

**FACTORS THAT INFLUENCE
ENTREPRENEURIAL INTENTION AMONG PRE-
RETIREES IN KUALA LUMPUR AND
SELANGOR, MALAYSIA**

CHOW MEI MIN

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FACTORS THAT INFLUENCE ENTREPRENEURIAL INTENTION
AMONG PRE-RETIREEES IN KUALA LUMPUR AND SELANGOR,
MALAYSIA

CHOW MEI MIN

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ABSTRACT

As Malaysia is becoming an aged nation by 2030, according to the Department of Statistics, Malaysia, where 14% of the population will be in their 60s in the next 10 years, pre-retiree Malaysians particularly are encouraged to generate consistent and secure income sources to protect a sustainable retirement lifestyle. One of the practical strategies is to encourage the development of senior entrepreneurship. Most of the entrepreneurship researches in Malaysia are mainly focused on certain groups of people, particularly on younger people seeking alternative to being employed. The pre-retirees or the senior cohort thus have been neglected and overlooked. The main objective of this study is to examine the determinants that affect entrepreneurial intention among Malaysian pre-retirees between ages 45 to 59 years old. Specifically, it examines the relationship between the independent variables of entrepreneurial attitude, individual entrepreneurial orientation, instrumental readiness and entrepreneurial ecosystem, and the dependent variable of entrepreneurial intention. A questionnaire survey adopted in this study secured the required information from 616 target respondents in Wilayah Persekutuan Kuala Lumpur and State of Selangor, whose analyzed responses thus explain the 65.5% variances in entrepreneurial intention among Malaysian pre-retirees. The research findings established, using SPSS version 27 and Smart PLS 3.0 application, suggest that Entrepreneurial Attitude, Individual Entrepreneurial Orientation, Instrumental Readiness and Entrepreneurial Ecosystem have significant positive relationships with Entrepreneurial Intention, also showing that Entrepreneurial Attitude has mediated partially the relationship between Individual Entrepreneurial Orientation and Entrepreneurial Intention. This study also found that there are gender and ethnicity differences on the three dimensions of individual entrepreneurial orientation: risk taking, innovativeness and proactiveness; except for ethnicity on risk taking only. The overall results provide useful informational insights for the Malaysian government and other public interest groups including financial institutions and business advisory agencies keen to tap on pre-retirees as a productive and contributory source for entrepreneurial SME business development. In this way, the research gap in entrepreneurship development can be bridged by exploiting a potential untapped resource of pre-retirees for further country economic wealth creation and improving post-citizenship retirement welfare.

APPROVAL

I certify that I have supervised / read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfillment of the requirements for the degree of Doctor of Philosophy.




.....
Associate Professor Dr. Oo Yu Hock
Supervisor



.....
Professor Dr. Mohar Yusof
Universiti Tun Abdul Razak
External Examiner 1



.....
Professor Dr. Roshidi Hassan
Universiti Teknologi Mara
External Examiner 2



.....
Associate Prof Dr. Wan Sabri Wan Hussin
Asia e University
Internal Examiner



.....
Professor Dr. Siow Heng Loke
Chairman, Examination Committee

This thesis was submitted to the School of Management, Asia e University and is accepted as fulfillment of the requirements for the degree of Doctor of Philosophy.



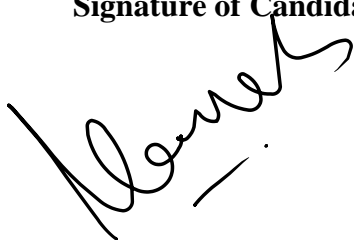
.....
Professor Dr. Juhary Ali
Dean,
School of Management
School of Arts, Humanities & Social Sciences

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: Chow Mei Min

Signature of Candidate:

A handwritten signature in black ink, appearing to read 'Mei Min', written in a cursive style.

