



Islamic Retirement Planning Among Indonesian Bankers

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Abstract

This study aims to analyze differences in demographic factors towards retirement planning behavior according to Islamic perspective. This research wants to analyze the influence of clarity of purpose, retirement attitude and potential conflict towards retirement planning behavior according to among the Muslim who is working in a conventional bank and the Islamic Bank. The sample used in this study as many as 270 respondents of both conventional & Islamic Banker in Indonesia. There are two methods that are used in this research which are ANOVA and Multiple Linear Regression. The results identified several demographic variables that were significant such employment status (either working in the conventional bank or Islamic Bank) and income level. Furthermore, some demographic variables do not significant including age, number of dependents and level of education. This research also shows that non-demographic variables such as clarity of purpose, retirement attitudes and potential conflicts affect significantly to influence the behavior of bankers in retirement planning according to Islamic perspective. In conclusion, the conventional Muslim bankers know that they should manage their retirement according to the Shariah value. However, some of them didn't believe that the Shariah investment instrument can fulfill their desired retirement goals.

Keywords: Islamic Financial Planning; Islamic Retirement Planning; Islamic Banking.

INTRODUCTION

Work is a human means on earth, to get income that is used to fulfill daily needs and to avoid yourself from begging. In the Qur'an it is stated that "Do (as you will), for Allah will see your deeds, and (so, will) His Messenger and

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the believers. And you will be returned to the Knower of the unseen and the witnessed, and He will inform you of what you used to do.” (QS at-Tawbah, 9: 105). Things that are closely related to the daily needs of human life certainly will not be released or stopped, even though the person is no longer productive. And if all one’s life needs are met, it is one form of prosperity achieved during the productive period (Azhim, 2006).

Indonesia is one of the countries with the highest total population, the Central Bureau of Statistics (Indonesia) or BPS conducts a thorough research on the population structure in Indonesia, namely there are approximately 260 million people in Indonesia, so in this case Indonesia can be categorized as one of the countries that has strength in demographic composition and has a surplus in terms of population with productive working age.

One of the productive age of work in Indonesia is spread in the formal sector, according to the Indonesian Central Bureau of Statistics (BPS) Indonesia’s formal workforce recorded in August 2017 has increased compared to 2016 namely in 2016 Indonesia has as many as approximately 50 million formal workers, in contrast to August 2017 the formal workforce increased by reaching 52 million formal workers. Seeing this condition, the increase in formal workforce is likely to increase the number of pre-retirees in the future. Retirement is the stage of life where involvement in certain social activities and desirable behaviors becomes less or narrow (Mansor et al, 2015).

The development of banking in Indonesia is keep increasing, so that it has an important role as one of the places for the spread of workers in Indonesia. One of the place or facility for formal workers to work is the financial sector, namely banking. Bank in Indonesia consists of conventional bank and Islamic bank. The difference between Sharia and conventional bank is that for Islamic banks they apply sharia-compliant principles, namely the principle of profit sharing, while conventional banks use the interest system in providing services to depositors and borrowers (Kasmir, 2008). Quoted in *kompas.com* (2010), Michael R. Tampi said that the standard salaries of bank employees are categorized quite high and they have a broad business network, but even though the benefits of working in a bank are quite convincing but the risk and stress level of bank employees is also quite high because each bank has a big responsibility, risk and strict code of



ethics. In addition, it was also quoted on Jpnn.com based on a study conducted by the UNI Global Union based in Switzerland, stress is known to be a major health problem experienced by bank employees because they are worried about losing their jobs, unable to reach sales targets and getting a salary cut, then these reasons have created a climate of fear for employees so they worry too much about their jobs.

The retirement planning behavior of each individual is very different, where it is influenced by the environment in which the individual lives. While attitude is a factor that must be understood so that we can understand something (Subkhi and Jauhar, 2013). Lots of employees who have not prepared themselves to face retirement or set aside the financial resources needed to support themselves after their career ends. So the results are often less than ideal when they retire. The process of how individuals make financial plans for retirement is not easy. Various factors including economic, demographic, social and psychological, will influence how individuals plan for future lives (Koposko, 2013).

