



## Retirement readiness of millenials: A study with special reference to earning women from Maharashtra state

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### Abstract

Indian society, in the last two decades, has witnessed substantial structural changes. The family patterns, lifestyles and economic status have undergone sea changes. Joint families are substituted with nuclear family structures. Additionally, the trend of senior citizens being left on their own with nobody to look after is on rise. It is also gathered that all government as well as private sector jobs today are without pensions. This would obviously, make the population vulnerable when it moves in the senior citizen bracket. On the other hand, the life span is increasing, thanks to medical advancements. The working hands in India are now witnessing structural change with rising percentage of female hands. The women workforce in India is also on a spree of expansion.

In wake of these facts, the researcher felt it necessary to probe into the issue of retirement readiness among the women workforce. The millenials are set to retire within next 25-30 years. The future beyond these three decades can be secured only through proper financial planning for retirement. Hence this study is undertaken to understand the need and significance of financial planning for retirement and to identify the extent to which the women workforce is preparing itself for it.

This research paper attempts to study the extent of financial awareness and attitude of millennial women towards retirement products, in the state of Maharashtra. The paper concludes with an emphasis on financially educated women for financial well-being.

**Keywords:** retirement planning, millenials, financial awareness, retirement readiness, financial education

### 1. Introduction

The societal demographics of India are today witnessing substantial restructuring. Small and nuclear family norms are heading to senior citizen issues. The time may not be far when the elders will be left to be taken care of on their own. The needs of elderly population typically rotate around medical expenses. Medical aid becoming dearer on a day on day basis shall add to the vulnerability of the aging population of India. The workforce composition in India is undergoing substantial changes. Women are becoming important bread earners of their households. This in turn makes it essential that they have better ability to manage their earnings.

In many developing countries, the retirement has not been completely institutionalized <sup>[1]</sup> (Szinovacz, 2003). Many households are unfamiliar even about the most basic economic concepts needed to make saving and investment decisions <sup>[2]</sup> (Lusardi & Mitchell, 2007). Dvorak and Hanley (2010) <sup>[3]</sup> found that in regard with retirement planning women have low knowledge, income and education compared with men. In Indian context the customary trends have always given a larger say to the male gender in financial matters. The decisions pertaining to how much to invest, where to invest and when to invest are largely made by men of the house. This leaves the female gender naive to the process of financial decision making.

Warshawsky and Ameriks (2000) <sup>[4]</sup> indicated that half of the individuals in U.S.A. aging between 25- 71 years will not have sufficient savings to support themselves in retirement. Indian population too is heading towards higher

longevity of life, declining support from state and disintegrating family structures. Additionally, the millenials are showing inclination towards materialistic attitudes and lavish life styles. The earning women of the millenials are to retire within next 25-30 years. The future beyond these three decades can be secured only through proper financial planning for retirement. Hence this study is undertaken to understand the need and significance of financial planning for retirement and to identify the extent to which the women workforce is preparing for it.

### 2. Objectives

1. To identify the level of awareness and holding of retirement products among the earning millennial women.
2. To identify the impact of demographic factors on awareness of retirement products within the millennial women.
3. To provide suggestions for better retirement readiness.

### 3. Sampling Design

The study is based on sampling technique. The study is carried out in the state of Maharashtra. A sample of 183 millenials, i.e in the age group of 20-30 years, earning women from various cities of Maharashtra has been chosen for study. Typically, Millennials are chosen for the study as they had the privilege of technological exposure over their predecessors. Though not proficient they got the opportunity to be a part of computer-internet-mobile revolution. This makes them better equipped to have their own platforms for

financial decision making. It is believed that retirement planning should start right from the first day of earning of an individual. However, in India, planning for retirement has never been on the priority list of the earning class. Further, only earning women have been considered with an assumption that a person is expected to be more concerned about money when it is his or her own earning. And especially in case of women earners it is assumed that they being the money earners may exercise their own discretion about its usage as well. Due care is taken to ensure representation of entire population. The sampling method hence chosen was stratified random sampling based on convenience.

