utar.my
Chai Li Min - chailimin924@1utar.my
Hong Hui Yi - huiyi0515@1utar.my
Tay Ming Ming - taymingming04@1utar.my
Tong Jia Yee - 2203158@1utar.my

Personal Data Protection Statement

Please be informed that in accordance with Personal Data Protection Act 2010 (“PDPA”) which came into force on 15 November 2013, Universiti Tunku Abdul Rahman (“UTAR”) is hereby bound to make notice and require consent in relation to collection, recording, storage, usage and retention of personal information.

PERSONAL DATA PROTECTION STATEMENT

Please be informed that in accordance with Personal Data Protection Act 2010 ("PDPA") which came into force on 15 November 2013, Universiti Tunku Abdul Rahman ("UTAR") is hereby bound to make notice and require consent in relation to collection, recording, storage, usage and retention of personal information.

Notice:

1. The purposes for which your personal data may be used are inclusive but not limited to:-

- For assessment of any application to UTAR
- For processing any benefits and services
- For communication purposes
- For advertorial and news
- For general administration and record purposes
- For enhancing the value of education
- For educational and related purposes consequential to UTAR
- For the purpose of our corporate governance
- For consideration as a guarantor for UTAR staff/ student applying for his/her scholarship/ study loan

2. Your personal data may be transferred and/or disclosed to third party and/or UTAR collaborative partners including but not limited to the respective and appointed outsourcing agents for purpose of fulfilling our obligations to you in respect of the purposes and all such other purposes that are related to the purposes and also in providing integrated services, maintaining and storing records. Your data may be shared when required by laws and when disclosure is necessary to comply with applicable laws.

3. Any personal information retained by UTAR shall be destroyed and/or deleted in accordance with our retention policy applicable for us in the event such information is no longer required.

4. UTAR is committed in ensuring the confidentiality, protection, security and accuracy of your personal information made available to us and it has been our ongoing strict policy to ensure that your personal information is accurate, complete, not misleading and updated. UTAR would also ensure that your personal data shall not be used for political and commercial purposes.

Consent:

1. By submitting this form you hereby authorise and consent to us processing (including disclosing) your personal data and any updates of your information, for the purposes and/or for any other purposes related to the purpose.

2. If you do not consent or subsequently withdraw your consent to the processing and disclosure of your personal data, UTAR will not be able to fulfill our obligations or to contact you or to assist you in respect of the purposes and/or for any other purposes related to the purpose.

3. You may access and update your personal data by writing to us at 2203560@1utar.my.

Acknowledgment of Notice

[ ] I have been notified by you and that I hereby understood, consented and agreed per UTAR above notice.

[ ] I disagree, my personal data will not be processed.

……
Name:
Date:

Section A: Demographic Profile

In order to gain a better understanding, we kindly request you to provide some of your personal information.

1. Age

- □ 18 – 24 years
- □ 25 – 29 years
- □ 30 – 35 years

2.Gender

- □ Male
- □ Female
- □ Prefer not to say

3. Marital Status
- □ Single
- □ Married (no children)
- □ Married (with children)
- □ Divorced / Widowed

4. Highest Education Level
- □ Diploma
- □ Bachelor's Degree
- □ Master's Degree
- □ Doctorate (PhD)
- □ Other: _____

5. Employment Sector
- □ Public Sector (Government / GLC)
- □ Private Sector
- □ Self-Employed
- □ Freelancer / Gig Worker
- □ Other: _____

6. Monthly Income Level
- □ Below RM2,500
- □ RM 2,501 – RM5,000
- □ RM 5,001 – RM7,500
- □ RM 7,501 – RM 10,000
- □ Above RM 10,000

7. Number of Dependents
- □ None
- □ 1 – 2 dependents
- □ 3 - 4 dependents
- □ 5 or more dependents

8. Planned Retirement Age
   - Below 50 years old
   - 50 – 54 years old
   - 55 – 59 years old
   - 60 years old (current statutory retirement age in Malaysia)
   - Above 60 years old
   - I am not sure yet

Section B: Adoption of Private Retirement Scheme (PRS)

This section aims to measure respondents' willingness, intention, and perception toward adopting the Private Retirement Scheme (PRS) as part of their retirement planning. The questions are designed to understand how likely young working adults are to consider PRS as a financial tool for securing their future retirement.

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

	Question	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
AD1	I am willing to participate in the PRS to increase my retirement savings.	1	2	3	4	5
AD2	I intend to contribute to the PRS in the future.	1	2	3	4	5
AD3	I believe that the PRS is an effective way to prepare for retirement.	1	2	3	4	5
AD4	I would consider including the PRS as part of my long-term financial planning.	1	2	3	4	5
AD5	I am likely to invest in the PRS if I have sufficient financial resources.	1	2	3	4	5
AD6	I would recommend the PRS to others as a retirement savings option.	1	2	3	4	5

Section C: Attitude towards Private Retirement Scheme (PRS)

This section is designed to understand your personal beliefs, feelings, and opinions about the Private Retirement Scheme (PRS). It focuses on how you perceive PRS as a retirement savings option and whether you consider it beneficial for your future financial security.

