

META ANALYSIS OF RELEVANT FACTORS TOWARDS ACHIEVING EFFECTIVE RETIREMENT PLANNING – REVIEW AND RELEVANCE

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Abstract

Financial Counseling and financial education can broadly be defined as 'making the people aware of financial products, creating a fair understanding for investment opportunities, its returns on investment and risk element involved, in order to make right decision at right time. Financial planning and management are an important aspect of everyone's life, especially after retirement as the stable and regular monthly income becomes the past and savings and investments come in handy easily without stressing ourselves. This paper aims to understand the study that already exists in this area. The study also aims to understand the various aspects that are to be considered while planning a financially secured retirement. This paper aims to review the nature of financial counseling and its relevance in retirement planning of an individual. The paper also reviews the relation between the various factors related to financial counseling and its contribution towards retirement planning. The study will use the applicable research tools in order to achieve the results from the study while maintaining the required quantum of accuracy. The study also aims to provide suggestions and preventive measures to the individuals which will help them reduce the risk factor post retirement in the near future. This research paper also aims to suggest measures to the individuals for planning their retirement effectively. The paper also aims to create scope for further research in the area concerned. It also desires to throw light on the impact of the adoption of suggested measures for working individuals with a motive to liberalize the overall population in India.



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1. INTRODUCTION

Financial Counselling is very important today, as financial markets and services have become increasingly complex with time passing by. The entire decision-making process for investment
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as well as for lending has become extremely difficult in absence of the awareness and information. Considering a rapidly developing country like India, Financial Counselling is extremely important considering the low levels of literacy and the large section of the population, which still remains out of the formal financial set-up. Considering the level of literacy rate in India across all states, a considerably large amount of population even does not have their bank account. The challenges of household cash management under difficult circumstances with few resources to fall back on, could be accentuated by the lack of skills or knowledge to make well informed financial decisions. Financial Counseling can help them prepare ahead of time for life cycle needs and deal with unexpected emergencies without assuming unnecessary debt. However, considering the concentration of financial products majorly in urban cities, the major rural cover in the country still stays deprived of effective financial counselling. Crucial factors are responsible for the success of financial counselling in India. Hence, a thorough study is needed to ensure that there is no stone left unturned. Considering the needs of the uncertain future and visible uncertainty over the horizon, it is true to say that young working population of India will have to take care of their children needs as well as their parents' needs. The Indian household finance landscape is distinctive through the near total absence of pension wealth as per the years of data available and identified through studies performed in the past few decades. While considering financial counselling to be provided to the Indian population, several aspects have to be kept in view in order to ensure its success. As in many other parts of the world, we also find that cognitive issues such as present bias are widely prevalent, and can lead to issues such as lack of awareness of financial counselling. Several factors are responsible to contribute towards effective financial counselling. However, considering the varied diversity of the Indian population, we have to consider the relevant ones for the study. The existing paper is a working paper and is a part of an ongoing research. Hence, the factors relevant for the purpose of the thesis have been considered.

2. LITERATURE REVIEW

Review of literature for the purpose of this study is done with the objective to study and appraise the material on the topic of this research. It serves as a framework for research and to identify the research gap. It helps to identify the statement of problem. Several researchers worldwide have tried and made an effort to understand the various factors related to retirement planning. A few notable among them are as follows:

- **Soyeon Shim A Bonnie L. Barber E Noel A. Card, (2010)** pointed that financial socialization is a process consisting of four levels that connect anticipatory socialization during adolescence to young adults 'current financial learning, to their financial attitudes, and to their financial behaviour. It is primarily relating to personal finance to enable individuals take effective action for overall well-being and avoid distress in financial matters.
- **Suyam Praba (2010)** She pointed out that various risk categories and objectives and pattern of investment in different age groups, education and occupation groups. She reports that respondents whose age group is below 35 years save for wealth creation and are moderate in risk taking attitude and have invested in insurance.
- **Brigitte Funfgeld M.W, (2009)** exposed five underlying dimensions: anxiety, interests in financial issues, decision styles, need for precautionary savings, and spending tendency.
- **Tamimi, H (2006)** investigated the most and least influencing factors on the UAE investors behavior by surveying 343 individual investor. The most influencing factors were, in order of importance: corporate earnings get rich quickly, stock marketability, past performance of the firm 's stock, government holdings, and the creation of the organized financial markets.
- **Zhou Peng (2003)** conducted a study on Post-Retirement Financial Planning. The finding was that the optimal allocation strategies vary in different situations and are not trivial or intuitive, the buy- annuity-reinvest strategy has potential to accumulate more estate than a pure investment strategy, catastrophic illness coverage is a necessary piece of any optimal asset allocation strategy, a life annuity is always an important component in optimal strategies.
- **Lusardi A. (2009)** In United States of America, it was found that individuals who planned for their retirement had higher wealth after retirement, as 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.
- **Fatemeh Kimiyaghalam, et.al (2017)** The authors have studied financial retirement planning in Malaysia. The motivation for the study was a report by Employees Provident

