



# An Influence Of Financial Literacy And Demographic Factors On Retirement Planning Of Millennials In Gujarat.

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## ARTICLE INFO

## ABSTRACT

The research aims to examine the influence of financial literacy and demographic factors on retirement planning of millennials. The key variables studied are financial literacy, financial knowledge and attitude of investors. A quantitative approach was adopted and data was collected through questionnaires from a sample of 50 millennials in Gujarat. The data collected was analyzed using SPSS software to test the hypothesized relationship. It wants to checks whether financial literacy has a direct or indirect relationship with retirement planning. The study provides insights and highlights the need for retirement planning by millennials.

**Keywords:** Financial literacy, millennials, retirement planning.

## Introduction

In the 21st century retirement planning is the most essential part in an individual's life. It is the stage where a person stops earning and has to spend the rest of their life on saving or on accumulation of wealth. Due to advancement in technology and medicines, the longevity of a person has increased up to 75 years and above. So if people are inadequate in making retirement plans at an early stage they will suffer in the post retirement phase. Majority of Indian people don't have sufficient knowledge of retirement like where to invest, how much to invest, which avenue will generate maximum return etc. So in today's time to live life financially properly it is of utmost importance to do retirement planning in the most effective and proper way.

Financial Literacy/knowledge is very essential in today's time. A lack of financial knowledge among people in salaried or business creates investment problems which act as a hurdle in later phases of life. A proper risk-return distribution is not known to them so they make problems in investing. According to many surveys it is found that financial literacy in India is at the lowest. People don't have the awareness of the retirement phase and post retirement phase until the time arrives.

## Literature Review

Dr. Swati Modi, 2019 The objectives of this study was to examine the behavior of working individuals towards retirement planning. The findings of this research concluded that the research model in which potential conflict in retirement planning, attitude toward retirement and retirement goal clarity are the significant predictors of retirement planning behavior. The results of this study suggested working individuals to do early planning for retirement to enable them to have a strong financial base for retirement.

Cibangala (2019) "It is a study carried out in Bukavu city, the DRC, that shows that financial literacy impacts significantly the financial well-being of individuals. Apart from positive social attitudes, individuals that come from a family with a high level of financial literacy are found to have better risk attitudes toward financial plans and financial management. They consider that planning for their projects and for future expenses improve their financial stability and well-being."

Shinde (2021) observed a significant difference in perception towards financial products for retirement planning among financial professionals working in Banks. Provident Fund and Government schemes were preferred by the majority of financial professionals under study for retirement planning.

Bamboria et.al. 2021; Bhatu, 2020 Many previous studies have tried to examine the preference for retirement financial products. As per the previous literature, fixed deposits, mutual funds, real estate, gold, equity, pension

plans, insurance policies, public provident fund and post office schemes etc. are preferred for retirement planning.

Shinde (2021) observed a vital difference in awareness towards financial products for retirement planning among financial professionals working in Banks. Provident Fund and Government schemes were preferred by the majority of financial professionals under study for retirement planning.

Shinde, 2021; Swaminathan, 2019; Kaushal, 2018; Mahdzan et al., 2017 Profession of a person to a great extent affects the income, living standard, financial knowledge, attitude etc. Previous studies have examined the correlation of profession with financial knowledge and financial retirement activities.

T. Shobha, and P. Amrutha (2021) in their research paper found that women with commerce and business specialization were more indulged in retirement planning activities. Their research was based on data collected from 402 working women from Bengaluru city.

Afthanorhan et al., 2020; Rai and Dua, 2019; Kaushal, 2018; Dauda et al., 2017; Zeka et al., 2017 Based on the Theory of Planned Behavior, many studies have tried to examine the influence of family as well as non-family members on financial retirement planning of working individuals. As per the previous studies, family and non-family members have significant impact on retirement planning behavior of working individuals.

Fajar and Syamlan (2018) examined the influence of parents and social environment on understanding of retirement planning amongst students in Indonesia. The research was undertaken on the samples collected from 350 students studying in public and private schools in Indonesia. It was found that financial knowledge and future time perspective was significantly impacted by parents. It was concluded that parents do play a vital role in providing financial knowledge to children. They also emphasized that basic financial understanding given by parents should be supplemented by financial lessons in schools.

Shinde (2021) Along with family members, it was observed that co-workers do influence retirement financial planning of working individuals. As per the data collected from 267 finance professionals working in banks using personal interviews, it was observed that the majority of respondents were getting retirement planning related information from colleagues.

