

## **Retirement Planning Behaviour: The effect of Financial Literacy and Demographic variables of Middle Income groups in Kerala**

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**Abstract:** Planning for retirement is making preparations for the future so that they can continue to achieve all of the objectives and desires. Setting your retirement goals, calculating how much money you will require, and making investments to increase your retirement savings are all included in this. Every retirement strategy is different. In light of the fact that you can have quite particular plans for your retirement, For this reason, it's crucial to have a plan that is created precisely to meet your unique requirements. Inadequate retirement planning will probably result in some disappointment during retirement. The study's primary goal is to look into how important demographic and financial knowledge characteristics affect retirement planning among middle income groups in Kerala. While determining the association between Demographic parameters like Age, Education level, Gender, Household Income, and Financial Literacy with regard to retirement planning is one of the goals of the current study. The purpose of this article was to identify the demographic factors and Financial Knowledge that affected the retirement planning behaviour of individual. The research method used in this study is quantitative. This study used a questionnaire to collect data from 100 middle income groups which was then analyzed using the SPSS programme. The people of Kerala will benefit from the findings and the study's framework as they prepare their retirement plans. The study provides guidelines for the government, policy makers, and banking and financial institutions in order to meet people's requirements and wants.

**Keywords:** Retirement Planning, Middle income groups, Demographic factors, Financial literacy

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### **INTRODUCTION**

Financial system is essential to the nation's economic growth because it promotes both saving and investment, the . It aids in mobilising and distributing savings and makes it easier for financial institutions and markets to grow. As per the report of Business Maps of India, the financial sector is now growing at a rate of over 8.5% annually in India. An increase in the growth rate indicates that the economy is expanding. The monetary and financial policies are able to maintain a steady growth rate. The PGIM Retirement Readiness survey conducted by investment platform PGIM discovered some troubling data. It revealed that 51% of Indians lack sufficient financial preparation for retirement, with many of them having not even started. In addition, 59% of people aren't saving money or making investments for the future; they are just utilising their salary to cover current needs. According to the "Statista Research Department" study, India's gross savings rate for the fiscal year 2021 was just over 28 percent. This was a decrease from the over 30% in the prior fiscal year. The country's projected GDP declined as a result of the corona virus (COVID-19) pandemic, with GDP per capita reaching more than 2.1 thousand dollars in March 2020. The majority of us have wasted a lot of time dreaming about our upcoming

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retirement and ability to stop working. People often daydream about retiring happy and free of all obligations. Retirement is a time that should be stress-free and pleasant. Nobody's retirement should or could be destroyed by anything, not even money. Planning for retirement is therefore important from the time one begins working. The likelihood of building the necessary corpus is better the younger one starts to plan for retirement. A retirement calculator is a tool that makes it quick and stress free to plan for retirement. Any nation with an expanding labour force must have a social security system. It is expanding in India at a 15% Compound Annual Growth Rate. For many years, provident funds and employee pension funds have provided the salaried class with pension scheme support (EPF). However, given that our working population is anticipated to increase to 727 million by 2030, this is insufficient. India has to improve significantly from its current under-14% coverage of pension plans.

### **Objective of the Study**

The main objective of the study is to examine the effect of Financial Literacy and Demographic variables which are influencing Personal Retirement planning hailing Middle Income groups in Kerala.

The specific objectives are -

- To analyse Retirement Planning and evaluate the related research efforts on it
- To examine whether Kerala people's retirement planning is influenced by their 'Financial Literacy'
- To examine whether 'Retirement Financial Activity' is affecting Kerala people's retirement planning.
- To investigate whether 'Retirement Planning Behaviour' is affecting Kerala people in retirement planning
- To investigate how Kerala people's demographic characteristics affect retirement planning

### **Literature Search**

#### **Financial Literacy.**

Planning ahead for retirement increases wealth holdings, and financial education or financial literacy affects behaviour while making plans. The Organization for Economic Cooperation and Development (OECD) explains Financial education is the process by which financial consumers and investors increase their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities in order to make informed decisions, to know where to turn for help, and to know how to handle them. According to Lusardi and Mitchell (2006), people who are more financially literate are more likely to make retirement plans. A 2005 OECD report titled "Improving Financial Literacy" that states that "there is much more to do and learn about financial education programmes and how to make them better" highlights the significance of this issue (p. 16)

#### **Retirement Planning Activity**

The research (Bayer, Bernheim & Scholz, 1996; Clark & Schieber, 1998; Lusardi, 2005; Clark et al., 2006) indicates that different forms of financial education programmes and the dissemination of information can positively influence retirement savings behaviour. It has been discovered that educational seminars, written

correspondence, and website content are all useful teaching instruments in this process.