Fund (2015), government agency which manages savings for retirement. The report said that employees engaged in private sector do not have enough savings for retirement and therefore it compels individuals to work after retirement. The authors have considered two behavioural theories relevant for retirement financial planning. These theories are 'planned Behavior' and 'time perspective theory'. Primary data is collected from 900 respondents and structural equation is used to analyse the data. The study revealed that individual's planned behaviour and future orientation has direct relationship with retirement planning behaviour

- **James E. Corter, (2006)** investigated that the consumer's decision to accumulate financial wealth is made in an environment in which predatory risks are significant.

3. RESEARCH METHODOLOGY

3.1 Statement of the problem

Over the years researchers have studied the various problems related to retirement planning and how various factors play a crucial role towards achieving this goal. It has been observed that with effective and timely financial counselling, we can achieve better results for retirement planning. However, there is acute lacuna when it comes to understanding the role of multiple factors towards successful retirement planning. A country's health is determined by the level of security its population has, especially the old age groups, and hence, this study identifies this as an issue and attempts to explore this aspect further by considering all the factors necessary to be studied.

3.2 Objectives of the Study

The main objectives behind conducting this research are:

1. To identify the various factors to be considered for financial counselling for selected sectors of the population.
2. To study the relevance of each factor towards financial counselling and retirement planning.
3. To study the impact of the selected factors towards retirement planning.

3.3 Need for the Study

The main purpose of doing this project was to know about the relevance and impact of various factors towards the success of retirement planning. This helps us to know in detail, about awareness and availability of financial counselling, and study the impact of its implementation towards retirement planning.

3.4 Research Design

The research design deployed for the purpose of this study is Qualitative Research Design with a descriptive research in nature. The study intends to observe the selected factors without trying to influence any of the variables involved for the time period selected. The design is selected to establish a real sequence of the general and individual specific events and to derive the results while maintaining the quantum of accuracy.

3.5 Relevant General Factors

As this study adopts a qualitative design which is descriptive in nature, there are selected factors shortlisted for the purpose of evolving a successful retirement planning. The general factors to be considered towards retirement planning are as follows:

- a. **Annual Income:** Annual income of an individual is to be considered while assisting an individual for retirement planning. As per the human development index, India ranks 131st in the world with an HDI score of 0.645