**4. Research Methodology**

The present study is based on both primary and secondary data. The primary data was collected from female millenials using structured questionnaire. Various books and articles published in research journals provided the secondary data. Due care was taken to have adequate representation of the population in the sample respondents. The data so collected was processed and analyzed with the help of Ms-Excel. The statistical tools like percentage analysis, bi-variate analysis and Chi-square analysis were applied.

**5. Measurement of Variables**

The study focuses on three important parameters viz. financial products that lead to retirement benefits, insurance products which are an important support for life after retirement and financial services which can ease retirement planning. An attempt is made to analyse the extent of awareness and holding of such products and usage of services. The extent of awareness of retirement products and services is an indicator of the percolation of such financial products among the young aged earning women. The holding of these products and services indicates the extent of transformation of awareness.

**6. Research Observations and Findings**

The data collected by the researcher was encoded and tabulated. It was further exposed to statistical tools like percentage analysis and bivariate analysis. The results obtained thereof are as summarized below:

**6.1 Demographic Profile**

The following table details the demographic profile of the 183 sample respondents:

**Table 1:** Demographic Profile

Variable	Categories	Frequency	%ge
Educational Qualification	SSC	03	1.6
	Graduate	113	61.7
	Post Graduate	67	36.6
Marital Status	Married	77	42.1
	Unmarried	104	56.8
	Divorced/Widow	02	1.1
Income (P.A.)	UPTO 1 L	17	9.3
	1-3 L	101	55.2
	3-5 L	58	31.7
	Above 5 L	7	3.8

Source: Primary data

**6.2 Awareness and Holding of Retirement products and services**

The present study attempts to understand the extent of awareness about retirement products and services among the female millenials. Awareness about basic retirement products can be treated as the first step towards retirement readiness. Further the extent of holding of retirement products and services is also analysed.

A very ignorant view is maintained towards various retirement products in India. The women under study attested the same. Chart no. 1 below clearly shows that of the total millenials under study only 23% were aware about the pension funds introduced by various financial agencies. Comparatively a higher portion of women were found to be aware about mutual funds (54.1%) as an investment avenue.



Source: Field Survey

**Fig 1:** Awareness & Holding of Retirement Products

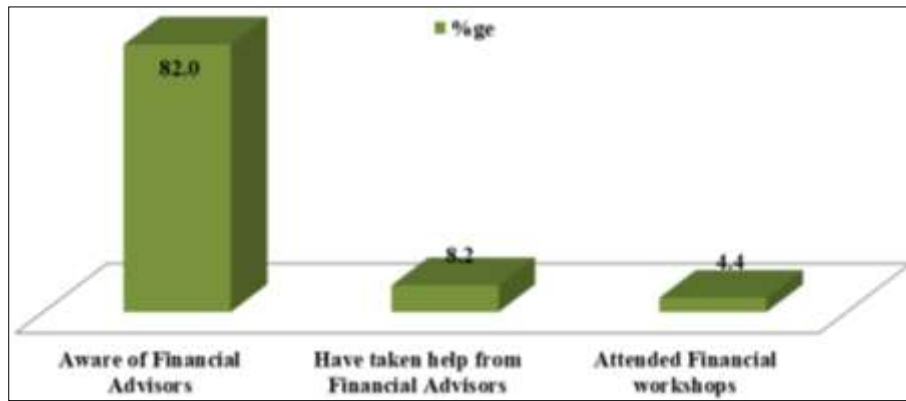
Further the New Pension System launched by the government was totally new for almost all. Only 7.7% of respondents were aware about the NPS. With awareness at it's extreme low, the holding of these products was naturally very meager. Only 1% women had invested in any pension fund while none had invested in National Pension System.

