



A SYSTEMATIC REVIEW ON FINANCIAL LITERACY & RETIREMENT PLANNING

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ABSTRACT

Purpose: Investing for retirement play an important role. There are various studies showing the effect of literacy on financial planning towards retirement and its issues. Hence the extensive review of existing literatures on retirement planning and confidence has been undertaken to identify the gap in this research.

Approach: The current study is conducted from journal articles, books and websites etc. In order to search the pertinent information many keywords were used. Literatures were then divided into conceptual review, hypothetical relationship and theoretical review.

Results/Findings: Several research works have exposed that financial literacy significantly contribute to retirement planning. The extensive review directed towards low touched area i.e. to determine whether retirement planning has gained the retirement confidence, when it is mediated through financial literacy.

Originality/Value: This study will provide policy guidelines to Government, financial policy makers and academician by highlighting the growth and gain retirement confidence in order to generate wealth.

Type of Paper: Literature Review

KEYWORDS: Retirement planning, Retirement confidence, financial literacy, Academician.

1. INTRODUCTION

Any person's inevitable life transition is retirement. Retirement is a time to leave from the job or work forever. When a person stops working and starts receiving retirement benefits, it is traditionally thought of as a significant life event [1]. The Indians should use in caution during their work life and must do financial planning so that money will be there when it's needed. Without such plan, individuals may face financial difficulties and in extreme cases, the individual may face bankruptcy. According to [2-3] financial skills increase with ages. For the Indian, there are two serious issues that affect the welfare of financial choices i.e., a poor of financial knowledge and financial access [4]. Women are less economically advantaged when compared to men and this had an adverse effect on their ability to plan their finances [5], also many individuals fail in assessing one's understanding of risk diversification, inflation, and interest compounding [6].

Given this background, the present research is an attempt to find the determinants influencing in an individual's retirement planning which will be tremendously valuable for Government, financial policy makers, financial advisors, practitioners and academician on the preparation of one's retirement by highlighting the sustainable growth through financial literacy. In addition, it will also give clear insights on persons' perceptions towards risks and attract more for retirement preparation.

2. OBJECTIVES OF REVIEW PAPER

- (1) To analyse the current status of retirement planning
- (2) To identify the factors impacting the financial planning towards retirement
- (3) To investigate the influence of financial literacy on retirement planning
- (4) To find the research gap pertaining to retirement planning.

3. METHODOLOGY

The current study is grounded from several search engines which including Google Scholar, Research Gate and others. These gathered data on financial literacy, retirement confidence and retirement planning are included in journal articles, books, websites etc. In order to search the pertinent information for the study, 4 keywords were used i.e. "retirement planning", "retirement confidence", "financial literacy" and "Academician" where the



researcher extracted the articles from 2013-2023. Financial literacy comprises of financial knowledge, attitude and budgeting. Furthermore, in order to conduct review on hypothetical relationship, researcher fed numerous keywords such as “retirement planning OR retirement confidence”, “financial literacy OR retirement planning” and “financial literacy OR retirement confidence”. Here numerous articles were extracted from 2000-2023, which was taken under conceptual review, current status and remaining articles were considered under the review on hypothetical relationship.

4. REVIEW OF LITERATURE/ RELATED WORKS:

Literatures review has broadly classified into three sections which includes conceptual review, theoretical review and hypothetical review [7]. In this study the researcher has referred 25 articles out of numerous articles considering the importance of content contained in the research which is reviewed as follows:

4.1 Conceptual Review

This section reviews various article to understand the concepts of each selected and affecting variables in the present study. It has been categorized into 4 parts which includes: i) retirement planning ii) financial literacy iii) retirement confidence iv) Academician

4.1.1 Retirement Planning

A person's desire to leave the employment at a specific age rather than continuing to work as long as physically able is known as retirement planning [8]. Retirement phase play a major role in life phase.