Date:30th June 2021

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LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
CA	Cronbach's Alpha
CR	Composite Reliability
DOSM	Department of Statistic Malaysia
EAO	Entrepreneurial Attitude Orientation
EO	Entrepreneurial Orientation
EPF	Employees Provident Fund
GEM	Global Entrepreneurship Monitor
GLCs	Government-linked Companies
GLICs	Government-linked Investment Companies
HTMT	Heterotrait-Monotrait Ratio of Correlations
IEO	Individual Entrepreneurial Orientation
INSKEN	Institut Keusahawanan Negara
MaGiC	Malaysian Global Innovation & Creativity Centre
MARA	Majlis Amanah Rakyat
NBOS	National Blue Ocean Strategy
NSDC	National SME Development Council
OECD	Office of Economic Cooperation and Development
PLCs	Public Listed Companies
PLS	Partial Least Square
PUNB	Perbadanan Usahawan National Berhad
SEM	Structural Equation Modelling
SLSME	Soft Loan for SMEs
SLSSS	Soft Loan Schemes for Service Sector
SMEs	Small and Medium Enterprises
SOH II	State of Households II

SPSS	Statistical Package for Social Science
TPB	Theory of Planned Behavior
TUBE	Tunas Usahawan Belia Bumiputra
TUS	Tabung Usahawan Siswazah

CHAPTER 1

INTRODUCTION

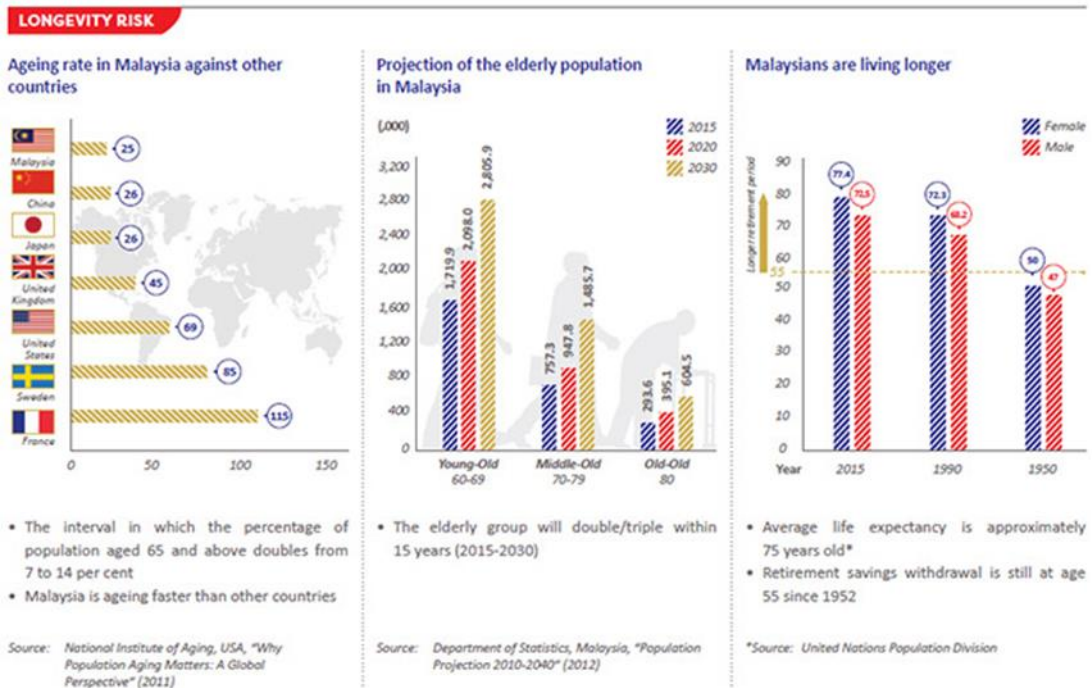
Chapter 1 provides an overall idea and brief discussion about current retirement life and aging issues in Malaysia. The background of the study and statement of problem highlights that there is a need to encourage senior entrepreneurship in Malaysia. This chapter also outlines research questions and research objectives to explain the purpose of the study and the intended achievements at the end of the study. Significance of the study, scope of research and definition of key terms are also covered in this chapter. At the end of the section, the structure of this thesis summarizes all chapters in this study.

