



# A STUDY ON AWARENESS OF SENIOR CITIZEN SAVINGS SCHEME (SCSS) – A POST RETIRAL SAVINGS SCHEME AMONGST SERVICE SECTOR PEOPLE W.R.T MUMBAI WESTERN SUBURBS

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## ABSTRACT

Retirement planning is an important phrase in everyone's life. Sometime or the other one has to face this question of planning for retirement. There are various user-friendly investment alternatives available in the market for investment of hard-earned savings for the 2<sup>nd</sup> innings.

This study was aimed at studying the level of awareness and gathering knowledge about the perception of people including senior citizens about the many schemes available in the market regards the investment of the savings in schemes post retirement. Among the many initiatives taken by Government of India (GoI), the two schemes that were reviewed in this study were Senior Citizen Savings Scheme (SCSS) and Pradhan Mantri Vaya Vandana Yojna (PMVVY). The other available options are Post Office Monthly Interest Scheme, Post office Fixed Deposits, tax free bonds among many other privately investable alternatives.

GoI launched SCSS for the first time in 2004. However, a period of time it was observed that the SCSS has not gained much popularity as that of popularity like PPF and others. It has shown marginal growth per the years and its still a long way from capturing a working population of India.

This study is aimed at studying the awareness and perception about SCSS amongst service oriented class of people living in western suburbs of Mumbai city and also to understand the various sources of information which could be more effectively used for enhancement of popularity and subscription to these schemes.

Key words: Pension, Retirement, National Pension Scheme (SCSS), Senior Citizen Savings Scheme (SCSS).retirement schemes

## INTRODUCTION

'Retirement' a word commonly plays on the minds of every individual at the back of their mind. The busy life schedule and short-term goals of this long life keeps people from deciding the most important investment decisions of the phase of this phase of their life. The proportion of senior citizens (age 60 years and above) in India is increasing rapidly due to the increasing life expectancy and decline in the fertility rate. Currently the Indian population is 1.39 billion (approx.) (2021) with approximately 6.57 % above the age of 65 years. (Source: <https://www.statista.com/statistics>).

It has been generally observed that planning for savings and investments for retirement are usually one of the later priorities for all household. Individuals start contemplating about long term savings and investment plans in their late 30's which are usually targeted towards children education plans, etc. Moreover, how much to save and how to save – is a question still of great ambiguity among people.

One of the many alternatives available in the investment world are the pension funds. Pension funds are managed professionally and culmination of resources invested by different sets of investors. The basic objective behind the pension funds is long term returns coupled with stable returns. Unlike other investments Pension funds usually come with a lock in period till the age of 60 years. Moreover, pension funds and MFs usually have different disinvestment restrictions and tax treatments. (Mercedes Alda 2016)

## GENERAL FEATURES OF PENSION FUNDS

Pension funds also referred to as retirement funds, is a kind of savings method where any employee saves a portion of your income into a designated savings plan. The main objective of this plan is to get a stable flow of income after the completed active years of service.

The pension funds in India are divided into two stages. The first stage is the accumulation stage wherein an individual pays or invests in the pension plan throughout active work years until the retirement age. Once retirement age is attained, the second stage begins, which is the vesting stage. In this stage, annuities until death is received.

## PENSION FUNDS SCENARIO IN INDIA

Pension plan are also known as Benefit plans. These investments are for the futures benefits and are ideally meant to deliver financial security and independence to senior citizens post retirement.

Pension Plans sometimes also come with insurance cover. Quarterly or monthly contributions are made in these plans. One of the additional benefits that amounts invested in pension funds is that the returns are usually adjusted for inflation rates. Hence that is another lucrative reason why people should be targeting towards investment pension plans. Pension plans could always be an important part of the portfolio thus giving the portfolio a security angle

Pension funds / plans may be issued by insurance Companies, Private Financial companies in association with banks, Government of India in favour of Public, etc. Some of the GoI Initiatives are **National Pension Scheme (NPS)**: This a scheme launched by GoI in the year 2009 this was made open for all citizens of India. the various tax benefits attached to it and the lucrative benefits of low contribution – high return, has made this scheme quite popular among people. Its is regulated by Pension Fund Regulatory and Development Authority (PFRDA). The other is **Atal Pension Yojana (APY)**: It was previously known as Swavalamban yojana, a Government backed Pension scheme provided in India at unorganized sector, announced in 2015 Budget. It is applicable to all in the unorganized division. A fixed monthly pension amount starting from Rs.1000 up to Rs.5000 can be received by subscribers, every month after their retirement at the age of 60 until the death of the subscriber. Individuals can join this plan by age of 18 and contribute, till they turn 40. (Anjana Devi.S,2021)

Along with these the GoI has taken initiative to take care of savings of the Senior citizens. So far the above stated schemes were ones that would yield pension through investment before the attainment of retirement age of 60 years. All the above schemes were to be invested before retirement at a much earlier age.