### **Retirement Planning Behaviour**

According to research, companies and fund managers educate employees on retirement planning using written communication, websites, seminars, and workshops (Bernheim 1998; Ernst & Young LLP Human Capital 2004; Krajnak, Burns & Natchek 2008). These educational tools have also been proved to have an impact on people's intention and behaviour related to saving for retirement (Clark & Schieber 1998; Lusardi 2003; Muller 2003; Nyce 2005).

### **Retirement Planning**

According to research by Lusardi and Mitchell, the main cause of the poor living conditions that many people experience during retirement is a lack of planning (2006, 2007).

### **Research Methodology**

The research was conducted using 100 samples as part of a pilot survey. Samples were chosen so that the respondents would be familiar with the term "Retirement Planning" in Kerala. There were 100 responders in all. There were 34 male respondents and 66 female respondents in the sample. In Kerala, a questionnaire was used as the study tool to gather information from various responses. The responses to the questions ranged *from strongly disagree to strongly agree on a five point likert scale (1 to 5)*.

### **HYPOTHESIS**

In this study, the relationship between various constraints that affect Kerala's retirement planning is examined. In order to address these issues, the study develops two areas of hypothesis, namely the comparison of variable with their respective average and the relationship between various variables to support retirement planning.

#### **One Sample Statistics**

H01: Opinion regarding the Financial Literacy is equal to average

H11: Opinion regarding the Financial Literacy is not equal to average

#### **Pearson Relationships between several factors that encourage retirement planning**

H01: There is no significant correlation between "Financial Literacy" and "Retirement Planning Behaviour"

H11: There is significant correlation between "Financial Literacy" and "Retirement Planning Behaviour"

H02: There is no significant correlation between "Retirement Planning Attitude" and "Retirement Planning Behaviour"

H12: There is significant correlation between "Retirement Planning Attitude" and "Retirement Planning Behaviour"

H03: There is no significant correlation between "Financial Literacy" and "Retirement Planning Attitude"

H13: There is significant correlation between "Financial Literacy" and "Retirement Planning Attitude"

### Data Analysis and Discussion

With the use of the Statistical Package for Social Sciences, data were examined and analyzed. First, Cronbach's Coefficient Alpha was used to assess the reliability results. The items in this study were created using a literature review that was related to a number of identified variables. The most relevant constructs were those that relate to retirement planning. For the implementation of Retirement Planning, reliability assessments were performed.

**Table 1- Frequency Distribution of Demographic Profile**

Variables	Categories	Frequency	Percentage
1. Gender	Male	34	34 %
	Female	66	66 %
	<b>Total</b>	<b>100</b>	<b>100 %</b>
2. Age	21 - 30 years	45	45 %
	31 - 40 years	27	27 %
	41 - 50 years	25	25 %
	51 - 60 years	3	3 %
	<b>Total</b>	<b>100</b>	<b>100 %</b>
3. Education	SSLC	5	5 %
	Pre-degree / Plus Two	5	5 %
	Degree / Diploma	37	37 %
	PG	41	41 %
	M.Phil / P.hD	12	12 %
<b>Total</b>	<b>100</b>	<b>100 %</b>	
4. Marital status	Single /Divorce /Separate	20	20 %
	Married /Living together	80	80 %
	<b>Total</b>	<b>100</b>	<b>100 %</b>
5. Occupation	Government	16	16 %
	Private	72	72 %
	Self-employed	11	11 %
	Public	1	1 %
	<b>Total</b>	<b>100</b>	<b>100 %</b>
5. Children	No Child	24	24 %
	Have one or more	76	76 %
	<b>Total</b>	<b>100</b>	<b>100 %</b>
6. Monthly Income	Below Rs. 20,000	42	42 %
	Rs. 20001 -40000	31	31 %
	Rs. 40001 - 60000	5	5 %
	Rs. 60001 - 80000	7	7 %
	Above Rs.80,000	15	15 %