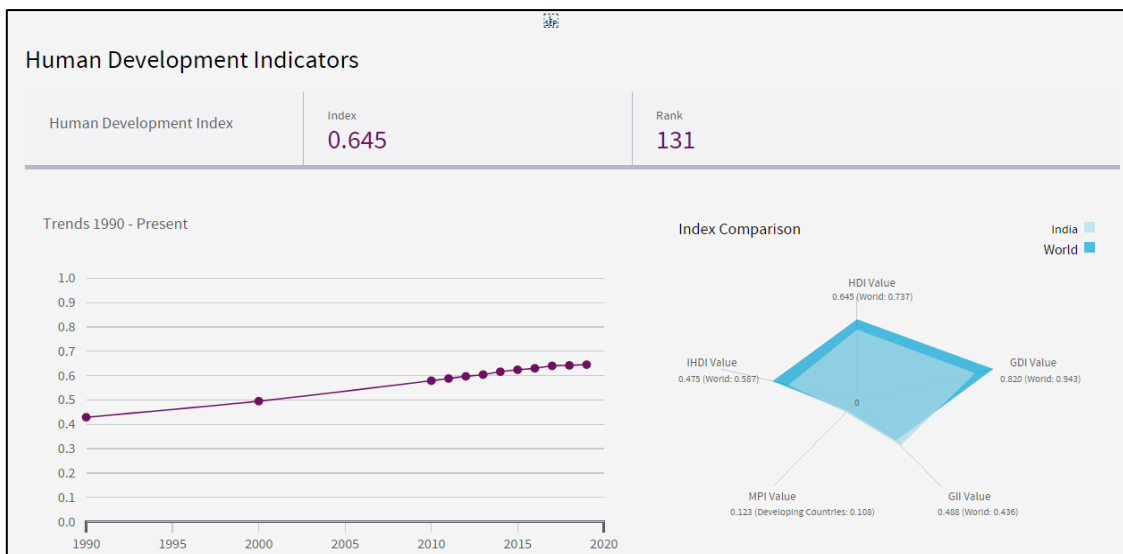


Figure 1.1: Human Development Index

- b. **Health and Life Expectancy:** Health is a major game changer in the old days, as with old age, there are several health issues that arise as time passes by. The UN development report displays the following statistics:

Health		Life expectancy at birth (years)
		69.7
Life expectancy at birth (years)		
		69.7
	Age-standardized mortality rate attributed to noncommunicable diseases, female	524.9
	Age-standardized mortality rate attributed to noncommunicable diseases, male	672.5
	Child malnutrition, stunting (moderate or severe) (% under age 5)	34.7
	Current health expenditure (% of GDP)	3.5
	HIV prevalence, adult (% ages 15-49)	n.a.
	Infants lacking immunization, DTP (% of one-year-olds)	6
	Infants lacking immunization, measles (% of one-year-olds)	5
	Life expectancy at birth, female (years)	71.0
	Life expectancy at birth, male (years)	68.5
	Life expectancy index	0.764
	Malaria incidence (per 1,000 people at risk)	5.3
	Mortality rate, female adult (per 1,000 people)	147
	Mortality rate, infant (per 1,000 live births)	29.9
	Mortality rate, male adult (per 1,000 people)	204
	Mortality rate, under-five (per 1,000 live births)	36.6
	Tuberculosis incidence (per 100,000 people)	199.0

Figure 1.2: Health Statistics in India

- c. **Composition of Resources:** The Gross National Income (GNI) is at 6,681, which happens to be moderate as compared to other developing countries and lower as compared to most of the other developed nations. The UNJ development statistics reveal the following numbers:

Income/Composition of Resources		Gross national income (GNI) per capita (constant 2017 PPP\$)
		6,681
Gross national income (GNI) per capita (constant 2017 PPP\$)		
		6,681
	Estimated gross national income per capita, female (2017 PPP \$)	2,331
	Estimated gross national income per capita, male (2017 PPP \$)	10,702
	GDP per capita (2017 PPP \$)	6,754
	Gross domestic product (GDP), total (2017 PPP \$ billions)	9,229.2
	Gross fixed capital formation (% of GDP)	27.5
	Income index	0.635
	Labour share of GDP, comprising wages and social protection transfers (%)	49.0

Figure 1.3: Composition of Resources

- d. **Distribution of Income:** In comparison with other nations, India's inequality adjusted HDI stands at 0.475, with the coefficient of human inequality being peak high at 25.7 and only 18.8% of the total income share of the total income is acquired by around 40% of the poorest population, whereas 31.7% of the total income being concentrated in the hands of the richest 10% population.

Inequality		Inequality-adjusted HDI (IHDI)
		0.475
Inequality-adjusted HDI (IHDI)		0.475
Coefficient of human inequality		25.7
Income inequality, Gini coefficient		37.8
Income inequality, quintile ratio		5.5
Income share held by poorest 40%		18.8
Income share held by richest 1%		21.3
Income share held by richest 10 %		31.7
Inequality in education (%)		38.7
Inequality in income (%)		18.8
Inequality in life expectancy (%)		19.7
Inequality-adjusted education index		0.340
Inequality-adjusted income index		0.515
Inequality-adjusted life expectancy index		0.613
Overall loss in HDI due to inequality (%)		26.4

Figure 1.4: Income inequality in India

e. **Gender Ratio:** The gender development index in India stands at 0.820 currently with the female to male ratio being slightly inclined towards inadequate as follows:

Gender		Gender Development Index (GDI)
		0.820
Gender Development Index (GDI)		0.820
Adolescent birth rate (births per 1,000 women ages 15-19)		13.2
Antenatal care coverage, at least one visit (%)		79.3
Child marriage, women married by age 18 (% of women ages 20-24 who are married or in union)		27
Contraceptive prevalence, any method (% of married or in-union women of reproductive age, 15-49 years)		53.5
Female share of employment in senior and middle management (%)		13.7
Gender inequality index (GII)		0.488
Human Development Index (HDI), female		0.573
Human Development Index (HDI), male		0.699
Mandatory paid maternity leave (days)		182
Maternal mortality ratio (deaths per 100,000 live births)		133
Prevalence of female genital mutilation/cutting among girls and women (% of girls and women ages 15-49)		n.a.
Proportion of births attended by skilled health personnel (%)		81.4
Share of employment in nonagriculture, female (% of total employment in nonagriculture)		15.9
Share of graduates from science, technology, engineering and mathematics programmes in tertiary education who are female (%)		42.7
Share of graduates from science, technology, engineering and mathematics programmes in tertiary education who are male (%)		57.3
Share of graduates in science, technology, engineering and mathematics programmes at tertiary level, female (%)		26.9
Share of graduates in science, technology, engineering and mathematics programmes at tertiary level, male (%)		36.61
Share of seats held by women in local government (%)		44.4
Share of seats in parliament (% held by women)		13.5
Total unemployment rate (female to male ratio)		0.97
Unmet need for family planning (% of married or in-union women of reproductive age, 15-49 years)		12.9
Violence against women ever experienced, intimate partner (% of female population ages 15 and older)		28.8
Violence against women ever experienced, nonintimate partner (% of female population ages 15 and older)		n.a.
Women with account at financial institution or with mobile money-service provider (% of female population ages 15 and older)		76.6
Youth unemployment rate (female to male ratio)		1.07

Figure 1.5: Gender distribution ratio

f. Employment: The employment to population ratio is at 46.7%, denoting a high percentage of the population being unemployed:

Work, employment and vulnerability		Employment to population ratio (% ages 15 and older)
		46.7
	Employment to population ratio (% ages 15 and older)	46.7
	Child labour (% ages 5-17)	n.a.
	Employment in agriculture (% of total employment)	42.4
	Employment in services (% of total employment)	32.0
	Labour force participation rate (% ages 15 and older)	49.3
	Labour force participation rate (% ages 15 and older), female	20.5
	Labour force participation rate (% ages 15 and older), male	76.1
	Old-age pension recipients (% of statutory pension age population)	25.2
	Proportion of informal employment in nonagricultural employment (% of total employment in nonagriculture)	80.3
	Proportion of informal employment in nonagricultural employment, female (% of total employment in nonagriculture)	76.0
	Unemployment, total (% of labour force)	5.4
	Unemployment, youth (% ages 15-24)	23.3
	Vulnerable employment (% of total employment)	74.3
	Youth not in school or employment (% ages 15-24)	30.9

Figure 1.6: Employment index in India

g. Education: The expected age of schooling in India stands at a mere 12.2 years, denoting that majority of the population is not highly educated, as per the report below:

Education		Expected years of schooling (years)
		12.2
Expected years of schooling (years)		12.2
Education index		0.555
Expected years of schooling, female (years)		12.6
Expected years of schooling, male (years)		11.7
Government expenditure on education (% of GDP)		3.8
Gross enrolment ratio, pre-primary (% of preschool-age children)		14
Gross enrolment ratio, primary (% of primary school-age population)		113
Gross enrolment ratio, secondary (% of secondary school-age population)		75
Gross enrolment ratio, tertiary (% of tertiary school-age population)		28
Literacy rate, adult (% ages 15 and older)		74.4
Mean years of schooling (years)		6.5
Mean years of schooling, female (years)		5.4
Mean years of schooling, male (years)		8.7
Percentage of primary schools with access to the Internet		n.a.
Percentage of secondary schools with access to the Internet		n.a.
Population with at least some secondary education (% ages 25 and older)		39.3
Population with at least some secondary education, female (% ages 25 and older)		27.7
Population with at least some secondary education, male (% ages 25 and older)		47.0
Primary school dropout rate (% of primary school cohort)		8.8
Primary school teachers trained to teach (%)		70
Programme for International Student Assessment (PISA) score in mathematics		n.a.
Programme for International Student Assessment (PISA) score in reading		n.a.
Programme for International Student Assessment (PISA) score in science		n.a.
Pupil-teacher ratio, primary school (pupils per teacher)		33
Survival rate to the last grade of lower secondary general education (%)		95

Figure 1.8: Education statistics in India

h. Poverty: Among all the other developing nations, India has a higher concentration of poverty ratio (27.9%), hinting that this is also a major factor responsible for poor retirement planning in India.

