Understanding People Priority for Retirement Planning-Study of Delhi NCR

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ABSTRACT

The primary aim of this research was to identify what factors consumers value most in their retirement savings plans. To do this, you'll need to determine how much money you'll need to invest to achieve your goal of financial independence. In recent years, the government of India has begun to replace defined retirement benefits programmes with defined retirement contribution schemes. Value of retirement increases with supervised financial planning; providing more healthcare to others increases longevity. Employers and employees have long relied on pensions in India. There is no comprehensive system for retiring the general populace. About 12% of India's labour force participates in some sort of pension plan. This implies that 88% of people do not have access to a pension system and must rely on other methods, either formal or informal (such as the mixed family regime of old age refuges) to provide for themselves in old age. One of the most important aspects of ensuring a comfortable retirement is starting to plan for it as early as possible. A financial "exam" similar to a physical checkup should be performed at least annually, as recommended by the doctor. Accordingly, the primary purpose of this research is to examine the impact of demographic variables on pension savings, conduct, and the role of compartmental features on retirement savings. To that end, we collect primary data from 95 individuals. A questionnaire was developed for this purpose. Suitable methods for selecting responders were used. The correlation between several measures of financial preparedness and age, gender, and education has been used to draw conclusions. Several factors that influence retirement savings might be uncovered with the use of factor analysis.

Keywords: *Retirement planning, Behavioral factors, financial planning and stability*

1. INTRODUCTION

Supposing you are retired may be a stretch. For a long time, it may feel like retirement is imminent. Most people do not even consider the possibility of a pension. If that's the case, people should think of their financial stability as a combination of the three terms. People now contemplate and pursue financial independence as a result of increased social awareness and economic globalisation. The freedom to decide for yourself is essential. All monetary situations may be enhanced with better planning. People need to get off their rear ends and start preparing their pensions. You and your loved ones have to decide what's most vital when it comes to pension planning. Try to remember what it was like to retire and then compare it to how you live now. You expect your savings and investments to provide enough income after you retire. It's important to figure out how

much you'll need to invest to attain your goals for financial stability. As of late, the Indian government has shifted its pension offerings from defined benefit to defined contribution schemes. Preparing for retirement financially boosts a person's quality of life in their golden years and, if they want to provide extra care, may even extend their life. Pensions in India have historically been funded through employee and employer contributions. A large portion of the population does not have access to a formal pension system. More than 12% of the workforce in India is covered by pension benefits of some form. Therefore, the remaining 88% of people who do not have access to a retirement pension must rely on their own savings or other traditional, informal old-age refuge tactics, such as an united family system.

2. **Review Of Literature**

According to research conducted by Anita and Pestonjee (2000), "Investment pattern and Decision making: Working women's role was investigated," the average age, family size, family type, marital status, education level, employment status, and annual income of the respondents did not vary significantly across cities. There is no correlation between cultural and demographic shifts and the choices made by professional women. Women in the nuclear family make their own decisions, independently, inside the family. Gupta and Leping (2004) divided the retirement plan into two categories based on four interconnected models: health and wealth growth over time; long-term insurance premiums and cost structures; and cost of living adjustments. Stochastic health events and asset returns were modelled using two-way branch models by Gupta and Leping (2006). He observed that you seem to have a healthy respect for insurance purchases, given that you believe policies may be acquired, dropped, and repurchased for various reasons. Antolin (2010) noted that the current economic and financial crisis has eroded confidence in publicly funded pension programmes, particularly defined contribution plans. There were suggestions for improving defined contribution pension schemes to provide a comfortable retirement income in the study's conclusion. He draws the conclusion that a combination of measures, such as increased contributions, increased contribution time through delaying retirement, establishment of relatively conservative investment policies including life cycle policies as default options, and risk management in the payout process, is necessary to ensure that retirees can expect an adequate income from their defined contribution pension plans. Krishna Moorthy (2012) participated in a research on the demeanour of Malaysian workers who had made plans for their retirement. Age, degree of education, and income were all shown to be significant factors in his analysis of pension plans for workers. The study's results inform early retirement programmes for workers, giving them a solid financial footing in their golden years. The research on pension plans was carried out by Pereira T et al. in Navi Mumbai, India. Older dentists were polled by questionnaire, and many of them advocated for younger dentists to start investing as soon as possible. The key to a comfortable retirement is a solid financial foundation, which may be established early in life. "periodically - at least once a year - a financial check-up, comparable to a medical check-up," the doctor advises. In order to retire comfortably and safely, dentists can take stock of their current savings and figure out how to increase it to the level they deem appropriate. because of the results of this investigation. When dentists' financial security

is considered, it is clear that they are well set up for old age. Shailesh Singh et al. established a research on people's viewpoints in regards to retirement planning (2017). His research led him to the conclusion that most respondents make ill-advised investments based on their own personal convictions, and that this has ramifications for saving for pension reasons. He found that most people were in support of pension programmes regardless of their age, income, or job status.

