Factors Affecting Retirement Planning Behavior of Working Individuals: A Case Study In Lucknow

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Abstract. "Youth is wasted on the young. Often money is, too." Thus, individuals forgo their future for nourishment of present. Consequently, individuals after retirement found themselves stuck in a situation where they had to rely on others for earning themselves a living. This forecast makes investing in retirement benefit plan, essential. Despite of various benefits of financial independence in retirement, the population at Lucknow does not sufficiently engage with retirement planning due to lack of financial literacy. The purpose of this study is to identify factors influencing retirement planning behavior among the working individual in Lucknow. Out of 360 questionnaires issued, only 304 were used for the study. This cross-sectional study was undertaken. The finding of this study explore the factor affecting retirement planning behaviour such as financial planning after retirement, income, attitude, culture, financial literacy and goal clarity will provide the strategies for governments, employers, financial advisers and those planning for retirement to implement it to make it simpler leads to financial independence.
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Key Words: Attitude, financial literacy, Income, Retirement Planning

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1.   Introduction

Retirement planning behaviour has risen to prominence recently. There can be several hindrances to take financial decision that are in our own interest, however there are straightforward things we can do to support behaviour today that prompts better results tomorrow. Retirement is tied in with having the option to choose whether to work. To gain a better position, retirement planning should be started at an early stage. There are few indicators such as having support of monetary benefit at the time of retirement, debt free obligation, adequate health insurance, have enough income to pay or invest for retirement lifecycle, impact of inflation on cost of living in the future, etc to consider about retirement option. At young stage, it is very difficult to think about retirement planning. Youngsters are occupied with careers, families, marriage, or settling in new areas, so it is reasonable that they have the hesitance to talk about retirement planning in early stage. Time passes by so quick that any deferment in retirement planning means denying yourself of retirement early and depriving

yourself from enjoying golden years. Financial literacy is essential requirement to make investment in retirement planning.

Further, there is requirement of various data and information before investment such as alternative available as investment option, evaluation of risk and return of various alternative, present and expected future tax rate, expected retirement income, length of service and age, return on investment, etc. One of the objectives of a retirement plan ought to be to accumulate money and planning its growth at compounding rate. The investment made during the working years will ensure that your life after retirement will be comfortable and meet out your expenses. On retirement, individual's personal saving and retirement plan sponsored by employer will replace his today's earning. An early investment in retirement benefit plan will enable accomplishment of desired objectives with less financial resource. Over the period of time, even a smallest step taken towards investment will help you to attain your goals due to compounding factors. One of the objectives in life ought to retire with financial security. Retirement planning is an important task as it includes various factors such as; at what age you would like to retire, expected income to cover the cost of living and your different plans after retirement and source of income. Despite of low saving per month and low in aggregate, at the end, individual will end up with significantly large and handsome amount of saving due to the power of compounding. This study will explore the factors influencing the retirement planning behavior among the working Individual in Lucknow.

2. Literature Review

In the early days, starting planning for retirement may acquire advantages and benefits. Moreover it empowers to design so as to pursue their objective during the retirement life (Moorthy, M.K., et al., 2012). Retirement planning is a significant component of household wealth (Dauda, S., et al., 2017). It is a multifaceted procedure which requires a certain level of financial literacy or knowledge. Author defines retirement as it implies that an individual permanently stops his or her paid employment (Hassan, K.H., et al., 2016).

"Retirement planning behavior is defined as the antecedence of attitudes towards retirement planning, retirement planning intention and perceived control over retirement planning" - (Dauda, S., et al., 2017). Author argues that the working individual in current scenario believe that retirement planning is a burden for them since it includes long term planning and investment

(Moorthy, M.K., et al., 2012). The persistent investment will at last lead to the satisfaction of the retirement goals (Thakur, S.S., et al., 2017). There are several factor which affect the retirement planning behaviour. Income plays a significant variable considering retirement planning (Thakur, S.S., et al., 2017). Attitude is viewed as the concepts which guides intention that leads to behavioural performance (Dauda,S., et al., 2017).

Author said that if financial literacy is very low then financial literacy has an impact on retirement planning, which leads to further question that how to improve the financial knowledge and enhance wealth accumulation (Lusardi, A.,2009). Financial literacy is all about application of knowledge and skill to manage the financial resources efficiently in person's life for his/her money related prosperity (Surendar, G. & Sarma, V.V.S., 2017). Moorthy, M.K., et al., (2012) said that no proper saving plan was done for life after retirement due to absence of financial literacy. If individual is financial sound then they are able to apply sound financial management and ensure a secured retirement life (Juen, T.T. & Sabri, M.F., 2017).