1. Kimiyagahlam et al., (2019) [9] The major goal of the study is to determine the behavioural elements that influence retirement planning behaviour. The findings indicate that this behavior had a positive influence on financial literacy, planning tendency, and future orientation. Additionally, it is discovered that the saving attitude mediates these associations in part. Retirement planning is not linked to family education or consumerism, though.
2. Bongini, P., & Cucinelli, D. (2019) [10] In order to examine if the young people see retirement planning and its policy consequences, the study explore the key determinants of university students' desire to invest in a pension fund. Evidence gathered from university students in Italy shows that understanding of pensions, money management, and the greatest degree of literacy on financial aspects have a favourable impact on students' intentions to invest in pension funds
3. Kumar et al., (2019) [11] The major objective of the study is to pinpoint the barrier and it include the marital status, the number of financial dependents, income level, educational attainment, financial literacy, financial dependency, policy regulation, terms and conditions, goal clarity, and psychological and cultural factors etc.

The result of many researchers seems that most of the people view retirement as a distant fantasy. Few people have precise old age plans. However, it is essential to plan for the retirement corpus with the aid of a strong financial plan to live a respectable and comfortable life in the old age.

4.1.2 Financial Literacy

In both highly developed and dynamic economies, financial illiteracy is pervasive. Youngsters and the old aged individuals are less financially literate, and those with higher levels of education are more financially literate than their male counterparts [12-13].

4. Rostamkalaei, A., Nitani, M., & Riding, A. (2022) [14] The degree of financial literacy among independent contractors has an impact on the health of emerging businesses, financial stability, and economic wellbeing. According to this survey, the financial literacy of self-employed people and employed people did not differ noticeably. Employed individuals were more likely to participate in financial behaviours that benefited their long-term financial health than self-employed individuals.
5. Alshebami, A. S., & Aldhyani, T. H. (2022) [15] This study looked at how peers and parents' social influence affected the degree of financial literacy among Saudi young adults. It also evaluated how respondents' ability to build saving habits and how self-control served as a moderator in the link between financial literacy and saving habits. The study indicates favourable impact on saving behaviours and that self-control has a negative moderating effect on this connection.
6. Koomson, I., Villano, R. A., & Hadley, D. (2022) [16] The research investigates the level of literacy education of finance affects the acquisition of household assets in Ghana. The findings demonstrate that the financial literacy training affects the accumulation of total and productive assets in families headed by women beneficiaries alongside improving account holdings for women, but the effect was greater for men.

The results on financial literacy as a whole demonstrate clearly defined and constant insight of financial literacy and skills affecting insight of literacy anticipate how well the person is capable of taking appropriate decision. It was also discovered that a person who lacks financial literacy can become a skilled investor by being instructed how and where to gain and enhance these financial skills.



4.1.3 Retirement Confidence

According to [17] "Belief in the potential for retirement income is referred to as retirement confidence." More specifically, it involves (a) living comfortably in retirement, (b) preparing financially for retirement as pre-retirees, (c) being able to pay for medical expenses in retirement, (d) being able to pay for necessities, and (e) being able to pay for expenses for the duration of their life expectancy.

7. Vyas, (2017) [18] The study analyses the effect of income of working individuals on saving contribution and it shows 50% of variance in saving contributions. The study proves that higher income leads to higher involvement of working individuals in retirement preparation which directly or indirectly helps them in fulfilling their retirement goal.
8. Chauhan and Indapurkar, (2017) [19] Employers driven by market forces and practically devoid of pension schemes are the private organized sectors. In addition to adding to the scant literature on the subject of the Indian diaspora, this research aims to comprehend the theoretical socioeconomic factors that underlie people's feelings of security and confidence as they approach retirement and the study proves it has significant effect on gaining the confidence.
9. V, Saritha. (2019) [20] here the study has indicated the several demographic factors which affects the retirement planning, such as age, gender, income, marital status, and family size, in along with financial knowledge and awareness and the study proves that it significantly impacts the confidence of working individuals towards retirement.
10. Chen, B., & Chen, Z. (2023) [21] The study examines how financial literacy confidence bias affect their retirement planning. The information has been collected from 1432 individuals aged 25-64 from all provinces in China. The study found that individuals' financial literacy confidence significantly promotes the individuals in their retirement planning behaviour.