3. Objectives of the study

1. To understand the impact of demographic factors on saving for retirement.

2. To identify behavioural factors.

3. To assess the impact of behavioural factors on saving for retirement.

4. Research Methodology

In order to better prepare for retirement, this research aims to examine the level of preparedness of individuals. This is why we ask 95 people to fill out a survey. The information was gathered using a predetermined set of questions. One hundred and twenty persons in the Delhi NCR have been sent Google forms via email and WhatsApp. Respondents were selected using a simple random sampling method. Several elements of financial savings and the relationship between demographic factors have been analysed. Factor analyses are carried out to ascertain the variety of variables that have an effect on saving for retirement. As a last step, regression studies are conducted to assess the connection between behaviour and individual retirement savings.

Hypothesis

H01: No correlation can be found between retirement savings strategies and personal characteristics.

H02: There is a correlation between retirement savings strategies and individual traits.

Model

$X = = \beta 0 + \beta 1 PB + \beta 2 FL$

X – Personal financial Plan for Retirement

PB – Planned Behaviour

FL – Financial Literacy

5. Results, Analysis and Discussion

95 individuals, with 55% male participation, provide the bulk of the data. While 32% of respondents are over 46 years old, only 7% are between the ages of 36 and 40. The vast majority of survey participants had spouses (77 percent). Three-sixths of those polled (and an equal number of others) report having an annual household income of $4 million or more. There are 46% graduate students and 31% working adults that filled out the survey. Half or more of the respondents are employed by non-governmental organisations.

The majority of people (almost 90%) say they put away part of their paychecks each month. About half of people who took the survey put money away every month. Twenty-four percent of respondents are putting money away for retirement, while twenty percent are putting money away for taxes. Mutual funds are the most common method of retirement savings, followed by fixed deposits and insurance. Even while just 41% of respondents have a retirement savings account, 47% have some sort of

savings account, even if their primary goal in doing so is not retirement. Retirement savings are best invested in real estate, 401(k)s, PPFs, mutual funds, and stocks and bonds.

Table 4: Distribution of demographic factors and their correlation with a propensity to save

Variables	Do you Save?	Saving Pattern	Saving Objectives	Personal Retirement Plan	Investment for Retirement	Saving Avenues
Gender	-.067	-.062	.047	-.083	-.121	.020
Age	-.101	-.050	-.086	-.103	-.084	-.099
Marital Status	**.266****	**.247***	.253	**.265****	.096	.171
Annual income	-.060	.056	-.083	-.066	-.087	-.103
Education	-.019	.023	-.060	-.063	**-.250***	-.022
Occupation	.124	**.213***	.148	.136	.154	.130

Significantly correlated at the.01 level (2 tailed)

Assuming a significance threshold of 0.05, the correlation is significant (2-tailed)

There isn't much of a connection between demographic factors and the desire to save money, since both positive and negative values are rather low. Only three variables merit a 10% weighting, and only two values warrant a 5% weighting. We can infer a weak positive relationship between marital status and saving habits and individual pension plans. There is a weak positive relationship between employment and having a job. Furthermore, it's worth noting that there is a somewhat negative correlation between educational attainment and retirement savings.

Table 5: Graph of Preference for Saving vs. Intention to Save

Variable	o you save?	Saving Pattern	Saving Objective	Personal RTM Plan	e-A
Do you Save?	1	.871**	.646**	.985**	.2
Objective for saving	.646**	.786**	1	.639**	.25

The correlation is significant at the two-tailed =0.01 level. Assuming a significance threshold of 0.05, the correlation is significant (2-tailed).

As can be seen in Table 5, there is a moderate-to-strong correlation between this variable and saving habits, saving goals, individual retirement accounts, and other outlets for saving at least 5% of income. Similarly diverse are the 5 percent savings goals that can be attained through various patterns of saving, personal pension plans, and other channels.

