



ORIGINAL RESEARCH PAPER

Commerce

STUDY ON RETIREMENT PLANNING IS NECESSARY OR NOT FOR WORKING INDIVIDUALS IN PALANPUR CITY.

KEY WORDS: Retirement Planning, Working Individuals, Financial Need

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ABSTRACT

This study basically attempts to analyze the Retirement planning for working Individuals in Palanpur City. India is enjoying demographic dividend. These young Indians should be prudent during their work life and must do financial planning so that funds are available when it is required. In absence of such plan, individuals would face financial difficulty and in extreme cases may face bankruptcy. Financial plan helps in matching the demand for funds with adequate supply of funds. Financial plan should be goal oriented and it should take care of needs in the most crucial period of life – retirement life. This paper aims to evaluate relevance of demographic and psychological factors in making saving and investment decision with focus on retirement financial planning. The study will be based on primary as well as on the secondary data. To understand theoretical framework and predictor variables, research papers and articles would be referred.

INTRODUCTION

In India, social and economic demographic factors are changing rapidly. Few examples of social changes are, shift from joint family system to nuclear family system, literacy levels are increasing, life expectancy is increasing, sixty-five percent of Indians are below the age of 35 years. Economic changes can be noticed in rapid digitization, introduction of Goods and Service Tax, foreign direct investment, intellectual property laws to name a few. Among such demographic changes if an individual does not do financial planning for retirement, then it might result in hardship in old age. Many studies have been undertaken to understand the influence of social attitude and personality traits to understand individual behavior towards savings and financial planning for retirement, but such studies have failed to predict the individual's behavior. To plan for retirement an individual must understand various financial products, their advantages and issues, clarity in financial goals are few dimensions which can clubbed under term 'financial literacy', has influence on financial planning for retirement.

REVIEW OF LITERATURE

Lusardi A. (2009) In United States of America it was found that individuals who planned for their retirement had higher wealth after retirement compared to the individuals who did not do financial planning for retirement. The wealth also had impact on the financial market's performance. In the study author has evaluated the link between financial literacy and financial planning. Financial literacy leads to better financial planning for retirement. In US it was found that financial literacy was very low. The author has found out that with financial education, financial planning for retirement improved for the low-income group.

M Krishna Moorthi et.al. (2012) Understand influence of demographic factors and psychological factors on retirement planning behavior. The authors have considered three demographic factors namely - age, education, and income. Besides these two psychological factors such as goal clarity, potential conflicts in retirement planning and attitude towards retirement are considered for the study. Primary data is collected from 300 respondents between the ages of 25 to 55 years. Statistical tools such as correlation, one-way ANOVA and regression used to analyses the data. The authors conclude the research paper by stating that demographic factors, education, and income have significant influence on retirement behavior. Psychological factors namely goal clarity, attitude toward retirement and potential conflict in goals also has impact on the retirement behavior of the individual.

Pant Gargi (2013) Author has considered female faculty members of Banasthali University, Rajasthan for the study. The female faculty members are divided between married and unmarried. The author has concluded the study by stating that married women are more aware about the retirement planning and done more for retirement as compare to unmarried women and they are moderate risk bearer and like to invest in less risky avenues. These design features help less sophisticated investors while maintaining flexibility for more sophisticated types.

WHAT IS RETIREMENT PLANNING?

Retirement planning is the process of planning and managing your short and long-term finances to help achieve your financial dreams both during your working years and retired life. It involves analyzing your financial objectives, current financial position and expected future cash flow to develop a comprehensive retirement roadmap. Retirement planning helps you maintain your desired lifestyle during old age. It helps you plan for key life stage events leading up to retirement. It provides financial security to you and your dependents by enabling you to make prudent investments during your working years.

It also enables you to make the best use of your hard-earned money post retirement. One of the key benefits of effective retirement planning is to cover for any contingencies arising from uncertain events which can compromise your ability to meet your financial goals.

RESEARCH OBJECTIVES

- To know the impact of demographic factors on saving for retirement
- To evaluate the impact of behavioral factors on saving for retirement.

RESEARCH HYPOTHESIS

H0: There is a no relationship between financial plan for retirement and behavioral factors. H1: There is a relationship between financial plan for retirement and behavioral factors.

