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“A STUDY ON AWARENESS OF RETIREMENT PLANNING IN INDIA”

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Abstract: This study intended to know the awareness of retirement planning among the individuals/working individuals of Vadodara city. Total 150 working individuals participated in this study. The objective of this paper is to understand the literacy level and the factors affecting the planning of individuals. The paper highlights the various factors that affect the planning as well as the retirement plan preference of different individual. The results shows that there is difference in level of awareness according to different age group, and education. Using the survey method, we analyzed various factors and financial literacy level of individuals.

Keywords: Retirement, awareness, Literacy level, Planning

Introduction:

Retirement planning is a thing that every individual faces once in life time, receive required income for basic expense after an individual leaves the workforce behind is the main objective behind planning for retirement which every individual should have. Many individual starts working on their retirement plan at an early age as and when they start earning while others are still unaware about how much is it important to have a plan for retirement or have the income source after retirement. The need of emergency funds can rise any moment after one retires thus preparing for those types of situation is necessary for every working individual. Retirement planning includes identifying different sources, estimating expenses, investing in the plans, managing risk etc.

Many researchers have found that very few people are having financial knowledge or financial literacy regarding the retirement plans which are available, while rest of believe that there is not adequate information available in the market, or they are not having any idea or are still confused in which plan they should invest. A Study found that while 76 percent of working age people in India expect a comfortable retired life, only 33 percent are actually putting aside money to fund that phase of life.

In future there can be the opportunity available for many researchers to have a study on the different avenues which are or will be available in the market for retirement investment, which can provide the best return to its investors. After this study it might be possible to have a study on the requirement plans which individual seeks to have for their retirement in future. In this study we focus on the awareness level of individuals regarding the retirement planning and what are the factors they think affects their investment. There are number of factors that work as barrier for investment planning, different people have different barriers, so aiming to identify all those barriers also identifying different avenues which individuals prefer to have investment and believes that the avenue is best for retirement investment. The scope of this study is limited to certain parts only.

Review of Literature

1 (Prof. Suyog chachad, 2018)in their research paper” Are you making yourself retirement ready- A study on salaried individual” has focused on the need and importance of retirement planning and it also highlights the awareness and behavior pattern of individuals towards retirement. The result showed that individuals do not plan for their retirement; they also need to have some financial education programs to have the awareness and learn importance of retirement.

2. There is an impact of financial advice in retirement planning of many individuals according to the study which intended to focus on the perception of individual behavior on retirement planning and role of financial advice in it, (Shailesh singh Thakur, 2017)

3. In study on individual retirement planning behavior they studied the individual preferences towards retirement along with the satisfaction level of the investment made by individual, which concluded that the sources most influence people's decision about retirement planning are-Family, Friends, Self-Research and Work, it also found that there are 50% people believe that there is no adequate knowledge for retirement planning in market. It shows that only 30-40% people invest for their retirement. According to this paper there are different avenues which respondents prefer to have retirement investment. (Smruti Vakil, 2019)

4. (Parveen Kumar, 2017)in their study found that many people are aware about the retirement planning and according to them the factor which mainly influence is living expense and expected inflation. It also shows that the people are aware about risk and return and they properly understood the inflation rate but are less aware about diversification. It also highlighted that some people start investment in the age of 31-40.

5. (Dr. Swati Modi, 2019)The objectives of this study were to examine the retirement planning behavior of working individuals. The findings of this research support the research model in which potential conflict in retirement planning, attitude toward retirement and retirement goal clarity are the significant predictors of retirement planning behavior. The results of this study have implications for working individuals to do early planning for retirement to enable them to have a strong financial base after retirement.

6. (Douglas A. Hershey, 2000) plans to examines the factors that influence individual's financial preparedness for retirement, where they conducted survey and the results shows that the both personality constructs and financial knowledge were the significant predictors of pre-retirement planning.

7. (Vinmalar J, 2018)in their study on retirement planning of working individuals with special reference to Chennai city intended to study how working individual are aware and which avenues they opt to invest for retirement life. The findings indicate that there is no association in investment done in avenues and marital status. Married working individuals invest in avenues on a huge basis for retirement life compared to unmarried ones.

8. (Pant, 2013)studied that women faculty members are very much aware about the retirement planning, they know the importance of retirement planning, amount of corpus needed for retirement planning and they are investing in various investment avenues but mostly women invest in FD/RD and some mutual fund, women faculty members consider intuition while investing in stocks.

9. (Dvork, 2010)In this study found that education is the most important determinant of financial literacy, some people have a good planning habits but they are not well doing retirement planning as they are not aware about the number of investment avenues present in the market. The case with women is that they have low level of knowledge low income and less education as compared to men. That participant who has earlier participated in the survey has started making personal contribution.

10 (Michael Ntanlianis, 2011)In this study an investigation is conducted into the views of retirement fund members regarding elements of financial education resources made available to them through their retirement fund. This research identifies several groups of respondents who fail to engage with the financial education provided to them when it comes to managing their retirement savings.

11 (Bowditch, 2005)in his study of financial planning for retirement planning among individuals in select age group of 25-45 years of age in Pune city, intended to study the factors influencing the actions for retirement investment, level of awareness among selected age group of individuals for retirement also to understand the financial literacy among the respondents. The findings show that the male population is more concerned with their retirement planning than female population. From respondents only 33% thinks about their retirement while 60.9% sometimes and 6.1% never think about their retirement. according to the study the financial literacy is 6.11, it also concluded that retirement is influenced by age and income. Individuals in wealth creation stage have desire to retire at 55.6 years of age. About 25% of the individuals even desire to retire at the age of 50 years.

Research Gap:

In the surveyed area, this type of study wasn't found yet.

Problem Statement

Financial literacy is the important part of the individual's life, as based on that they can have the savings for the future or can be financially secured. For the same purpose they make different types of investments, FDs, saving accounts and many more. But having the appropriate knowledge of investing money in right way for future benefits is still a big challenge for some individuals. The reason is that they are either they aren't aware about the investment options available or they are not ready to invest for the future. While talking about future we also include the retirement planning. There are many retirements plans in the market with different kind of benefits, but only few are aware and are investing for their retirement having the positive attitude, while others think that it is not required to plan for retirement and some assumes that it is too early for them to invest for retirement. Half of the population believe that there is not adequate information in the market available, thus they do not have any investment plans for retirement. Therefore, there is the need to study the level of awareness people having for retirement and also the factors which influence their actions for planning.

Research Methodology

Primary Data

The data is collected from the respondents with the help of questionnaire. The questionnaire is consisting the questions related to the personal details like age, gender, occupation, qualification, income, and questions related to the respondent's financial awareness along with the preference level are included. It is focused to have the data considering the objectives of the study.

Data Collection Method

The Survey was conducted through Questionnaire – Google Form for collection of data. The respondents were approached individually as well as the questionnaire was circulated among the working individuals from different professions.

Sampling Method

In this study, we have used convenience sampling method by considering the responses from individuals of Vadodara district only.

