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AND THE 4<sup>th</sup> INTERNATIONAL CONFERENCE  
ON BUSINESS AND BANKING INNOVATIONS**

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# The 4<sup>th</sup> ICOBBI

*The Strategy of Digital in Business  
for Gaining Competitive Advantages after Pandemic*



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## FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 4<sup>th</sup> International Conference on Business and Banking Innovations (ICOBBI) with the topic "The Strategy of Digitalization in Business for Gaining Competitive Advantages after Pandemic". This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 4<sup>th</sup> International Conference on Business and Banking Innovations was held on 29<sup>th</sup> January 2022 by virtual (online) zoom meeting and organized by the Master Management Study Program of Universitas Hayam Wuruk Perbanas in Collaboration with five Higher Education Institutions in Indonesia and three Universities from Asia countries. Keynote speakers in this conference were: Chonlatis Darawong, P.hD (Sripatum University, Thailand), Associate Prof. Dr. Elisha Nasrudin (University of Science, Malaysia), Dr. Sanju Kumar Singh (Postdoctoral Fellowship in Universitas Airlangga, Tribhuvan University Nepal) and Prof. Dr. Abdul Mongid, MA., P.hD (Universitas Hayam Wuruk Perbanas, Indonesia).

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Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <http://eprints.perbanas.ac.id/>

Chair of the Master Management Study Program  
Universitas Hayam Wuruk Perbanas

**Prof. Dr. Tatik Suryani, M.M.**



## Tabel of Content

Cover.....	i
Co-Host and Sponsorship.....	ii
Committee .....	iii
Reviewers.....	iv
Foreword.....	v
Table of Content.....	vi

### **Accounting and Financial Management**

The Influence of The Level of Financial Literacy, Materialism and Impulsive Buying to Management Financial Behavior Students Master of Management in Surabaya ..... 1-7  
Dominika Rosvita Amadea Tarung; Muazaroh

The Effect of Perception of Confidentiality and Security, Perception of User Satisfaction, and Perception of Easy on The Implementation of E-Filing on Taxpayer Compliance in Submitting Annual SPT (Case Study at KPP Pratama Kebumen) ..... 8-17  
Wicak Ari Wibowo; Tri Ciptaningsih

The Effect of Attitude, Subjective Norms, Perceived Behavioral Control, And Tax Knowledge On Studentâ€™S Interest Who Join The Tax Volunteer Program For A Career In Taxation (Empirical Study In 2021)..... 18-26  
Dheanira Ayu Hapsari; Tri Ciptaningsih

Differences un the Strenght of Financial Ratios and Financial Distress of Transportation Companies in Indonesia During the COVID-19 Pandemic Era..... 27  
Ivana Oktarina Sopacua; Manggar Wulan Kusuma

The Causes of Audit Report Lag..... 28-34  
Rusmawan W. Anggoro; Anita Kristiana

Fluctuation Of Rupiah Exchange Value, Interest Rate And Changes In Share Price..... 35-44  
Hais Dama; Meriyana Franssisca Dunga

Fraud Financial Statement Detection: Fraud Hexagon Model Analysis in the Financial Sector Listed on the Indonesia Stock Exchange ..... 45-55  
Shinta Permata Sari; Diana Witosari

Attaining financial well-being: The essential effects of financial experience, status, and behavior..... 56-66  
Mochammad Zakariya Rosyid; Rr. Iramani



Determinant Analysis Affecting The Level of Disclosure of Operations Segments (Empirical Study on Companies Consumer Cyclicals Listed on the Indonesia Stock Exchange in 2017-2019) .....	67-75
Tetiana Fitriarningsih; Lintang Kurniawati	
The Effect of Asset Management, Leverage, and Free Cash Flow on Firm Value With Dividend Policy as Moderating Variable (Study on Consumer Goods Industry Sector Companies Listed on The Indonesia Stock Exchange (IDX) 2018-2020).....	76-84
Awalia Endang Setyorini; Triyono	
Analysis of Factors Affecting Audit Report Lag Mining Companies Listed On the Indonesia Stock Exchange 2018-2020.....	85-89
Yuli Tri Cahyono; Cindy Elisa Putri;	
The Effect of Dividend Policy and Capital Structure on Company Value with Profitability as Mediation Variable in The Food and Beverage Companies Listed on The IDX in 2015 – 2020.....	90-95
Atikah Resiana Fildzah; Wiwik Lestari	
Factors Affecting Firm Value : Theoretical Study on Public Textile and Garment Manufacturing Company in Indonesia .....	96- 104
Cholis Hidayati; Lintang Puspitasari Wijanarko	
Principles and Agents: The Phenomenon of Agency Theory in The Business Sector and The Public Sector .....	105-109
Maulidah Narastri;	
Company value of Indonesia State-Owned Enterprises during the Pandemic-Covid 19....	110
Hwihanus;	
Financial Knowledge, Financial Experience and Income as Determinant of Financial Well-Being in Bali, Indonesia.....	111
Mochamad Hanif Nuruddin; Rr.Iramani	
Behavior of Financial Management as a Mediation of The Influence of Financial Knowledge and Intention Behavior To Well-Being Family Finance .....	112-118
Dewi Candra Purwati; Rr. Iramani	



The Effect of Fundamental and Macroeconomic Factors to Stock Return..... 119-123  
Aprilia Setiadi Lukas; Werner R. Murhadi; Arif Herlambang

