INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VI June 2025

Senior Citizens and Financial Stability: Assessing Socio-Economic Correlates and Influences

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DOI: https://dx.doi.org/10.47772/IJRISS.2025.906000393

Received: 12 June 2025; Accepted: 16 June 2025; Published: 19 July 2025

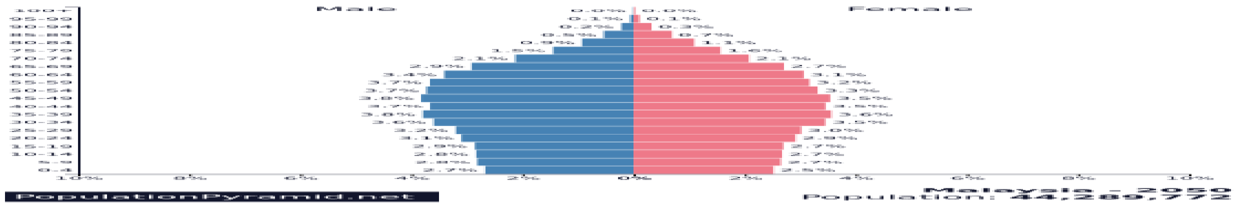
ABSTRACT

As Malaysia evolves into an ageing society, the financial sustainability and socio-economic well-being of the elderly have emerged as pressing issues. This study examines the relationships between income, expenditure, savings and social welfare in relation to the Financial Sustainability Index and the overall well-being of senior citizens. A cross-sectional, quantitative design was employed, surveying 111 participants aged 48 and older from both urban and rural settings using a structured questionnaire. The analysis revealed moderate positive correlations between financial sustainability and the essential variables: income ($r = .517$), expenditure ($r = .505$), savings ($r = .531$) and welfare support ($r = .517$). The findings indicate that factors such as income stability, managed expenditures, sufficient savings and available welfare play a crucial role in enhancing the financial resilience and overall quality of life for older adults. The analysis underscores the interconnectedness of these elements, suggesting that no individual factor can guarantee financial sustainability on its own. Recommendations for policy improvement involve strengthening financial education, adjusting social security to align with actual cost-of-living conditions, promoting income opportunities after retirement and providing incentives for long-term savings. In conclusion, a comprehensive and inclusive policy framework is essential to protect the dignity, independence and well-being of Malaysia’s elderly population, allowing them to age with both security and satisfaction.

Keywords: financial sustainability, socio-economic well-being, ageing society

INTRODUCTION

Ageing is a rapidly emerging global phenomenon with significant implications for economic stability and social welfare. The proportion of older adults is rising at an unprecedented rate, especially in developing nations (World Health Organization, 2021). Malaysia is no exception when it is projected to become an ageing nation by 2030. According to the Department of Statistics Malaysia (2023), individuals aged 60 and above currently make up 10.7% of the population, a figure expected to double by 2040. This demographic shift presents both opportunities and challenges, particularly regarding the financial and social well-being of the elderly. Financial sustainability refers to an individual's ability to maintain sufficient income, savings and consumption levels throughout retirement without overreliance on state support or family assistance. In contrast, socioeconomic well-being encompasses a broader range of factors, including access to healthcare, social participation, mental health and overall life satisfaction. These two dimensions are deeply interconnected—financial instability can lead to social exclusion, psychological distress and poor health outcomes among older adults.