	<b>Total</b>	<b>100</b>	<b>100 %</b>
5. Children 7. Experience	Less than 2 years	37	37 %
	2 - 5 years	12	12 %
	6 - 10 years	17	17 %
	11 - 15 years	9	9 %
	Above 15 years	25	25 %
	<b>Total</b>	<b>93</b>	<b>100 %</b>
8. Region	Rural	57	57 %
	Urban	43	43 %
	<b>Total</b>	<b>100</b>	<b>100 %</b>

Retirement planning is used differently and more often by men and women. The fact that 66% of the respondents were women and 34% were men is evidence. People tend to develop retirement wealth depending on their gender experiences as a result of recent social and economic changes in working conditions and patterns that affect men and women in different ways (Weagley and Eunjeong, 2004). Studies indicate that women generally have lower levels of financial literacy than males, giving the impression that women have much less financial literacy than men. (2004) Euwals, Angelika, and Axel Worthington (2005, 2006). Show in particular how men and women adopt various working habits over the course of their life, which affects their capacity to amass wealth. According to the above table [Table 1], 45% of respondents are from 21 -30 age group, 27% from 31 -40 category and followed by people in the age of 41 - 50 (25% of respondents). Young investors (18 to 24 years old) are aware that they should prepare their retirement funds, thus this behaviour is inappropriate savings (Webster, 1997). (Webster,1997). In addition to the investor's age, which is a very visible factor that affects financial planning for retirement, the investor's gender is also crucial. The majority of participants in this survey obtained education was Post Graduate (41%) & followed by Degree / Diploma (37%). Deewr (2007) Higher Education Statistics given that 62.3% of academic staff members possess PhD degrees, it was anticipated that a sizable portion of respondents would be at this level of education. Given that a significant portion of respondents are academics and that this level of education is consistent with academic jobs, it is also not surprising that the majority of respondents had at least completed their higher education. According to the findings, married people are more likely to be planning their retirement than single people. Gargi Pant (2013) For the study, the author took into consideration the female faculty at Banasthali University in Rajasthan. The study's author concludes by stating that married women are more aware of retirement planning and have put more effort into retirement as compared to single women. They also take modest risks and prefer to invest in less dangerous areas. Malaysia was the location of a 2017 study on financial retirement planning by Fatemeh Kimiyaghalam et al. A report from Employees Provident Fund (2015), a government organisation in charge of managing retirement assets, served as the study's impetus. According to the survey, employees working in the private sector do not have enough saved for retirement, forcing them to continue working after they are no longer employed. According to the study, more than half of respondents were belongs to Private employees (72%) & come after to Government employees (16%). We deduced from the data that the majority of people [42%] were into the Below Rs.20000 category &

followed by Rs.20000- 40000 category(31%). Majority of respondents acquiring years of experience as 'below 2 years' (37%) and followed by 'Above 15 years'(25%). Additionally, it was discovered that more people lived in rural areas (57%) than in urban ones. In their conclusion of M Krishna Moorthi et al. (2012) note that retirement behaviour is significantly influenced by demographic characteristics, educational attainment, and income.

Investment Schemes	Frequency					Total % of A & SA
	SD	D	N	A	SA	
<b>NPS</b>	4	17	22	38	19	57%
<b>SIP</b>	8	20	30	28	14	42%
<b>PPF</b>	2	16	26	30	26	56%
<b>FD</b>	0	9	23	36	32	68%
<b>Tax-free Bonds</b>	6	18	35	30	11	41%
<b>Post office Scheme</b>	3	12	22	42	21	63%
<b>SCSS</b>	8	17	37	25	13	38%
<b>PMVVY</b>	8	23	25	29	15	44%

According to the study, the majority of individuals are aware of the various economic programmes. According to awareness, "Bank Fixed Deposits" and the Post Office Monthly Income Programme are the two most popular. Tax-free Bonds have the lowest level of awareness, followed by Systematic Investment Plan (SIP).

