

## Financial Adequacy of Older Person in Batu Caves, Selangor Malaysia

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### Abstract

Population aging has profound implications for many facets of human life. The transition from middle to old age is generally marked by declining in financial income. Most of older people in rural areas are living under poverty level. Research in other rural Malaysia suggests that older persons have to depend on to their adult children for income. This paper is aimed at describing about how older persons in rural Malaysia feel about their family financial situation, whether the income level of their family is adequate or otherwise. Understanding perceived financial adequacy is very important in understanding the financial capacity of older people. Financial capacity of older persons needs to be examined because through it we can take steps to support them. More specifically, the present paper analyzes; (1), demographic and socioeconomic profiles of older persons in rural Malaysia; (2), income status of older people in rural Malaysia; (3), level of financial adequacy of older persons in Batu Cave; and (4), the importance of financial support from children among older people in rural Malaysia. This study was conducted in Taman Selasih, Batu Cave district, one of the rural areas in the state of Selangor. This paper is basically employed a descriptive research design. It is used when a researcher seeks a better understanding and measure how variables are naturally distributed. Data were collected through structured and unstructured interviews with research participants coupled with observations on their daily lives, and analyzed using descriptive and thematic approach. Results of the study revealed that: (1), the majority of respondents in the study are men and young old, aged between 69 or below. 49 of them reported as having secondary school certificate, or above, not working and still married; (2), there is substantial variation in their monthly income. Only 54 of them have a monthly income of more than RM870, above poverty level as has been used in Malaysia, and more than half are using half or less than half of their income for daily expenses; (3), only 26 out of 70 perceive their financial as not enough; (4), most of older persons perceive financial support from children is important. To conclude, older persons in study area are not facing problems in financial adequacy.

**Keywords:** population ageing; older persons; rural areas; financial adequacy; well-being

### 1. Introduction

Following incomes of older persons tend to decline in later life, this paper is aimed at describing about how older persons in rural Malaysia feel about their family financial situation, whether the income level of their family is adequate or otherwise. Understanding perceived financial adequacy is very important in understanding the financial capacity of older people (Litwin and Sapir, 2009). Financial capacity of older persons needs to be examined because through it we can take steps to support older persons. It is also true as one of the major objectives of supportive service is to maintain the quality of life of older person (Cantor and Little, 1985). Despite incomes tend to decline in later life; older people frequently express high levels of income satisfaction, and sometimes unreasonably so (George, 1992), our understanding on financial adequacy of older persons in Malaysia remains limited. In particular, little is known about the real income of older persons in rural Malaysia and whether they perceive their income is adequate. It is therefore; necessary to explore the perceived income adequacy of these older persons because the information can also be used to determine their financial situation.

The present paper presents the result of a cross-sectional survey conducted in rural Malaysia to analyze the perception of older people about their current financial adequacy. The main objective of this paper, is to provide specific information on perceive of current and future financial adequacy of older persons in rural Malaysia. We limit the analysis to rural older persons as the majority of older person in Malaysia is residing in rural areas. Transition from middle to old age is generally marked by declining in financial income. Moreover most of older people in rural areas are living under poverty level (Wan Ibrahim Wan Ahmad and Zainab Ismail, 2011; Wan Ibrahim Wan Ahmad, Asyraf Hj Ab Rahman, and Zainab Ismail, 2011), and research suggests older persons have to depend on to their children for a suitable income (Wan Ibrahim Wan Ahmad, 1999; Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014a; Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014b; Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014c; Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014d). Information gathered through this survey is important for policy makers as it gives a further understanding on financial adequacy of

older persons in rural Malaysia; so that suitable programs can be developed to help this population.

## 2. Objectives

This present article analyzes money adequacy of older person in rural Selangor, Malaysia. More specifically, it analyzes; (1), demographic and socioeconomic profiles of older person in rural Selangor, Malaysia; (2), income status of older people in rural Selangor, Malaysia; (3), level of financial adequacy; and (4), the importance of financial support from children among older people in rural Selangor, Malaysia.

## 3. Literature Review

The present paper is concerned with financial adequacy of older population. Older population, a population aged 60 years and older, has been rising significantly all over the world. At the global level, older person is growing at a rate of 2.6 per cent per year, considerably faster than the growth rate of the whole population which is increasing at 1.1 per cent (United Nations, 2001). In its "World Population Ageing: 1950 – 2050", United Nations (2001) described that the population ageing is unprecedented, without parallel in human history. The twenty-first century witness a significant aging, and the global world will not return to the young populations as before as our ancestors knew (United Nations, 2001). What is even more important is that population aging has profound implications for many facets of human life. In 2000, population aged 60 years and older numbered 600 million, nearly triple the number in 1950. By 2050 such category of populations are projected to increase to 2 billion, implying that their numbers will once again triple over a span of 50 years. It is also expected that until 2050, older population is expected to continue growing more rapidly than the population in other age groups (United Nations, 2001). From 1950 to 2050, the median age of the world population rise from 23.9 to 26.7 years, and by 2050 the median age is forecasted to be 38.1 years (Goldstein, 2009).