Balanced Scorecard Contribution to Business Strategy In PT XYZ National Shipping  
Company ..... 124-129  
Yudith Agusta; Lutfi

Analysis of The Effect of Current Ratio (CR), Return On Assets (ROA), Debt to Equity Ratio  
(DER) and Net Profit Margin (NPM) on Stock Price (Empirical Study on LQ45 Companies Listed  
on the Indonesia Stock Exchange for the 2017-2020 Period) ..... 130-136  
Ice Diana; Erma Setiawati

The Relationship of Sustainability Reporting Disclosure and Firm Performance, Risk, Value: Study  
on Banking Sub Sector Companies Listed Into Indonesia Stock Exchange (IDX) ..... 137-146  
Alfiana Mufti Ainuna; Rina Trisnawati

### **Banking and Shari'a Banking**

Stress Test of Financing Quality at Indonesian Islamic Rural Bank Using Montecarlo  
Simulation ..... 147-154  
Uvy Dian Rizky; Abdul Mongid

Macroeconomic Stress test of Credit Risk in Indonesian Banking using Monte Carlo  
Simulation ..... 155-162  
Nanda Diyah Syarifah; Abdul Mongid

The Effect of Credit Risk and Efficiency on Capital Adequacy With Profitability as Intervening  
Variables. .... 163-169  
Mochamad Syafruddin Aji; Emanuel Kristijadi

Analysis Of The Effect Of Inflation, Capital Adequacy Ratio, Operation Cost Of Operating Income,  
And Net Performing Financing On The Profitability Of Sharia Commercial Banks in  
Indonesia ..... 170  
Rias Hasna Rosabila; Abdul Mongid

The Effect of Liquidity Ratio, Asset Quality Ratio, Sensitivity Ratio, Capital Ratio and Efficiency  
Ratio Towards Return On Asset (ROA) on Foreign Exchange National Private Commercial  
Banks..... 171-174  
Oppi Putri Bunga; Muazaroh



Planned Behavior Theory Testing (Case Study Of Financial Management In A Muslim Family In Sidoarjo)..... 175-180  
Wiwik Lestari; Desy Sanggita Fitriany; Merita Dwi Nandasari

Does Competition Make Regional Development Banks More Efficient? ..... 181  
Zunairoh; Werner Ria Murhadi; Bertha Silvia Sutejo

Determinants of Indonesian Banking Profitability ..... 182-189  
Sholikha Oktavi Khalifaturofi'ah; Achmad Saiful Ulum

The Influence of the Britama Savings Marketing Strategy on Customer Satisfaction at PT. Bank Rakyat Indonesia (Persero), Tbk. Batua Raya Makassar Unit..... 190-200  
Dhita Pratiwi Ar; Rini L.; Abdul Gafar Samalam; Halida Sasmita; Hafipah

### **Business and Marketing**

Social Media Marketing Activities, Brand Love and Brand Trust In Willingness to Participate Online (Co-Creation) with Satisfaction as Mediation Variable ..... 201-204  
Amilia Jasmin Nabila ; Tatik Suryani

The Influence of Social Media Marketing and Personal Selling on Purchase intention during the pandemic Covid-19: The Case of Discovery Property Agency ..... 205-231  
Renaldo Giovanni ; Theresia Gunawan; Istiharini

Factors Influencing Mobile Banking Adoption In Covid 19 Pandemic Period: The Mediating Role Of Behavioral Interest..... 232-241  
Noormalita Primandaru; Gita Nirmalasari Triyana;

How Coolness Affects The Brand Image On The Vans Fashion Footwear?..... 242-247  
Nuning Kristiani; Andi Muntabilah Naida;

Implementation of Digital Marketing & Knowledge Transfer of Hollandpark Permaculture Products..... 248  
Syamsul B Biki; Umin Kango; Vetty D Pulukadang

Knowledge Management: Social Media & Public Knowledge About the Hazard of Mercury ..... 249-254  
Dyah Ayu Nuraini; Mohamad Agus Salim Monoarfa; Andi Juanna



Relationship Between Talent Management And Employees Performance: Case In Gorontalo .....	255-261
Rizan Machmud; Raflin Hinelo; Tineke Wolok; Umin Kango	
The Effect Of Security, Responsiveness, Convenience, And Reliability Of Services On BRI Customer Satisfaction In Using Mobile Banking .....	262-270
Bramantiyo Adhi; Ronny	
Impact Of Wfh In Surabaya City The Effect Of Workload, Employee Burnout On Work Life Quality And Employee Performance .....	271
Nanis Susanti;	
Analysis Of Marketing Strategy, Product Quality And Service Quality To Repurchase Intention .....	272-278
Sumiati;	
The Effect of Customer Satisfaction and Trust on Performance Expectancy and Word of Mouth (WOM) at Shopee Applications Users.....	279-287
Annisa Eka Septiana; Tatik Suryani	
Does Brand Matter in Driving Purchase Intention of the Banking Services?.....	288-295
Muhammad Alvin Juanda; Burhanudin	
The Effect of Perceived Quality and Value on Brand Trust of Express Delivery Services during Pandemic Covid 19 in Indonesia .....	296
Fika Fahmi Firdaus; Yudi Sutarso	
The Determinants of Brand Equity in Banking .....	297-306
I Made Gde Pasek Bagiartana; Burhanudin	
Entrepreneurial Intention for Students at Universities in Sleman, Yogyakarta Special Region, Indonesia .....	307-316
Bambang Kharisma; Irhas Effendi; Dyah Sugandini	
The Effects of Commitment, Perceived Quality, and Satisfaction on Brand Equity: The Medating Role of Brand Trust and Brand Loyalty.....	317-326
Miftakhul Jannah; Burhanudin	
Behaviour Intention of Digital Banking Adoption UTAUT2 and Covid-19 Pandemic as Factors.....	327-335
Popy Novita Pasaribu; Auzi Naufal Rabbani	