Sources: https://www.populationpyramid.net/malaysia

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VI June 2025

Based on above chart, it can be described that the population pyramid projected for Malaysia in 2050 presents a striking illustration of the country's transition into an aged society. Unlike the traditional pyramid shape characterized by a wide base and narrow apex (indicating high birth and death rates), Malaysia's 2050 pyramid is more column-like, with a noticeable bulge in the older age groups and a narrowing base. This demographic transformation is the result of two concurrent trends: declining fertility rates and increasing life expectancy. In the first few decades, the population pyramid of Malaysia had a wide base which represents a large population who was below 15, due to the higher fertility rate at that time. But as the social and economic situation developed, levels of fertility, for more than one hundred years, had been falling below the level needed to sustain the population at 2.1 children per woman. There is going to be a longer-term decline in the number of children being born and the younger age groups (0–14-year-olds) as a percentage of the population. At the same time, advances in health, nutrition, and public health services have led to a longer life span, thus increasing the percentage of people aged 60 and older. Its proportion of the total population is expected to rise to more than 20% by 2050, with other substantial growth occurring in the 70–79- and 80+-years age groups.

The demographic shift highlighted in Malaysia's 2050 population pyramid is directly linked to concerns about financial sustainability; both at the national policy level and individual household level. As the population ages and the proportion of elderly citizens increases, there will be greater financial pressure on pension schemes such as the Employees Provident Fund (EPF), public healthcare and social assistance programs like Bantuan Warga Emas. With fewer working-age individuals contributing to the tax base and retirement funds, sustaining these financial support systems will become increasingly challenging.

Therefore, older individuals are especially vulnerable to financial insecurity due to retirement-related income loss, rising healthcare costs and age-related declines in physical and cognitive abilities (OECD, 2021). Financial well-being defined as the ability to manage ongoing living expenses while maintaining a reasonable quality of life—is a key determinant of quality of life in later years (Atkins et al., 2020). Financial strain not only contributes to elderly poverty but also negatively impacts mental health and limits social participation (Yusof et al., 2022). Despite the existence of various social protection programs in Malaysia, such as EPF savings and the Bantuan Warga Emas, many older Malaysians remain financially unprepared for retirement and depend on informal support systems like family or charity, which are not always reliable or sustainable (Hashim & Ismail, 2021; Lee & Ng, 2020).

However, existing literature often examines financial and social well-being in isolation, with limited focus on how income, expenditure, savings and social welfare interact to influence both financial sustainability and overall well-being. This fragmented approach restricts the development of integrated ageing policies that address both economic and non-economic needs. Therefore, this study aims to explore the relationship of income, expenditure, savings and social welfare on the Financial Sustainability Index and Socioeconomic Well-Being of the elderly in Malaysia. By filling this gap, the research hopes to generate evidence-based insights to inform policy formulation and targeted support programs for Malaysia's ageing population.

Income and Financial Sustainability

Income is known to be one of the strongest predictors of economic well-being for older adults. There's often an impact on financial behaviour and dependency as people approach retirement. The retirees' source of income in Malaysia is derived from pensions, retirement savings (EPF), families, and limited part-time post-service jobs (Hashim & Ismail, 2021). Research consistently demonstrates that older people who have a steady and comfortable income are more likely to maintain financial autonomy, meet basic needs, and participate in social and recreational activities (Atkins et al., 2020). On the other hand, an absence of a stable income may lead to financial instability, frustration and poor quality of life (Yusof et al., 2022).

Based on the Department of Statistics Malaysia (2023), almost a quarter (or 27%) of the elders in Malaysia are from the Bottom 40% (B40) category, suggesting substantial income vulnerability. Lee and Ng (2020) maintain that inadequate old-age income is often due to poor financial planning and low coverage of sustainable retirement schemes, especially for workers with informal sector status. Therefore, income is the critical factor in sustainability and the general wealth of an individual.

Expenditure Patterns Among the Elderly

Financial sustainability is also influenced by the control of spending. Health-related costs in later years of life are considerably higher because of long-term illnesses, medication costs and long-term care (Ibrahim et al., 2019). On top of that, certain basic costs such as food, utilities and travel stay constant even as income drops. Broken budgeting or lack of financial planning may lead to incurring debt or withdrawing from retirement (Atkins et al., 2020)

From the Malaysian Economic Monitor (World Bank, 2020), an estimated 70% of retirees deplete their savings within 5 years. This indicates that life expectancy or health needs are not necessarily reflected in the patterns of expenditure. In addition to this, research by Noor and Ismail (2021) showed that older adults who are exposed to financial education have better money management skills, controlling their expenses and are satisfied with their money management. Therefore, it is also crucial to be able to control expenditure in line with financial ability so that the operation can maintain and sustain itself in the long run without external support.