However, money should keep growing and no money should be left ideal. Post retirement savings should be invested in more safe havens as compared to the investments made during the working life of an individual. There is always options like Mutual fund, Equity market which would lure people to higher rate of return at a higher risk. Loosing money at a the age of 60 plus years of age. Hence the GoI has introduced schemes to save and earning money out of the savings made prior to retirement and allow the money to grow and fund ones old age.

The important scheme Senior Citizen Savings Scheme (SCSS)has been highlighted in this study.

A brief overview: **Senior Citizen Savings Scheme (SCSS)**

Senior Citizens Savings Schemes is a government endorsed scheme and capital invested therein enjoys superlative security and guarantee. It can be availed by any individual above the age of 60 years. They are effective savings options for the long term and offer attractive features and unmatched security.

Eligibility	<ul style="list-style-type: none"> <li>person who has crossed the age 60 is eligible to open a Senior Citizen Savings Account.</li> <li>One who is past age 55 and less than 60 and has already retired on superannuation or under Voluntary Retirement Scheme can also start account providing that it is started in 30 days after receiving all the retirement welfares and money put in should not be more than retirement benefits.</li> </ul>
Investment Amount	Minimum amount - Rs.1000 Maximum amount - Rs.15 lakh
Tenure	5 years (extendable 3 years maximum)
Interest Rate	7.4% p.a.
Return / Disbursal	Interest (compounded quarterly) payment on Quarterly basis credited to an individuals account on first day of each quarter
Premature Withdrawal	<b>Allowed</b> - SCSS accounts can be prematurely closed (or foreclosed) at any desired time – but one year after account opening. This is therefore not a short-term deposit. If you close the account before completing 2 years, 1.5% of the deposited amount will be deducted as a penalty. If account closure is after 2 years, 1% of the deposited amount is levied as a penalty. For 3-year extended accounts (after the 5-year maturity mark) you can close your account after the first year without any penalty being applied. Your account is also transferable anywhere in India.
Taxability	Interest income earned above Rs.50000 – TDS applicable Taxable as per Slab income Investment eligible for tax deduction under sec 80C
Joint holding with spouse	Permitted with Spouse (irrespective of age)

Such moves are argued to be with the intent of safeguarding senior citizens' hard-earned savings and giving them the opportunity for flexible benefits in league with market behavior, overall financial performance, and inflation.

The main aim of this investment option for senior citizens is to assure regular income post-retirement, for a period of at least 5 years. Taking stock of all its variables, this investment option for senior citizens takes on a mediumrisk profile, especially if compared to something like PPF which is low-risk but was the biggest attraction for senior citizens, when avenues for retirement years were fewer, as compared to the bouquet of options on a date.

The guarantee of regular income and capital protection has made SCSS a popular option since its inception.

### ORIGIN OF RESEARCH PROBLEM

In the back drop of above scenario, the research was undertaken to understand the awareness and popularity of SCSS amongst people living in the western suburbs for financial planning for retirement. People generally save for various objectives during their working life in various schemes and investment avenues depending upon their risk appetite. However this study was undertaken to review the perception of people towards investment post retirement and awareness about options available. The study was mainly focused towards

SCSS, a medium risk income yielding avenue of investment and knowledge and perception of people towards the same.

## **SIGNIFICANCE OF THE STUDY**

This study is aimed at assessing the awareness about the various features of SCSS and perception of individual towards investment in SCSS as a part of their post retirement plan. It is aimed at understanding factors effecting such interest and awareness amongst people.

## **REVIEW OF LITERATURE**

Annamaria Lusardi and Olivia S. Mitchell (December 2005). Financial Literacy and Planning: Implications for Retirement Wellbeing. Working Paper, Michigan Retirement Research Center, University of Michigan.

Ritika Aggarwal (December 2012), the data analysis in her research paper highlights that preference towards senior citizen saving scheme is very low (3.7 percent) in the Garhwal region of Uttarakhand.

Salaried employees/individuals depend on the amount they realize at retirement from mandatory EPF. Most of them fail to mobilize savings mainly because of increasing consumption expenses. Financial literacy is always associated with retirement planning. (Sharanjit Uppal 2016)

Life cycle theory provides insights into consumption smoothing decisions of individuals. Literacy levels of individuals and financial knowledge correlate with one another strongly (Maarten Van Rooij 2011).

