

Are the Urban Malaysian Selfish, Altruistic, Dynastic, or Social Norms and Tradition?

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Abstract

The trend of population aging will pose distinct challenges on many parts of society including bequest motives. Bequest is important in an economic sense and crucial element to policy prescriptions related to wealth distribution, saving behaviour among older persons, government pension policy, taxation, charitable contributions, and wealth holdings and income flow for next generation. The aim of this study is to identify the urban Malaysians' bequest motives. Three bequest motives, named selfish life-cycle model, altruism model, and social norms and tradition model have been identified in this study. The findings alert the society that children are unlikely to co-reside with, or care for their older parents if their parents have little or no housing assets and little or no income. Thus, there is urgent need to introduce and strengthen the long-term care social security system, and to upgrade and expand the old folks' homes. So that, the frail and needed older persons with little or no assets and income, can receive adequate care and financial supports.

Keywords: Selfish Life-cycle Model, Altruism Model, Dynasty Model, Social Norms and Tradition.

1. Introduction

The continuing decline in mortality and fertility has resulted in population ageing in Malaysia. Demographic statistics shows that the percentage of population aged above 60 increased from 5.5% in

1970, to 5.9% in 1991 and 6.3% in 2000 (United Nations, 2007). The number of persons above 60 years old has increased from 546 thousand in 1970 to 1.0 million in 1991, to 1.4 million in 2000 (Pala, 2005), and it is projected to reach 4.4 million in 2025 (United Nations, 2007). This demographic change will pose distinct challenges on many parts of the society. For example, there will be challenges in the financial management of retirement, health care, and shifts in the purchase behaviours of shifting consumer (Mertens, Russell and Steinke, 2008). The focus of this study is on the bequest motives of the older persons in urban areas of Malaysia. Bequest motive is refers to intergenerational transfers of wealth from parents to their children (Fink and Redaelli, 2005). According to Tin (2010), bequest motive is an important resource transfer from the parents to the children such as cash, bonds, shares, properties and other valuable items. If the parents with the bequest motives, normally they are more likely to save a bigger portion of their incomes and invest in financial market and permanent assets (Tin, 2010). Parents with children are more likely to be consistent in saving money or to have a bequest motive to leave the wealth to their next generation as compare to those parents without children (Hurd, 1989). Hurd (1987) indicated that parents accumulated the wealth is purposely for children, however, they decumulate their wealth faster than parents without children.

About 80% of the household wealth in the developed countries, like United State, is inherited wealth (Kotlikoff and Spivak, 1981). Based on the panel data from Asset and Health Dynamics among the Oldest Old (AHEAD) survey, Kpoczuk and Lupton (2007) found that about 75% of the respondents have motives to leave theirs assets or properties to their children. In Japan, the wealth transfers from the parents to children rarely happen as the bequest volume just about 15% of the total household wealth transfers to children and parents always request support from the children in their old age (Horioka, 2009).

Wealth accumulation is used to prevent from unforeseen circumstances such as to finance or health problem, to maintain constant quality of life, and to safeguard one from not getting any support or insufficient financial aid from children (Alessie, Lusardi and Kapteyn, 1999). Therefore, this group of people are holding or allocating a large portion of assets or wealth for their future spending or personal uses. Goetting and Martin (2001) study found that more than 60% of the respondents showed that they had a written will and the chances having a will is depends on race, education, net worth and the respondent's assessment. Nordblom and Ohlsson (2010) found that for those who are rich are more likely to leave a property to their children. It is interesting to find that daughters are more likely to have a university education fund and inter vivos gifts (controlling for the parents' financial resources) from parents then sons (Nordblom and Ohlsson, 2010). This may due to the daughters are closer and more caring towards their parents.

There is a number of research focuses on bequest motives from others countries. However, there is dearth of research on the bequest motives among older persons in Malaysia. Thus, the aim of this study is to identify the urban Malaysians' bequest motives as described in the selfish life-cycle model, altruism model, or social norms – and tradition model.