Savings and Financial Resilience

Savings act as a cushion that offers the elderly the opportunity to respond to unanticipated financial crises. People who retire with private pension savings are in a stronger position to maintain their standard of living and meet healthcare needs without losing financial autonomy (OECD, 2021). In the Malaysian setting, nevertheless, 56% of active contributors aged 54 years were found to have less than RM50,000 balances in their EPF account, which is inadequate to support their retirement according to the Employees Provident Fund (EPF, 2022) industry.

Research by Hashim et al. (2020) indicated that lack of or low level of retirement savings mediates through low or lack of financial literacy, irregular income streams and short or no term planning. There are also cultural influences. While child support for the old is still common in Malaysia, some believe that this may dampen the need to save (Lee & Ng, 2020). Promoting a saving ethic early in the life course with strong institutional backing is therefore crucial to enhance financial sustainability at old age.

Social Welfare and Socioeconomic Support

Social welfare policy is targeted to prevent destitution in order to maintain a safety net for the elderly and others, to reduce poverty and also improve social and economic condition of the elderly. It has been reported that such support may have a positive effect on perceived well-being and loneliness and alienation (Mohd, & Wan, 2018; Yusof et al., 2022).

But there are questions about whether these programs are sufficient and easy enough to access. Even people who qualify often don’t know about, or don’t sign up for, government programs. Moreover, the financial support generally offered does not meet the increasingly costs of living and medical expenses (OECD, 2021). Ibrahim and Ahmad (2019) also stressed that the linkage of financial assistance with health care, psychiatric treatment and residency would help to improve the socioeconomic prosperity of the elderly. Hence, social welfare is still an important but underutilized instrument to foster economic and social resilience.

Financial Sustainability and Socioeconomic Well-Being

Financial sustainability goes beyond having enough income to cover life expenses; financial sustainability is about the capacity to handle resources through time, address unexpected costs, and make choices that ensure the independence, without sacrificing future needs. The quality of life, however, also refers to other dimensions, as health and health care, social participation, emotional well-being (Sen, 1999).

The interface of financial stability and socioeconomic health is a complex one. Atkins et al. (2020), for example, found that the elderly with good financial stability are more likely to be satisfied with their social, emotional and physical health. Conversely, anxiety, depression and lower self-esteem are linked to financial stress. As such, the interaction of income, expenditure, savings and receipt of welfare support is an important consideration in the development of a comprehensive model of ageing well.

As Malaysia transitions to an ageing society, it is crucial to develop strategies that address the financial and social dimensions of caring for the elderly. A comprehensive effort that includes in-place behaviour, institutional policy and community support is necessary to protect the health of the elderly.

Hypotheses Development

Based on the literature and theoretical foundations, the following hypotheses are proposed:

H1: There is a significant relationship between income and financial sustainability and socioeconomic well-being among the elderly.

H2: There is a significant relationship between expenditure and financial sustainability and socioeconomic well-being among the elderly.

H3: There is a significant relationship between savings and financial sustainability and socioeconomic well-being among the elderly.

H4: There is a significant relationship between social welfare and financial sustainability and socioeconomic well-being among the elderly.

These hypotheses will be tested through quantitative analysis to examine the direction and strength of the relationships.

METHODOLOGY

The study employed quantitative research design that utilized cross-sectional survey to determine the contribution to financial sustainability and social-economic well-being of Elders in Malaysia. The study population will be adults aged 48 and over living in urban and rural areas; a stratified random sampling will be used to ensure proper representation across geographic and income strata.