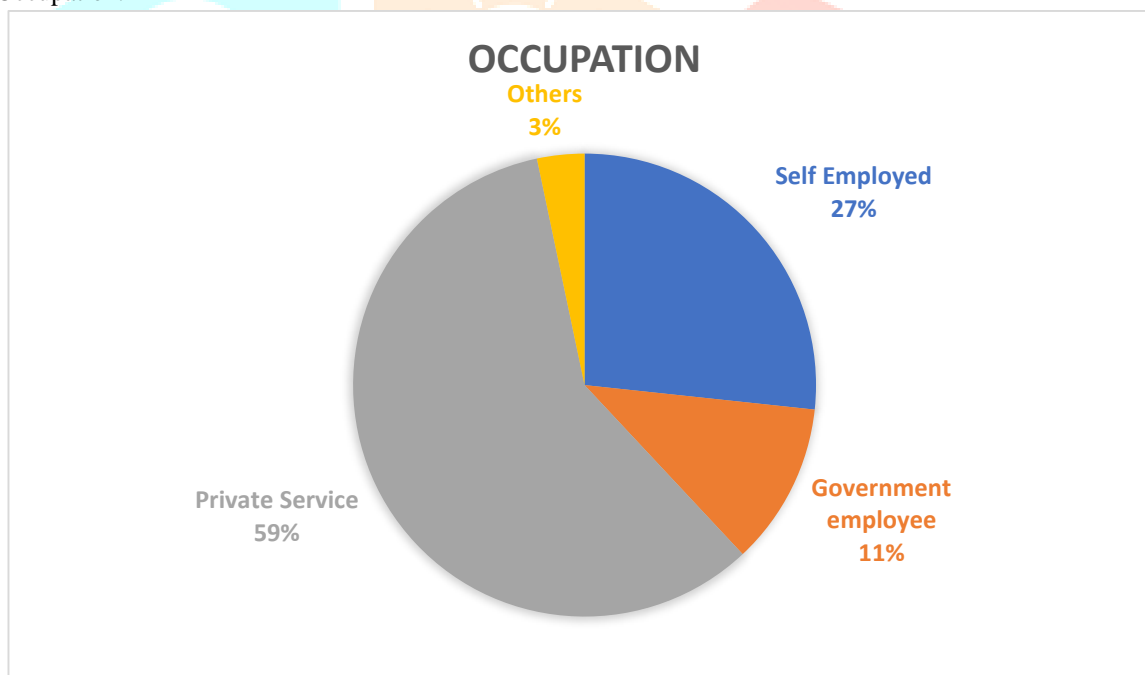
Objectives

The following are the objectives of this study;

1. To understand the level of awareness individuals, have regarding retirement planning.
2. To study the factors that affect their retirement planning.

Analysis

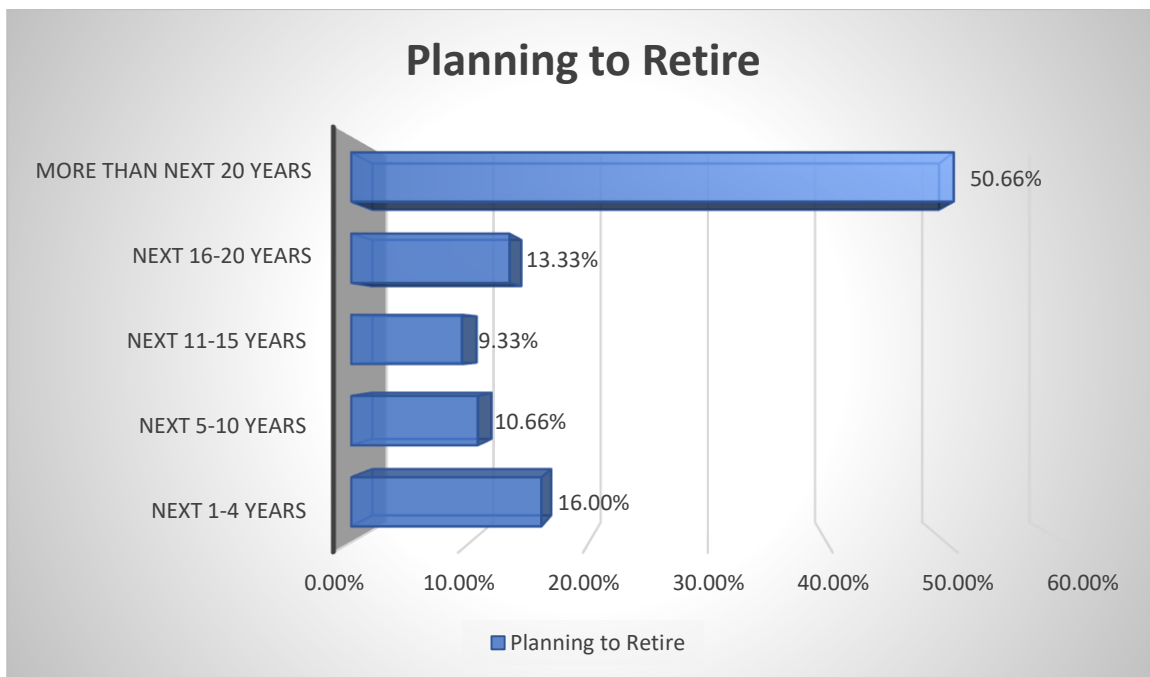
1. Occupation:



150 respondents

(Source: Self-research)

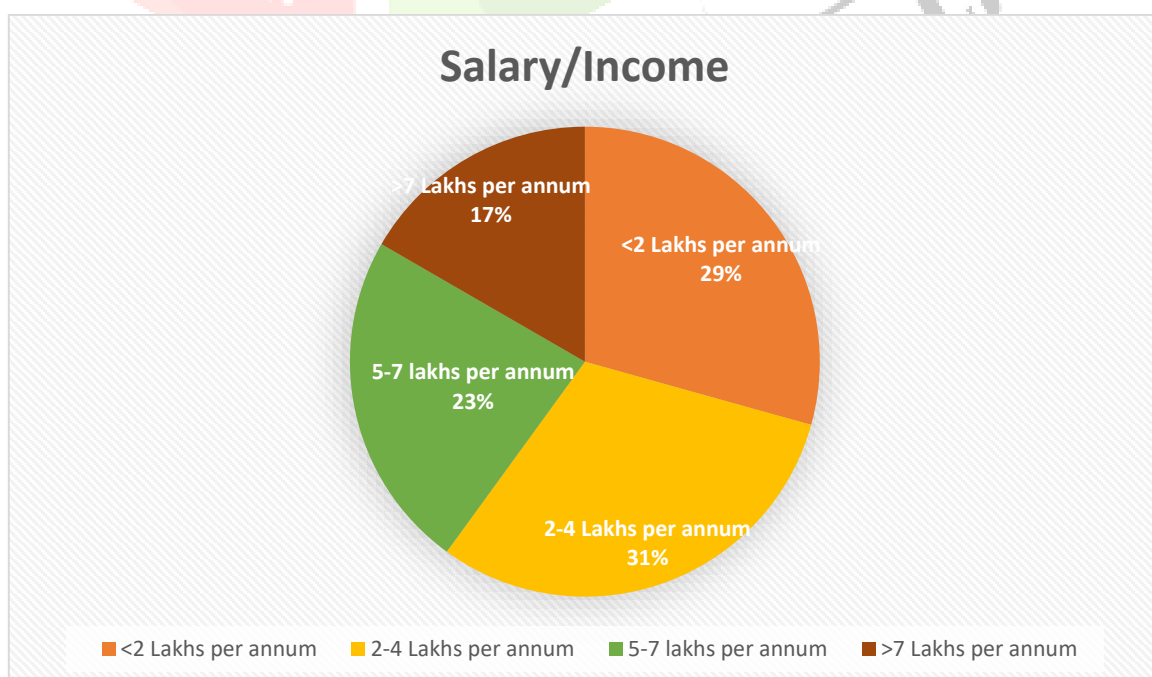
2. What age you plan to retire?