2. Previous Research

Bequest is important in an economic sense and crucial element to policy prescriptions related to wealth distribution, saving behaviour among older persons, government pension, taxation, charitable contributions, and wealth holdings and income flow for next generation (Kopczuk and Lupton, 2007). In addition, substantial bequests have been suggested as one of the main cause of increasing wealth inequalities (Horioka, 2009). These inequalities will pass on from generation to generation. There are four principle economic theories of bequests namely, selfish life-cycle model, altruism model, dynasty model (Horioka, 2002), and social norms and tradition (Wakabayashi and Horioka, 2009). The comparison of these four theories is showed in Table 1.

The selfish life-cycle model indicated that one only just concern of himself or herself (Lee and Horioka, 2004; Yin, 2010). According to Horioka (2002), this selfish life-cycle model assumed that the

individuals are selfish and they do not leave any bequests to their family members. If they leave bequests to their children that only mean that they are expecting something such as, care and support, from their family members (Bernheim, Shleifer and Summers, 1985). The resource transfers from parents to children not only to fulfill the parent responsibility, but as the investment in potential family members and they hope their children able to take care of them reciprocally as their aged or health deteriorated (Berry, 2010). Some of them communicate to their children and that he or she will only receiving the bequest when they died with the condition of the children must provides regular financial support and care to them (Bernheim, Shleifer and Summers, 1985). In general, the selfish group has no intention to leave any bequests to their family members. If they leave something to their family members also with certain motives because they expect helps and supports from the family members especially their children (Yin, 2010). In Asian region, bequest motives are very strong. The study of Yin (2010) in China found that the selfish life-cycle model applies in China because more than 60% of respondents children are more likely co-reside with parents if their parents own a house.

Altruism model is the person’s not only care about their own lifetime consumption also thinking have to take care and given financial support to their next generation (Barro, 1974). Yin (2010) assumes that the parents who are altruistic will leave bequests such as cash, properties and other valuable items to their lovely family members especially their children without any motives. This means they will leave a bequest no matter what to their children and never expects any rewards such as financial support or care support from their children. This group of peoples always thinks that they have a responsibility to ensure that their children live in good environment and having a comfortable life (Becker, 1974; 1981; 1991; Horioka, 2002). In United Sates, the study found that the bequest motives are very strong and they are altruistically motivated (Lee and Horioka, 2004). In addition the study also found that those older, rich, married, high educated, Caucasian, good health status, free thinker has the high probability to leave a bequest compared to the others.

Dynasty model is the person’s care about the perpetuation of the family business and the individuals will leave majority or the entire bequest to the children who are carrying on the family business (Horioka, 2002; Horioka, Yamashita, Nishikawa and Iwamoto, 2001). According to Chu (1991) the individuals under this dynasty model are motivated by a desire to perpetuate the family business and usually will leave majority or the entire bequest to the capable children who will act as a leader in their family business.

Social norms and tradition is referring to the parent and children co-residence, and these usually refer to the eldest son to live with their parents (Wakabayashi amd Horioka, 2009). In another words, the eldest son must take care of their parents during old age even not receive any bequest from their parents. According to Stankov (2011), social norms can be defined as a society or culture standard behaviour. In other words, as parents, they must takes care their children when the children grow up, while the children will take care of their parents during old age. In particular is called Confucianism. Research also found that in Japan, the parents and children co-residence has a strong linked with the financial transfers between the parents and their children (Sakudo, 2007). In Italy, for those young Italian living with their parents will enjoy the financial benefit from the co-residence (Manacorda and Moretti, 2005).

Table 1: Comparison of Four Theoretical Models of Bequests

Motives	Selfish life-cycle model	Altruism model	Dynasty model	Social norms and tradition
Assumption	Individual are selfish or just concern about themselves	Individual are altruistic	Individual are care about the perpetuation of the family business	Parent and children co-residence

Table 1: Comparison of Four Theoretical Models of Bequests - continued

Bequest motive behavior	Leave no bequest;	Leave a bequest to children without any motive;	Leave bequest to who are willing to take over their business	Eldest son to live with their parents;
	Leave only whatever assets happen to be left over;	Leave a bequest to children no matter what;		Eldest son to take care their parents during old age and not necessary received any bequest from their parents;
	Leave more bequest to the children provide care during old age	Leave as large a bequest as possible to children;		
		Divide bequest equally to the children; Leave more bequest to the neediest children such as lower income		Confucian teaching

