Influence of Income on Retirement Saving Behaviour

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ARTICLE INFO	ABSTRACT
corresponding Author: **Dr. Frena Patel** Assistant Prof.(V.M. Patel College of Management Studies), Ganpat University, Mehsana-Gozariya Highway, Kherva, Mehsana, Gujarat.	As soon as the individual starts earning he should start saving for retirement as it is never too early to start saving for retirement. Retirement savings or creating retirement corpus is not a short term process, but a time consuming long term process. People in India is still unaware about the issue of retirement saving. But they are not aware about the amount of money required during their retirement which is quite more than what is saved by their government and company. The objective of this study was to find out Income as one of the differential factor that influences retirement planning and saving behavior of the private sector employees of Gujarat region. Descriptive and casual research design was used by surveying the sample of 400 employees of age 25 to 60 years through Questionnaire. The results revealed that income has its impact on the way of retirement saving. Thus with the right kind of planning and sufficient savings, retirement can be a cheerful time spent pursuing hobbies, travelling and relaxing. On the other hand, lack of planning can leave one worrying about every penny spent and wondering whether funds will last for the lifetime.

INTRODUCTION

People in India is still unaware about the issue of retirement saving. Many banks and financial institution offer various retirement products and motivates the employees to save for the same but still the initiatives taken by most of the people to activate in this area is negligible. Most of them think that government as well as employer will look after this issue of their golden year's expenses. But they are not aware about the amount of money required during their retirement which is quite more than what is saved by their government and company. The major issues that worry people globally are poor health, job insecurity and insufficient retirement funds.

Around 68 per cent of the retirees in India wish they could have done something earlier to provide enough for their retirement. The good part is that the earlier it is started, the more it is ended with.

For most of the people, retirement is still something distant that only happens to others. What these people fail to relies is its inevitability. Most of them are yet to wake up to the reality that they are likely to have much more than two decades of retired life.

With the right kind of planning and sufficient savings, retirement can be a cheerful time spent pursuing hobbies, travelling and relaxing. On the other hand, lack of planning can leave one worrying about every penny spent and wondering whether funds will last for the lifetime.

Understanding the motives that underline individual's retirement saving practices is important because many, if not most future retirees from private sector, will need to rely on personal savings to maintain a reasonable replacement income. (Sterns 1998; Kotlikoff & Morris 1989; Ferraro & Su 1999; Blank 1999; Kleinman, Anandarajan and Lawrenece 1999; Wiatrowski 1993).

LITERATURE REVIEW

Much of the literature on retirement saving focuses on the impact of the demographic factors on retirement saving behavior of the individual. This line of work has showed the impact of income on retirement planning, (Bassett et al., 1998; Grable and Lytton, 1997; Mitchell and Moore, 1998).

Greater wealth tends to lead to earlier retirement, since wealthier individuals can essentially "purchase" additional leisure. Generally the effect of wealth on retirement is difficult to estimate empirically since observing greater wealth at older ages may be the result of increased saving over the working life in anticipation of earlier retirement. However, a number of economists have found creative ways to estimate wealth effects on retirement and typically find that they are small. Like literature exploits the receipt of an inheritance to measure the effect of wealth shocks on retirement using data from the HRS. The authors found that receiving an inheritance increases the probability of retiring earlier than expected by 4.4 percentage points, or 12 percent relative to the baseline retirement rate, over an eight-year period.

Samuel Bulmash, Prachi Samel, Savil Chen, Monica Polania, Sachi Kunori has examined in their research paper titled "Factors affecting retirement decision" the impact of factors such as Income level, Health Status, Life Expectancy, Unemployment rate, Capacity Utilization, on the retirement decision of the population between the age groups 55-64 and 65 & older over the period of 29 years between 1971-2000. For both the age group 55-64 and 65 & above they established that the Income level, Life Expectancy, Unemployment Rate and Capacity Utilization influence the retirement decision.

RESEARCH METHODOLOGY
Statement of problem
Lack of enough saving among most of the Indian employees makes us think about their financial liquidity during their retirement. In order to understand about their failure to save for retirement and the reason behind it, the present study tries to find out Income as one of the differential factor that influence retirement planning and saving behaviour of the employees in Gujarat.

Research Question
Is there any association between Income of the respondents and the retirement saving tendencies of private sector employees of Gujarat?

Objective of the study
The objective of the study was to find out the relationship between Income and the retirement saving behavior of the private sector employees in Gujarat.

Hypothesis of the study
H0: There is no association between Income and retirement saving behavior of private sector employees.
H1: There is some association between Income and retirement saving behavior of private sector employees.

Research Design

The non-experimental form of study is based on both primary as well as secondary data. Thus the present study is 'Descriptive and Non-experimental' in nature. So finally the study can also be described as Single Cross-Sectional Descriptive Research Design.

Sampling Frame

400 Private Sector employess from each region of Gujarat like Ahmedabad, Mehsana, Rajkot and Surat.

Sampling Technique

To examine the relationship of the Income with an individual's tendencies to save, the present study have collected relevant primary data by using non-probability sampling method i.e. Convenience Sampling method.

Sample Size Determination

A survey is being planned to determine what proportion of employees in a certain region are saving for retirement. It is believed that the proportion cannot be greater than 0.50. A 95 percent confidence interval is desired width d=0.05. Now using the formula given below:

$$n = \frac{z^2 pq}{d^2}$$

Here Z = 1.96, p = 0.5, q = 0.5, d = 0.05

$$n = \frac{1.96^2 * 0.5 * 0.5}{0.05^2}$$

n = 384.16 ≈ 385

Data Collection Instrument

To examine the relationship of the Income with an individual's tendencies to save for retirement, the primary data have been collected with the help of structured non-disguised questionnaire.