Demographers agree one of the major successes of human civilization of the twentieth century is that populations have a luxury of aging (Kinsella and Teuber, 1993). Before this century most people tend to associate the growth of older population with industrialized countries of Europe and North America (Kinsella and Wan He, 2009). In recent years, however, because of significant downturn in fertility rates, many developing countries are also experiencing remarkable increases in the numbers and proportions of older population (Troisi and Kutsal, 2006). Population aging, a term used to refer to the increasing in the numbers and proportions of older population (Kinsella and Teuber, 1993), or the increasing share of older person in a population (United Nations, 2015) is a by-product of demographic transition (United Nations, 2001). This demographic transition on the other hand, is a by-product of a larger process of social and economic change (Reher, 2011). Moreover, social and economic change is part of a larger process of social and economic modernization (Kirk, 1996).

Through social and economic modernization, the changes in birth, mortality and migration happen, and thus, age structure of a population will change. Population aging is an inevitable part of the transition to lower rates of population growth as a consequence of demographic transition from high fertility and mortality to low fertility and low mortality (Goldstein, 2009). Advancement in public health and medical technologies has, in fact creating people are living longer lives (United Nations, 2015). Population aging began at a late stage in demographic transition, and it emerging in Europe in the last quarter of the nineteenth century as fertility declines became prominent (Rowland, 2009).

The stage in demographic transition varies in all countries all over the world, and thus, they differ in the speed of population aging (Wan He, Goodkind, and Kowal, 2016). Today, developed countries are in the third stage of the transition, while most countries in Asia, Latin America and the Caribbean are in the second stage of the transition (United Nations, 2007). Consequently, demographic transition which was mostly viewed as a demographic phenomenon in the more developed, industrialized countries has started becoming a feature of many developing countries (Troisi and Kutsal, 2006). Today, although developed countries have relatively high percentage of older persons in their population structure, and the percentage of older persons in developing countries are small, a large number of these older persons are residing in developing countries (Kinsella and Teuber, 1993). More than half of all world's older population lives in developing countries, and eighty-one per cent of the world's net gain of older population from July 2007 to July 2008, occurred in developing countries (Kinsella and Wan He, 2009). By 2050 almost two-thirds of world's older population will be living in Asia (Wan He, Goodkind, and Kowal, 2016).

The increasing number of older population is, undoubtedly poses challenges to the family and the society. One of the major challenges has been financial adequacy of these older persons. Most people views that older persons will be facing the declining in income in later life. Due to retirement, or health related expenses, incomes tend to decline in later life (Stoller and Stoller, 2003). Financial adequacy is a term used to refer to whether older persons feel satisfied with their income or otherwise. It is defined as an objective assessment of adequacy of income to meet overall economic survival (Yen, Jo-Lyn and Keat, 2013).

Financial adequacy is an important part of living standards (Litwin and Sapir, 2009). While in developed countries the combination of strong social security systems, well-developed capital markets, and small

households that has contributed to higher standards of living for older persons relative to the rest of the population (Gasparini, Alejo, Haimovich, Olivieri, and Tornarolli, 2007), in most developing countries pensions systems are weak and older persons usually live in large extended households leading to lower living standards relative to the rest of the population.

#### **4. Materials and Method**

This study was conducted in Taman Selasih, Batu Cave district, one of the rural areas in the state of Selangor. Batu Cave is situated 20km to the northern part of Kuala Lumpur, the capital city of Malaysia. The district was chosen for this study because it has lots of older population that suit to be selected as respondent for the study. The district was also chosen because much of the population in the district exhibits a life style of middle class category.

This paper is basically employed a descriptive research design. Descriptive research design is used when a researcher seeks a better understanding and measure how variables are naturally distributed (Yegidis and Weinbach, 2002). We applied this design as to see how the older people perceive their financial situation whether it is adequate, or otherwise. The design suitable to meet this aim is descriptive design (Newman, 2006). There are 70 older people aged 50 years and older were chosen for the study. They are chosen through a non-probability sampling, particularly convenience sampling. Older person in this study is defined as those aged 50 years and older.

Data for the study were collected through structured and unstructured interviews with research participants, coupled with participant observations conducted in selected households of respondents. Several research reports related to older persons conducted in other rural Malaysia are also reviewed. These approaches are important because it allows us to look into detail how the family life of older people in household settings. Data were analyzed using descriptive and thematic approach.

