6 CHAPTER: FINDINGS, SUGGESTIONS AND CONCLUSION

In the last two chapters, researcher has analyzed the data gathered in the survey of individuals. The outcome of the analysis is findings of the study. These findings along with suggestions from the researcher would be presented in this chapter. Also this chapter will include the concluding remarks from the researcher and the areas that researcher has indentified where future researchers can plan a detailed study.

6.1 Findings

1. It is found that financial literacy for individuals in wealth creation stage is 6.11 on scale of 3 to 9 where 3 denotes low literacy where 9 shows high literacy. Thus the financial literacy levels of individuals is neither to low but also not very high. Individuals have understanding on basic banking fundamentals but the awareness on the investment returns is lower.

2. It is found that saving spending attitude for individuals in wealth creation stage is 22.1 on scale of 5 to 30 where the score in range of 12.5 and up to 22.5 is considered as “balanced savers-spenders” and the population with score greater than 22.5 and up to 30 is considered as “ultra high savers”. So these individuals are balanced on saving and spending attitude. More individuals think before buying spending money but lack certain amount on discipline and execution when it comes to setting and achieving financial goals.

3. It is found that individuals in wealth creation stage have a moderate risk profile with score of 5.73 on scale of 3 to 12. The population with risk scores between 3 and up to 6 are considered as “conservative” ,risk score greater than 6 and up to 9 are considered as “moderate” and risk scores greater than 9 and up to 12 are considered as “aggressive”. So when it comes to financial matters individuals are risks averse. This is mainly due to lower literacy levels where individuals strictly want to avoid financial product with even moderate risks although these products can provide better return on investment.
4. It is found that the top three objectives for the individuals in wealth creation stage are protection against medical emergency, ensuring comfortable retirement and provision for children’s education or marriage. Although this finding is in line with the Indian culture and values but in contrast to findings in developed countries where individuals put more emphasis on their retirement well being than any other financial objective. Also the individual’s lowest preference to objectives of buying additional house and upgrading the car.

5. It is found that 33% of individuals in wealth creation stage always think about retirement, 60.9% sometimes think about retirement and 6.1% never think about retirement. Male population thinks more about retirement planning than females. Thinking about retirement is influenced by age and income. Individuals with low income and age think less about retirement.

6. Newspapers are playing a major role in talking about importance of retirement financial planning compared to financial planners, insurance agents and other channels. The role of financial planners is not very defined and a lot of value is not seen in their advice.

7. Individuals in wealth creation stage have desire to retire at 55.6 years of age. About 25% of the individuals even desire to retire at the age of 50 years. However this desire to retire early is not supported by the financial planning activities that would be required to make this wish come true. Also the desire to retire early can be partially attributed to the hectic and demanding work requirements.

8. It is observed that 69% of the people invest in some or other form for retirement financial planning products. Although the percentage of people investing for retirement looks descent but some people just tag their money saved as retirement saving which probably may not be the actual case. Long terms savings for the sole objective of retirement may still not be part may of the individuals saving corpus.

9. The percentage of male population investing for retirement planning is on a higher side. This is in line with social structure in India. However a better picture was desirable in the survey as all the female respondents are earning members of the family. So even when on other fronts females are sharing equally responsibilities with males, however, when it comes financial planning a lot of females are
dependent on males or their retirement planning is perceived to be an integral of the male members retirement planning.

10. Amongst the four age groups under study, three age groups 31-35 years, 36-40 years and 41-45 years have higher percentage of respondents investing for retirement planning where as in the age group 25-30 years the percentage of respondents not investing for retirement planning is higher. So the importance for investment for retirement planning is still learned in the hard way by the young people i.e. after missing certain crucial years in life when there are relatively less liabilities and more scope for investment.

11. In education and income groups, individuals with higher income and higher education do better than the individuals with lower income and education.

12. It is found that major of the individuals in wealth creation stage are starting for investment early in their life. However, the group that fare the best is professional and postgraduates. These results are also in line with investing for retirement behavior where professionals and graduates are seen to investing for retirement.

13. In regards to allocation of investable surplus for retirement planning, female score slightly better than males. Amongst the age group individuals with higher age are able to allocate more funds for retirement planning. Professionals are seen to do better than graduates and undergraduate and higher income groups doing better than the lower income groups.

14. As retirement investment product the highest preference by individuals is for equity mutual funds followed by public provident fund and national pension scheme. Based on the demographic profile individuals in wealth creation stage, public provident fund is looked upon as the most preferred investment instrument for investment for retirement planning followed by equity mutual funds.