Lack of financial literacy and attitude to saving more mainly towards retirement, procrastination, and inertia are major behavioural issues contributing to low savings rates (Rabin 1999).

Maarten Van Rooij evidences a positive correlation between financial literacy and determinants of wealth, income, age, education, family composition, attitude towards savings, etc.

The higher the financial knowledge, the lower the cost incurred and barriers in stock market investment. Lusardi, 2004, Clark et al., 2008

As per The Aegon Retirement Readiness Survey 2018 “People in India expect the greatest proportion of their retirement income to come from their own savings and investments (46 percent, compared to just 30 percent globally). They expect 30 percent to come from their employer (24 percent globally) and they expect 24 percent to come from the government (46 percent globally). The comparatively low levels of income expected from the government in India is representative of the minimal coverage of publicly-provided formal old-age income protection amongst the country’s workforce.”

On considering the literature above, it may be concluded that Indian are less reliant on Government oriented investment plans for their return. The confidence and dependency are surely not built up in the hearts of people.

## RESEARCH GAP

There seems to be lack of initiative to understand the reasons and factors of individuals while promoting a scheme like SCSS. A lucrative and well sculptured and seasoned over years SCSS scheme is yet to make place in the minds of people. A research study may be done to understand the extent of awareness about SCSS and factors effecting such influence.

## OBJECTIVES OF STUDY

- To understand Senior Citizen Savings Scheme (SCSS)
- To understand the awareness about Senior Citizen Savings Scheme

## HYPOTHESES (NULL)

$H_0$  - There is no significant association between educational background (Finance/ Non- finance) and awareness of SCSS amongst the respondents

$H_0$  - There is no significant association between retirement financial planning behavior and awareness about SCSS

## RESEARCH METHODOLOGY

### Research Design

The present research is mainly descriptive in nature with the view to study respondents' awareness about SCSS available for financial planning for post-retirement benefits. It has been designed to understand if any relation exists between awareness about SCSS and the educational background of investors and their retirement planning behavior.

### Sample Design

For the purpose of present study, data was collected on purposive basis. Non-probability sampling technique were followed for selecting sample of the present study. This study was conducted with reference to service sector people residing in Mumbai western suburbs. 200 questionnaires were distributed through personal contacts. 138 filled questionnaires were collected of which 125 were usable. The sample consisted of college teachers from different age groups, income and education.

## DATA ANALYSIS & INTERPRETATIONS

### Testing of Hypotheses

#### Hypothesis 1

$H_0$  - There is no significant association between educational background (Finance/ Non- finance) and awareness of SCSS amongst the respondents



H<sub>1</sub> - There is significant association between educational background (Finance/ Non- finance) and awareness of SCSS amongst the respondents

Table: Distribution of Respondents According to their Educational background (Finance/Non- finance)

Education	Frequency	%
Graduate	54	43.2
Post Graduate	71	56.8
Total	125	100.0

From the Table above it is evident that, majority of the working women i.e., 71 out of 125 (56.8) are having Post Graduate Qualifications and all others are graduate. This includes Doctorates, Chartered Accountants, M. Com, M. Sc., etc and respondents from various other streams. Hence, they may have relatively higher level of maturity so their savings and investment decisions may be considered as rational in nature.

#### Count of from Finance/Non- finance courses Specialized in Qualification

Area of specialization in education: Finance / Non-finance courses

	Frequency	Percent	Valid Percent	Cumulative Percent
Finance	60	48	48	48
Non-finance	65	52	52	100.0
Valid	125	100.0	100.0	

From above its clear shows that, majority of the respondents i.e., 60 out of 125 (48%) are from finance background.

That's good a portion of the respondents have a major influence on the decision-making approach and would be major point of different in opinion between finance and non- finance group.

The above stated hypothesis has been framed to judge the effect of educational qualification (specialization in Financial / non -financial courses) and their awareness and knowledge about SCSS as investment tool for retirement.

On further analysis it has been observed that out of the strength of 45 out of a strength of 60 respondents with finance specialization i.e., 75% were aware of SCSS as compared to 84.6 % of the respondents from non – finance background who were also aware of SCSS as retirement tool launched by GoI the said statistics has been portrayed below:

Specialized in Qualification	Aware of SCSS as investment alternative for retirement		
	Yes	No	Total
Finance	75.0%	25.0%	100.0%
Non-finance	84.6%	15.4%	100.0%

Hypothesis Testing Chi-square Contingency Table Test for Independence (Mega stat)

Specialized in Qualification	Aware of SCSS as investment alternative for retirement		
	Yes	No	Total
Finance	45	15	60
Non- finance	55	10	65
<b>Total</b>	<b>100</b>	<b>25</b>	<b>125</b>

1.80	chi-square
1	df
0.1794	p-value

From Table above it is evaluated that the computed value of chi –square is 1.80. The corresponding P-value is 0.1794 which is more than 0.05.Hence,

Null Hypothesis (H1): There is no significant association between educational background (Finance/ Non-finance) of the teachers with their awareness about SCSS - ACCEPTED

So, there is no a relationship between specialization in educational backward with financial specialisation and their preference awareness about SCSS as investment tool for retirement purposes.