Summated scale also called as Likert Scale was used by researcher to measure the data collected. A five-point Likert-type scale is used in this study, ranging from "strongly disagree" to "strongly agree".

The secondary sources include literature review from various journals, magazines and websites, 807

government publication, research reports and survey reports.

Data Analysis Techniques

The collected data have been processed and analyzed in accordance with the objectives and requirement of the study. After editing, coding and classification, Multivariate techniques like Reliability test, Frequency Distribution and Independent Sample T-test were used for analysis. The hypotheses have been tested at 5 per cent level of significance. The data have been analyzed by using software like Microsoft Excel and SPSS for windows.

DATA ANALYSIS

The likert scale instrument were developed which was adapted from Neukam & Herhsey (2003) to measure the employees' retirement saving behavior. Reliability Statistics of Retirement Saving Behavior Scale is as under:

Table.1: Reliability Statistics

Dimensions	Cronbach's Alpha
Retirement Saving Behavior	0.657

Anova's Test

ANOVAs test was done to study the effect of Income having more than two categories on the overall retirement saving behavior of the respondents.

Again after ANOVA'S Post hoc test and Turkey's method was used later on to find the most appropriate factor affected by the income.

The hypothesis framed to study the relationship between Income of the employees and retirements saving behavior as a whole were as under:

H0. There is no significant difference among income group of respondent with respect to their overall opinion about retirement saving behavior.

H1. There is significant difference among income group of respondent with respect to their overall opinion about retirement saving behavior.

Table.2: ANOVA of Income with Retirement Saving Behaviour

		Sum of Squares	Df	Mean Square	F	Sig.
Retirement Saving Behaviour	Between Groups	3.909	5	.782	2.506	.030
	Within Groups	122.903	394	.312		
	Total	126.812	399			

From the above table it was observed that there is some significant difference between retirement saving behaviour and income of the respondents. This could be concluded by observing the significant p value (p=0.030). As the significant value was less than 0.05 null hypotheses i.e. there is no association between the income and retirement saving behaviour was rejected. So now the variables i.e.

retirement saving behaviour to be checked under further post hoc analysis as their significance difference was found between the various categories of income. So in order to find that which income category has more difference with the aforesaid variable, post hoc analysis and turkey method of pair-wise comparison was used.

Table.3: Post Analysis

Dependent Variable	(I) income	(J) income	Sig.
Retirement Saving Behaviour	less than 2,00,000	200,001-3,00,000	0.359
		3,00,001-5,00,000	0.961
		5,00,001-8,00,000	0.999
		8,00,001-10,00,000	0.996
		more than 10,00,000	0.439
	200,001-3,00,000	less than 2,00,000	0.359
		3,00,001-5,00,000	0.717
		5,00,001-8,00,000	0.656
		8,00,001-10,00,000	0.963
		more than 10,00,000	0.013
	3,00,001-5,00,000	less than 2,00,000	0.961
		200,001-3,00,000	0.717
		5,00,001-8,00,000	0.999
		8,00,001-10,00,000	1
		more than 10,00,000	0.115
	5,00,001-8,00,000	less than 2,00,000	0.999
		200,001-3,00,000	0.656
		3,00,001-5,00,000	0.999
		8,00,001-10,00,000	1

		more than 10,00,000	0.301
	8,00,001-10,00,000	less than 2,00,000	0.996
		200,001-3,00,000	0.963
		3,00,001-5,00,000	1
		5,00,001-8,00,000	1
		more than 10,00,000	0.372
	more than 10,00,000	less than 2,00,000	0.439
		200,001-3,00,000	0.013
		3,00,001-5,00,000	0.115
		5,00,001-8,00,000	0.301
		8,00,001-10,00,000	0.372

FINDINGS

In the above table of post hoc analysis the pair wise comparison was made to find which pair was having more difference. In retirement saving behavior the pair of 200001-300000 and more than 10, 00,000 was having maximum difference ($p=0.013 < 0.05$). All other pairs are having the p value more 0.05.

Thus one pair in case of retirement saving behavior was found having significant difference with income

For further analysis to check more difference mean of each and every pair was found.

Table.4: Mean Table

Income	Retirement Saving Behavior
less than 2,00,000	3.53
200,001-3,00,000	3.70
3,00,001-5,00,000	3.60
5,00,001-8,00,000	3.56
8,00,001-10,00,000	3.60
more than 10,00,000	3.27
Total	3.59

From the mean table it was found that in retirement saving behavior the mean value of the pair of more than 10,00,000 and 2,00,001-3,00,000 were p=3.27 and p=3.70. Thus it could be concluded that 2, 00,001 -3, 00,000 income

category with higher mean ($p=3.70 > p= 3.27$) was found to be having significant difference with the retirement saving behaviour of the respondents.

SUGGESTION

The findings revealed that there is significant difference between income and the retirement saving behavior of the private sector employees. This means that the increase or decrease in income of the respondent has an impact on the retirement saving behavior of the employees. Efforts should be made to target those income groups which are not active in the retirement savings.

IMPLICATION

The financial advisor can do personalized assessments and take a step further by studying the one- to-one interventions and attempts to develop "income-appropriate" degree of risk tolerance among investors.

CONCLUSION

With the right kind of planning and sufficient savings, retirement can be a cheerful time spent pursuing hobbies, travelling and relaxing. On the other hand, lack of planning can leave one worrying about every penny spent and wondering whether funds will last for the lifetime.

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