Source: Horioka, 2002; Wakabayashi and Horioka, 2009

3. Research Method

The target sample was those aged 50 or over and residing in the State of Selangor, Malaysia. A total of nine districts (Gombak, Klang, Kuala Langat, Kuala Selangor, Petaling, Sabak Bernam, Sepang, Ulu Langat and Ulu Selangor) in Selangor were selected from the Census of Malaysia 2010. To ensure a representative sample of older persons, the selection of the areas of this study is based on a probability proportional to population size procedure at sub-district level. Within each sub-district the areas are selected to provide adequate representation of rural and urban areas, and different ethnic groups.

Survey questionnaires are used as the mean to elicit the required data for the cross-sectional study. The respondents were asked on five different aspects. The first section comprised of socio-demographic characteristics. The second and third sections consisted of questions related to resource transfers (time and financial transfers). The fourth section was enquiring about the financial satisfaction and bequest motives of respondents. Finally, several questions were gauging about the financial status of respondents.

The data were collected through face to face interviews from April to June 2011. A sample frame of older persons in each selected area was compiled by Department of Statistics Malaysia. Random sampling was then used to select the eligible respondents for the survey. The survey covered a sample of 760. The detailed of the descriptive analysis of the respondents' characteristics are shown in Table 2.

Table 2: Profile of Respondents

Characteristics		Total (%)
Gender:	Male	47.0
	Female	53.0
Race:	Malay	36.8
	Chinese	40.8
	Indian	22.4
Religion:	Islam	37.5
	Buddhism/Taoism	38.4
	Hinduism	20.1
	Others	4.0
Age Group:	50-59	56.4
	60-69	29.5
	70 or over	14.1

Table 2: Profile of Respondents - continued

Marital Status:	Currently Married	73.0
	Widowed	22.8
	Others	4.2
Educational Level:	No Schooling	14.9
	Primary School	32.1
	Secondary School	37.5
Total (%)		100.0
Number of respondents		(760)

4. Results and Discussion

To identify the urban Malaysian bequest motives, the principal component analysis (PCA) was used. Some of the motives that influencing the urban Malaysian bequest models, such as, selfish life-cycle model, altruism model, dynasty model, and social norms and tradition could not be directly observed, but could be measured through latent variables. PCA with varimax rotation was used to assess the underlying structure for the seventeen variables of the perception towards bequest motives. Prior to performing PCA, the suitability of data for factor analysis was assessed.

The Kaiser-Meyer-Okin value was 0.71, exceeding the recommended value of 0.6 (Kaiser, 1974) and Bartlett's Test of Sphericity (Bartlett, 1954) reached statistical significance ($p < 0.001$), supporting the factorability of the correlation matrix. PCA revealed the presence of three components with eigenvalues exceeding one; explaining 31.1%, 26.4% and 12.9% of the variance respectively (Table 3). The result of Parallel Analysis (Pallant, 2007) confirmed that three components with eigenvalues exceeding the corresponding criterion values for a randomly generated data matrix of the same size (11 variables x 760 respondents). The three-component solution explained a total of 70.4% of the variance. Table 4 showed that the Cronbach's α for three components are above 0.7 (first component is 0.925, second component is 0.779 and 0.859 for the third component), which indicated that the variables from the scales had reasonable internal consistency reliability.

Table 3: The Results of Principal Component Analysis (PCA)

Items	Component		
	1	2	3
<i>Selfish Life-cycle</i>			
My child contribute to my monthly expenses	0.905		
No matter what, my child contribute to my monthly expenses	0.902		
My child contribute to my monthly expenses, if have insufficient incomes for my living	0.898		
My child contribute to my expenses, if their can afford it	0.896		
<i>Altruism</i>			
Elderly parents should WILL their properties to their child		0.780	
I want to leave as large a bequest as possible to my child		0.743	
I plan to leave a bequest no matter what		0.740	
Elderly parents should provide financial assistance to help their child become economically independent		0.708	
Elderly parents should provide financial assistance whenever they can afford it		0.638	
<i>Social Norms and Tradition</i>			
I contribute to my child monthly expenses, if they have insufficient income for their living			0.921
I contribute to my child monthly expenses, if I can afford it			0.897
Eigenvalues	3.421	2.900	1.421
% of variance explained	31.1	26.4	12.9
Cumulative %	31.1	57.5	70.4

First motive was named selfish life-cycle model. This model consisted of four variables and explained 31.1% of the variance (Table 3). The second motive was dubbed as altruism model and consisted of five variables, and explained 26.4% of the variance. The last motive was labeled as social norms and tradition and consisted of two variables, and explained 12.9% of the variance.