## Hypothesis 2

**HO :** There is no significant association between retirement financial planning behaviour and awareness about SCSS

**H1:** There is significant association between retirement financial planning behaviour and awareness about SCSS

Based on the survey conducted through interviews and questionnaires, the following observations have been made:

Have you started saving for retirement?	frequency	percent
I plan for retirement	70	56.0
No plans for retirement yet	55	44.0
	125	100.0

For the data in the table above its evident that 56% of the respondents have started their retirement planning.

Further analysis was done assess whether awareness about SCSS was majorly gained on starting to plan for retirement. The objective behind this hypothesis is to gain knowledge whether common people are at all aware of this scheme even if they plan or don't plan for the retirement. The result of such analysis is stated below:

### Percentage of people started retirement planning

And their awareness about SCSS

Planning for Retirement	Aware of SCSS as investment alternative for retirement		
	Yes	No	Total
Started planning	76%	24%	100.0%
Not retirement plans	57%	43%	100.0%

This data tabulated above clearly showed that people are aware of SCSS in course of their planning for their retirement i.e., 76% of the respondents planning for retirement are aware of the product of SCSS. However same is not the situation for people not yet planning for their retirement. 43% of the respondents not planning for their retirement have not heard about SCSS as against 24% in case of respondents planning for retirement. There seems to be an association between the attitude towards planning for retirement and their awareness about SCSS. This has been further substantiated through conduct of statistical analysis as below.

## Testing of Hypothesis

**Hypothesis Test: Independent Groups (z-test)**

I PLAN FOR RETIREMENT AND MY AWARENESS ABOUT SCSS	I DON'T SAVE FOR RETIREMENT AND MY AWARENESS ABOUT SCSS	
1.20	1.49	Mean
0.40	0.50	std. dev.
70	55	N
DIFFERENCE (I PLAN FOR RETIREMENT AND I AM AWARE ABOUT SCSS VIS-À-VIS I DON'T SAVE FOR RETIREMENT AND MY AWARENESS ABOUT SCSS)		
	-0.291	
standard error of difference	0.083	
hypothesized difference	0	
Z	-3.49	
p-value (two-tailed)	.0005	

With Critical value at 0.05, z value should be between -1.96 & 1.96. Here the Z value is -3.49 i.e., beyond the expected Z value of -1.96.

Moreover, the corresponding P – value is less than 0.05, it is 0.0005

Therefore, as per the test above it is evident that Null hypothesis cannot be accepted. Hence

**Alternate Hypothesis (H1)** - There is significant association between retirement financial planning behaviour and awareness about SCSS – ACCEPTED

Therefore, it may be concluded that people only gain knowledge about SCSS and other related Pension plans only when they start planning for their retirement.

On further analysis it was observed that majority of respondents gained knowledge about SCSS from relatives/friends/office colleagues (60.5%) and another 27.9 % respondents got the information from internet.

Have you heard about SCSS?	frequency	percent
Relatives/Friends/ Office Colleagues	52	60.5
Internet	24	27.9
financial advisor	10	11.6
Banker	0	0.0
	86	100.0

Thus, it is evident that GoI has to take further initiative to increase propaganda about SCSS through its selected Banks and Post offices and ensure that more public are voluntarily gaining knowledge and other digital media.

**SUMMARY**

Over the past few years, SCSS amongst other Pension plans is a unique plan. It is yet India is a long way from getting its 93.38 crores i.e., 67.7 % of its working population out of its total estimated population of 138 crores and around 6.57 % of our population is above 65 years of age. So there is still a huge scope of educating the Indian

Population to save and earn from their savings in the coming years. (<https://statisticstimes.com/demographics/country/india-population.php>).

**ROAD AHEAD**

Further studies should be conducted that would enrich people about the features of SCSS and other government- initiated savings schemes. Studies may be conducted in future regarding the perception of people towards SCSS and comparison to other prevailing pension plan by private companies together with other Investment alternatives.

This would lead GoI and its related entities make these plans like SCSS a big success story.

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