Behavioural Factors

Respondents were asked 14 questions in all to tease out the behavioural factors of interest. One indicated strong disagreement while five indicated strong agreement on a scale from 1 to 5. Below is a descriptive analysis of the replies.

Table 6: Variable Descriptive Analysis

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
BF11	I am able to evaluate various investment avenues based on risk and return.	2.9263	1.2653
BF12	I understand that rate of inflation has impact on savings for retirement.	3.4632	1.3274
BF13	I understand the functioning of credit cards.	3.4421	1.2692

Mean value is between 3.78 and 2.52 for these variables. Factor analysis is used to study the components that effect pension programmes.

Factor analysis

Factor analysis is performed to ascertain what variables have an impact on one's retirement savings strategy. The internal consistency of the factors was evaluated in advance from the running factor analysis using Cronbach's alpha. The result was 0,914 for 14 articles for Cronbach alpha. The Alpha value of Cronbach larger than .6 is believed to be confident. Since the alpha value of Cronbach exceeds the threshold, this scale is applied to identify variables. The factorability of the sample was evaluated using the Bartlett's sphericity test and the Kaiser-Mayer-Oklin measurement.

Table 7 : It Failed Both the KMO and the Bartlett

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.888
Approx. Chi-Square	743.492
	91
Sphericity	.000
Sig.	

The sphericity test is significant since the value of p is less than 0.0001 and the value of Kaiser-Meyer-Oklin is more than 888. The Verimax Rotational Method was used to determine causal factors.

Table 8: Explanation of All the Variation

Factor	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative Percentage
1	4.280	30.569	30.569
2	4.084	29.172	59.741

In this case, factor analysis yielded just two independent variables. There are fourteen variables total; seven make up the first component (BF1, BF2, BF3, BF4, BF6, BF8, and BF9), and seven more make up the second. BF5, BF7, BF10, BF11, BF12, and BF13 all make up Factor 2.

Regression Analysis Table 10: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.286[a]	.082	.062	2.677	1.532

a. Predictors: (Constant), Financial Literacy, Planned Behaviour

b. Dependent Variable: Personal RTM Plan

The parameters of the regression model are shown in Table 10; an inadequate 'R' value of 29% indicates that the ENTER method correctly predicts that a person's retirement savings strategy is very sensitive to changes in their behaviour.

Table 11: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.263	1.068		4.930	.000
	Planned Behaviour	-.289	.382	-.094	-.757	.451
	Financial Literacy	-.586	.331	-.220	-1.771	.080

Personal Right to Work (Right to Manage) Plan a.Dependent Variable

The regression equation used in this model is shown below.

X = 5.263- .289 PB- .586FL

Table 12: ANOVA[a]

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

a. a. Individual Right to Try Medicine Plan

b. b. Predictors: (Static), Financial Knowledge, Anticipated Action

Table 12 displays the results of an ANOVA conducted by IT companies. We reject the null hypothesis at the 5% significance level (because 'F' is less than 0.05), suggesting that personal retirement planning is very sensitive to behavioural factors.

6.Conclusion

A retirement plan is crucial if you want to live comfortably in your later years. This study was conducted to learn how financially prepared people are for retirement and whether or not behavioural variables affect the same. It was revealed that nearly 90% of people save at least portion of their paychecks. Only 24% of people polled said they were trying to "save for retirement." Mutual funds are the most common type of investment vehicle. This result is at odds with the results of previous polls, in which fixed deposits were shown to be the preferred investment option. This is a positive development since it shows that we are moving in the right path. Among those who answered, just 39 people had a pension. 31% of individuals polled use property investments to supplement their retirement income, while just 8% actually contribute to the pension system. Personal pension plans and saving habits were also found to be significantly related to a saving act in this research. Weak correlations emerge between the savings goal, actual savings, and pension strategy. Notably, research has shown little evidence that geographic location or other demographic factors influence people's propensity to save money. Factor analysis has identified two behavioural factors. The information gleaned from these indicators suggests filing them under either "planned conduct" or "financial education." We have rejected null hypotheses and may draw the conclusion that the personal pension plan has behavioural characteristics based on the significance of the evidence presented here. Therefore, it is clear from primary data and studies that the proportion of people in Delhi NCR who have 'personal savings' is substantially lower (24%), and that even fewer people in the region (8% to be exact) have actually subscribed to pension plans. As a result, residents in the Delhi-Mumbai-Ghaziabad area don't put much thought into saving for their golden years.

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