150 respondents

(Source: Self-Research)

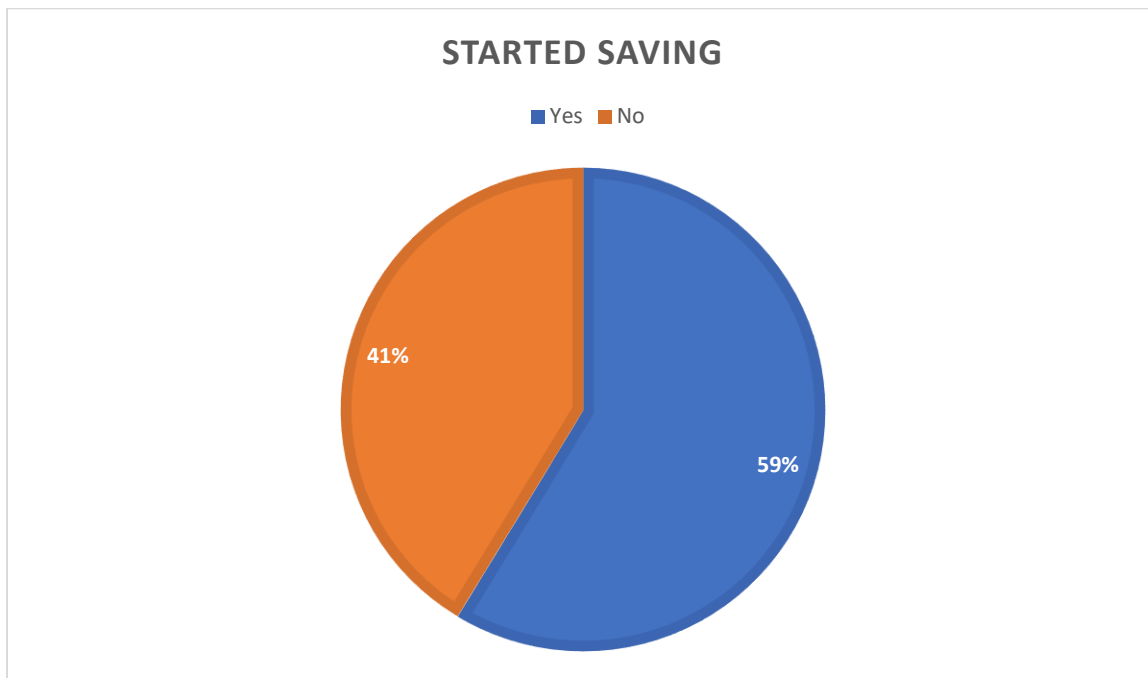
3. Salary/Income:



150 respondents

(Source: Self-Research)

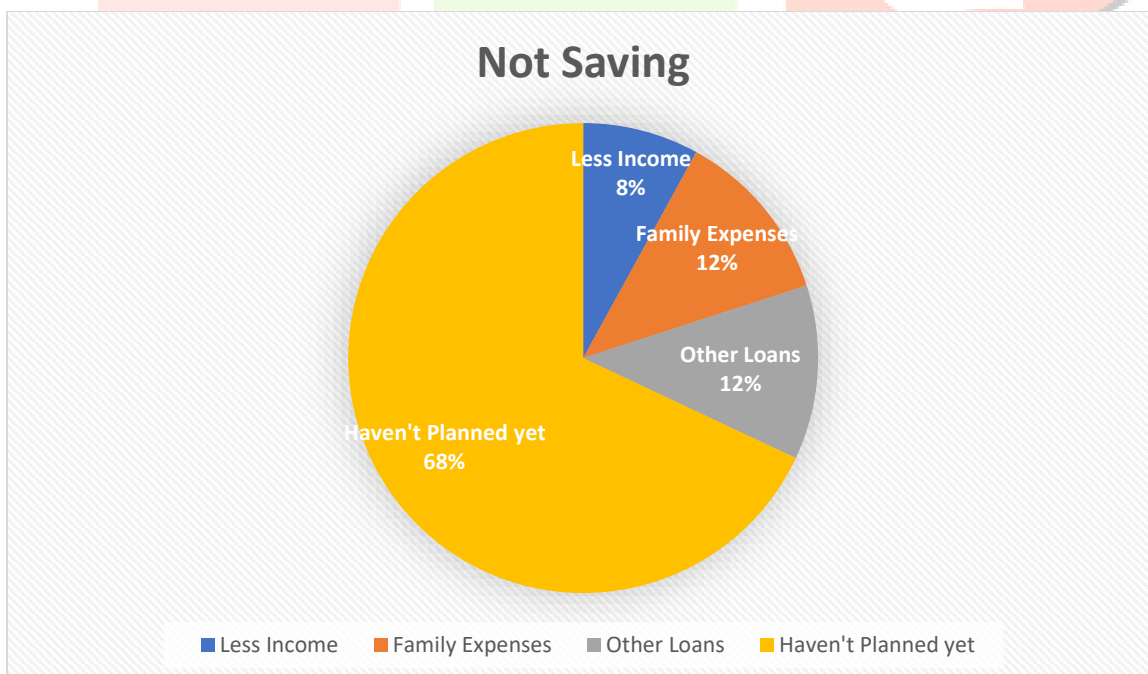
4. Have you started saving for retirement?