So, a bunch of researchers have looked into how working individuals plan for their retirement and few have even tried to figure out the influence of financial plan specifically for retirement which directly leads to the retirement confidences in those individuals.

4.1.4 Academician

Teachers are considered as a role model in our society and they have significant impact on shaping the financial habits of the younger generation especially planning for retirement [22]. So, the researcher is trying to recognize the significance of studying how teachers prepare financially.

11. Fuchsman, D., McGee, J. B., & Zamarro, G. (2023) [23] According to the survey, early-career teachers generally don't care whether they have a standard pension or an alternative retirement plan. Additionally, it has discovered that teachers are less inclined for the payment of traditional pension plans than the other aspects of their remuneration, such as salary increases, health insurance, and Social Security participation.
12. López León, R. (2023) [24] The study aimed to explore how retired academician in Puerto Rico perceived their financial situation and to understand their attitude, belief and opinion based on their socio-economic background. The information has been collected and found that the retirement pension received by academician was considered inadequate to cover their basic expenses.

Numerous studies have been made on the retirement planning of working individuals in general but only few studies have been made specifically on academician' planning for retirement, so the researcher wish to research whether the there is an impact of retirement planning on retirement confidence.

4.2 Reviews on Hypothetical Relationship between Variables:

This section reviews numerous articles based on the keywords used to track the articles.

Table 1: Related articles on Retirement planning, financial literacy and Retirement Confidence

SL. No.	Area & Focus of the Research	Outcome of the Research	Reference
1	Retirement planning, financial literacy and demographic profile	It studies the influences links between retirement planning and financial literacy, saving attitudes, social influence, and goal clarity. The study found every link is substantially and favourably related to retirement planning, and every moderator factor had a moderating effect on the associations.	Afthanorhan, A et al., (2020) [25]
2	Retirement planning, risk tolerance.	The study investigates the combined relation of risk tolerance, financial literacy, savings, income, and debt on consumers' retirement planning behavior. Retirement planning is found to have favorable associations except debt. Higher risk tolerance levels can have a negative effect on the connection between saving and retirement planning.	Park, H., & Martin, W. (2022) [26]



3	Financial literacy, retirement planning and saving behaviour	This study looks into how financial literacy affects retirement planning and savings in Ghana. According to the empirical analysis the majority of people don't understand the fundamentals of finance. In general, those that score lowest on financial literacy tests are those who are female, low-income, and less educated.	Sarpong-Kumankoma, E. (2023) [27]
4	Retirement planning and retirement	The study investigates the variables influencing the confidence of workers in the private sector in Nepal. With 155 data Pearson Correlation analysis was utilized and results a favorable correlation between retirement confidence and financial management techniques, saving behavior, financial literacy and knowledge, and retirement attitude.	Poudyal, S. K. (2019). [28]

4.3 Theoretical Review

In this section, various theories pertaining to the study has been discussed which was found from early 1980's – 2023 in various search engine such as google scholar, research gate etc.

Table 2: Related theories

Sl. No	Area & Focus of the research	Outcome of research	Reference
1	Theory of Planned Behavior (TPB)	The theory is predicted with the perceptions of behavioral control, subjective norms and perceived behavior, attitude. Assessment of the person's behavior can be favorable or negative -first component. The second component- anticipated peer pressure to do the task or to forego it. The third aspect is a self-efficacy, to carry out the intended task.	Ajzen, I. (1985) [29] Sivaramakrishnan et al., (2017) [30]
2	Theory of social learning (SLT)	Alfred Bandure developed the theory of social learning in 1963 and 1977. It describes how people pick up behaviours from other people or persons in their life. According to Bandura (1977), this theory may be referred to as modelling since it is built on four conditions: motivation, retention, replication, and attention.	Shanmugam et al., (2017) [31]
3	The life-cycle hypothesis theory	The concept an economic theory describes how people's purchasing patterns change over the course of lives. Meaning, when people have more money than they need to meet their basic necessities, they often set away the extra money as saves for use when they are not working. The primary the idea is that everyone will opt for a stable lifestyle.	Danziger, S et al., (1982) [32]

5. CURRENT STATUS & NEW RELATED ISSUES

The current state of financial literacy, financial inclusion, and Retirement planning has been surveyed through the use of various search engines, such as Scopus, Google Scholar, Web of Science, etc.