This research will try to answer two major research questions (a) Whether the Demographic Factor such as Work Place, Age ,Number of Dependent and Education Level may differentiate the behavior of conventional as well as Islamic bankers on Islamic Retirement Planning; (b) Whether the Goal Clarity, Retirement Attitude and Potential for conflict affects Islamic Retirement Planning partially as well as simultaneously.

This paper consists of five sections; the first section explained the background of study as well as the research questions. The second section scrutinizes the literature review of the Islamic retirement planning behavior and its independent variables. The third section will draw up the two ways ANOVA Method and Linear Regression. The fourth section will discuss the result and the analysis of it and last section conclude the research by answering the research problem in detail as per the amount of observed variables.

LITERATURE REVIEW

Retirement Planning

According to Mansor et al. (2015) retirement is a part of a person's life where the involvement of a person in certain social activities and desired behavior becomes less or narrower. Pension also means someone who absolutely stopping a periodically paid work and reduced formal activity. While retirement planning is a scheme that aims to provide someone with income during retirement, i.e. when the person is unproductive so he no longer gets a steady income from his job.

Retirement Planning Behavior in Islamic Perspective

Subkhi and Jauhar (2013) wrote that individual behavior is behavior or interaction carried out by an individual in his environment, in this case the behavior of each individual is very different and the behavior is influenced by the environment in which the individual lives.

Believing in the assurance of Allah SWT and having confidence in a decent life in retirement is one of the behaviors that should be applied by an individual in retirement planning, this is one form of our trust in Allah SWT that everything in this world has been arranged and and given their own way (Antonio 2001). This is expressed in the part verse (Q.S Al-maidah: 48) which reads:

.....لِكُلِّ جَعَلْنَا مِنْكُمْ شِرْعَةً وَمِنْهَاجًا.....

Meaning: "To each of you We prescribed a law and a method ".....

Humans in general seek wealth, it is a most important necessity in the present and in the future which aims to seek honor and power in life on earth. In this case, good behavior is needed from each individual, especially on the behavior of retirement planning because wealth must be used honestly and truly useful. This is so that the benefits obtained are not only for families but also able to provide benefits to other communities. Similarly, in the distribution of pension funds, it must be stored in the right place, which is in accordance with the principles of shari'ah, which in it does not use interest but rather profit sharing, in hopes to provide mutual benefits (Shafii et al, 2013).



Demographic Factor

Demography is a scientific study of population. Demographics find out about size, composition, distribution, density, growth, and other characteristics. It also looks for an explanation of the causes of demographic changes and the consequences of these changes (Haupt and Kane 1991).

Work

According to Erdner and Guy (1990) work is an important identity in life. When work becomes an important identity, it will have an interesting consequence in the area of attitude towards retirement. Job factors influence the attitude of a person or employee towards retirement, namely when they determine a decision, either having to retire or continue to work, then when the unpredictable labor market may have a negative influence on the employee's decision to retire.

Age

Different age groups or ages of each individual who is in the productive period of work, will have different perspectives on retirement planning behavior. Based on the results of the research by Moorthy et al (2012), the 26-35 year age group is the most appropriate age for an individual to start planning and thinking about their retirement, furthermore employees who show a positive attitude towards retirement and realize the importance of early retirement planning will have a good financial plan for retirement.

The Number of Dependents

According to Joo and Grable (2005) the overall or number of dependents borne by an individual in a family will negatively affect retirement planning, where the more number of dependents in a family, the more difficult it is for an individual to have a retirement savings program, because in this case the more dependents, the more money or expenses needed to meet daily needs so that it will be difficult for individuals to set aside income and save it in the form of savings.

Education Level

Joo and Grable (2005) state that an individual who has a higher education level is positively related with having retirement savings plan. Therefore, the



higher the education of a person, the more insight they will have, so they will make retirement plans. Whereas according to Joo and Pauwels (2002) individuals who are younger and have higher education, have a higher level of retirement trust. According to Kopusko (2013) the early learning experience about positive finance will function as a significant or positive predictor either directly or indirectly to retirement planning behavior and the hope of being able to have a good quality of life in the future. So this shows that the early learning experience will play an important role in preparing retirement plans in the future.

