


Mediating factors in retirement savings and well-being: a focused study on Sarawak

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ABSTRACT

This study aims to examine the factors that influence societal savings habits and pre-retirement well-being. Triggered by the global trend of low personal interest rates, it seeks to illuminate how preparedness for retirement affects the overall quality of life and societal well-being. More specifically, the study pursues three (3) main objectives: 1) to identify the socio-demographic and behavioural elements that shape societal savings habits; 2) to determine the factors that affect individuals' propensity to save; and 3) to assess the impact of savings behaviours on pre-retirement well-being, focusing on aspects such as happiness, prosperity, health, comfort, and security. We used the Partial Least Squares Structural Equation Model (PLS-SEM) with SMART-PLS to analyse these relationships. The results illustrate significant correlations among financial literacy, savings habits, financial risk tolerance, future time perspectives, retirement savings, and retirement well-being. These findings bolster the study's conclusions, which are further supported by active survey participation.

IMPACT STATEMENT

The research presented in this paper examines the critical intersection of retirement savings, individual well-being, and savings habits. In an era marked by economic uncertainty, understanding how savings habits impact long-term financial security and overall quality of life is of paramount importance. Our study delves into the complex dynamics that influence retirement saving decisions and their implications for individuals, families, and society as a whole. By exploring the relationship between savings habits and well-being indicators such as financial stress, mental health, and overall life satisfaction, we aim to provide insights that can inform policy interventions and financial literacy initiatives. The findings of this research have significant implications for public policy, financial institutions, employers, and individuals alike. By identifying barriers to effective retirement saving and highlighting strategies to promote greater financial resilience, we hope to contribute to the development of policies and programs that support retirement security for all segments of the population. Thank you for considering the public interest implications of our research and for your support in advancing our collective efforts to promote financial well-being and retirement security.

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SUBJECTS

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1. Introduction

Savings are pivotal for socioeconomic development, as they affect the well-being of nations, regions, communities, and individuals. The increase in life expectancy has led to a corresponding rise in savings behaviour (Curtis et al., 2017). In Malaysia, however, insufficient savings rates are a pressing concern, with many individuals lacking adequate retirement funds (Shagar, 2016).

Studies indicate that nearly 90% of Malaysian households do not have sufficient emergency savings and carry significant debt (Ngui, 2016; Shukry, 2014). The high cost of living is a major factor contributing to inadequate savings (Credit Counselling & Debt Management Agency, 2018). This situation

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underscores the need for targeted financial interventions. Savings habits are generally intended to secure future needs, such as retirement and education. Nevertheless, some literature critiques these habits as myopic, driven by immediate consumption patterns (Pollak, 1970; Spinnewijn, 2015). Retirement planning, which includes savings and pensions, is also associated with work-related stress and familial strain in later life (Coursolle et al., 2010; Feldman & Beehr, 2011).

Well-being, closely linked to happiness and life satisfaction, reflects individuals' perceptions of their lives. Positive living conditions, including stable housing and employment, are integral to well-being. High subjective well-being is characterised by pleasant emotions, minimal negative moods, and overall life satisfaction (Diener et al., 2010). Despite this, many individuals face challenges with retirement savings, with 90% of rural and 86% of urban households having no savings (Malaysian Digest, 2016).

Savings influences lifestyle, emergency preparedness, and financial goals. Savers generally experience better mental well-being when compared to borrowers, who often face financial strain from debts, such as credit cards and loans (Anong & DeVaney, 2010; Hira, 1987; Lee et al., 2000; Livingstone & Lunt, 1993). Research in Malaysia has shown that certain ethnic groups are more prone to exceeding their income and accumulating credit card debt (Loke, 2016). Consequently, ethnicity has been identified as a significant factor in predicting financial behaviour (Garrison & Gutter, 2010; Hira et al., 2013; León & Pfeifer, 2017). Strong financial health positively impacts psychological support, personal satisfaction, and overall quality of life (Abdul Mutalib et al., 2017; Makhtar et al., 2016).

This study aims to examine the mediating factors influencing the relationship between retirement savings and well-being in Sarawak. It will investigate the impact of financial literacy, cultural attitudes, income levels, and regional variations on savings behaviour and overall well-being. Additionally, this investigation will assess how debt and financial pressure mediate this relationship. The findings will be used to develop targeted recommendations for enhancing retirement savings strategies and improving well-being in Sarawak, Malaysia.

2. Literature review and theoretical framework

Our approach is based on the idea that daily spending habits can provide insight into long-term savings habits. The theory we follow suggests that individuals who manage their spending effectively are also likely to save consistently over time, including for retirement. To better understand how people save for retirement, we used six (6) specific spending measures. These measures provide a clearer and more accurate picture of spending habits and how they contribute to retirement savings.

2.1. Financial literacy

Financial literacy is not solely about acquiring knowledge; it also involves the ability to apply that knowledge in real-life situations. If individuals lack the abilities or confidence to put what they know into practice, it will likely be difficult to translate financial literacy into practical retirement savings habits. Individuals engage in personal money management within a changing society to develop financial literacy, gain financial knowledge, and understand the consequences that affect their financial decisions on themselves, others, and the environment (Remund, 2010).

A low level of financial literacy can lead to credit issues, which may result in bankruptcy and facilitate a more significant level of budgetary proficiency. Therefore, individuals must prioritise and carefully manage their spending and savings activities to achieve a good level of financial well-being (Ali et al., 2013). Small savings programmes, financial literacy, and financial behaviour have a significant positive effect on savings habits, making a significant impact (Mohanta & Dash, 2022).

2.2. Self-efficacy

Self-efficacy refers to the belief in one's potential and confidence to execute and accomplish a particular behaviour. It implies that individuals who possess strong self-efficacy are less likely to attempt behaviours they believe will fail. This belief system internally influences how individuals feel, think, behave, and motivate themselves, encompassing cognitive, motivational, affective, and selection functions.