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

	Question	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
A1	I believe PRS is an important tool for securing financial stability in retirement.	1	2	3	4	5
A2	I feel that PRS offers better retirement benefits compared to normal savings accounts.	1	2	3	4	5
A3	I do not think PRS is necessary if I already have EPF.	1	2	3	4	5
A4	I am confident that PRS is a safe way to grow my retirement funds.	1	2	3	4	5
A5	I believe contributing to PRS will reduce my financial burden in old age.	1	2	3	4	5
A6	I have already considered opening a PRS account.	1	2	3	4	5

Section D: Financial Literacy

This section measures your level of knowledge and understanding of financial concepts related to retirement planning. It includes awareness of PRS, savings, investments, and the importance of long-term planning to ensure retirement adequacy.

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

	Question	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
FL1	I find retirement savings too complex to understand.	1	2	3	4	5
FL2	I know that starting retirement savings early will lower my financial stress later.	1	2	3	4	5
FL3	I understand that PRS is a voluntary scheme separate from EPF.	1	2	3	4	5
FL4	I understand that PRS savings can grow more over time because of interest.	1	2	3	4	5
FL5	I feel knowledgeable about the risks and benefits of PRS.	1	2	3	4	5
FL6	I feel confident in making investment-related decisions for my retirement savings.	1	2	3	4	5

Section E: Government Policies (Tax Incentives & Awareness Campaign)

This section explores how government initiatives, such as tax reliefs and awareness campaigns, influence your decision to participate in PRS. It examines whether government support increases your trust and willingness to adopt PRS.

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

	Question	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
GP1	Government tax incentives encourage me to consider contributing to PRS.	1	2	3	4	5
GP2	Awareness campaigns by the government influence my decision to join PRS.	1	2	3	4	5
GP3	Government awareness campaigns have improved my understanding of PRS.	1	2	3	4	5
GP4	Government support increases my confidence in PRS as a retirement savings option.	1	2	3	4	5
GP5	I would be more willing to adopt PRS if the government increased tax incentives.	1	2	3	4	5
GP6	I would consider PRS more seriously if there were stronger government promotions.	1	2	3	4	5