150 respondents

(Source: Self-Research)

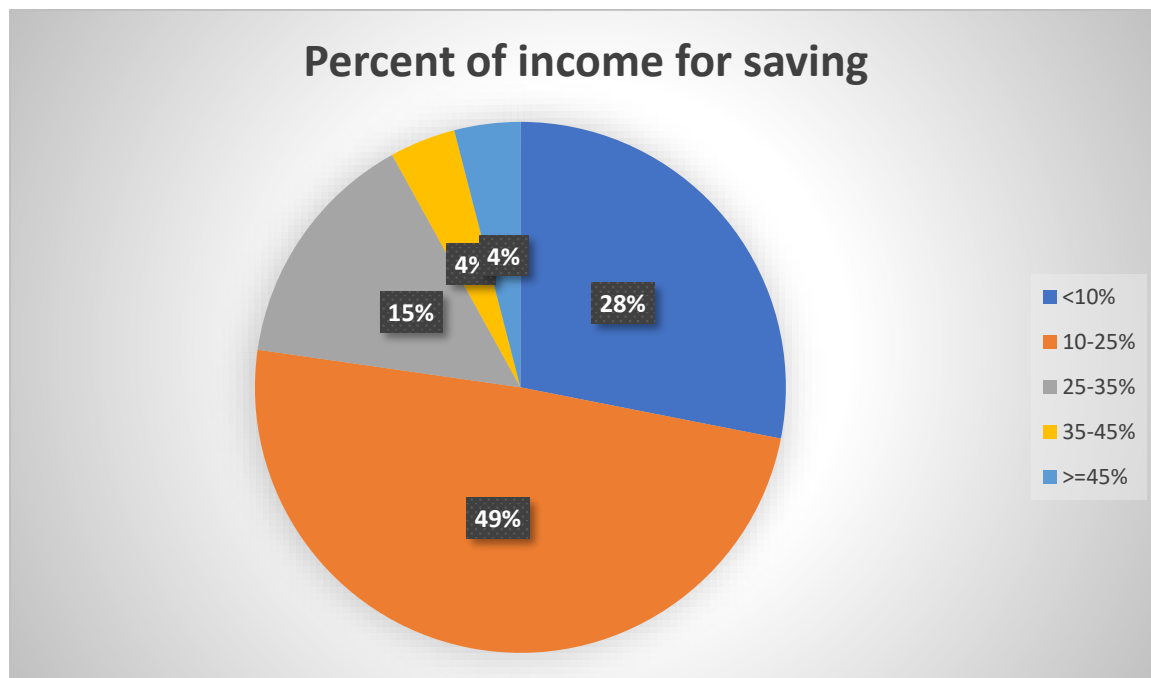
5. Why haven't started saving for retirement?



62 respondents

(Source: Self-Research)

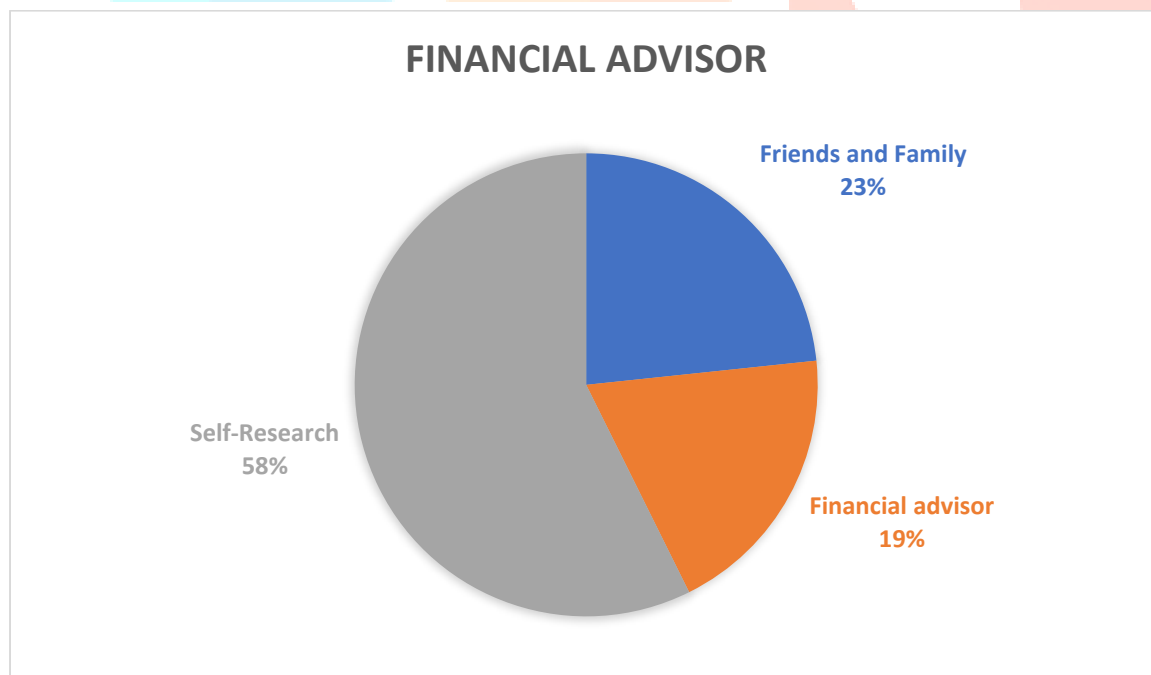
6. what percent of income you save currently as retirement saving?



88 respondents

(Source: Self-Research)