Non-Demographic Factor

Goal Clarity

Goals are one of the benchmarks of a person in achieving something desired by improving the function and providing a future plan so that it can help facilitate a person in realizing future goals and having a quality of life. Goal clarity is a psychological mechanism that is proven and important in motivating individuals to plan for the future (Stawski et al, 2007).

Based on the word of Allah SWT in surah Al - Qasas verse 77 below:

وَابْتَغِ فِيمَا آتَاكَ اللَّهُ الدَّارَ الْآخِرَةَ^ط وَلَا تَنْسَ نَصِيبَكَ مِنَ الدُّنْيَا^ط وَأَحْسِنَ كَمَا أَحْسَنَ اللَّهُ
إِلَيْكَ^ط وَلَا تَبْغِ الْفُسَادَ فِي الْأَرْضِ^ط إِنَّ اللَّهَ لَا يُحِبُّ الْمُفْسِدِينَ

Meaning: "But seek, through that which Allah has given you, the home of the Hereafter; and (yet), do not forget your share of the world. And do good as Allah has done good to you. And desire not corruption in the land. Indeed, Allah does not like corrupters".

The explanation of the above verse can be categorized as a verse explaining how humans as a servant on earth who have been given various kinds of blessings by Allah *Subhanahu wata'ala* should be as good individuals can organize their lives well. Have a clear life purpose with a life plan and our gratitude to Allah SWT and always be servants who always do good to others (Muhammad, nd).



Retirement Attitude

Wata, Kamau & Bett (2015) state that attitudes toward retirement are one of the things that can influence the decision of an employee to retire. Based on the results of the Lai, Lai and Lau (2009) states that a good retirement planning attitude includes having a positive financial attitude to always get an increased and adequate income so that an individual can continue to pursue a dream that has not been fulfilled in the past and wants to be fulfilled in retirement.

Potential for Conflict

Conflict is a social problem that is present or arises because of a different view that occurs. The potential for certain conflicts is likely to arise when someone prepares for retirement planning. In this case it will certainly affect individuals in retirement planning, because the potential for the conflict itself can be clearly identified. Every individual is encouraged to be able to face every problem that is likely to come and try to be able to resolve the conflict carefully and correctly, so that this will enable retirement planning to be more efficient and effective (Moorthy et al. 2012).

RESEARCH METHOD

The type of research in this study is Field Research, namely research carried out directly in the field or through respondents (Hasan, 2006). This study discusses the behavior of employees towards retirement planning according to the Islamic perspective (case studies on bank employees in Indonesia). The type of data used is primary and secondary data, while the primary data is obtained through a questionnaire distributed to all bank employees in Indonesia. While secondary data in this study were obtained from the Indonesian Financial Services Authority (OJK) and the Indonesian Central Statistics Agency (BPS).

Two Way Analysis Varians (ANOVA)

Two Way Analysis Variance can be used to test hypotheses stating the average difference between groups. The sample group either uses two factorial design or treatment by level design in both experimental and casual comparative research (Kadir, 2015).



The steps for testing two-way Anova using SPSS are as follows:

For calculations through SPSS 16.0 you can do this: Enter data in SPSS - click Analyze - General Linear Model - Univariate - enter variables x1 and x2 on the fixed factor box and y variable on the dependent list box - click options and move Existing variables in the left hand box to the right hand side - click descriptive - continue - click post hoc and enter all variables in the left box to the right box - select LSD - continue - Ok. Then compare the significance values obtained, if significant < 0.05 , it can be concluded that there are differences in averages, but if the significance is greater than > 0.05 , it can be concluded that there is no difference in average.

Multiple Linear Regression

Multiple linear regression aims to measure the intensity of the relationship between two or more variables to make an estimate on the value of Y over X. Then using data on the independent variable X can be either primary or secondary data (Lupiyoadi and Ikhsan, 2015).