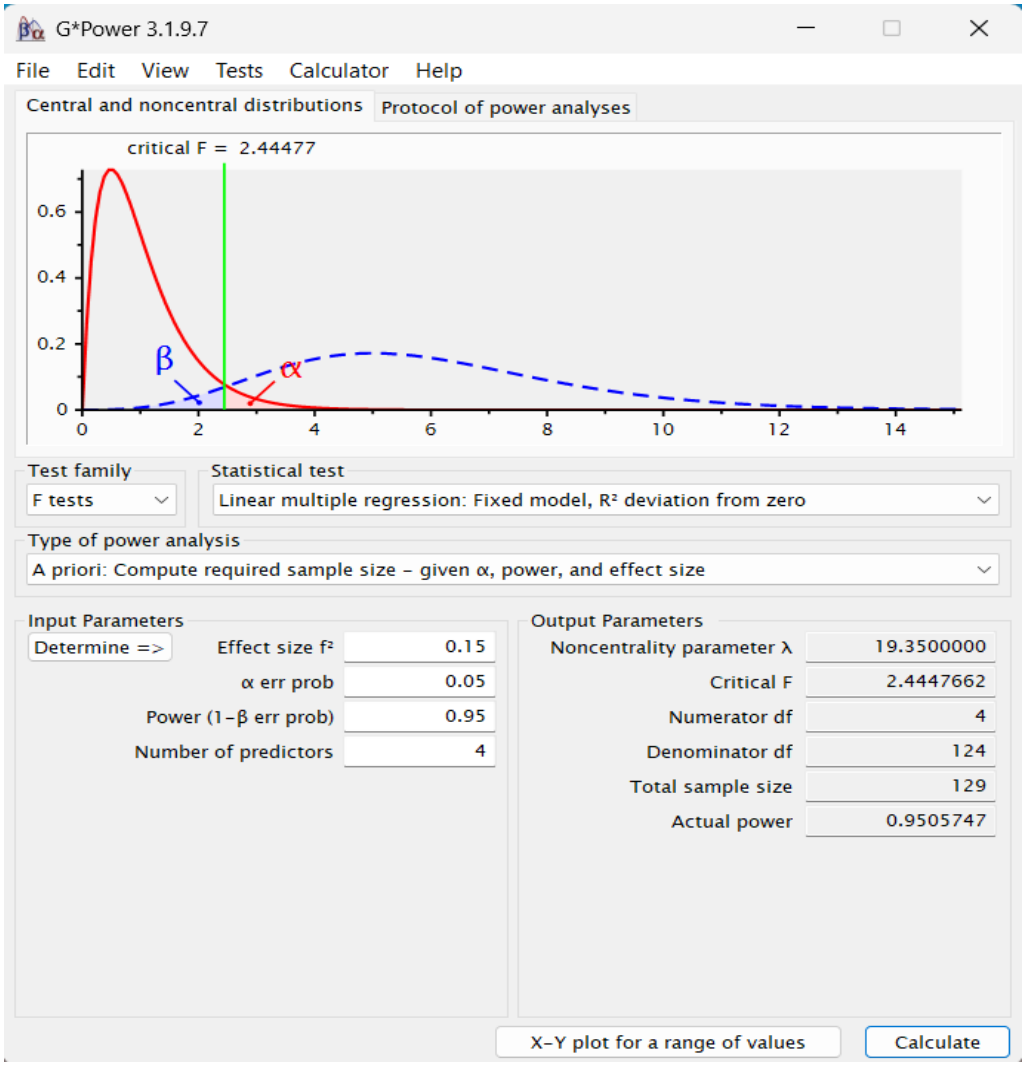
Section F: Income Level

This section examines how your income level and financial stability affect your decision to contribute to PRS. It considers whether income sufficiency, stability, and competing financial priorities influence your ability and willingness to save for retirement.

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

	Question	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
IL1	My current monthly income is sufficient to allow me to contribute to PRS.	1	2	3	4	5
IL2	A stable income makes me more confident to commit to PRS contributions.	1	2	3	4	5
IL3	Even with a limited income, I would still try to save through PRS.	1	2	3	4	5
IL4	I often prioritize short-term expenses over saving for PRS.	1	2	3	4	5
IL5	I would only consider PRS if my salary increased in the future.	1	2	3	4	5
IL6	I believe PRS is more suitable for individuals with higher income levels.	1	2	3	4	5

Appendix 3.2: G*Power 3.1.9.7



Appendix 4.1: Age Group Descriptive Analysis

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 – 24 years	123	65.8	65.8	65.8
	25 – 29 years	43	23.0	23.0	88.8
	30 – 35 years	21	11.2	11.2	100.0
	Total	187	100.0	100.0	

Appendix 4.2: Gender Descriptive Analysis

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	52	27.8	27.8	27.8
	Female	132	70.6	70.6	98.4
	Prefer not to say	3	1.6	1.6	100.0
	Total	187	100.0	100.0	

Appendix 4.3: Marital Status Descriptive Analysis

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	173	92.5	92.5	92.5
	Married (no children)	6	3.2	3.2	95.7
	Married (with children)	7	3.7	3.7	99.5
	Divorced / Widowed	1	.5	.5	100.0
	Total	187	100.0	100.0	

Appendix 4.4: Higher Educational Level Descriptive Analysis

Highest Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	25	13.4	13.4	13.4
	Bachelor's Degree	137	73.3	73.3	86.6
	Master's Degree	15	8.0	8.0	94.7
	Others	10	5.3	5.3	100.0
	Total	187	100.0	100.0	

Appendix 4.5: Reliability Test for Adoption of PRS

Reliability Statistics

Cronbach's Alpha	N of Items
.879	6

Appendix 4.6: Reliability Test for Attitude towards PRS

Reliability Statistics

Cronbach's Alpha	N of Items
.741	6

Appendix 4.7: Reliability Test for Financial Literacy

Reliability Statistics

Cronbach's Alpha	N of Items
.734	6

Appendix 4.8: Reliability Test for Government Policies

Reliability Statistics

Cronbach's Alpha	N of Items
.839	6

Appendix 4.9: Reliability Test for Income Level

Reliability Statistics

Cronbach's Alpha	N of Items
.703	6

Appendix 4.10: Result of Pearson Correlation Analysis

Correlations

		DV	IVA	IVFL	IVGP	IVIL
DV	Pearson Correlation	1	.489**	.322**	.250**	.339**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001
	N	187	187	187	187	187
IVA	Pearson Correlation	.489**	1	.707**	.590**	.687**
	Sig. (2-tailed)	<.001		<.001	<.001	<.001
	N	187	187	187	187	187
IVFL	Pearson Correlation	.322**	.707**	1	.703**	.661**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001
	N	187	187	187	187	187
IVGP	Pearson Correlation	.250**	.590**	.703**	1	.632**
	Sig. (2-tailed)	<.001	<.001	<.001		<.001
	N	187	187	187	187	187
IVIL	Pearson Correlation	.339**	.687**	.661**	.632**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	
	N	187	187	187	187	187

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

Appendix 4.11: Result of Pilot Test

Variables	Cronbach's Alpha	N of Items
Adoption of Private Retirement Schemes (PRS)	0.965	6
Attitude towards Private Retirement Scheme (PRS)	0.806	6
Financial Literacy	0.833	6
Government Policies	0.874	6
Income Level	0.767	6