7. Who provides you with retirement planning advice?

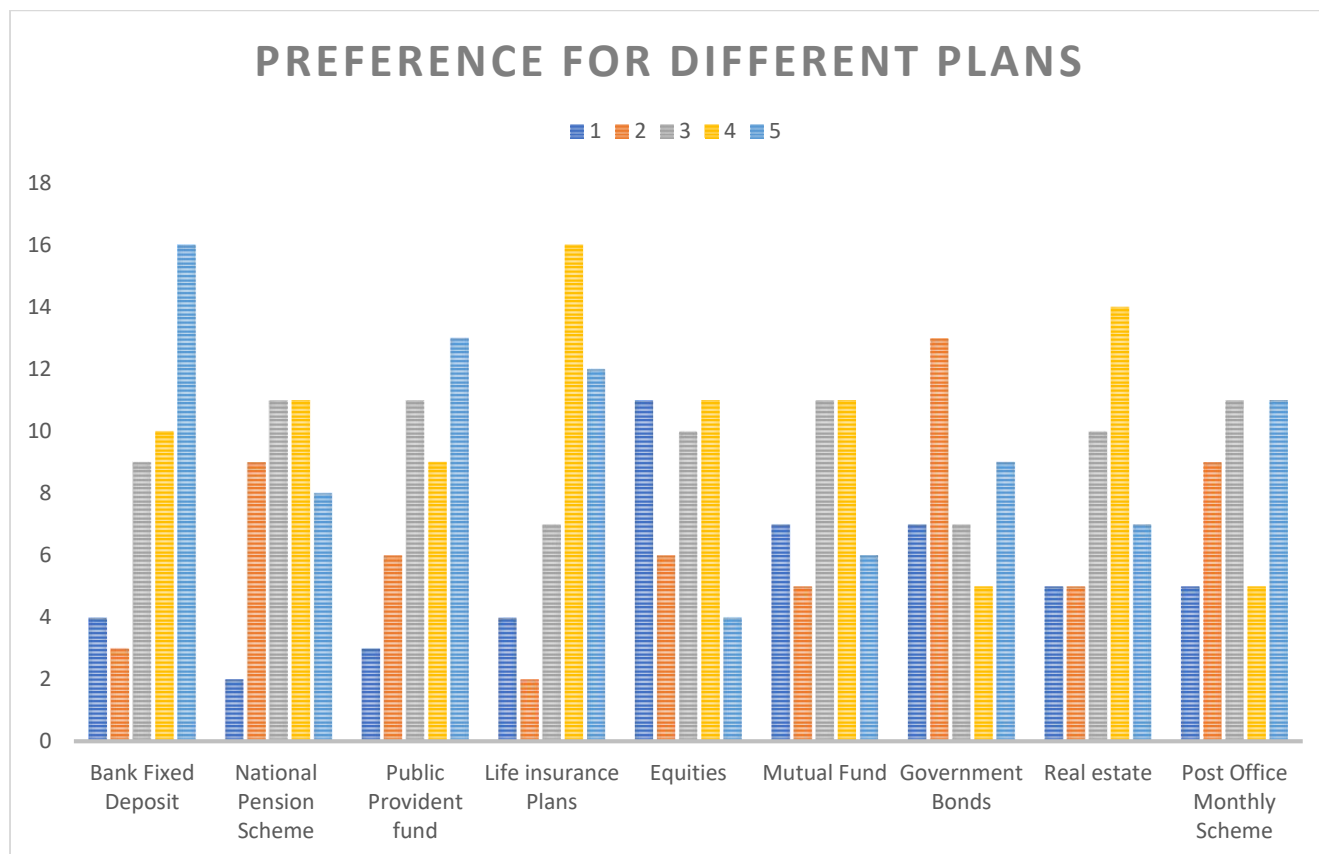


88 respondents

(Source: Self-Research)

8. Among the following which are the different plans you are aware about and them according to your preference?

- | | |
|--------------------------------------|---------------------|
| 1. Bank fixed deposits | 6. Equities |
| 2. National pension scheme | 7. Mutual fund |
| 3. Public provident fund | 8. Government bonds |
| 4. Life insurance plans | 9. Real Estate |
| 5. Post office Monthly Income Scheme | |

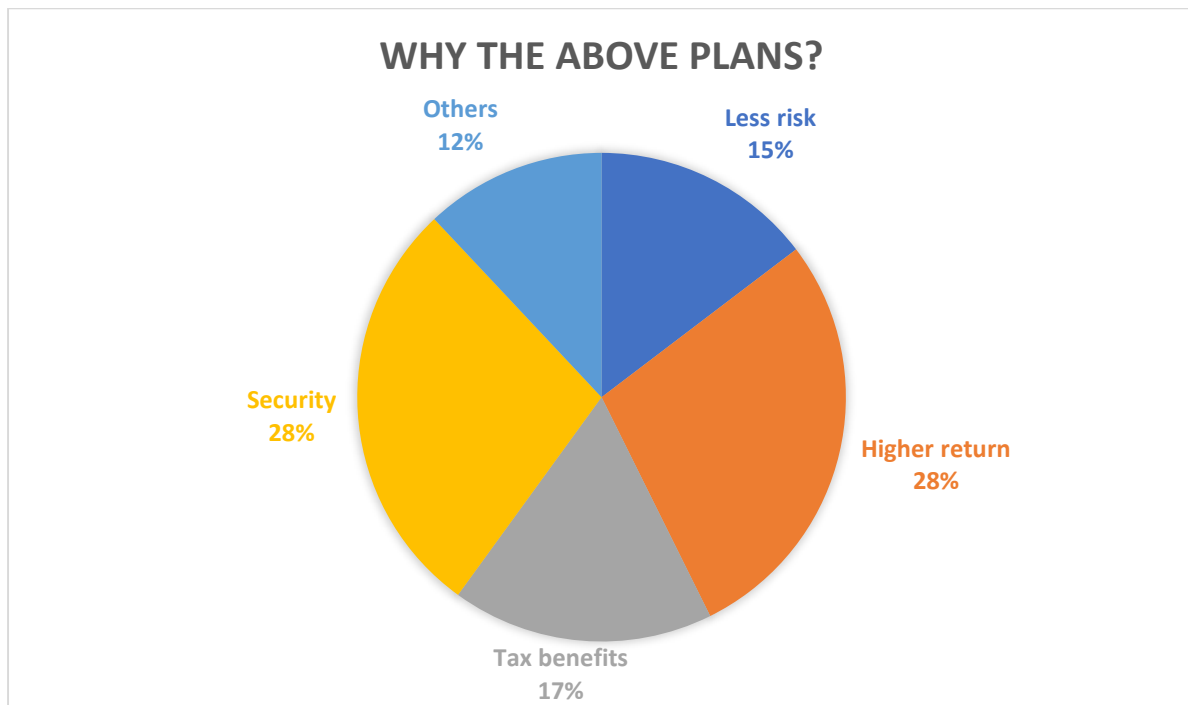


88 respondents

(Source: Self-Research)

Interpretation: From the above listed different plans, through the data it was found that individuals mostly prefer bank fixed deposits, public provident fund and post office monthly income scheme and are thoroughly aware about it. The least preferred plans are equities and government bonds. The likely preferred or the second preference investment plans are national pension scheme, life insurance plans and real estate.

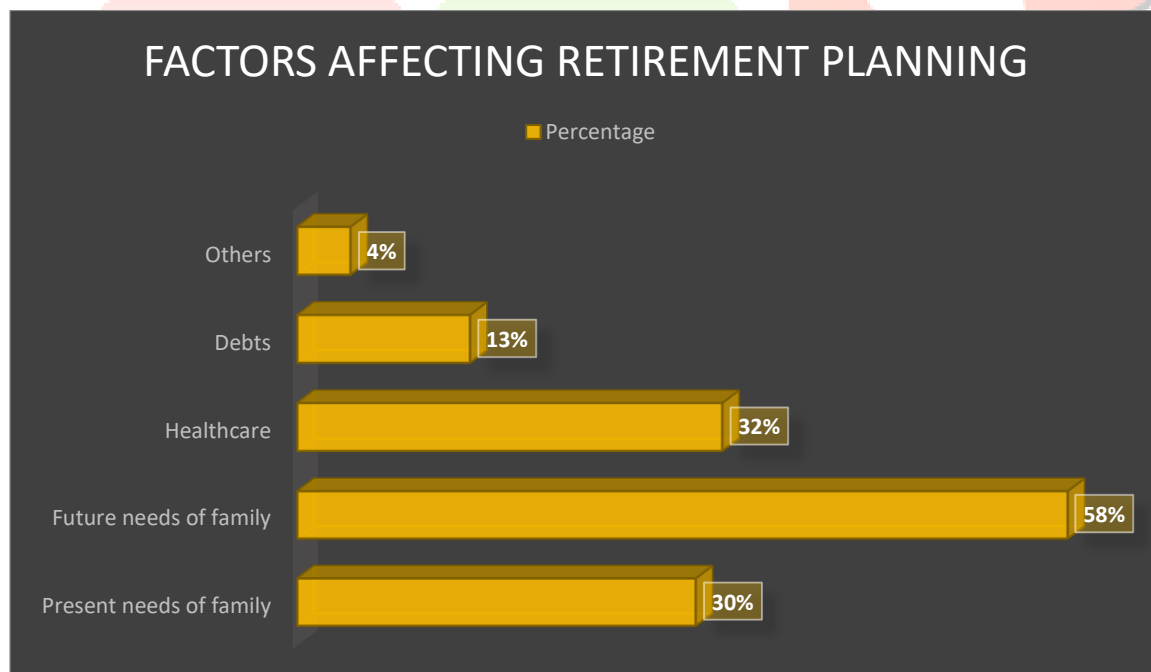
9. Why you prefer the above plans for retirement investment?