Factors Influencing Online Purchase Intention Through E-Commerce in The Millennial Generation ..... 336-345  
Delta Sagita Riandana; Delta Sagita Riandana

Analyze of Customer Loyalty on Customer Oriented and Marketing Communication PT. Bank Syariah Indonesia Tbk. .... 346-348  
Verawaty;

The Effect Of Experiential Marketing On E-Wom (Electronic Word Of Mouth) And Customer Value As Intervening Variables In Tourism Destinations Rawa Bento Kerinci Regency Jambi Province. .... 349  
Deci Fachrosi; Johannes; Sylvia Kartika Wulan B

### **Human Resources**

The Effect Of Leadership Style, Work Environment, Compensation On Job Satisfaction At Pt Pln (Persero) Sikka Regency ..... 350-356  
Krisanty Natalia Mariani Parera, Emanuel Kristijadi, Tjahjani Prawitowati

The Mediating Role of User Satisfaction in the Influence of Organizational Learning Culture and Online Learning Engagement To Net Benefit Outcome In Indonesia During Covid 19 Pandemic Period ..... 357-362  
Heni Kusumawati;

Emotional Intelligence And Apparatus Performance ..... 363-371  
Mughtar Ahmad; Djoko Lesmana Radji; Hais Dama

The Internalization of Patient Safety Culture in The Quality of Performance of Nurses in Different Generations of Nurses at The XYZ Hospital, Surabaya ..... 372-377  
Sisilia Andri Soelistyani; Ika Yunia Fauzia

The Role of Work Ability and Servant Leadership on Employee Performance in a TIKI Delivery Service Companies in Surabaya..... 378- 384  
Siti Mujanah;

The Effect of Organizational Commitment, Organizational Culture,Self-Efficacy on Employee Performance with Job Satisfaction as Mediator Literature Review and Proposed Model .. 385-393  
Vega Hardikasari; Burhanuddin; Emma Julianti;

Determinants Of Millenials Employee Engagement In Indonesia: Systematic Literature Review ..... 394-400  
Febby Ayu Ramadhani; Tatik Suryani





The Effect Of Employee Engagement, Motivation, And Organizational Culture On Employee Performance During The Covid-19 Pandemic..... 394-400  
Ni Sheila Fairuz Ratnasar; Tatik Suryani

**Investment, Insurance and Capital Markets, Information System, and Technology Management**

The Effect Of Student Environment, Lecturer Environment, And Technology Dimensions On Software User Trust With Student Satisfaction As Intervening Variable (A case study of students taking ERP courses online)..... 405  
Prima Rosita Arini Setyaningsih; Lita Kusumasari

Technology Acceptance and Adoption of Mobile Application: A Systematic Review. .. 406-415  
Boonchai Wongpornchai; Chonlatis Darawong

Efficiency Level of Malaysian Family Takaful Using Stochastic Frontier Approach. ....416  
Labibah Salsabila; Zubaidah Nasution

The Role of Locus of Control in Examination of Private Sector Employee Retirement plan Model in Surabaya..... 417-425  
Ismawati; Rr. Iramani

Analysis of The Indonesia Capital Market Reaction to The Announcement Implementation of Emergency Community Activity Restriction (PPKM) (Event Study on Companies. .... 426-433  
Said Setiandika Pambudi; Suyatmin Waskito Adi

The Effects of Interpersonal Communication and Self-Efficacy on Job Satisfaction of LSP P1 Assessor of Higher Education Institutions in Surabaya, East Java Province, Indonesia. .  
Ida Aju Brahmasari; Irmasanthi Danadharta; Ida Aju Brahma Ratih



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# THE ROLE OF LOCUS OF CONTROL IN EXAMINATION OF PRIVATE SECTOR EMPLOYEE RETIREMENT PLAN MODEL IN SURABAYA

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## ABSTRACT

This study investigates factors that influence retirement planning by examining the relationship between financial literacy, locus of control, materialism, future orientation and saving orientation. This was studied using a questionnaire on 128 private sector employees in Surabaya using PLS as a data analysis technique. The results of the study indicated that locus of control, future orientation and saving orientation have an effect on retirement planning. Another result is financial literacy having an insignificant positive effect on retirement planning and external locus of control mediating the effect of financial literacy on pension planning behavior. Materialism has no effect on retirement planning. Future orientation has a positive effect on retirement planning and saving orientation is able to mediate the effect of future orientation on retirement planning. The implication of the research results is that if an individual has a better future orientation and saving orientation, the better the retirement plan will be. Another implication is that an individual who has high financial literacy must be accompanied by good self-control in order to be able to plan his retirement wisely. The results can be a useful reference for organizations to develop retirement planning in the context of a developed city such as Surabaya

**Keywords:** *Financial Literacy, Locus Of Control, Materialism, Future Orientation, Saving Orientation And Retirement Planning*

## 1. INTRODUCTION

Retirement is the stage when a person forever leaves the workplace. This means that the income of the workers will stop immediately after retirement, but their expenses will still be there and they need to sustain their life depending on their accumulated savings. (Russell, 2011)

According to research data from LIMRA (Life Insurance Market Research Association) by SWA magazine, July 21, 2004 edition, explaining that out of 100 participants aged 25 years and after the age of 40, most people have to work to meet the needs of their old age or depend on their life. In others, only 5% retire well. People believe that the most important thing after retirement is to have a place to live, get help from family and friends or continue to work to meet their daily needs. However, when they reach retirement age, they can no longer work as they did during their productive years. Successful retirement planning depends on the efforts of each individual. By preparing a retirement fund from scratch, everyone can ensure that in old age they can remain financially independent and well off.

