

A STUDY ON AWARENESS AND INVESTMENT IN RETIREMENT PLANNING AMONG INVESTORS WITH REFERENCE TO CITY OF MUMBAI

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ABSTRACT

Among various financial goals, retirement planning is an important and essential. In Indian demographic features, more percentage is of young age. After the number of years, it would shift from youth to more old aged population. With changing lifestyle and culture, Indian joint family concept is diminishing and now there are more nuclear families resulting in one having to be self – reliant in retirement period. Very few organizations are providing the pension shelter to their employees. These factors are bringing out the significance of retirement planning in order to have a decent cash flow of income which helps in facing medical expenses, a good standard of living and other emergencies. The study is done in Mumbai area taking the sample size of around 80 respondents on random convenient basis but covering all age group, income and education level. The objective of research paper is to find out the awareness on pension schemes and retirement planning.

Keywords: *Financial Planning, Retirement Planning, Pension Schemes, Medical Expenses, Pension Shelter.*

Introduction

Financial planning is a very systemic and disciplined approach to achieve and meet one's financial goals. A good and well-defined financial plan acts as a controller as you move ahead in life. Fundamentally, it helps in controlling of one's income, expenses and investments in a such way that money is managed appropriately and financial goals also can be achieved. Financial planning helps to determine short and long financial goals and create a balanced plan to meet those goals. A well planned and followed financial planning results in more savings, better standard of living, facing emergencies. Financial planning includes the various goals like wealth creation, retirement planning, child's education, saving of taxes, buying the house property, marriage etc.

This study is focusing one of the key and essential part of financial long-term goal the Retirement planning. It is process of determining the retirement income goals and necessary actions to be taken to achieve those goals. While planning for retirement it is important to consider the various important aspects such as identifying the income sources, estimating short term and long-term expenses, managing assets and risk and implementing a saving program. Estimation of future cash flow is key in retirement planning in order to determine the retirement income. This planning actually works when one starts at young age. Not just saving but investing in right instruments which generate the good rate of returns is also very important. Retirement planning help in facing the medical emergencies, inflation, a maintained standard of living and other uncertainties. Planning commenced at delayed period results either in more savings for retirement goals or compromise on well retirement income in future. This study is with objective to analyse on retirement planning and awareness on different pension products among earning people.

Literature Reviews

Sanket Charkha (2018): The objective of research paper titled "A Study of Saving and Investment Pattern of Salaried Class People with Special Reference to Pune City (India)" is to understand the factors influencing investment decisions, pattern of savings and investment, difficulties faced by salaried class of people. The survey is conducted in Pune city. Sample size of 60 salaried class of people is taken in this research paper. The findings in research paper are like there is a significant

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relationship between income level and awareness about different avenues available for investment. Both male and female are well aware about investment options. Safety is a key area among investors. They prefer to invest in bank deposits and mutual funds more.

Dr. V. Krishna Kumari (2018): In research paper titled "Impact of Savings and Investment Behaviour of Working Women in Chennai City" study is done on working women in the city of Chennai. The objective of paper was to find the factors affecting on the saving and investment pattern of working salaried class of women. Sample size taken was around 100. It is found that the investment choice is not just only influenced by the income level, education but age is too key factor in affecting the investment decisions.

Swati Modi (2019): In research paper titled "Retirement planning of working individuals in Ahmedabad" the key findings where the working individuals are well aware about the retirement planning and majority agreed that after their retirement, they require a guaranteed source of income. Majority of sample size have agreed to have different options for their retirement planning.

Garg Panti (2013): The research paper is titled as "Retirement Planning of Female Faculty Members - An Expense or Saving for the Future". The objective of the paper is to find out the awareness level of retirement planning among women faculty avenues. The key findings are that married faculties were more aware about retirement planning avenues than un married. Working females are moderate risk takers and they look for safe investment options.

Bomikazi Zeka (2017): The researcher has found the significant impact of an appropriate retirement planning on adequacy of retirement funding in paper titled "A Review of the factors influencing Retirement funding adequacy: A South African Perspective ". The study is conducted with reference to South Africa. Various factors financial literacy, family support system, health status is taken into consideration to show the relationship between mentioned factors and financial planning.

Research Gap

In research paper the surveyed area is not covered yet for conducting research on retirement planning area. The researcher has tried to find out the reasons of not doing retirement planning along with finding the significant relationship of age, income level, and number of dependents with awareness and doing of retirement planning. Most of studies on retirement planning is done on salaried class of people and female gender. The study does not only cover salaried class of private and government sectors but business and professional self-employed class of people and of all age group are taken for study on retirement planning.