15. The investment option preference of the individuals is well in line with the risk profile and financial literacy of the individuals. However the concern here is that there is not much preference for national pension scheme as retirement planning product.
16. The average risk coverage by the individuals is very low. This is surprising as this is not in line with risk profile of the individuals. The individuals in wealth creation stage have a moderate risk profile but are taking much more risks than their risk appetite. Also in the financial objectives, protection against medical emergency is rated as highest priority but this risk is not covered by the individuals. So although individuals are thinking on this objective the execution is still questionable.

17. Only 38% of the individuals planning for retirement are comfortable with the retirement planning practices followed by them. One fourth of the individuals are not at all secure about their retirement planning practices and 38% are unsure whether the practices they are following are sufficient to have a comfortable retirement. So the confidence level of the individuals on their financial well being in retirement is on lower side.

18. Individuals in wealth creation stage are adequately aware about the eligibility for enrolling to NPS i.e. they are aware that non-government employee or employees who are not formally covered by any pension scheme can invest in NPS.

19. There respondent fare just above average in terms of their awareness about the distribution coverage of the National Pension Scheme.

20. It is found that the individuals in wealth creation stage are highly unaware about the most important feature of the scheme i.e. the lowest cost for fund management which is 0.0009 percent. Lack of awareness of this important feature may be the prime reason for the lower popularity of NPS as a retirement product.

21. Regarding awareness on regulators it is found the awareness on mutual funds, insurance and fixed deposits is more and for NPS it is very low.

22. The awareness on individuals in wealth creation stage about basics of pension is critically low. Lack of knowledge on basic elements of pension has two significant impacts, firstly individuals’ expectations on pension income can be unrealistic leading to problems during retirement and secondly it may re-frain individuals from buying pension products for their well-being.
23. On the front of investment, individuals are cost conscious. They are aware about the high cost product. However on contrary they are not aware about the low cost product which is NPS. Even on a widely promoted product like mutual fund the awareness is above average.

24. The average score for the individuals in wealth creation stage on the scale of 12 to 36 is found to be 27.16. Although the awareness on generic areas is good but the awareness levels on NPS, regulators for NPS and basics of pension is low.

25. The awareness level for retirement planning is found to be higher in the males as compared to the females. Across the various age groups the awareness level is found to be lowest in the age group 25-30 years. Post thirties there is a jump in the awareness levels of the individuals and difference in awareness levels is relatively lower. On comparison of awareness levels across the various occupations the highest level of awareness is found in the professionals.

26. The formal channel i.e. financial intermediary, whose core responsibility is to provide advice or influence financial decisions, is not the most preferred option by the individuals, instead, family and friends influence to a greater extent.

27. Only about one fourth of the individuals investing for retirement financial planning avail professional advice. Out of those availing professional advice, 50% individuals utilize services of certified financial planners.

28. The intermediaries play a limited role in the retirement financial planning process. Intermediaries are not able to succeed in their core activity of triggering the need for retirement planning. Also they fail to create confidence about the retirement planning they carried out.

29. Financial intermediaries fail in the most important activity triggering the need of retirement financial planning amongst the individuals.

30. In the study of individuals not investing for retirement planning, the top three major inhibitions not involving in retirement planning were found to be as not being familiar with retirement products, difficulty in balancing long term financial objectives and retirement planning and lack of disposable income.
31. The key difference amongst the individuals investing and not investing for retirement planning is the presence or absence of the financial objective “Ensuring a comfortable retirement”. Individuals having the objective are investing for their retirement.

32. Higher financial literacy level is also a key differentiator amongst individuals investing and not investing for retirement planning.

33. Saving and spending attitude makes a smaller difference at general level but statistically it shown to have a greater impact on the promoting actions for investment for retirement planning.

34. On the family factors number of dependents doesn’t impact actions for investing for retirement planning; however spouse employment makes a difference. Individuals with higher level of liabilities are found to investing for retirement planning, a probable reason for this being that these individuals have created assets which they think are part of their financial planning for retirement.
6.2 Suggestions

It is found that financial literacy, awareness about retirement products, role played by intermediaries in retirement financial planning, popularity of NPS needs to be improved in the immediate future. That’s the reason; researcher would like to suggest some initiatives towards improvement of these areas here. The suggestions would be aimed at following

1. Improving awareness of individuals
2. National Pension Scheme
3. Policy changes by Government
4. Intermediaries
5. Responsibilities of employers

**Improving awareness of individuals**

1. Embed basics of investing and financial planning like present value, future value, returns risks right from the higher secondary school curriculum.
2. Instead of having multiple agencies and regulators donning the role of investor educator (Present regulators are creating awareness not the knowledge) researcher would like to suggest a central government agency which will plan, implement and coordinate investor education initiatives throughout the country.
3. Government agencies can even consider incentivizing employers to educate their employees about financial services, investments as such.