Retirement planning has two aspects. The first relates to government programs to support retirees during retirement by introducing various pension plans with mandatory contributions. Second, every individual must have the responsibility to plan for

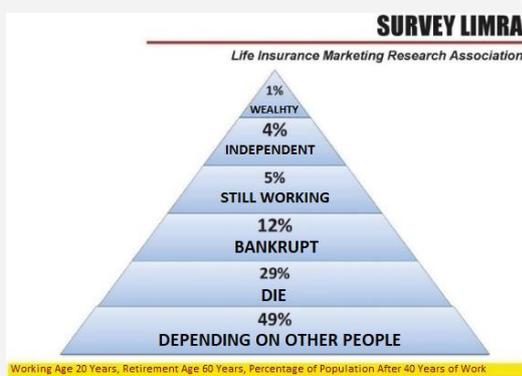


Fig 1. LIMRA research data diagram (Life Insurance Market Research Association), 2004

retirement by investing or by saving for their retirement. Retirement fund planning has influencing factors, namely financial literacy, materialism and future orientation. (Kimiyaahlam, Safari and Mansori, 2019)

Financial literacy can be defined as the extent to which a person understands financial concepts and knowledge and applies that knowledge to make financial decisions. In research (Lusardi and Mitchell, 2014) revealed that there are still many people who have low financial literacy, so that financial planning and savings are not sufficient for retirement. Individuals with high financial literacy have good knowledge of financial products so that these individuals will have good retirement planning. Studies conducted (Hassan *et al.*, 2016; Koe Hwee Nga and Yeoh, 2018; Kimiyaahlam, Safari and Mansori, 2019) found that financial literacy has a positive effect on retirement planning.

*Locus of control is an individual perspective in assessing one's own ability to control events that occur.* (GRABLE, PARK and JOO, 2009) prove that locus of control is able to mediate the effect of financial literacy on personal financial management behavior. This reveals that proper management of financial literacy is able to direct individuals to make good judgments in all financial decisions. Therefore, external locus of control needs to be maintained so that with good financial literacy, individuals can plan their retirement well

Another factor that influences retirement planning is materialism. Research (Hershey and Mowen, 2000) indicates that there is no direct relationship between materialism and retirement planning readiness. This is different from the findings (Payne *et al.*, 2014) which prove that individuals with a materialistic mindset tend to spend or spend their money on buying high-value objects so that they only set aside a little income for retirement.

Future orientation can also determine individuals to behave well in planning for retirement, someone who considers his future closer, makes more preparations for old age. The results of the study (Kimiyaahlam, Safari and Mansori, 2019) prove that future orientation has a significant relationship with retirement planning. In addition, this study shows that saving orientation significantly mediates the relationship between future orientation and retirement planning

This research is based on the theory of planned behavior (Ajzen, 1991) which explains the behavior of individuals who are influenced by the concept of self-control. The better the concept of self-control that is owned, the better the individual behaves.

Due to the phenomenon described above, it is very necessary to conduct a study that observes how the pattern of retirement planning is carried

out in the community in Surabaya, considering that previous research has not tested a comprehensive model related to the determinants of retirement planning by including locus of control and saving orientation. as a mediating variable. The results of this study will provide a theoretical contribution in the form of a retirement planning model. While the practical contribution is about the importance of self-control and saving orientation in early retirement planning.

## 2. LITERATURE REVIEW

### 2.1. Retirement Planning

Retirement Planning Regulations in Indonesia are contained in Law No. 11 of 1992. Personal retirement planning is not a requirement, it is a personal choice for preparation for the future. This is done through planning with the management of income, expenditure, and investment. Unfortunately, not everyone is ready for this plan (Kimiyaahlam, Safari and Mansori, 2019). Retirement planning can be measured through indicators: provision of funds, products or insurance, preparation or effort made and welfare for old age. (Moorthy M Krishna T, 2012)

### 2.2. Determinants of Retirement Planning

Financial literacy is knowledge and understanding of financial concepts and risks, as well as the skills, motivation, and confidence to apply the knowledge and understanding they have in order to make effective financial decisions, improve individual and community financial well-being, and participate in economics (OECD, 2006). Things that need to be developed to have financial knowledge are financial skills and the use of financial tools or instruments. Financial skills are a way of making decisions in personal financial management. Financial literacy can be measured using indicators of general knowledge, savings and loans, insurance and investment (CHEN, 1998). Individuals with high financial literacy can plan expenses and savings to achieve financial independence for their future. Financial literacy is very important for retirement planning because with adequate financial literacy, a person can identify problems, access information correctly and can analyze before making financial decisions. Studies conducted (Hassan *et al.*, 2016; Koe Hwee Nga and Yeoh, 2018; Kimiyaahlam, Safari and Mansori, 2019) prove that financial literacy has a positive effect on retirement planning.