**Table 3- Mean, Mode and Standard Deviation of different Variables**

Sl. No.	Measure	Item Acronym	Mean	Mode	SD
<b>Financial Literacy</b>					
1	I am very knowledgeable about financial planning for retirement	FL1	3.41	4	0.933
2	I am aware of Retirement planning like most of the people	FL2	3.51	4	1.049
3	I am very confident about planning my Retirement funds	FL3	3.37	4	1.022
4	When I am in need for a financial services, I know exactly where to obtain information, & what to do	FL4	3.50	4	1.000
5	I am knowledgeable about how financial security works	FL5	3.41	4	1.026
6	I am knowledgeable about how private investment plans work	FL6	3.26	3	1.021

<b>Retirement Planning Activity</b>					
1	Frequently read articles / brochures on investing or financial planning	RPA1	2.97	3	1.049
2	Read one or more books on investing or financial planning	RPA2	2.92	3	1.107
3	Frequently visited online financial planning sites	RPA3	2.80	3	1.110
4	Regularly tuned into television / radio / online media about investing or financial planning	RPA4	2.99	3	1.010
5	Conducted a thorough assessment of your net worth	RPA5	2.89	3	0.984
6	Already identified specific spending plans for the future	RPA6	3.02	3	1.073
7	Discussed financial planning goals with a professional (s) in the field	RPA7	2.89	2	1.081
8	Discussed financial retirement plans with an employer 's benefit specialist	RPA8	2.76	3	1.065
9	Discussed retirement plan with a knowledge friends or colleagues	RPA9	3.03	3	1.077
10	I had participated in workshop, seminar, or course on retirement	RPA10	2.66	3	1.148
<b>Retirement Planning Behaviour</b>					
1	I am concerned about the current status of my retirement planning preparation	RPB1	3.43	4	1.047
2	I am assured that I will have a worthy standard of living in my retirement	RPB2	3.41	4	0.911
3	At present, I am satisfied with my retirement financial plan	RPB3	3.17	3	1.006
4	I am assured that I have worked out expected income and expenditure in my retirement life	RPB4	3.21	3	1.085
<b>Retirement Schemes</b>					
1	National Pension Scheme (NPS)	RS1	3.51	4	1.105
2	Systematic Investment Plan (SIP)	RS2	3.20	3	1.155
3	Public Provident Fund (PPF)	RS3	3.62	4	1.099

4	Bank Fixed Deposit (FD)	RS4	3.91	4	0.954
5	Tax free Bonds	RS5	3.22	3	1.060
6	Post office Monthly income scheme	RS6	3.66	4	1.037
7	Senior Citizens Savings Scheme (SCSS)	RS7	3.18	3	1.114
8	Pradhan Mantri Vaya Vandana Yojana (PMVVY)	RS8	3.20	4	1.189

The above table [Table 3] reveals that all measures of "Financial Literacy," with the exception of FL6, have a mean above 3 and a mode of 4, indicating that the majority of respondents are satisfied to the idea of "Financial Literacy" with regard to retirement planning. In the table analysis, it was discovered that every measure of "Retirement Planning Activity" had a mean value nears to 3 and a mode value of 3, indicating that the majority of respondents were neutral to the idea of "Retirement Planning Activity" in retirement planning. The majority of respondents are neutral toward the idea of "Retirement Planning Behaviour," as evidenced by the fact that all measures based on it have a mean of above 3 and the mode of 3 except the term RPB1 & RPB2 (mode=4), respectively. Additionally, it was discovered that all measures of "Retirement Schemes," have a mean above 3 and a mode of 3, indicating that the majority of respondents are satisfied to the idea of "Retirement Schemes.". based on the study, greater part of the people are well pleased in the schemes of National Pension Scheme (NPS), Public Provident Fund (PPF), Bank Fixed Deposit (FD), Post office Monthly income scheme & Pradhan Mantri Vaya Vandana Yojana (PMVVY)

**Table 4- Reliability Test of Constructs**

<b>Cronbach's Co-efficient Alpha</b>			
<b>Sl. No.</b>	<b>Measure</b>	<b>Number of Items</b>	<b>Cronbach's Alpha</b>
1	Financial Literacy	6	0.849
2	Retirement Planning Activity	10	0.842
3	Retirement Planning Behaviour	4	0.839
4	Retirement Schemes	8	0.852

Cronbatch's Alpha was used to conduct a reliability test, which computes the internal consistency of study constructs. The outcome is shown in the following table [Table 4]. All four of the constructs have Alpha values greater than 0.80. As a result, Nunnally [1978, p. 245] suggests that instruments employed in basic research have a reliability of 0.80 or higher. According to George and Mallery's [2003] viewpoint, >0.7 is considered acceptable and >.0.8 is considered good. This idea states that all the constructs "Financial Literacy", "Retirement Planning Activity", "Retirement Planning Behaviour" and "Retirement Schemes" are good. And overall Cronbach's Alpha reliability of all the constructs had 0.873 point.