1.1 Background of Study

1.1.1 Aging Population and the Current Retirement Scenario in Malaysia

Malaysia, like countries such as China and Japan, is fast moving towards becoming an aging nation, where the population of 60 years and above is set to be doubled from 7% to 14%. In other words, the projected elderly group in Malaysia is going to be doubled or even tripled, in the next 10 years (from 2020-2030) as recorded by the Department of Statistic Malaysia (2012). Reasons that contributed to this scenario are declining fertility, low mortality and longer life expectancy of 75 years in 2015, as compared to 70 years in 1990, and 48.5 years in 1950 (United Nations Population Division). Figure 1.1 presents the overall longevity risk in Malaysia.

Malaysia is fast heading towards becoming an Aged Nation by 2030, whereby 14% of the population will be aged 60 and above.



There is an urgent need to establish a holistic Social Security Framework and Infrastructure to streamline all the social security programmes in Malaysia.

Figure 1.1 Longevity Risk in Malaysia
Source: Employees Provident Fund (EPF) Annual Report

In Malaysia, the mandatory retirement age has been revised from 55 to 60 years old for employees in the private sector, under the Minimum Retirement Act 2012 which was enforced on 1 July 2013 (Ministry of Human Resource Website). As for civil servants, the mandatory retirement age has also been adjusted from 58 to 60 years old since 2012. After the age of 60, the majority of civil servants will retire and receive a pension from the monthly pension fund from the government for their living expenses throughout their retirement life. For those who work in the private sector or for civil servants who opt for Employees Provident Fund (EPF) contributions, they are entitled to withdraw the lump sum of money contributed to EPF at the age of 55. The issue highlighted is whether the amount of money retirees receive from the government and the retirement savings that people saved throughout their working lives are sufficient to maintain

quality and comfortable lifestyles for the next 15 to 20 years, given that the average life expectancy is 75 years.

Unfortunately, according to EPF Malaysia, Malaysians are not well prepared for their retirement life. According to a survey conducted by Khazanah Research Institute revealed in the State of Households II (SOH II) report, that Malaysian pre-retirees who are at the ages of 51 to 55, have an average of RM159,952 in their EPF accounts; and that this amount of money can only last for 15.6 years, given the assumption that the individual lives on the current poverty income line of RM930 per month in urban Peninsular Malaysia. Besides that, EPF annual report 2016 revealed that 68% of EPF members aged 54 had savings of less than RM50,000, which would allow an individual to sustain his or her retirement for only 4.5 years (given a poverty income line of RM930 per month). These statistics strongly indicate that Malaysians will be in a state of struggling to maintain a comfortable lifestyle after retirement, if necessary actions are not being taken to close this huge income gap.

The SOH II reports also revealed that poor retirement savings and low financial literacy among senior citizens in Malaysia are main reasons that explain why Malaysian are not well prepared for their retirement. Household savings rate in Malaysia only accounted to 1.6% of adjusted disposable income in 2013; compared to household savings rates in the United States, which is generally known to be very low, but nevertheless, is still much higher than Malaysia, at 5%. This is one of the worrying facts found in the SOH II report. According to EPF Malaysia, only 10% to 20% of Malaysians understand the importance of retirement planning. This group of people who have good retirement planning and save enough for their retirement are usually highly educated and from

high income class (Zhong and Xiao, 1995). Another group of 40% to 50% of the population, will be the ones who need help and assistance to change their saving mindsets and behaviours during working life, in order to prepare well for the step into their next cycle of life: Retirement (EPF Malaysia). According to Boffey (n.d), working people in Malaysia have a mindset in which they think the future is still far ahead and they do not view old age, retirement and dying as part of immediate issues which should be part of their concern.