Objectives of Study

- To understand investment pattern of investors.
- To analyze the investors' awareness on different retirement pension schemes available in financial markets.
- To understand investment options chosen for retirement planning
- To analyze the reasons for not doing the retirement planning.

Hypothesis

H₀: There is no significant relationship between age and retirement planning.

H₁: There is a significant relationship between age and retirement planning.

H₀: There is no significant relationship between income and retirement planning.

H₁: There is a significant relationship between income and retirement planning.

H₀: There is no significant relationship between education and awareness on different pension schemes.

H₁: There is a significant relationship between education and awareness on different pension schemes.

Scope of Study

This study is focusing only on retirement planning and awareness on different pension schemes across all age group, income group and education level in the city of Mumbai.

Need of Study

The Indian economic growth and open economy have resulted in increasing awareness and tendency of investing in different financial avenues among investor as per their risk appetite. Among various financial goals to achieve, it is too significant to save and invest for sufficient corpus for

retirement. Very small percentage of population is covered under pensions schemes by employers. With changing in Indian culture, lifestyle and from joint family to nuclear family system, it is need of time to focus on one's retirement planning in order to be self-reliant even after retirement age. The study has tried to find awareness on different pension products and retirement planning.

Sample Size and Area Selected

Around 82 -85 respondents are included in sample size. Random convenient sampling method is used while selecting the respondents. Mumbai area is selected for study purpose.

Data Collection Methods

For research purpose, primary data and secondary data both methods are applied. For secondary data, the past research papers, NSDL, financial companies' website, journals, articles and webs have been studied. For primary data, closed ended questionnaire through google doc was used to collect the data on different objectives from respondents of Mumbai.

Statistical Tools Applied

For data analysis the tables, percentage, pie diagram and Chi -Square are used.

Testing of Hypothesis

For Hypothesis 1: Relationship between age and retirement planning

	Yes	No	Total
Below 25	1	13	14
26 – 30	1	15	16
31 – 40	8	12	20
41 -50	12	8	20
50 Above	5	7	12
Total	27	55	82

Statistical tool: Chi square test

Degree of Freedom: 4

Level of significance: 0.05

Our calculated Chi-squared score comes 16.8757 and at level of significance with above degree of freedom, the value is 9.488. As Chi-squared score is a greater value hence the null hypothesis is rejected and alternative hypothesis is accepted. It indicates there is a significant relationship between age and retirement planning.

For Hypothesis 2: Relationship between income and retirement planning

Rs.	Yes	No	Total
Below 50,000	3	32	35
51,000 - 1,00,000	12	18	30
1,01,000 - - 2,00,000	5	2	7
2,00,000 - - 4,00,000	4	2	6
Above 4,00,000	3	1	4
Total	27	55	82

Statistical tool: Chi square test

Degree of Freedom: 4

Level of significance: 0.05

Our calculated Chi-squared score comes 21.0776 and at level of significance with above degree of freedom, the value is 9.488. As Chi-squared score is a greater value hence the null hypothesis is rejected and alternative hypothesis is accepted. It indicates there is a significant relationship between income level and retirement planning.

For Hypothesis 3: Relationship between education and awareness on different pension schemes.

	Yes	No	Total
Below 12TH STD	2	16	18
Graduate	8	19	27
Post – Graduate	13	7	20
Professional	13	4	17
Total	36	46	82

Statistical tool: Chi square test

Degree of Freedom: 3

Level of significance: 0.05

Our calculated Chi-squared score comes 21.0283 and at level of significance with above degree of freedom, the value is 7.815. As Chi-squared score is a greater value hence the null hypothesis is rejected and alternative hypothesis is accepted. It indicates there is a significant relationship between education level and awareness on pension plans and schemes.