It is normally said that insurance products are a must for better retirement life. The life insurance schemes help an individual lead a tension free life while health insurance schemes cover the heavy medical expenses which otherwise make retired life pathetic.

The above given chart also depicts the status of awareness about insurance products as well as the extent of holding of these insurance products among the respondents. Awareness of life insurance products was found to be beamingly high among the earning millenials at 98.9% while its holding was also comparatively higher with 63.9% respondents being covered. 62.3% of the respondents were observed to be aware about the health insurance policies. However, a meager 13.7% had their health insured. This clearly indicates the poor percolation of health insurance products.

**6.3 Awareness and Availing financial advisory services:**

An attempt was made to identify the extent of awareness among the respondents regarding availability of financial advisors in the market. It was also studied whether these respondents have ever consulted such financial advisors or attended financial workshops for better decision making.



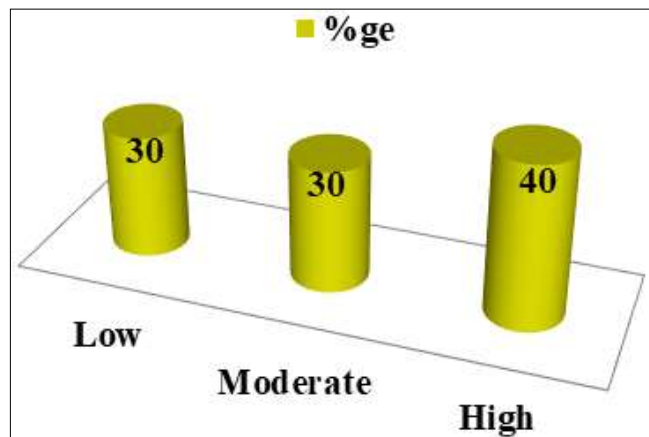
Source: Field survey

Fig 2: Awareness & Availing Financial Advisory Services

It can be clearly understood from fig.2 given above that 82% of the respondents were aware of financial advisors. However only 8.2% of the total respondents had consulted a financial advisor for effective decision making. A bare minimum of 4.4% had attended financial workshops. This indeed reflects the retarded approach of millennial women towards seeking knowhow of the very important area of financial planning.

**6.4 Retirement Awareness Index**

For the sake of understanding the extent of retirement awareness three financial products, two insurance products related with retirement were chosen ranging from simple to complex products. Additionally, awareness about financial experts’ services was also tested. Further scores were assigned as ‘1’ for the yes response and ‘0’ for the no response. The individual awareness scores were derived and then the respondents were grouped in three categories viz; Low, Moderate and High level of Awareness.



Source: Computed by researcher from primary data.

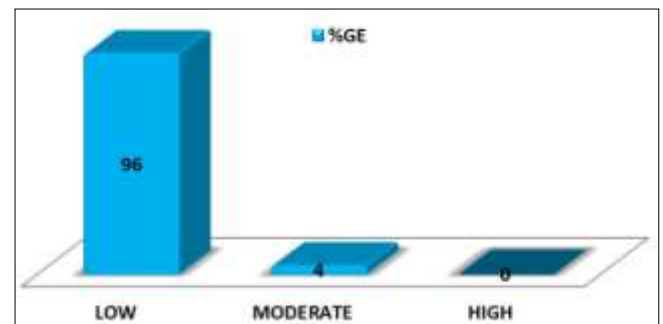
Fig 3: Retirement Awareness Index

The abovegiven fig.3 details the respondent classification based on their level of awareness. From the figure it can be clearly understood that almost 30% of the respondents belong to the low level of retirement products awareness while 30% respondents have moderate level of awareness. Only 40% of the total respondents are in the high awareness group.

This indicates the urgent need of spread of awareness about financial products, instruments, schemes with retirement orientation among the young earning women.