A 5-section structured questionnaire (including demographics and socio-economic status, income and expenditure patterns, types of saving behaviour, social welfare assistance and the dependent variable -financial sustainability and socio-economic well-being; adapted items from validated health and well-being measures will be used to gather data on the dependent variable. All constructs (except demography) will be assessed using a five point Likert scale from “Strongly Disagree” to “Strongly Agree.” The survey will be conducted online and through in-person administration overlapping in-person distribution and collection of the survey instrument at community facilities and will provide for literacy resources for illiterate respondents, in order to optimise data quality. Thus, about 111 responses in reaction to this survey.

The data will be processed using the SPSS software package; descriptive statistics will describe the profile of the sample of respondents, and the Pearson correlation and multiple regression analysis will be used to analyse the link between income, expenditure, saving and social welfare (independent variables) and financial sustainability and socioeconomic well-being (dependent variable).

FINDINGS

The Pearson correlation coefficient between the overall index and the other variables - income ($r = .517$), welfare ($r = .517$), expenditure ($r = .505$) and saving ($r = .531$) - indicates moderate positive correlations, suggesting that increases in these individual factors are moderately associated with increases in the overall index.

Overall, the significant and positive correlations across all variables underscore their interconnectedness and the potential for mutual reinforcement in contributing to the overall index of economic well-being.

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Table 1: Correlations

		Index	Income	Welfare	Expenditure	Savings
Index	Pearson Correlation	1	.517**	.517**	.505**	.531**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001
	N	111	111	111	111	111

**. Correlation is significant at the 0.01 level (2-tailed)

Table 2: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.178	.282		.631	.530
	Income	.394	.092	.401	4.286	<.001
	Welfare	.043	.118	.036	.368	.714
	Expenditure	.464	.132	.403	3.507	<.001
	Savings	.045	.095	.042	.474	.636
a. Dependent Variable: Financial Sustainability						

Based on table above, it is evident that income and expenditure significantly influence financial sustainability among the elderly, while welfare and savings do not show a statistically significant impact. Specifically, income has a positive and strong effect ($\beta = 0.401$, $p < 0.001$), suggesting that higher income levels are strongly associated with better financial sustainability. Likewise, effective expenditure management ($\beta = 0.403$, $p < 0.001$) also contributes positively, indicating that how the elderly manage their spending plays a crucial role in sustaining their financial well-being.

On the other hand, welfare support and savings appear to have minimal influence in this model. Welfare shows a weak and non-significant relationship ($p = 0.714$), possibly due to limited access, insufficient coverage or inadequacy of current government support programs. Similarly, savings do not show a significant effect ($p = 0.636$), which might reflect that many elderly Malaysians either lack sufficient savings or do not use their savings effectively to support long-term financial needs.

Research Framework

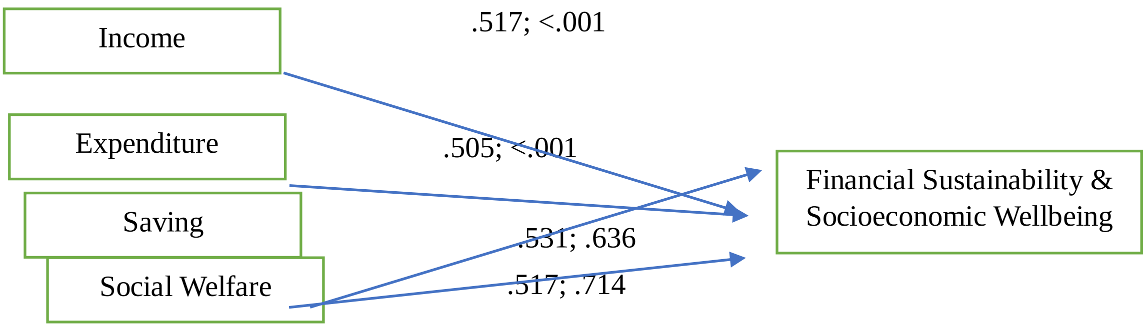

Figure 1: Research Framework

DISCUSSION & RECOMMENDATIONS

The results in this study demonstrate that income, welfare, consumption and savings all have a moderate and positive relationship with the broad index of economic well-being, with the following Pearson correlation coefficients: income (r =. 517), welfare (r =. 517), expenditure (r =. 505), and saving (r =. 531). They imply that increases in any of these financial HS factors are weakly linked with improvements in the financial health of the elderly. This is consistent with Diener and Biswas-Diener's (2002) claim that economic well-being is multinomial, reflecting, not only income, but how that income is spent in the social environment infrastructures themselves.