Data Analysis and Interpretation

Demographic features of respondents of sample taken:

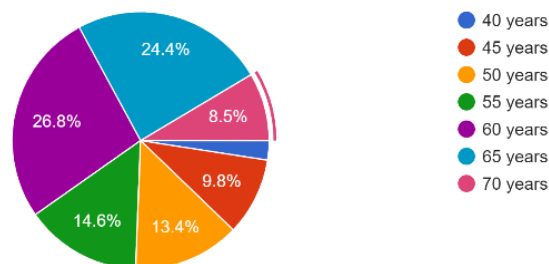
- Out of 82 total respondents, 42 are male and 40 are female
- In age section, 17.1% of respondents are below 25 years, 19.5% between 26-30 years, 24.4% between 31-40 years, 24.4% between 41-50 years, 14.6% lies above 50 years of age group.
- In marital status, 57.3% of respondents are married, 29.3 % unmarried, 13.4% single for reasons of divorce or for being widow.
- In monthly income, 42.7% of respondents are below the income of Rs. 50,000, 36.6% between the income level of RS. 51,000-1,00,000, 8.5% between Rs. 1,01,000 – Rs. 2,00,000, 7.3% between Rs. 2,01,000 – Rs. 4,00,000 and 4.9% lies in income level of above Rs. 4,00,000.
- In education, 22% of respondents are below 12th standard, 32.9% being graduate, 24.4% post-graduate and 20.7% professional degrees.
- In occupation, 30.5% of respondents are in business class, 22% self- employed as professional, 31.7% service in private sector, 15.9% service in government sector.
- In number of dependents, 9.8% of respondents has no dependents, 14.6% one dependent, 29.3% two dependents, 35.4% three dependents, 11% four dependents.

Findings

- In a question with an objective to understand the investment pattern, respondents could tick more than one option. Hence total responds are more than total number of sample size. 86.6% are investing in fixed deposits/PPF, 22% in real estate, 73.2% in gold, 43.9% in mutual funds, 36.6% in insurance products, 3.7% in debt instruments, 24.4% in chit funds, 11% no savings. More of investors are investing in fixed deposits, PPF, gold and mutual funds. This shows the investors are moderate risk takers.
- On asking, the age they want to retire, followings are findings:

At what age do you want to retire?

82 responses



Around 40% of respondents wants to retire before age of 55 years. 26.8% at the age of 60 years, balance 32.9% at age of 65 and above.

- On asking whether respondents have done the retirement planning, 27 i.e., 32.9% of respondents have said and balance 55 i.e. 67.1% have not done any retirement planning.
- This indicates, majority of respondents are not investing for their retirement planning point of view.
- Those respondents who have done retirement planning had to share the avenues chosen for retirement planning. 73.3% of 27 respondents have chosen pension schemes, 16.7% in real estate, 40% in shares, 60% in mutual funds, 66.7% in PPF and 13.3% in others. Here the respondents could choose more than one option.

Majority of respondents are opting pension schemes, public provident fund and mutual funds in retirement planning.

- On asking the reason for not choosing the retirement planning, 8.6% of 55 respondents have a reason that they will get pension, for 60.3% have reason of savings being insufficient, 43.1% have reason of other financial goals on priority list. 60.3% of 55 respondents will do the retirement planning in future, 29.3% have lack of knowledge on this concept. 6.9% said that their family would support after their retirement age.
- On asking the awareness on different pension schemes run by NSDL and various financial institutions, 43.9% responded positively and balance 56.1% said no on awareness.

Interpretations

- Majority of respondents after age of 30 years with high income level and high education background are doing retirement planning.
- For retirement planning they are focusing more on public provident fund, mutual funds. It seems they are moderate risk takers on the goal of retirement planning.
- Those respondents who are not doing retirement planning, majority have the reason of lack of sufficient savings and priority of other financial goals.
- Very small percentage of sample believe that their family would take care of them after retirement age.
- Professionals and post graduates have good awareness on various pension schemes run by NSDL and financial institutions.
- Below 12th standards and graduates sample respondents have not done on retirement planning
- There is a direct relationship between income level and retirement planning.

Conclusion and Suggestions

From data collected and the hypothesis tested it is cleared that there is significant relationship of retirement planning with age, income level and education level. Investors in Mumbai are not confined to one type of investment but they believe in various eggs in investment basket. We could find the investment pattern from low-risk appetite of fixed deposits to high-risk stock market and chit funds. Awareness on pension products have also significant relationship with age and education level. Young earners with high income and education level wants to retire at early age of 45 to 55 years.

Looking at the above findings, researcher suggests that financial companies selling the pension products should create more awareness through different workshops and seminars and should do promotions through social media. As in our country the literacy rate is increasing, the inclusion of financial planning including retirement should be the part of course at every under graduate and graduate programs. Different various organizations should make programs on retirement planning awareness in their training sessions for their employees.

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