Author findings indicate that written communication, seminars and website information are viable techniques in conveying financial education (Ntalianis, M. & Wise, V., 2011). Introduction to financial education can positively impact the retirement planning as well as behaviour of Individual (Ntalianis, M. & Wise, V., 2011). The retirement confidence is get affected by financial status of individual (Juen, T.T. & Sabri, M.F., 2017). Regardless of whether they have all the resources, for example, time, awareness and income required to planned for retirement (Dauda,S., et al., 2017). The inability to understand the financial matter has been viewed as the principle reason for retirement problems looked by many people (Aluodi, E., et al., 2017).. Working Individual have goal for the retirement planning which is attainable and achievable. (Moorthy, M.K., et al., 2012). The circumstance of poor retirement planning which will incite poor retirement certainty among working individual is a significant issue that should be addressed (Shanmugam,A., et al., 2017).

3.   Objectives

There is no specific or standard retirement plan which is applicable to each and every individual as the circumstances or situation of each individual vary from each other. Further people were also not interested to make investment for large duration and they are inclined

towards present rather than future. The absence of interest towards retirement planning motivates to undertake the study in order to identify the factor affecting the retirement planning behaviour of working individual in Lucknow.

4. Research Methodology

Scope of the study

i. The study is confined to the Lucknow district of Uttar Pradesh.

ii. The scope of the study is to identify the factors affecting the retirement planning behaviour of working individual in Lucknow.

iii. The study period ranges from Dec 2017 to April 2018.

5. Research design

This study is descriptive and cross-sectional study. Study utilized unstructured data gathering instrument and, intended to identify the factor affecting the retirement planning behaviour of working individual in Lucknow. The statistical software SPSS 23.0 was utilized. Simple statistical tools were used. The statistical method includes exploratory factor analysis.

Sample size and sampling technique

360 questionnaires were distributed however only 304 samples has been completed in all regard. Multistage sampling technique has been employed in order to collect the data. Lucknow is divided into four zone and distributed 90 sample in each zone. Total number of sample (90*4) taken for study is 360. 321 samples received from respondents; hence response rate is 89.16%. However, only 304 samples were taken in analysis after data cleaning i.e. 84.44%.

Data gathering instrument

An unstructured questionnaire was employed as data gathering instrument to collect the response. All items except demographics from this scale used at five-point response format, where 1= strongly disagree and 5= strongly agree. The respondent needs to simply mark against any one of the parameter of each variable relying upon whether he or she strongly agree, agree, neutral, disagree and strongly disagree.

Collection of data

For this study data was collected from both primary and secondary source. Primary Data was collected from the respondent with the help of questionnaire. Questionnaires were circulated to

respondents under the supervision of researcher. Each participant is asked to respond to the same set of questions, as it provides an efficient way in collecting responses from a large sample of working individuals to do quantitative analysis. Further secondary details collected from various sources such as, published research paper, journals, scholarly article and so on.

Demographic Profile of Respondent

In this table A; to outline the data, significant aspects are noted by selecting the working individual as a respondent in Lucknow. Their responses related to demographics were analyzed using percentage and frequency distribution. The researcher portrayed respondent profile as age group, gender, education qualification, marital status and income. A summary of data identified were shown in Table A. The majority of the respondents is in the age group below 30 years, 103 (33.9%) respondents, followed by age group between 30-40 years, 91(29.9%) respondents, between 40-50 years are 71 (23.4 %) respondent and 50 years and above are 39 (12.8 %) respondent respectively. As we can analyze in the gender classification' the participation of male, 172(56.6%), is relatively more to that of females, 132 (43.4%). In case of education qualification of respondent, 124 (40.8 %) of respondents are graduate followed by, 91 (29.9%) respondent who are Post Graduate. 183 (60.2%) respondent were married and 142 (46.7%) respondent were having income between 5 Lac to 10 Lac.

TABLE – A: DEMOGRAPHIC PROFILE OF RESPONDENT

Particular	Frequency	Percent
Age Group		
Below 30 years	103	33.9
30-40 years	91	29.9
40-50 years	71	23.4
50 years and above	39	12.8
Gender		
Male	172	56.6
Female	132	43.4
Educational Qualification		
No qualification	4	1.3
Upto Class XII	24	7.9
Graduation	124	40.8
Post Graduation	91	29.9
Doctorate	26	8.6
Other	35	11.5
MARITAL STATUS		

Unmarried	121	39.8
Married	183	60.2
INCOME		
Below 2.5 Lac p.a.	36	11.8
2 Lac to 5 Lac p.a.	79	26.0
5 Lac – 10 Lac p.a.	142	46.7
10 Lac and Above p.a.	47	15.5

6.   Analysis and Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's test of sphericity. KMO value is 0.763 which is greater than 0.5, hence exploratory factor analysis is suitable for this dataset. Bartlett's test of sphericity χ^2 (595) = 5687.478, p < .005, indicated that correlations between items were sufficiently large for PCA.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.763
Bartlett's Test of Sphericity	Approx. Chi-Square	5687.478
	Df	595
	Sig.	.000

Exploratory factor analysis is a method used to portray the variability among observed variable as far as lower number of unobserved variables which is called as called factors. In latent root criterion method, eigenvalue greater than value 1 are retained. A principal component analysis was conducted on 35 item with orthogonal varimax rotation. Total variance explained 56.132%.