**Changes in National Pension Scheme**

National Pension Scheme was considered to be similar to the 401(K) plan in United States. However there is no sufficient awareness about the scheme, so following efforts to popularize the scheme must be taken up. Also certain changes in structure of needs to be discussed

1. Television, social media, and print media must be used create awareness about NPS.
2. Employers and individuals in private sector must be incentivized to open NPS account inline with current practice of opening EPF account.
3. Changes in NPS structure from a perspective of individual taxation, like making it from a Exempt- Exempt- Tax to an Exempt-Exempt-Exempt scheme similar to PPF and insurance.

4. Changes in withdrawal structure to permit pre-mature withdrawal in case of emergency situations needs to be taken up. Currently pre-mature withdrawal is not possible. Although pre-mature withdrawal may look like defeating the purpose of the scheme, however, to increase the popularity there must added flexibility in the current scheme.

5. The investment model of NPS can be changed to a hybrid model with a component of insurance along with the retirement benefits. This can help to make the scheme more attractive and also will serve dual purpose for individuals.

Policy changes by Government

1. Government of India must take immediate steps towards development of an annuity market in India like promoting the retail investments in debt market. Currently individuals have limited access to debt market as result there is an underdeveloped retail debt market in India and it inturn is not helping to grow the annuity market in India.

2. A drive on national level to drive National Pension Scheme on lines of Jan Dhan Yojana is required to increase the subscriber based in NPS.

3. Fund management under NPS must be re-looked. Current multiple asset management companies model is good to in order to ensure better performance on returns owing to the competition but due to distribution of corpus advantage of economies of scale is being missed.

4. Intermediary channel for distribution of NPS must be incentivized and also must be mandated to push the scheme.

5. Re-look at the reverse mortgage product regulations and some mandatory lending by banks in this product to be made mandatory.
Intermediaries

1. Intermediaries should focus on increasing awareness of the prospective customers towards retirement planning rather just focusing on selling of financial products.
2. Intermediaries should impose strict actions on their channel partners and staff to prevent mis-selling of financial products.
3. Reverse mortgage as an important financial product must be suggested by intermediaries as current awareness of individuals in this area is very low.

Responsibilities of Employers

1. For the individuals employed in organised sector, employers make small contribution towards NPS, making a part of company provided retirement plan.
2. Activities to increase awareness about financial planning for retirement must be made a part of staff-welfare activities.
3. As per one of the finding, it has been observed that individuals in age group 25 to 30 years think less about retirement, so employers should include a training or awareness program for employees in the age group of 25 to 30 years.
6.3 Conclusion

One big reality of life is retirement, and planning for retirement is still a nascent concept in India. Although, it is thought about and talked about all over, but the actions for retirement planning are still not focused by individuals. Retirement planning is very dynamic process and is affected by numerous factors. Individuals need to keep an eye of the social, economic and political factors along with his requirements while planning for retirement. It is a fact that demographic factors affect all the areas of retirement planning. The most important thing to realize before it’s too late is that everyone himself has an onus to plan for his retirement. The social security measures, employer benefits and family support are unreliable.

The entire world is attracted by the financial markets in India. However the participation of common man in markets is very low. Also it is thought to be sentiment driven and maturity of the market has been questioned on numerous occasions. One major concern from retirement planning perspective is the underdeveloped pension market in India. The annuity options are very limited and individuals lack faith in them. The governments key initiative of National Pension Scheme is not seen picking up pace to the desired level. No doubt two most important feature of NPS, the withdrawals and taxation need to be reformed as soon as possible.

The Indian values are helping individuals to be in better state as far as savings is concerned. The habit of saving certainly exists amongst the Indians but channelization of these saving to earn decent returns and these savings helping in achieving long terms financial objectives of individuals is the need of the day. For this the intermediaries needs to put up their hands and create awareness and focus on more solution selling than product selling.
Scope of future research

The goals and objectives of this study were decided and studied accordingly. Since in depth studies in these areas have long term socio-economic dimensions and repercussions, the scope of the investigations can be further expanded as follows:

1. A detailed similar analytical / comparative study can be taken up for the age group 45 years to 60 years of age.
2. The work has been restricted to the geographical corners of Pune city only. A comparative study of equivalent cases across various cities in the country can be taken up.
3. The further research is also possible by employing new research methods like mystery audit to understand the knowledge levels of intermediaries, to address ethical issues of selling insurance products as retirement planning products.
4. An analytical study of National Pension Scheme as retirement planning solution.