88 respondents

(Source: Self-Research)

10. Which of the following are the factors that affect your retirement planning?

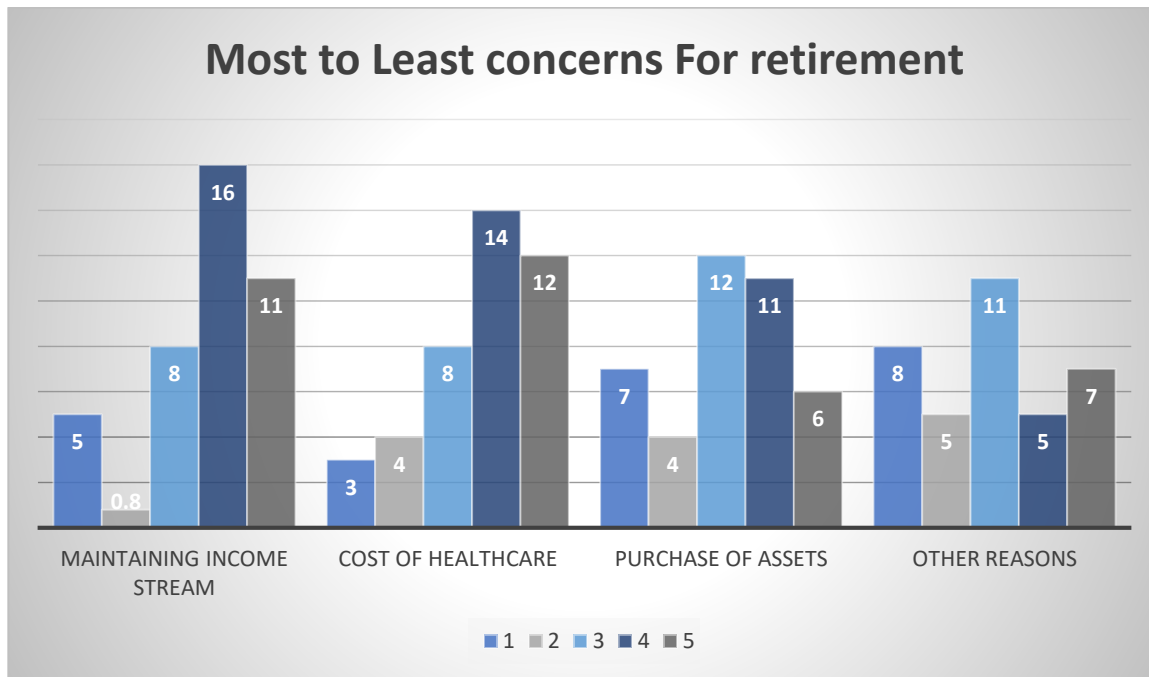


88 respondents

(Source: Self-Research)

Interpretation: According to the data the major factors that affect the retirement planning of individuals are Present and future needs of family and healthcare.

11. What is the most and least significant concerns for retirement for you from the following?

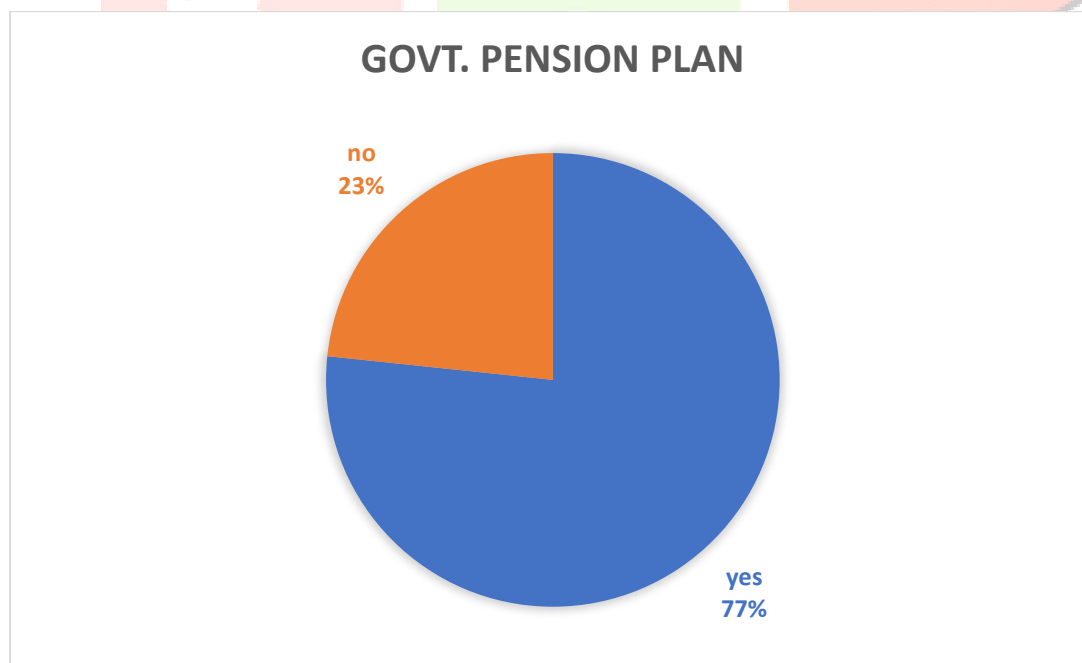


88 respondents

(Source: Self-Research)

Interpretation: From the data collected it was analysed that maintaining an income stream after retirement is the major concern for the individuals to save/ invest for their retirement.