The multiple linear regression equation can be explained by the following formula:

$$RP = \alpha + \beta_1 GC + \beta_2 RA + \beta_3 PC + e$$

Information:

RP = Retirement Planning

α = Constants

GC = Goal Clarity

RA = Retirement Attitude

PC = Potential for Conflict

β = Coefficient

e = Error



RESULT AND DISCUSSION

Demographic Factors

The result of demographic factors presents in the table below:

Table 1
Two Way ANOVA Test Results

Tests of Between-Subjects Effects					
Dependent Variable: Retirement Planning Behavior					
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	1060.655 ^a	97	10.935	1.356	.042
Intercept	36190.879	1	36190.879	4486.912	.000
Work	32.667	1	32.667	4.050	.046
Age	13.024	3	4.341	.538	.657
Income level	83.915	4	20.979	2.601	.038
The number of dependents	35.097	4	8.774	1.088	.364
Error	1387.331	172	8.066		
Total	226512.000	270			
Corrected Total	2447.985	269			

a. R Squared = .433 (Adjusted R Squared = .114)

Looking at the results of the significance, regarding the difference result of the conventional bankers and Islamic bankers on the retirement planning with $F_{\text{value}} = 4.050$ and $p\text{-value} = 0.046 < 0.05$, then H_1 is accepted. This means that there are differences in the average behavior of retirement planning according to Islamic perspectives between conventional bank employees and Islamic bank employees. Based on employment variables, employees who work in Islamic banks have the highest average (29,487) which indicates that this group contributes more to retirement planning behavior according to Islamic perspective, so that Islamic bank employees have better behavior in retirement planning according to Islamic perspective. This is also because Islamic bank employees have a higher Islamic perspective than conventional bank employees.

Pertaining to the difference behavior based on the age with $F_{\text{value}} = 0.538$ and p-value $0.657 > 0.05$, then H_0 is accepted so that it can be concluded that there is no difference in the average behavior of retirement planning according to the Islamic perspective between the different ages of employees. Different age of bank employees does not guarantee having a different retirement planning behavior according to Islamic perspectives, meaning that all age categories of bank employees have retirement planning behavior according to the same Islamic perspective. This is because each bank employee without exception has a pension fund originating from deductions from wages/salaries per month. The results of this study contradict the research (Moorthy *et al.*; 2012) which states that different age groups will influence the behavior of retirement planning, where young age is the right age for retirement planning because it has a long period of time to prepare for retirement properly.

The next discussion is on how the level of income can affect the Islamic retirement planning with $F_{\text{value}} = 2.601$ and p-value $0.038 < 0.05$, then H_1 is accepted so that it can be concluded that there are differences in the average behavior of retirement planning according to the Islamic perspective between the different levels of employee income. Every increase in income of bank employees will increase the retirement planning behavior score. This indicates that the behavior of retirement planning in a sensitive Islamic perspective is strongly influenced by the level of income so that the higher the income of bank employees, the higher or the better they are in planning for retirement.

Moving on the role of dependent to the Islamic retirement planning with $F_{\text{value}} = 1.088$ and p-value $0.364 > 0.05$, H_0 is accepted so that it can be concluded that there is no difference in the average behavior of retirement planning according to the Islamic perspective between the number of different dependents of employees. This means that the more dependents owned by bank employees do not guarantee they will have different retirement planning behavior according to Islamic perspectives, because the more the number of dependents, the more it will add to the cost of living so it will be difficult to plan for retirement.

Relate to the role of education level among conventional and Islamic bankers to escalate the Islamic retirement planning with $F_{\text{value}} = 0.612$ and p-value $0.608 > 0.05$, H_0 is accepted so that it can be concluded that there is no difference in



the average behavior of retirement planning according to the Islamic perspective between different levels of employee education. This means that the higher the level of education held by banking employees, does not guarantee that they have different retirement planning behaviors. One of the reason may be because there is a very rapid development of information, especially on the internet that is easily accessible and consumed, then it will be able to give an overview to every bank employee to be aware of retirement and plan to retire anytime and anywhere without being influenced by different levels of education.