Selfish life-cycle model was revealed to be the first loaded motive in factor loading. This means selfish model is the first important motive selected by respondents in their bequest transfers decision. In selfish life-cycle model, the parents are selfish or just concern about themselves. According to Bernheim, Shleifer and Summers (1985), Horioka (2002), Lee and Horioka (2004) and Yin (2010), the selfish parents has no an intention to leave a bequest to their children or family members. If they leave bequests to their children, means they also expected something from their children such as the children have to take care of them during the old age. During their old age time, this group of peoples, they expect their children contribute to their monthly expenses and some of them even assume that the children must contribute to their monthly expenses. For those more liberal parents, they only request their children supports when they do not have sufficient sources for their monthly expenses or only request supports from those children can afford it.

Table 4: Descriptive Statistics on the Contracts and Cronbach’s Alpha

Factors	Mean	Standard Deviation	Cronbach’s Alpha	Items
Selfish Life-cycle	4.484	1.831	0.925	4
Altruism	4.599	1.277	0.779	5
Social Norms and Tradition	4.111	1.928	0.859	2

Altruism model was revealed to be the second loaded motive in factor loading. In intergenerational transfers, altruism model is one of the important theoretical models of bequest transfers. Altruism is interrelated with the parents will leave a bequest to their children without any expected rewards from the children (Hurd, 1987; Kopczuk and Lupton, 2007; Ramessur, 2009; Tin, 2010). In altruism model, parents will leave a bequest or to support their children without expecting any returns from their children. For poorer parents, they will do his/her best to leave some bequests or to provide financial support to their lovely children with the purpose of their children could have a better life. For those financial independent parents, they will leave as many bequests as possible to their children or their properties to their children.

Third loaded motive in factor loading is the social norms and tradition factor. Social norms and tradition is a mutual understanding within the society or in the family. As parents, they had a task to support their children needs until their children grown up. As children, their also had a task to support their parents during old age time (Stankov, 2011). Even both parties do not have an intention to support each others, but because of the mutual understanding or culture or tradition, both parties will help each other.

5. Conclusions

This study found that the selfish life-cycle model applies in urban Malaysian where parents are expecting their children to provide financial support and take care of them in their old ages. According to Masitah (1989), the parent-child co-residence rate is high in Malaysia and the main reason is older persons need mental and financial supports from their children. Most parents are taking care of their children are out of the responsibility, love or looking for potential children to invest and hoped that the children will takes care of them reciprocally as they aged or health deteriorated (Berry, 2010).

Children are more likely to co-reside with their older parents if their parents have a bequest motive. This implies that children are also selfishly motivated. This result is consistent with the results for Japan and China but contrary to the results for the U.S. The findings, however, also alert the society that children are not likely to co-reside with, or care for their older parents if their parents have little or

no housing assets and little or no income. Thus, in turn, there are urgent needs to introduce a long-term social security system, and to upgrade and expand the old folks' homes, so that the frail and needed older persons with little or no assets and income can receive adequate care and financial support. One other policy implication of the findings is that since parent–child co-residence is selfishly motivated and a quid pro quo for bequests from parents to children, intergenerational transfers from parents to children (net of the market value of care and co-residence provided by children to their parents) are not necessarily large or even positive, meaning that there is little need to worry about wealth inequities being passed on from generation to generation (Yin, 2010).

The limitation of this study is the survey coverage. Selangor is the most developed area in Malaysia, with higher educational attainment and income. The perception towards bequest distribution may be quite different from other states. Thus, a nation-wide survey on the older persons should be considered for future research to gauge a better understanding of the situation in Malaysia.

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