#### **5. Results and Discussion**

This section analyzes; (1), demographic and socioeconomic profiles of older person in rural Selangor, Malaysia; (2), income status of older people in rural Selangor, Malaysia; (3), level of financial adequacy; and (4), the importance of financial support from children among older people in rural Selangor, Malaysia.

##### **5.1 Profiles of Older Persons**

Profiles of older persons are depicted in Table 1. From 70 older persons aged 50 and over selected as respondent, 40 are male, and the rest are female. They are ages between 69 years and below. Only 8 reported as aged 70 – 79 years old. More than two-thirds are having secondary school certificate or above. Older person who has finished primary school, and never attended school are not significant. A detailed look at education level, it is clear that the education level of the majority of older persons is higher. This is because, among other things, most of respondents are born after Malaysia gained independence. Although there are older persons who were born at the time Malaysia gained independence, the education facilities 50 years ago in suburb areas was quite advance. This is why nearly all respondents reported they have finished secondary school level or above. In terms of working status, the majority of them are not working. Those who did not working are female. In traditional Malaysia, and still remains nowadays although the proportion declined, the majority of women did not working, and they are call *suri rumah* (housewives). As the majority of older persons a categorized as young old, the majority of them are reported as still married.

**Table 1: Profiles of Older Persons**

<b>Profiles of Older Persons</b>	<b>Number</b>	<b>Per Cent</b>
<b>Gender</b>		
• Male	<b>40</b>	<b>57.1</b>
• Female	<b>30</b>	<b>42.9</b>
<b>Age</b>		
• 69 and below	<b>62</b>	<b>88.6</b>
• 70 – 79	<b>8</b>	<b>11.4</b>
<b>Education</b>		
• Never Attended School	<b>2</b>	<b>2.9</b>
• Primary School	<b>7</b>	<b>10.0</b>
• Secondary and above	<b>61</b>	<b>87.1</b>
<b>Working Status</b>		
• Working	<b>21</b>	<b>30.0</b>
• Not Working	<b>49</b>	<b>70.0</b>
<b>Marriage Status</b>		
• Single	<b>4</b>	<b>5.7</b>
• Widowed/Divorced	<b>13</b>	<b>18.6</b>
• Married	<b>53</b>	<b>75.7</b>

### 5.2 Income Status of Older Persons

Income is a critical problem, not only among older persons but also among the working age population in rural society. This is because, as stated elsewhere, job opportunities are difficult for most of residents in rural areas. They do not have a suitable job that offers them a permanent income. They are working in a small farm, or in the informal sectors. Income from working in these sectors is not stable. In this survey, we divided income into two categories; under and above the poverty line income. Poverty line income (2014) for rural residents in Peninsular Malaysia that still being used today is RM870. Those whose income is below the poverty line are categorized as living under poverty. Information from Table 2 indicates that nearly all of older persons are not living under poverty. They are not poor. Only a small number of these older persons are categorized as poor.

Looking at the real income, there is older person who has a monthly income as high as RM15, 000 per month, but the average is around RM3, 000 per month. For most of older persons, income of RM3, 000 a month, is considered enough. This is because older persons generally do not need too much money to fulfill their daily expenses. Although nowadays in Malaysia, cost of living is rising significantly, with the income of around RM3000 per month, the income is still adequate to fulfill the daily expenses of older persons. This is why the vast majority of respondents perceive that their income is enough for a suitable living. More than half of older persons are using half or less than half of their income for daily expenses. Only a small portion of older persons are using all of their income for daily expenses (Table 2). What can be generalized from this figure is that older persons in the study area are not typical rural older persons; rather they are indeed among a modern category of older persons.

**Table 2: Income Status of Older Persons**

<b>Income Status of Older Persons</b>	<b>Number</b>	<b>Per Cent</b>
• 870 and below	<b>16</b>	<b>22.9</b>
• 871 and above	<b>54</b>	<b>77.1</b>
<b>Income Used</b>		
• All	<b>29</b>	<b>41.4</b>
• Half	<b>29</b>	<b>41.4</b>
• Less than Half	<b>12</b>	<b>17.1</b>

### 5.3 Level of Financial Adequacy

Financial adequacy in this paper is a term used to refer to perceived subjective income older person requires to be living at the level that he desires. There are various approaches have been used in the literature to measure financial adequacy. Litwin and Sapir (2009) who reviews the literature on this aspect, concluded that one of the approach is based on the minimum income needed to live, and the other one is to look at perceive income adequacy as the income ones requires to live the level one desires.