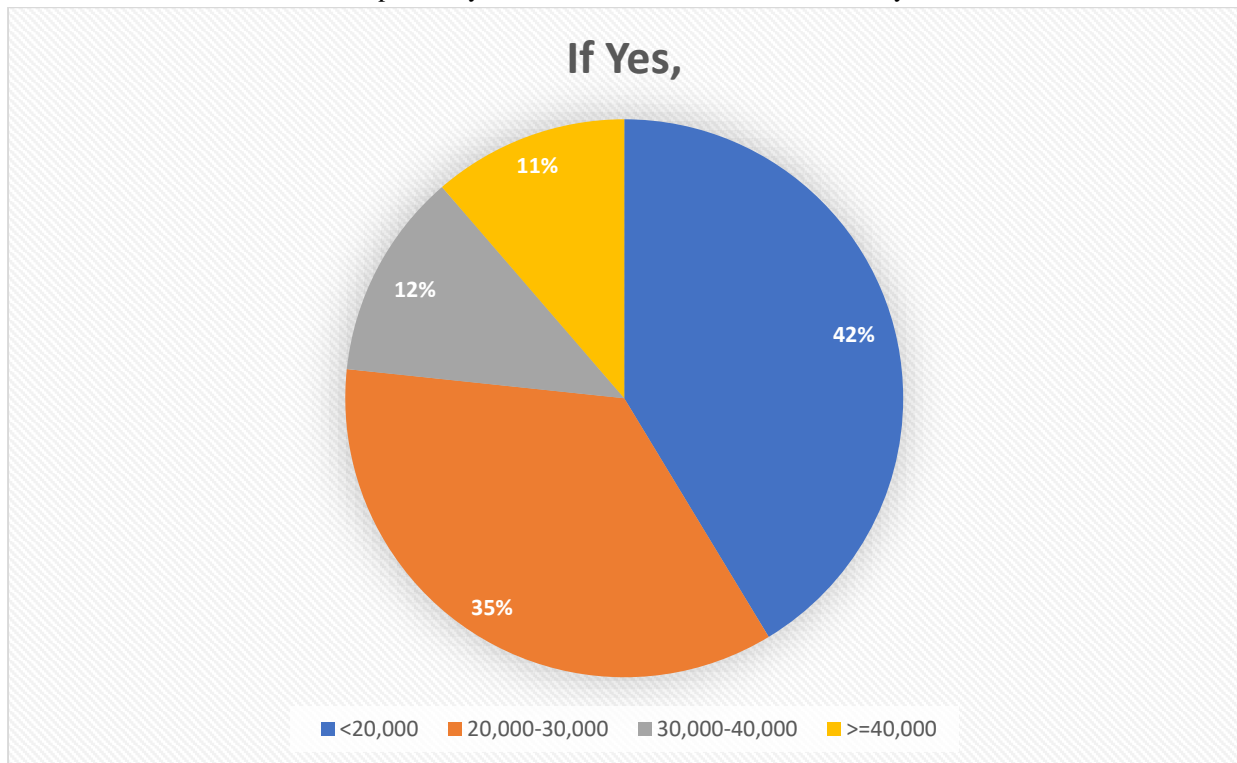
12. Are you eligible for government pension plan?



88 respondents

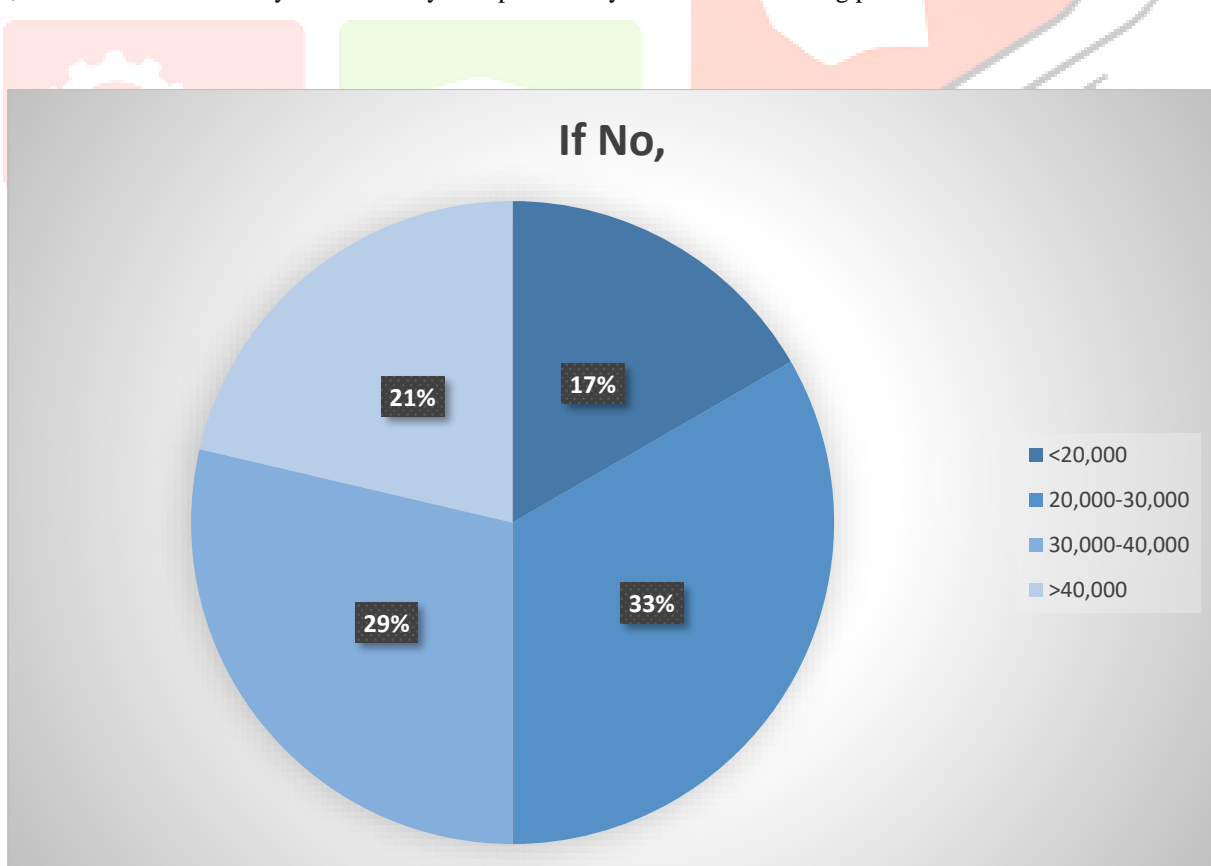
(Source: Self-Research)

13. If yes, then what will be the amount of pension you will receive after retirement monthly basis?



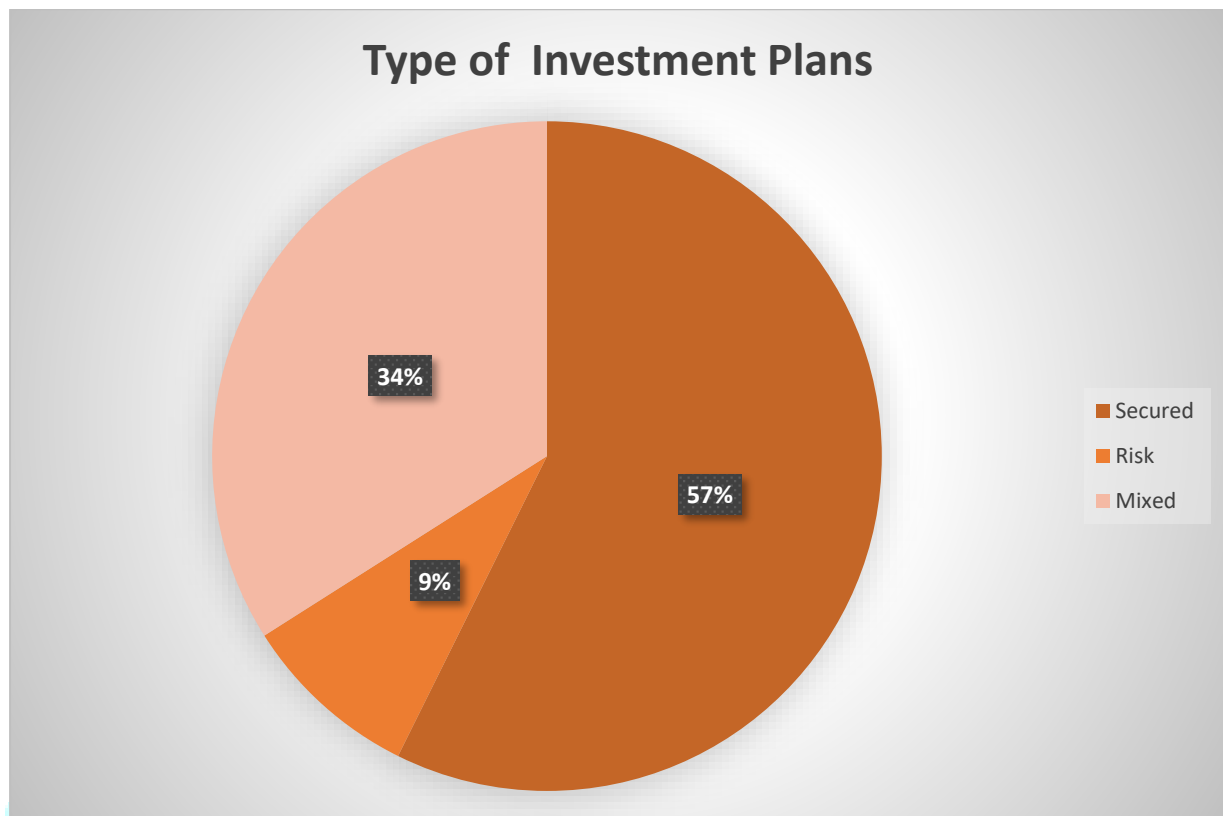
67 respondents
(Source: Self-Research)