Materialism is a view that contains orientations, attitudes, beliefs and values of life that emphasize ownership or wealth of material goods above other life values. (Kasser and Ahuvia, 2002). According to (Richins and Dawson, 1992) there are 3 dimensions of materialism, namely: Acquisition centrality is when a person feels that life is centered on possessions and possessions so that it affects

their habits and life goals. Acquisition as the pursuit of happiness is when a person feels that possessions and possessions are important for happiness, satisfaction and well-being in life. Possession defined success is when a person feels that the success of oneself and others is seen from the quantity and quality of property owned. Indicators for measuring materialism include: liking luxury, valuable items are a measure of success, ownership of goods that impress others, luxury has an important role, and measure of happiness. Research conducted (Payne, Yorgason and Dew, 2014) states that individuals with high materialism tend to spend or spend their money on buying high-value objects so that these individuals set aside a little of their income for retirement.

Future orientation is a measure of the degree to which individuals emphasize the future more than the present or the past (Howlett, Kees and Kemp, 2008). Someone who has a strong future perspective has more financial knowledge in their efforts to prepare for retirement. According to (Moorthy M Krishna T, 2012) future orientation has several indicators used, namely: the desire to continue working, views about the future, the desire for a prosperous retirement, the desire to have information about retirement. Individuals who think about their future well will be better at doing financial planning. The individual will always pay attention to his current financial condition and try to improve for the future, because future orientation is an important factor in making financial decisions.

### 2.3. The Role of Locus of Control and Saving Orientation as Mediation

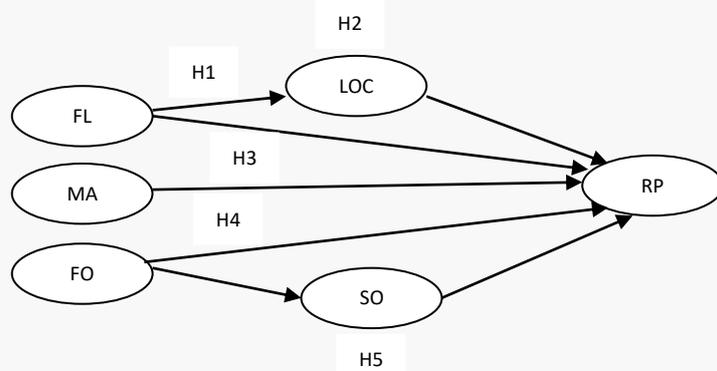
Locus of control according to (Hellriegel, D., Slocum, J. W., & Woodman, 1986) refers to the extent to which individuals believe that they can control events that affect them. External locus of control is the perspective of individuals who cannot control events that occur. Individuals with external locus of control assume that what happens in their lives is determined by forces outside of themselves, such as destiny, fate, luck, disaster and other people in the environment. External locus of control indicators include: failures experienced by individuals due to unlucky, futile future planning, events experienced in life controlled by those in power and success due to fate.

Individuals with high literacy do not necessarily have a good retirement plan, if they do not have good self-control. Therefore, external locus of control needs to be maintained so that with good financial literacy, individuals can plan their retirement well too. (GRABLE, PARK and JOO, 2009) found that locus of control mediates the effect of financial knowledge on personal financial management behavior, including retirement planning

Saving orientation relates to financial decisions where a person is very aware and considers saving. (Yasid, 2009) states that savings are funds set aside for future needs. According to the theory of economic psychology, saving is when individuals save funds to save when they no longer have income. Saving is very helpful in improving the economic conditions of individuals or countries, when saving in financial institutions such as banks. Financial institutions will channel funds in the form of financial assets to be invested so that they are able to enrich the country through productivity and economic growth. (Sabri, 2010) states that saving orientation indicators include: saving with a specific purpose, saving until the end of the period and saving to pay off debt.

An individual who has a good future orientation will have a good saving orientation as well, because by saving the individual will try to achieve the financial goals that are implemented in his retirement planning. Someone who is aware of saving at a young age will have a positive impact on what will be planned in retirement. This is evidenced by research (Kimiyaahlam, Safari and Mansori, 2019) which shows that saving orientation can explain 25% of retirement planning.

Based on the theoretical and empirical studies that have been described, the conceptual framework model for pension planning that will be tested in this study is presented in Figure 2.



**Fig 2.** Conceptual Framework

Based on the framework presented in Figure 2, the hypothesis can be formulated as follows:

- H1: Financial literacy affects retirement planning.
- H2: External locus of control is able to mediate the effect of financial literacy on retirement planning.
- H3: Materialism affects retirement planning.
- H4: Future orientation has an effect on retirement planning.
- H5: Saving orientation is able to mediate the effect of future orientation on retirement planning.

### 3. RESEARCH METHOD

This study uses an explanative research design because it aims to examine the relationship between independent and dependent variables as

well as mediating variables. This research was conducted with a certain period of time so that it includes a cross sectional study to observe variations in the sample. From the perspective of data collection, this research design uses a survey study because in collecting data it uses questionnaires that are distributed to respondents.

The population in this study were private employees in Surabaya. The sampling method used by the researcher is purposive sampling because the selected sample will be adjusted based on certain criteria, namely: having a minimum income of Rp. 6,000,000,- per month and have worked for at least two years.