The present paper used the second approach to measure financial adequacy in their study. In order to measure financial adequacy in this study, respondents are asked “overall, what is your gross family income? Would you say that your family income is (1) is not adequate, (2) adequate, and (3) very adequate. Respondents

are asked two more questions, but to refer to financial adequacy several years prior to the study, and the other is to refer to financial adequacy several years in the future. The responses from this question are shown in Table 3.

Overall, the majority of older persons agree that their gross family income is adequate for their daily expenses. There are 39 older persons who feel their gross family income is adequate. Looking at two more questions, the responses are the same.

**Table 3: Level of Financial Adequacy**

<b>Current Level of Financial Adequacy</b>	<b>Number</b>	<b>Per Cent</b>
• Not Enough	26	37.1
• Enough	39	55.7
• More than Enough	5	7.1
<b>Financial Adequacy Prior the Survey</b>		
• Not Enough	38	54.3
• Enough	29	41.4
• More than Enough	3	4.3
<b>Financial Adequacy in the Future</b>		
• Not Enough	33	47.1
• Enough	29	41.4
• More than Enough	8	11.4

By looking at Table 3, on the whole, the majority of older persons in study area are likely to agree that their family financial situation is adequate. In the context of the time of survey, only 26 feel that their financial situation is not adequate, while the majority of older persons feel their financial situation as adequate. There five older persons feel their financial situation is very adequate. Looking back to the income status, the majority of older persons, as their income is above the national poverty line income, are living above poverty level. Those who feel their family financial income do not adequate are those whose income is below than poverty line income. They are poor. In rural areas, poor people will be facing problems in their family daily lives. They have to do an extra work to get extra income, or they have to depend on to their children. The financial situation prior to the study as well as in the future is not different.

#### **5.4 The Importance of Financial Support**

In Malaysia, the majority of older persons have many children, and a large portion of them are cared for by their children when they are too old to do any work until they die. Examining through Table 4, it is clear that most of older persons are receiving financial support around RM870 or below per month. This amount is seen as normal because, based on our empirical observation and unstructured interviews with several older persons in other rural Malaysia normally adult children send around RM250 - RM500 a month to their parents. Thus, it is normal if older persons reported they have received RM870 or below per month from their adult children.

To explore whether this financial support from children is felt importance, older persons are asked “overall, talking about your financial support, would you say that the financial support is (1) is not important, (2) important, and (3) very important. As depicted in Table 4, the majority of older persons agree that financial support from children is important. There are 43 are agree the financial support is important. Only 22 out of all respondents feel that the financial support from children in not important. Those who do not agree are in fact perceived that they do not need to depend on their children for their monthly income. Examining in detail about this, these older persons are quite rich where these older persons only used less than half, or parts of half of their income per month. These older persons have their own income to fulfill all the monthly expenses (Table 4).

**Table 4: The Importance of Financial Support**

<b>Amount of Financial Support</b>	<b>Number</b>	<b>Per Cent</b>
• 870 and below	57	81.4
• 871 and above	13	18.6
<b>The Importance of Financial Support</b>		
• Not Important	22	31.4
• Important	43	61.4
• Very Important	5	7.1

Previous research show that financial support is crucial to older persons in rural Malaysia (Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014a; Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014b; Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014c; Wan Ibrahim Wan Ahmad and Zainab Ismail, 2014d). This is normal because as children feel obligated to support their elderly parents financially because they have also received lots of support from elderly parents before this. This is true because those who have received support can have reciprocal feelings and obligations, which one day may lead them to become providers when circumstances

change (Hashimoto and Kendig, 1992). However, in the context of Malay culture, what is important is not the amount. Unless the elderly parents are too poor, older persons are likely to feel happy if their children send them money on whatever the amount. These older persons do not feel vulnerable which may not lead them to feel the urgent need for support. In other words, the amount of financial support varies substantially with the income status of older persons. For poor elderly parents, the amount of financial support is important or very important. For rich elderly parents, however, their own monthly income is enough for the living expenses, thus the amount of financial support from children is not too important although they still may hope to get other kind of support.

## 6. Conclusion

This paper is concerned with perceived financial adequacy of older persons in rural Kedah, Malaysia. The aim is at describing about how older persons in rural Malaysia feel about their family financial situation, whether the income level of their family is adequate or otherwise. From this information we can understand the financial capacity of older people in study area. The information on this issue is also important because from it we can take steps to help older persons maintain their quality of lives. Financial adequacy is in fact to maintain the quality of life of older person. Overall, the majority of older persons in study area perceived that their gross family income is adequate. There are 39 older persons who perceived their gross family income is adequate. The suitable answer for this situation is lies on the income status of these older persons. There are two-thirds of older persons have a monthly income of above than income poverty line that more or less showing their own income in enough for daily expenses. These older persons do not feel vulnerable which may not lead them to feel financial support is an urgent need for them.

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