14. If no, then what is the monthly income that you expect from your retirement saving plans?



20 respondents
(Source: Self-Research)

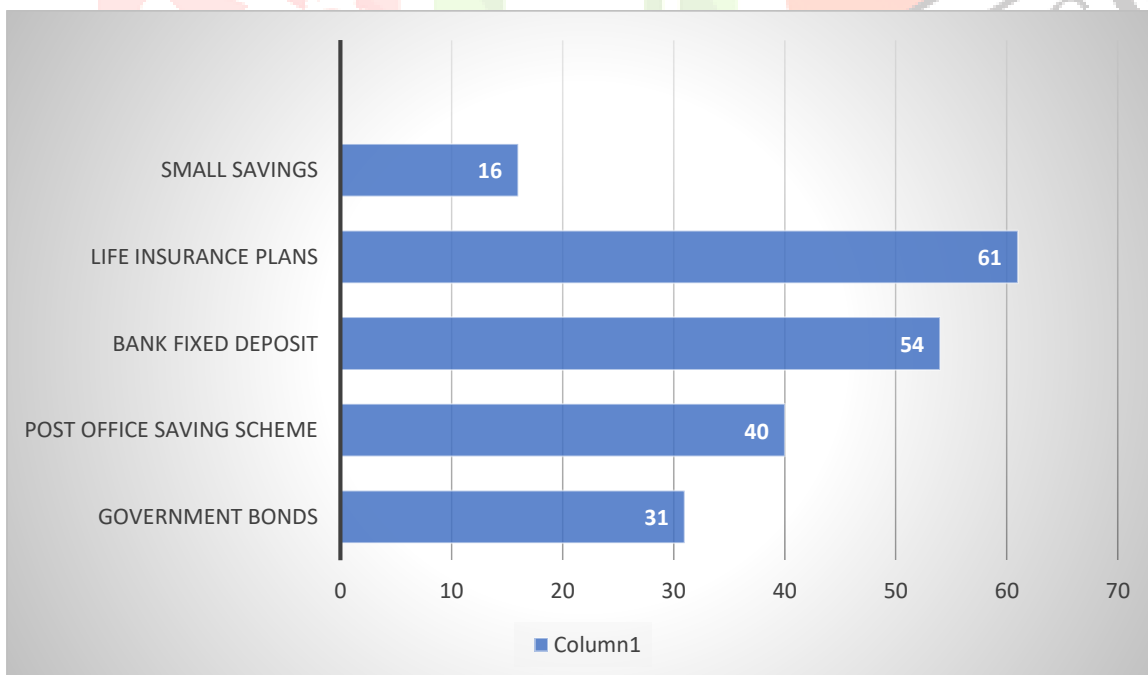
15. Which of the following you prefer the most to have your retirement investment in?



88 respondents (Source: Self-research)

16. Which are the secured plans you prefer to have investment in?

1. Government bonds
2. Post office saving scheme
3. Bank fixed deposit
4. Life insurance plans
5. Mutual funds



88 respondents

(Source: Self-Research)

Interpretation: From the data that we found, it was analysed that bank fixed deposit and life insurance plans are the most preferred secured investment plans by the individuals.

Findings

1. It has been found that the individuals of 30-35 age group are more concern about retirement planning. Apart from that as compared to females, males are more aware and plan for their retirement.
2. It has also been seen that the level of financial literacy for retirement planning varies with occupation and qualification among individuals, as individuals having private jobs i.e., 59% of the total are more involved with their retirement planning. And graduates and postgraduates are likely to focus more towards retirement as compared to others.
3. 93% of individuals prefer to save for retirement and out of that only 58% have started saving for it. While remaining i.e., 41% haven't planned yet while some of them have ongoing loans and other family expenses.
4. Out of the total 49% of individuals save 10-25% of their annual income for their retirement.
5. From the total individuals who prefer to or have started to save 57% prefer self-research for retirement planning advice.
6. It has been seen that individuals likely to invest in bank fixed deposits, public provident fund, and post office monthly income scheme for their retirement plan due to higher returns and security. And also prefer to invest in national pension scheme, life insurance plan, mutual funds, and real estate. While equities and government bonds are least preferred for their retirement investment plan.
7. Future and present needs of family and healthcare are the major affecting factors of the individual's retirement planning. And maintaining an income stream after retirement is the major concern for the individuals to save for their retirement.
8. During the study it was found that 77% individuals are eligible for government pension plan. And 41% individuals expect to earn <20,000 monthly basis through pension.
9. It was analyzed that 57% individuals prefer secured investment plans for their retirement, whereas 34% individuals prefer to have mixed investment plans (Risk and Secured).
10. Out of individuals those who prefer secured investment, 70% individuals are more likely to invest in life insurance plans and 62% to invest in bank fixed deposits.

Conclusion

The study reveals that awareness of retirement planning is mostly found more in male as compared to female and also individuals having private service/jobs are more involved in retirement planning. It also shows that education and occupation doesn't go hand in hand for retirement planning. That means the awareness level varies with age, education, qualification and gender, thus our null hypothesis of hypothesis 1 got rejected. The study has also concluded that there are some of the factors that affect the retirement planning of individuals such as future and present needs of family and healthcare, with this it concludes that our null hypothesis of hypothesis- 2 got accepted, which shows that there is impact of different factors affecting on retirement planning. Many of the individuals are eligible for government pension plans and those who are not they mostly prefer secured investment plans such as Bank fixed deposit, Life insurance plans, post office monthly schemes because of higher return and security as compared to other investment plans. many of them prefer to do self-research when it comes to investment plans selection. Equities and government bonds are least preferred investment plans according to the study.

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