Data collection comes from primary data, because it is directly obtained from data sources, namely respondents. To collect the data, a survey was conducted by distributing questionnaires to selected respondents, of which some were distributed offline and some were distributed online using the google form. The position and scale of data measurement for each of the variables studied are as follows:

**Table 1**  
**Variables and Measurement Scale**

Variable position	Variable name	Measurement Scale
Dependent	Retirement planning	Interval
Independent	Financial literacy	Ratio
	materialism	Interval
	Future Orientation	Interval
Mediation	Locus of Control	Interval
	Saving orientation	Interval

The data analysis technique used was descriptive analysis and inferential analysis. Descriptive analysis is used to explain the characteristics of the respondents and the description of the research variables. Meanwhile, to test the research hypothesis, SEM-PLS analysis was used, with the warpPLS 7.0 statistical test tool, with the following stages: 1) outer model test, to test validity and reliability; 2) inner model test, to find out whether the model is strong, moderate or weak; 3) testing the effect of direct and indirect variables of the independent variable on the dependent using p-value, if p-value <5%, then the research hypothesis can be accepted.

#### 4. RESULTS AND DISCUSSION

Characteristics by gender, the majority are male by 62%. This condition shows that respondents from private companies in Surabaya with a minimum salary of Rp. 6,000,000,- dominated by men. The highest age percentage is

55% of respondents aged 31 to 40 years. This shows that this age range is a productive age and has an established career. Meanwhile, over the age of 50 years, individual physical abilities begin to decline. Half of the respondents have a bachelor's degree 75% and most are married 79%. Property investment is the most preferred by respondents by 51% due to price increases and asset values that can be increased

**Table 2**  
**CHARACTERISTICS OF THE MAJORITY OF RESPONDENTS**

Description	Number of Respondents	Percentage	
Gender	Man	80	62%
Age	31 to 40 years old	71	55%
Education	Bachelor	96	75%
Length of work	> 10 years	53	41%
Status	Married	101	79%
Income	8,000,000 to 9,999,000	60	47%
Investation	Property	66	51%

#### 4.1. Descriptive Analysis

Descriptive analysis testing was conducted to find out the overall picture of the research variables regarding the questions posed in the questionnaire based on the point of view of the answers given by the respondents. The following is the response of respondents to the variable.

**Table 3**  
**RESPONDENT RESPONSE**

Variable	Mean	Interpretation
Retirement Planning	3,80	Good Retirement Planning
Financial Literacy	97,59	High
Locus Of Control		Self Control
External	1,88	Against External Factors High
Materialism	2,70	Materialism Enough
Future Orientation	4,15	High Future Orientation
Savings Orientation	3,83	High Savings Orientation

Based on Table 3, it can be seen that the respondents already have a good retirement plan. This is shown based on a mean score of 3.80. In planning for retirement, some respondents have set aside funds that can be disbursed at retirement, have products or insurance and have preparations and efforts for old age welfare.

The respondents' financial literacy had a mean score of 97.59. This is because the majority of respondents in this study had undergraduate education, who had previous knowledge of financial literacy. Based on (CHEN, 1998) the average score of respondents who answered correctly indicates that the respondents are in the

high category, so it can be interpreted that in general respondents have an understanding of general knowledge about finance, financial management, insurance and investment.

The average value of respondents' responses to the locus of control variable is 1.88, which means that respondents are included in the category of having high self-control against external factors. The majority of respondents' view that the success they have achieved is the result of their own efforts, and planning for the future is an important thing that must also be prepared by themselves without having to depend on others. Respondents also feel that the successes and events experienced in their lives are not decided by the more powerful person or based on the zodiac, primbon and others.

The materialism variable has an average score of 2.70 respondents, which indicates that the respondents are included in the sufficient category. Respondents do not agree if they have to like expensive items and expensive brands because they look and have a luxurious lifestyle and have a lot of money that cannot measure a person's success and happiness. So that respondents realize that having materialism is not a good thing for the future. However, most of the respondents are happy when other people are impressed with the goods they have.

The majority of respondents have a high future orientation. This can be proven by the mean score, which is 4.15. Respondents have goals and think of ways to fill their free time after retirement by keeping themselves productive so they don't get bored by doing hobbies or opening businesses to still be able to enjoy old age. Respondents in this study are workers so that respondents feel accustomed to working even after retirement. Most of the respondents have prepared funds, businesses and investments because they want prosperity in

their old age. In addition, respondents have discussed retirement planning with their closest people and are trying to find information about welfare in retirement.

The average score of respondents' saving orientation in this study was 3.83. This shows that respondents are categorized as having a high saving orientation. The majority of respondents save and save regularly to be financially independent for a better retirement life and respondents have a cautious attitude towards money and spend it on things that are really needed. Most respondents have regular savings every month or savings that can only be taken for a certain period.

#### 4.2. *Inferential Analysis*

Inferential analysis is an analysis used to answer problems in research by using statistical test tools.

The validity test is used to measure the validity of a statement in the questionnaire. while the reliability test is used to test the consistency and stability of a score or measurement scale in making measurements. A statement on the questionnaire can be said to be valid if it has an AVE value above 0.5 or shows that all outer loading dimensions of the variable have a loading value  $> 0.5$  so it can be concluded that the measurement meets the criteria for convergent validity (Chin, 1998)

While the results of the reliability test were determined from the value of Cronbach's alpha and the value of composite reliability. if the value of Cronbach's alpha  $> 0.6$  and the value of composite reliability  $> 0.7$  then the statement item can be said to be reliable.