Non Demographic Factors

Non demographic factor was examined and the result is as follows:

Table 2
Regression Summary

Model	β	t	Sig
Constant	1.184	1.146	0.253
Goal Clarity	0.879	10.914	0.000
Retirement Attitude	0.476	6.958	0.000
Potential for Conflict	0.609	5.762	0.000
F = 96.365; sig = 0.000			

The equation of the multiple linear regression model is as follows:

$$RP = 1.814 + 0.879(GC) + 0.476(RA) + 0.609(PC) + e$$

In the table shows a constant value of 1.814, where if all the values of variables independents are 0 then the variable value of dependent variables is 1.814.

Based on the results of the regression analysis in the first t-test or H_0 obtained the value of t-value of 10.914 > t-table 1.972 and the significance value of 0.000 < 0.05, then it can be concluded that H_0 is accepted which means the clarity variable goals have a positive and significant effect on the retirement planning behavior according to the Islamic perspective. With a significant level of 0.000 < 0.05, the regression equation can be interpreted that the regression coefficient X1 of 0.879 gives meaning if the clarity of goals increases by 1%, the value of the behavior

of retirement planning according to Islamic perspectives on conventional and shari'ah bank employees will increase by 0.879 percent.

In the second t-test or H_7 , obtained t-value of $6.958 > t\text{-table } 1.968$ and a significance value of $0.000 < 0.05$, it can be concluded H_7 is accepted and means that the retirement attitude variable has a positive and significant effect on retirement planning behavior according to Islamic perspective. With a significant level of $0.000 < 0.05$, the regression equation can be interpreted as a regression coefficient of X_2 of 0.476 gives meaning if the attitude of retirement planning increases by 1% then the value of behavior will increase by 0.476 percent.

Third t-test H_8 , obtained value of t-value $5.762 > t\text{-table } 1.968$ and significance value $0.000 < 0.05$, it can be concluded H_8 is accepted and means independent variable X_3 (Potential Conflict) has a positive and significant effect on dependent variable Y (Retirement Planning Behavior According to Islamic Perspective). With a significant level of $0.000 < 0.05$, then the regression equation can be interpreted as the regression coefficient X_3 of 0.609 gives meaning if the potential for conflict increases by 1% then the value of behavior will decrease by 0.609 percent.

Based on the results of the F test that has been carried out, on H_9 it is known that the calculated F_{value} is $96.365 > F\text{ table } 2.65$. From these results it can be concluded that the independent variables together can influence the dependent variable. In addition to comparing the F value with F table, it can be seen that the value of Sig. 0,000 which is less than 0.05, this also shows that the independent variables jointly influence the dependent variable significantly, so it can be concluded that simultaneously clarity of goals, retirement behavior and potential conflict affect the behavior of retirement planning according to the Islamic perspective.

CONCLUSION

Based on the results of research on the analysis of demographic and non-demographic factors on the behavior of retirement planning according to the Islamic perspective, the following conclusions will be taken:



Demographic Factor:

1. There are differences in retirement planning behavior according to the Islamic perspective between different jobs.
2. There is no difference in retirement planning behavior according to the Islamic perspective between different ages.
3. There are differences in retirement planning behavior according to the Islamic perspective between different income levels.
4. There is no difference in the behavior of retirement planning according to the Islamic perspective between the number of different dependents.
5. There is no difference in the behavior of retirement planning according to the Islamic perspective between different levels of education.

Non-demographic factors

6. Clarity of goal has a positive effect on the behavior of retirement planning according to the Islamic perspective on bank employees in Indonesia.
7. Retirement attitude has a positive effect on retirement planning behavior according to the Islamic perspective on bank employees in Indonesia.
8. Conflict Potential has a positive effect on retirement planning behavior according to the Islamic perspective on bank employees in Indonesia.
9. Clarity of goals, retirement attitudes and potential conflicts together influence the behavior of retirement planning according to the Islamic perspective on bank employees in Indonesia.

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