**6.5 Retirement Readiness Index**

Based on similar scoring pattern a Retirement Readiness Index was also devised, based on holding of retirement products and availing the services, to develop clear understanding. The following figure provides the classification of respondents based on their Retirement readiness.



Source: Computed by Researcher from primary data.

Fig 5: Retirement Readiness Index

It can be clearly observed from the above given figure that huge majority of millennial working women are not ready for retirement. 96% of the total respondents were found to lie in the bracket of Low level of retirement Readiness. This calls for an urgent addressing of this dire situation.

**6.6 Hypothesis Testing**

The hypothesis testing is done by applying chi-square test. The results of the hypotheses tests are as follows:

**H<sub>0</sub>: There is no significant relationship between education of the respondent and level of awareness of retirement products of the respondent.**

Particulars	X <sup>2</sup>		dF	Relation
	Calculated Value	Table Value		
Income*Retirement Awareness	4.211	9.488	4	Insignificant

Source: Computed by researcher

The calculations of X<sup>2</sup> from the above given table clearly indicate that the null hypothesis tested was accepted. It means there is no significant relation among the education and level of awareness regarding retirement products of the respondents.

**H<sub>0</sub>: There is no significant relationship between income**

### of the respondent and level of awareness of retirement products of the respondent.

Particulars	X <sup>2</sup>		df	Relation
	Calculated Value	Table Value		
Income*Retirement Awareness	14.65	12.592	6	Significant

**Source:** Computed by researcher

It can be observed from the calculations of X<sup>2</sup> as in above given table that the null hypothesis tested was rejected. It means there is significant relation among the annual income and level of awareness regarding retirement products of the respondents.

### 7. Findings of the Study

The analysis of primary data collected has led to the following findings of the study:

1. Almost 70% of the millennial women respondents are found to be high or moderately aware about various retirement products that would help them in sound retirement.
2. Unfortunately, the awareness has not transformed into actual purchase and holding of such products.
3. The NPS-scheme introduced by the Government of India is found to be lagging on both awareness and holding.
4. The analysis further indicates that though 62% of the respondents were aware of health insurance products a very meager proportion of the Millennials under study had their health insured. This indicates the negligent attitude of millennial women.
5. On the awareness level scale almost one-third of the millennial women earners were positioned in the low level of awareness. Thus, despite of having ample of exposure to information through technological advancements this genre is still lagging in awareness.
6. Surprisingly millennial women have fared very poor with almost 96% falling in the category of Low level of Retirement Readiness Index. This indicates that the awareness needs to be transformed into action.
7. The analysis of data has observed significant impact of income of the women on their retirement awareness while surprisingly education has been observed to have no influence on their awareness.

### 8. Conclusion & Suggestions

The present study reveals that ignorance towards retirement planning is witnessed within women belonging to millennial generation. Despite of having substantial exposure to internet and social media platforms the millennial women under study haven't leveraged them for their financial gains. The study clearly points out the need for transforming awareness into actions i.e purchasing retirement oriented financial products.

The financial institutions need to disseminate information regarding necessity of financial planning in general and retirement planning in specific. Designing of specialized women-oriented investment products is necessary. Further dissemination of information about risk carrying investment products should lead to reducing the hesitation among these earning women. Simpler pension products should be introduced. Insurance service providers need to design

women-oriented strategies to explore the uninsured women population. Workshops on financial literacy should be conducted exclusively for women mainly to orient them in financial skills like planning, decision making etc. This will lead to shedding away the lethargy and inducing confidence within the women to prepare and plan better for secure retired life.

### 9. Scope & Limitations

The study provides exposure to a new area of concern in the field of behavioral finance. The research may be extended to cover respondents across states of India. Both earning and non-earning populace may form the subject matter of study. The present study has faced following limitations:

Only 183 millennial earning women were studied. The outcomes of the study may have been affected due to limited willingness of respondents to share their financial information. Absence of accepted indicators of financial literacy also have limited the study.

### 10. Acknowledgement

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