Biobaku (2018) and Kagan (2017) For the purpose of this paper, and in line with earlier studies by, the stages of human development are further divided into three broad Categories-Young adulthoods (21-35), Early Midlife (36-50), Later Midlife (50-65). Early in a person's working life, retirement planning is about setting aside enough money for retirement. During the mid of your career, it might also include setting specific income or asset targets and taking the steps to achieve them. Once you reach retirement age, you go from accumulating assets to what planners call the distribution phase. You are no longer paying in; instead, your decades of saving are paying out.

### **Research Gap**

The literature available for retirement planning in India as well as from abroad was reviewed and the highlights of the literature review was undertaken and discussed in detail in the previous section. From the above reviews we can come to the conclusion that none of the researchers has focused on "millennials" and their approach towards retirement planning. Today's generation who is going to retire tomorrow, it's their obligation to start planning and investing to live a fruitful life then after retirement.

### **Research Objectives**

1. To study the influence of financial literacy on retirement planning.
2. To observe the impact of different demographic factors while considering a specific factor affecting retirement planning of individuals.
3. To know the investment avenue in which individuals prefer more.
4. To see whether there is any difference in attitude towards retirement planning.

### **Research Methodology**

To analyze the association between financial literacy and retirement planning along with demographic factors to know whether individual possess financial literacy or not. If they possess it, how much they are investing it for retirement planning to get the benefit in long run.

#### **1. Respondents and Sampling Procedure:**

The size of respondents was 50 for which convenience sampling method was used. In which sections of the population were targeted who were having financial savings, ability to invest and knowledge about various investment avenues.

#### **2. Survey Instrument**

Descriptive research is undertaken to study relationship between financial knowledge and retirement planning with the help of questionnaire. The questionnaire consisted of 30 items divided into 2 parts. The first section consists of demographic profile like name, age, gender, profession, annual income etc. The second section

consist of scenario-based question. For that five – point Likert scale is used to range from 1 (Strongly Agree) to 5 (Strongly Disagree).

### 3. Hypothesis

**H1:** There is no significant difference between financial literacy and annual income of individuals among retirement planning

**H2:** There is no significant difference between the financial literacy of male and female respondents.

### 4. Data Analysis

The collected data are processed and analyzed by SPSS software. The statistical techniques which are used for the data to achieve the research objectives include ANOVA and correlation.

**TABLE-1 Sample Profile**

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Business	2	1.00	.000	.000	1.00	1.00	1	1
Employee	30	2.40	1.734	.317	1.75	3.05	1	5
Professional	9	2.00	1.732	.577	.67	3.33	1	5
Total	41	2.24	1.700	.265	1.71	2.78	1	5

TABLE .1 Provides the data of sample profile of respondents of different occupations and provide the mean, standard deviation and standard error among business, employees and profession.

**TABLE-2 ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.361	2	2.180	.745	.481
Within Groups	111.200	38	2.926		
Total	115.561	40			

TABLE.2 Provides the result of ANOVA which was conducted to know the significant difference in financial literacy and annual income of profession. The result shows that (Sig. =0.05, p =0.481) have significant differences based on financial literacy. Thus, H1 not is supported for financial literacy and annual income of people.

**TABLE-3 Correlations**

		Gender	[I frequently gather information about financial planning for retirement from Books, newspapers, T.V., Internet etc]
Gender	Pearson Correlation	1	.225
	Sig. (2-tailed)		.151
	N	42	42
[I frequently gather information about financial planning for retirement from Books, newspapers, T.V., Internet etc]	Pearson Correlation	.225	1
	Sig. (2-tailed)	.151	
	N	42	42

From TABLE 3, the analysis of correlation between the financial literacy of male and female respondents. ( $r = 0.225$ , Sig. = 0.05,  $p > 0.151$ ). Therefore, H2 is supported by statistical tests of correlation.

### Conclusion

The research aimed to study, whether there is a significant difference between financial literacy and retirement planning. It was seen that with higher income there is no effect of retirement planning. People with more income are aware about retirement planning. So this matter is to be taken into consideration. Again when it comes to the comparison of male and female, there is a difference seen. There is a difference between level of financial literacy between male and female. So at the end we can conclude that there is a difference in level of retirement planning between male and female and with different level of income.

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