In financial literacy, there is no validity and reliability test because the measurement scale does not use a Likert scale but a ratio scale. The following are the results of the validity and reliability tests of each variable listed in Table 3.

**Table 4**  
**VALIDITY AND RELIABILITY TEST RESULTS**

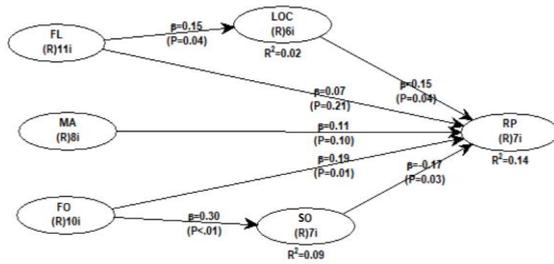
Variable	Indicator	Item	Loading Factor	P-Value	Composite Reliability	cronbach's alpha	AVE
Retirement Planning	Setting aside funds for retirement	RP1	0.503	<0,001	Reliable 0,924	Reliable 0,901	0,642
		RP2	0.717	<0,001			
		RP3	0.781	<0,001			
		RP4	0.879	<0,001			
		RP5	0.885	<0,001			
		RP6	0.827	<0,001			
		RP7	0.936	<0,001			
Materialism	Love the luxury	MA1	0,757	<0,001	Reliable 0,894	Reliable 0,863	0,517
		MA2	0,665	<0,001			
		MA3	0,805	<0,001			
		MA4	0,719	<0,001			
		MA5	0,551	<0,001			
		MA6	0,769	<0,001			
		MA7	0,797	<0,001			
		MA8	0,65	<0,001			
Future Orientation	Valuable stuff is a measure of success	FO1	0,88	<0,001	Reliable 0,932	Reliable 0,917	0,584
		FO2	0,501	<0,001			
		FO3	0,773	<0,001			
		FO4	0,788	<0,001			
		FO5	0,895	<0,001			
		FO6	0,841	<0,001			
		FO7	0,795	<0,001			
		FO8	0,586	<0,001			
		FO9	0,759	<0,001			
		FO10	0,731	<0,001			
Locus Of Control	Desire to have information about pensions	LOC1	0,907	<0,001	Reliable 0,913	Reliable 0,884	0,640
		LOC2	0,875	<0,001			
		LOC3	0,718	<0,001			
		LOC4	0,887	<0,001			
		LOC5	0,68	<0,001			
		LOC6	0,697	<0,001			
Savings Orientation	Individual failure due to bad luck	SO1	0,849	<0,001	Reliable 0,949	Reliable 0,934	0,730
		SO2	0,96	<0,001			
		SO3	0,96	<0,001			
		SO4	0,837	<0,001			
		SO5	0,744	<0,001			
		SO6	0,96	<0,001			
		SO7	0,603	<0,001			

Based on Table 4, it can be seen that all outer loadings have a loading value above 0.5 and the indicators for retirement planning (RP), materialism (M), future orientation (FO), saving orientation (SO) and locus of control (LOC) have values composite reliability above 0.7 and Cronbach alpha value above 0.6. So it can be concluded that all indicators meet the requirements of validity and reliability. If we look at

discriminant validity based on the AVE value for each variable which is also greater than 0.5, it can be concluded that all indicators are valid.

#### 4.3. Hypothesis Testing

Hypothesis testing is a form of evaluation of the inner statistical test model in this research.



Source: output warpPLS 7.0

Fig 3

Model Estimate Results

The following is a summary of the model estimation results according to Figure 3 for path coefficients and p-value

Table 5  
PATH COEFFICIENTS AND P-VALUES

Hypot he sis	Path	Coefficients	P-values	Significance Level
H1	FL → RP	0,07	0,21	Not significant
H2	FL → LOC → RP	0,15*0,15 = 0,22	<0,01	significant
H3	MA → RP	0,11	0,10	Not significant
H4	FO → RP	0,19	<0,01	significant
H5	FO → SO → RP	0,30*-0,17 = -0,051	<0,01	significant
<b>R-squared = 0,14</b>				

Note: p<0.05 significant

Testing the first hypothesis (H1) is that financial literacy affects retirement planning having  $\beta$  value = 0.07 with p value = 0.21 greater than 0.05 then H1 is rejected. It can be explained that financial literacy has no effect on retirement planning. Therefore, the first hypothesis (H1) in the study cannot be accepted. This explains that the level of a person's financial literacy does not have an impact on retirement planning. Based on Table 3, it can be seen that on average the respondents have a high understanding of financial literacy, both aspects of general knowledge about finance, financial management, insurance and investment. This is supported by the educational background of most of the respondents, as well as the environment and ability to plan and make future financial decisions. The results of this study are not in line with research conducted by (Kimiyaahlam, Safari and Mansori, 2019) which states that there is a strong relationship between financial knowledge and retirement planning.