A study conducted by HSBC Group surveyed 1,015 respondents in Malaysia in 2016 found that almost 15% of pre-retirees from the survey had not started saving for their retirement. While those closer to retirement should have started saving for their retirement, but surprisingly, the study showed that only 6% of people in their 50s and 8% aged 60 or above, had still not started saving. This indicates that among working aged Malaysians who have started saving for their later years, 44% of them have stopped saving or faced difficulties saving for retirement. According to the survey, those who are in their 40s are more likely to be financially stretched by supporting others (92%) and borrowings (79%). Many retirees continue to support their loved ones despite no longer being in paid employment, in which 40% support a spouse/partner, 39% support grown up children, 21% support children under 16, another 21% and 8% provide for grandchildren and parents, respectively.

Apart of financial responsibilities, healthcare costs present another source of worry to pre-retirees and retirees as well. According to the survey conducted by HSBC, total healthcare cost in Malaysia is projected to increase by 8.8% annually. This unexpected medical cost can bring huge negative impacts at any stage in life, but especially during

retirement when people have no secure stream of income. According to the survey, 83% of retirees are worried about the rising cost of healthcare and 77% are worried that they might not be able to generate income due to illness in their later lives.

Semi-retirement has become a current employment trend in the workplace today. Rather than go from full-time work to full retirement overnight, some people opt for working fewer hours in the same job, some plan for a change in career as well as reduced hours, or changing jobs but with the same working hours. It is a rather positive move for those choosing the path of semi-retirement. The survey conducted by HSBC in 2016 showed that 31% opted for semi-retirement in order to assist in keeping themselves physically and mentally active; 24% enjoyed the social aspects of working environment; 24% just simply liked working; and that another 20% liked the routine that working brings. However, for certain people, semi-retirement is not a choice but rather a need. 29% of retirees need to continue to work in order to maintain comfortable lifestyles and 22% had family members to support, even though they had passed the usual retirement age of 60.

In view of the current scenario in Malaysia, HSBC Head of Retail Banking and Wealth Management, Lim Eng Seong highlighted that there is a need for retirees in Malaysia to generate additional income to cope with rising costs or unexpected expenses in their retirement as the current situation in Malaysia does not permit living a comfortable life after retirement. A survey conducted by HSBC on the future of retirement in 2016, revealed that retirees in Malaysia agreed that a minimum household income of RM5,000 per month will be sufficient for them to live comfortably in their retirement. However, the fact is that 31% of them live in a household with income of less than

RM3,000 per month, a significant gap from the perceived minimum household income for a comfortable retirement; not to mention those who must survive on the poverty income line of RM930 per month!

Therefore, it can be foreseen that socioeconomic problems such as poverty, homelessness, higher crime rates and suicide cases could likely pose big threats to the Malaysian economy in future if retirement saving issues are not given top priority (Dahlia, Zuraidah and Norhidayah , 2012).

Besides, when people stop working, the risk of proneness to chronic diseases such as Alzheimer's, high blood pressure and heart diseases will be higher (Nazarina, Caroline, and Zakiah, 2014). The health condition, both physically and mentally, will deteriorate if one remains inactive in life. This will in turn, affect an individual's spending, as he or she will have to spend more on medication and health treatment.

1.1.2 Aging Population and Its Implications| on the Malaysian Economy

As reported by the Department of Statistics Malaysia (2012), the country is heading towards becoming an aged nation by 2030, where 14% of the population will be in their 60s in the next 10 years. This phenomenon can be attributed to low mortality and fertility, as well as a longer average life expectancy (United Nation Population Division). Moreover, the median age of population in Malaysia has increased from 26.2 to 29.2 from the period of 2010 to 2020 (Index Mundi, 2020). This can be evidenced by the decrease of the proportion of younger population (<15 years old) to 26.8% in 2020, from 27.6% back in 2010 while the proportion of older people (>65 years old) in the population increased to 6.9% in 2020, compared to 5.1% in 2010 (Index Mundi,