TABLE – B: FACTOR ANALYSIS FOR RETIREMENT PLANNING

S.No.	Particular	Factor Load	Eigen Value	% of Variance	Cronbach Alpha
	FINANCIAL PLANNING AFTER RETIREMENT				
A1	Reducing personal debt	.592	1.789	8.605	.745
A2	Protection of income	.582			
A3	Assurance of home ownership	.675			
A4	Investment/asset growth	.545			
A5	Reducing tax burden	.601			
A6	Retirement funding	.563			
A7	Estate planning	.599			
A8	Business continuation planning	.408			
	INCOME				
B1	Higher income leads to proper financial planning	.693	6.539	14.037	.924
B2	Limited income makes me think about	.827			

	financial planning				
B3	Culture and government responsibility improve financial planning	.815			
B4	Income is an influential factor for financial planning	.781			
B5	More income would result in proper financial planning.	.843			
B6	High Income release stress for Investment	.834			
B7	Lack of financial planning creates trouble after retirement	.788			
	ATTITUDE				
C1	Initiate financial planning as early as possible.	.740	3.299	9.375	.827
C2	Initiate financial planning while studying.	.752			
C3	Financial planning helps in leading a prosperous life after my retirement.	.763			
C4	Financial planning creates the burden of saving money immediately.	.777			
C5	Rational financial attitude	.681			
C6	Risk tendency	.653			
	CULTURE				
D1	My family encourages me to make financial planning.	.703	1.10	5.471	.635
D2	The local culture encourages nuclear family structure, which leads to a proper financial planning after retirement.	.698			
D3	The local people are reluctant about their financial planning after retirement	.411			
D4	Taxation affects planning for retirement.	.590			
	FINANCIAL LITERACY				
E1	Budgeting is an indicator of thrift and financial discipline	.821	3.826	9.424	.867
E2	Skills and ability to use financial resources to make decisions	.818			
E3	Money management skills for forecasting	.781			
E4	Investment decision making	.822			
E5	Awareness regarding Innovative financial products	.788			
	GOAL CLARITY				
F1	Confidence about having a good live in retirement years.	.781	3.093	9.220	.860
F2	I do not worry about financial preparation for retirement years.	.697			
F3	I have clear vision of how life will be in retirement.	.751			
F4	I'm always thinking about the quality of life in retirement.	.725			

| F5 | I discussed retirement plans with spouse. | .783 | | | |

Table -B shows the factor loadings after rotation. This component shows various factors affecting the retirement planning behaviour of working individual. The item that cluster in same component or construct shows the relation between variable and underlying factor. Construct A represents "financial planning after retirement" which includes 8 variable and internal consistency of this construct, Cronbach's α = .745. Construct B represent "Income" which includes 7 variable and internal consistency of this construct, Cronbach's α = .924. Construct C represent "Attitude" which includes 6 variable and internal consistency of this construct, Cronbach's α = .827. Construct D represent "Culture" which includes 4 variable and internal consistency of this construct, Cronbach's α = .635. Construct E represent "Financial Literacy" which includes 5 variable and internal consistency of this construct, Cronbach's α = .867. Construct F represent "Goal Clarity" which includes 5 variable and internal consistency of this construct, Cronbach's α = .860.

Barriers to Retirement Planning Behaviour

There are several barriers which affect the retirement planning behaviour; some of them are as follows:

a. People will abstain from making a retirement plan due to its complex procedure as well as its duration.

b. People do not want to invest for such long duration from their earned income.

c. Culture of retirement planning is not yet developed in society.

7. Conclusion

Retirement financial planning is affected by external factors like social and economic factors and also individualistic factors like awareness, financial literacy, etc. Retirement Planning is all about arranging your funds for the time when individual cease to working. There is no specific or standard plan for all as each individual has its own circumstances which vary from others. The primary spot to begin retirement planning is by setting aside and contributing towards available best financial plan offered through employment and personal investment. Financial advisor can enable the customers to formulate their retirement plans on commissioned basis. In any case, envisioning about retirement and planning for retirement are two altogether different aspects. While dreams can drift around in minds, the real planning required the mental

exercise with the help of pen, paper and calculator. Furthermore, it's a smart thought to counsel with a financial expert.

Individual behaviour toward retirement planning is inherently impacted by your information, knowledge and attitude towards retirement planning. Attitude incorporate how the individual, can take financial responsibility and tolerate risk associated with it. Individuals are inclined towards present orientation instead of future orientation with lack of knowledge required for retirement planning. Finally, it can be concluded that factor affecting retirement planning such as financial planning after retirement, income, attitude, culture, financial literacy and goal clarity will provide the strategies for governments, employers, financial advisers and those planning for retirement to implement it and making it simpler leads to achieve financial independence at retirement age. A strong intermediary channel bridges the gap between the individuals and financial institutions offering retirement products and services, the current role played by intermediaries needs to be scanned thoroughly. Along with this understanding the individuals' awareness about available retirement planning and products and services can provide guidance on future actions.

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