**Table 5- Overall Mean and Standard Deviation of Constructs**  
**Descriptive analysis of Constructs**

Sl. No.	Measure	Mean	SD
1	Financial Literacy	3.410	.807
2	Retirement Planning Activity	3.040	.882
3	Retirement Planning Behaviour	3.305	.808
4	Retirement Schemes	3.438	.805

"Retirement Schemes" and "Financial Literacy" had the highest mean values among the variables in the abovementioned table [Table 5], respectively. The variable with the lowest mean value was "Retirement Planning Activity". Additionally, it shows that "Retirement Planning Activity" had the biggest standard deviation of all the structures. "Retirement Schemes" had the lowest standard deviation of all the variables.

**Table 6- One Sample Statistics**

Variable	DF	Mean Value	SD	Q2	t-value	p-value
Financial Literacy	99	3.410	0.807	3	5.083	0.000**

Since P Value is greater than 0.5 when analysing Table 6 based on 'Financial Literacy', we accept the null hypothesis and come to the conclusion that Financial Literacy is average. Given the mean score of 3.410, it is clear that respondents' perceptions of Financial Literacy were greater than the average level.

**Table 7- Levene's Test for Equality of Variance**

Correlating Variabes	Correlation Coeffecient	P Value
'Financial Literacy' and 'Retirement Planning Behaviour'	0.627	.000**
'Retirement Planning Activity' and 'Retirement Planning Behaviour'	0.625	.000**
'Financial Literacy' and 'Retirement Planning Activity'	0.585	.000**

The correlation coefficient need to consistently fall between -1 and +1. According to Table 7's P Value for 'Financial Literacy' and 'Retirement Planning Behaviour', we can rule out the null hypothesis at a 1% level of significance, indicating that there is a significant association between the two variables. As the co-efficient in this case is positive, we may infer that FL and RPB have a positive correlation since the correlation of co-efficients explains the type of relationship. There is a strong association between FL and RP, with a correlation coefficient of 62.7%.

It was discovered that there is a significant relationship between 'Retirement Planning Activity' and 'Retirement Planning Behaviour' at the 1% level of significance based on the P Value of 'Retirement Planning Activity' and 'Retirement Planning Behaviour' in the above table. The positive co-efficient of correlation indicates that there is a positive association between RPA and RPB. RPA and RPB showed a strong amount of association (62.5% correlation coefficient).

According to the P Value of 'Financial Literacy' and 'Retirement Planning Activity' in the above table, we can reject the null hypothesis at a 1% level of significance, indicating that 'Financial Literacy' and 'Retirement Planning Activity' have a significant relationship. We can infer that there is a positive correlation between FL and RPA since the correlation coefficient is positive. FL and RPA had 58.5% correlation coefficient, which is a moderate level of correlation.

Noor Aza, a professor, and Kiran Patil, the study found a substantial correlation between personal retirement intentions and saving habits. Based on the information they have acquired, these qualities can be classified as 'Financial Literacy', 'Retirement Planning Activity', 'Retirement Planning Behaviour' and 'Retirement Schemes'. The null hypothesis was rejected based on the significance level, and it is now clear that behavioural factors do affect a person's retirement financial plan. According to Hopkins, Catherine A. Roster, and Charles M. Wood (2006), retirees who take a "new beginning" or "disruption" strategy tend to spend more money on experience and activity-oriented product categories. On the other hand, retirees who adopt "continuation" or "old age" styles are more likely to increase their spending on passive or inward-looking product categories that are less experienced.

### **Limitations**

A thorough analysis and a systematic sampling methodology were not used because the study was a part of a pilot survey, and this is not indicated in the report. The study's findings need to be assessed and validated with a larger sample size. Because the study is limited by its sample size from Ernakulum, which did not cover other districts in Kerala, a bigger sample size made up of other districts in Kerala would be more convincing and thorough for generating predictions for the remainder of Kerala. The specific characteristics known to have an impact on the planning process within that particular department should be considered and incorporated into the design of any proposed interventions. Setting goals was the one factor that consistently predicted planning across all domains, making it the exception to this rule. Goal-setting could be a key component in the design of treatments encouraging holistic retirement planning because goals are adjustable and not fixed qualities of an individual.

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