Testing the second hypothesis (H2), is that external locus of control is able to mediate the effect of financial literacy on retirement planning. The effect of financial literacy on LOC has  $\beta$  value = 0.15 with p value = 0.04 less than 0.05. So it can be explained that financial literacy has a significant positive effect on LOC. The effect of LOC on

retirement planning has  $\beta$  value = 0.15 with p value = 0.04 less than 0.05. So it can be explained that LOC has a significant positive effect on retirement planning. Because financial literacy has a significant effect on LOC and LOC has a significant effect on retirement planning, while financial literacy has no proven effect on retirement planning, it can be concluded that LOC is able to fully mediate the effect of financial literacy on retirement planning. Thus the second hypothesis (H2) in the study can be accepted. This means that the higher a person's knowledge and ability in managing finances and accompanied by a very good attitude of self-control towards external factors, the better the financial planning one has. These findings are in line with research (Grable *et al.*, 2009) which states that external locus of control is able to mediate the effect of financial knowledge on personal financial management behavior. The more knowledge a person has, the better self-control he has. This concludes that locus of control plays a role in influencing one's perspective to determine future planning behavior including retirement planning.

Testing the third hypothesis (H3) is that Materialism has an effect on retirement planning. The  $\beta$  value = 0.11 with p value = 0.21 is greater than 0.05 then H3 is rejected. So it can be explained that materialism has no effect on retirement planning. Therefore, the third hypothesis (H3) in the study was not proven true. This means that the level of materialism of a person does not have an impact on retirement planning. Materialism is one of the factors of a person's lifestyle related to how a person forms an image in the eyes of others, and to form that image, branded goods and objects are needed. If it is associated with the respondents' responses to the statement indicators in Table 2, it can be seen that the respondents in this study had sufficient materialism attitudes, with an average score of 2.70. This study is in line with research (Payne, Yorgason and Dew, 2014) where materialism is not directly related to retirement preparation. some people with a materialistic attitude also save for retirement when the financial stress is not there. Having a materialistic attitude has nothing to do with determining how much to save for retirement planning.

The fourth hypothesis test (H4) is that future orientation has an effect on retirement planning. The effect of future orientation on retirement planning has  $\beta$  value = 0.19 with p value = 0.01 smaller than 0.05, so H4 is accepted. So it can be explained that future orientation has an effect on retirement planning. Therefore, the fourth hypothesis (H4) in the study can be accepted. This explains that the higher a person's future orientation, the better their retirement planning will be. Individuals with a good future perspective, are more likely to develop plans to set retirement goals,

because old age planning is included in long-term planning. The results of this study support research (Howlett, Kees and Kemp, 2008) which states that future orientation has a significant positive effect on retirement planning behavior. Individuals who have a good future orientation will prepare for the future from now on.

Testing the fifth hypothesis (H5) that saving orientation is able to mediate the effect of future orientation on retirement planning. The effect of future orientation on saving orientation has  $\beta$  value = 0.30 with p value <0.01 smaller than 0.05. So it can be explained that future orientation has a significant positive effect on saving orientation. In addition, the effect of saving orientation on retirement planning has a value of = 0.17 with p value = 0.03 smaller than 0.05. So it can be explained that LOC has a significant effect on retirement planning. Since future orientation has a significant effect on saving orientation and saving orientation has a significant effect on retirement planning, and future orientation has been shown to have an effect on retirement planning, it can be concluded that saving orientation is able to partially mediate the effect of future orientation on retirement planning. Thus, the fifth hypothesis (H5) in this study can be proven true. This means that the better the future orientation and saving orientation that a person has, the better the retirement fund planning they have. This hypothesis supports the findings of (Kimiyaqahlam, Safari and Mansori, 2019) which states that saving orientation significantly mediates the relationship between future orientation and retirement planning.

#### 4.4. Inner Model Testing (R-Squared Analysis)

Based on Table 5, it can be seen that the R-squared ( $R^2$ ) value of the retirement planning variable is 0.14. this explains that 14% of the variation that occurs in the retirement planning variable is influenced simultaneously by variables of financial literacy, locus of control, materialism, future orientation and saving orientation, while 86% by other variables outside the research estimation model. Based on the results of R-squared ( $R^2$ ) on the retirement planning variable which is 14%, it shows that the endogenous latent variable in the structural model indicates "weak" because it has an R-squared ( $R^2$ ) value of less than 0.25 (Ghozali, 2011)

## 5. CONCLUSIONS AND RECOMMENDATIONS

Based on the results of tests and analyzes that have been carried out both descriptively and statistically using the Partial Least Square (PLS) test tool, it can be concluded as follows: 1) Financial literacy has no effect on pension planning. This shows that the level of financial

literacy does not directly affect retirement planning, 2) external locus of control mediates the effect of financial literacy on retirement planning behavior. This shows that the higher a person's knowledge and ability in managing finances and accompanied by a high self-control attitude towards external factors, the better their future financial planning will be; 3) Materialism has no effect on retirement planning. This shows that the level of individual materialism does not have a direct influence on retirement planning, 4) Future orientation has a positive effect on retirement planning. This explains that the higher a person's future orientation, the better the pension plan they have, 5) The saving orientation is able to mediate the effect of future orientation on retirement planning. So it can be concluded that the better the future orientation and saving orientation of the individual, the better his retirement planning will be

Based on these conclusions, it is suggested to private employees in Surabaya to always be able to maintain self-control, because high literacy without good self-control individuals will not have a good retirement plan. In addition, future orientation needs to be improved so that retirement fund planning will be better. Because of the importance of retirement planning, it is for organizations and pension providers to socialize and educate the wider community so that as early as possible they can plan their retirement wisely and appropriately.

The research model tested in this study is still classified as a weak model because it has  $R^2 = 14\%$  less than 25%, therefore it is recommended for further research to re-examine the retirement planning model by adding other variables that have not been studied, such as financial attitudes, financial experience, financial status in order to obtain a more comprehensive model.

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