More specifically, the sigma of 0.493 suggests that income is a base of resources that combines with other resources, echoing Kahneman and Deaton's (2010) finding that higher income is associated with higher life evaluation and satisfaction. The connection between welfare and economic aspects also resonates with the view of OECD (2013) that social support systems contribute to life satisfaction in particular for the elderly which are highly dependent on pensions, benefits, and access to health care.

Second, the relationships between the index and the expenditure and savings are also of interest. Although the strength of the relationships are modest, it provides evidence to support Keynes (1936) who suggests that people would allocate their income to consume and save, and both in combination would affect longer-term financial welfare. The correlation between savings and economic well-being was modest (r =. 531) is also consistent with Lusardi and Mitchell (2007) who noted that savings behaviour ensures financial sustainability in a low-resource environment for old age populations.

These findings (correlate and influences) highlight that to enhance financial sustainability among older adults, policies should prioritize increasing income opportunities such as through pensions, post-retirement employment or investment income and promoting financial literacy to manage expenditure effectively. Relying solely on welfare and encouraging savings without structural support may not be sufficient for achieving sustainable financial well-being in later life.

Overall, the results suggest that there is no one factor that stands alone as a determinant of well-being. Rather, these financial factors are mutually reinforcing, so policies targeting just one (by increasing income, stimulating savings, etc.) may compound their ultimate impact across the diverse dimensions of economic well-being.

According to the results, specific policy implications can be stated to help improve the financial sustainability and the socioeconomic well-being of the elderly. Enhancement of composite financial education program for older adults such as income management, saving plan and consumption expenditure. Social security schemes could also be reformed in order to reflect the increasing cost of living, and the specific needs of the ageing population in the areas of health care, housing, and mobility. Furthermore, active aging policies could be encouraged that promote part-time employment or community participation in employment after retirement, resulting in supplementary income and increased life satisfaction. Financial institutions and the government can also encourage long-term financial stability by implementing saving incentives, such as a saving matching program or tax breaks for older individuals who save. Finally, periodic surveillance of elderly spending behaviour through national surveys would contribute valuable information to guide more focused and responsive social protection policies. Cumulatively these measures would create a more enabling and sustainable environment for seniors to achieve financial security, and better health.

CONCLUSION

The ageing population adds a growing public concern on the financial sustainability and socioeconomic well-being of the elderly. In the context of ageing from a non-biological, multidimensional perspective structured by financial, social and systemic factors, this research aimed to establish a foundation for understanding the multiple risk and protective factors determining economic well-being – and deprivation - in old age. The study confirms that the financial lives of older adults are challenging, and intertwined with factors like income, welfare support, spending and saving. Understanding these interactions offers critical insights into the challenges faced by ageing populations, particularly in rapidly ageing developing countries. However, a striking paradox emerges despite growing awareness, many older adults continue to face financial and social vulnerabilities. This highlights the urgent need for collaborative leadership among policymakers, financial institutions and community stakeholders to create environments that support ageing with dignity. Ensuring retirement security should not be viewed solely as an individual responsibility; it is a collective societal goal rooted in core values of inclusion, fairness, and compassion. Ultimately, the current study adds to the emerging literature on ageing and finance, providing a foundation for research and policy designed to improve the well-being of older adults. It is an important reminder that a more comprehensive and inclusive policy is needed to address economic challenges of ageing.

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