Poverty		Population in multidimensional poverty, headcount (%)
		27.9
Population in multidimensional poverty, headcount (%)		27.9
Contribution of deprivation in education to the Multidimensional Poverty Index		23.4
Contribution of deprivation in health to the Multidimensional Poverty Index		31.9
Contribution of deprivation in standard of living to the Multidimensional Poverty Index		44.8
Multidimensional poverty Index (MPI)		0.123
Population in multidimensional poverty, headcount (thousands) (for the year of the survey)		369,643
Population in multidimensional poverty, headcount (thousands) (projection for 2018)		377,492
Population in multidimensional poverty, intensity of deprivation (%)		43.9
Population in severe multidimensional poverty (%)		8.8
Population living below income poverty line, national poverty line (%)		21.9
Population living below income poverty line, PPP \$1.90 a day (%)		21.2
Population vulnerable to multidimensional poverty (%)		19.3
Working poor at PPP\$3.20 a day (% of total employment)		42.4

Figure 1.8: Poverty Index in India

3.6 Individual Specific Factors

- a. **Annual Income:** Annual income is the amount of income you earn in one fiscal year. Your annual income includes everything from your yearly salary to bonuses, commissions, overtime, and tips earned. Gross annual income is your earnings before tax, while net annual income is the amount you're left with after deductions. Hence, as the annual income per individual differs, this happens to be the first crucial aspect to be considered per individual.
- b. **Savings Ratio:** As per the RBI Household report, majority of the Indians have periodic savings as a habit inculcated, hence this ratio seems to be higher as compared to the other developing nations, as well as most of the developed nations.
- c. **Annual Income Appreciation:** Considering the rise in inflation, the research shall also consider the annual income appreciation to comprehend the inflation rise. The average income appreciation in developed countries is 11% on an average, however, in India, this ratio is poor in India at a mere 2.7% annually.
- d. **Savings for Investment:** Out of the total savings done by Indians, a crucial aspect for retirement planning is to consider the percentage of savings diverted towards investments. This ratio has been improving with the spread of investment awareness, investment options and long-term planning initiatives.
- e. **Inflation:** Inflation has been the epicentre for recession in the developed countries, hence still stands to be a major hurdle towards financial counselling and retirement planning.
- f. **Years to Retirement:** Number of years left to retire assists an individual as well as a financial counsellor to decide what investment options can be made available to assist an individual to plan their retirement accordingly.

3.7 Observations and Findings

This working paper aimed at identifying the various factors to be considered while providing financial counselling in order to achieve successful retirement planning in India. The above factors selected for the purpose of this study are relevant and crucial to plan for their retirement. The relevance of the external factors are to be studied, however, the internal factors are also not to be ignored, as the situation with each individual is different and the needs of the population also are to be considered.

4. Conclusion

The paper concludes that it is necessary to observe the general and specific factors responsible to effective financial counselling which will lead to a better ratio with regards to retirement planning. Researchers have explored several dimensions, such as Reverse Mortgage and Long-term deposits. However, the concentration of the Indian population is vested across all 3 sectors, namely, agriculture, industry and service sector. Additionally, people in the service sector have limited income, hence, limited aspirations with regard to growing that income, hence, they're often cautious and conservative about their financial dealings, therefore, financial counselling services need to cater to these aspects of people and their preference of financial dealings before making any suggestions of retirement planning. Financial risk is an important component of financial planning, and while it emerged that people sought themselves capable of planning their retirement, their knowledge about financial risk was low which put them at a disadvantage. Adequate financial counselling can address this issue. Additionally, financial counselling can also help people expand their savings and investment portfolio beyond the handful schemes known to them as shown in the study.

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