RESEARCH DESIGN

The research design use for this research paper is descriptive research design. It is an appropriate choice when the research aim is to identify characteristics, frequencies, trends, and categories. It is useful when not much is known yet about the topic or problem. Before you can research why something happens, you need to understand how, when and where it happen.

METHODOLOGY

This study is based on primary as well as secondary data. Interview schedule is used to collect primary data from the respondents and secondary data is gathered from leading journals, newspapers, related government office documents, standard books, published articles and various websites.

Limitation Of The Present Study

This study is based on Judgmental nonprobability Method and that sense suffers from the limitation of that sampling method. The study is a micro level therefore findings not possible for applied in macro level however all possible efforts have been taken to ensure the correctness of the data used in the present research work. The study relates to the population of Palanpur only used for the study, and sample size are 95 only which limits the generalizability of the findings.

DATA ANALYSIS AND INTERPRETATION

1.Primary data is collected from 95 individuals; among them 55 percent of the respondents are male. Highest respondents, 32 percent, are aged above 46 years and least, 7 percent of the respondent are between 36 to 40 years. Majority of the respondents are married (77 percent). Median salary range of the respondents is 4 to 8 lakhs, with 36 percent of respondents belong to this group and rest of the groups are equally populated. 46 percent of the respondents are post graduate followed by professionals with 29 percent. More than 50 percent of respondents are employed in private organizations.

2.Almost ninety percent of the respondents save part of their income. Approximately fifty percent of the respondents save on monthly basis. Twenty four percent of the respondents save for retirements followed by twenty percent of the respondents save for tax purpose. Most popular saving avenue is mutual funds, closely followed by fixed deposit and insurance. Only forty one percent of individuals are saving for retirement, forty seven percent of the respondents save but their objective for saving is not for retirement. Most preferred investment avenue for retirement is real estate, followed by PPF, mutual funds, stocks, and pension schemes.

Descriptive Analysis Of Variables

Sr. No.	Variable	Mean	Standard Deviation
BF1	I am able to resist current spending to save for retirement.	3.5263	1.1563
BF2	I have very good understanding of money required after retirement to lead comfortable life.	3.7789	1.1686
BF3	I am very efficient in planning investments for retirement.	3.1053	1.2672
BF4	I do watch out for new investment schemes for retirement benefits.	3.0947	1.3134
BF5	I am aware of various investment avenues available for investment for retirement purpose.	2.9158	1.3019
BF6	I have a plan for saving for retirement and I stick to the plan.	3.0860	1.2489
BF7	I know how to invest in various financial plans for retirement (websites, broker etc.)	2.7766	1.3453
BF8	I started saving for retirement from time I started earning.	2.5213	1.3968
BF9	I can develop my own financial plan to take care of my financial needs after retirement.	3.3368	1.2767

Bf10	I am aware of the various types of bank accounts and method of calculating interest on the deposit.	3.0632	1.3976
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ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	58.579	2	29.290	4.088	.020 ^b
Residual	659.147	92	7.165		
Total	717.726	94			

- a. Dependent Variable: Personal Plan
- b. Predictors: (Constant), Financial Literacy, Planned Behaviour

ANOVA Table reveals the details pertaining to Significance value is lesser than 0.05, at 5% level of significance, we reject the null hypothesis and conclude that Personal financial plan for retirement depends significantly on behavioral factors.

FINDINGS

- Among them only 24 percent of the respondents have 'saving for retirement' as their objective. Mutual fund is the most preferred investment avenue.
- This finding is contradictory to earlier studies where Fixed Deposit was the most preferred investment avenue.
- This is a welcome change as the direction of change is in the right direction.
- Only 39 respondents have financial plan for retirement.
- Among them, 31 percent of the respondents invest in real estate as a financial plan for retirement and only 8 percent of the respondents invest in pension fund.

CONCLUSION

Financial plan for retirement is very important for an individual to lead financially comfortable life in old age. To understand individual's financial preparedness for the retirement and to understand whether behavioral factors have any influence the same, present study has been undertaken. While objective for saving has moderate correlation with act of saving, saving pattern, and personal retirement plan. Notably study did not find any of the demographic factors influencing saving patterns. Based on analysis two behavioral factors were identified. Based on the information collected by these variables, they can be categorized as 'Planned behavior' and 'Financial Literacy'.

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