Table 3: New related issues and current status on Retirement planning & financial literacy

Sl. No.	Area & Focus of the Research	Outcome of the Research	Reference
1	Financial literacy and retirement planning	Financial literacy tests show the weakest results for the young, the old, women, low-income earners, and those with less education. The effect of financial literacy on retirement planning and savings in Ghana is examined.	Baidoo, S. T et al., [33]
2	Confidence, Financial knowledge and Retirement Planning	This study explored the relationship between retirement planning and overconfidence in one's financial knowledge. The findings indicate that financial education has a favorable influence and women are less inclined than males. It's possible that confidence matters more than financial literacy.	Yeh, T. M., & Ling, Y. (2022) [34]
3	Risk tolerance, financial literacy, and financial status on retirement planning.	This investigation examined the relationships among socioeconomic factors, self-assessed financial literacy, risk propensity, and retirement planning. The results of logistic regression shows the significance of financial education programs in raising household's awareness, which affects the choices of investment for retirement.	Park, H., & Martin, W. (2022) [35]



4	Teacher's literacy on financial aspect and Sustainable Development	The research attempts to evaluate the financial literacy of elementary and secondary public-school teachers. The study focuses on four variables: retirement planning, investment, insurance, and savings and borrowing. It results that teachers' financial literacy is low and it requires improvisations.	Saranza, C. S et al., (2022) [36]
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6. IDEAL SOLUTION, DESIRED STATUS & IMPROVEMENTS REQUIRED

Current studies have addressed traditional social interaction and financial literacy which are insufficient to inspire individuals to plan and prepare for their retirement. Recent researchers have found financial gap which leads to inequality of wealth distribution due to low financial literacy with regards to retirement planning. As an optimal solution to the current issues, researcher recommends individual's financial literacy as a major catalyst to promote balanced growth and development of economy of a country.

7. RESEARCH GAP

The major issues related to retirement planning i.e. financial illiteracy leading to low retirement planning. Based on the present studies following research gaps have been found:

- Many studies have shown financial inclusion and financial literacy as a major catalyst in influencing in the preparation of retirement; hence the researcher has further opportunity to find how retirement planning will improve one's confidence on retirement when it is mediated through financial literacy.
- Secondly, majority of the studies have addressed this issue by taking working individuals in general as their population, therefore researcher can address this issue by specifically considering the academicians.
- Lastly, some studies have conducted research at international, national and general context, so the researcher has a scope to conduct further study at local context.

8. RESEARCH AGENDAS BASED ON RESEARCH GAP

As researcher considers retirement planning with financial literacy as an optimal solution for the problem of underconfidence of retirement, following research agendas have been formulated;

- How well the academicians have planned and saved for their secure and comfortable retirement?
- Which financial products are preferred by them for retirement?
- How retirement planning will improve the retirement confidence of Academician when it is mediated through financial literacy?
- Does financial literacy have influence on retirement confidence of academician in the region of Mangaluru city?

9. FINAL RESEARCH PROPOSAL/PROBLEM IN CHOSEN TOPIC:

- a) **Proposed Title:** Retirement planning & Retirement confidence among Academician through the mediating role of Financial Literacy.
- b) **Area:** Mangaluru City
- c) **Target respondents:** Academician (Higher education teachers)
- d) **Objectives**
 - To identify the degree of financial literacy among academician in mangaluru city.
 - To assess the retirement confidence among academician in mangaluru city.
 - To examine the mediating role of academicians' financial literacy in association between their retirement planning and retirement confidence.
 - To assess the various demographic, social and economic factors involvement in relation to the retirement planning of Academician.

10. SUGGESTIONS TO IMPLEMENT RESEARCH ACTIVITIES AS PER THE PROPOSAL

- Aggressive campaign must be undertaken to educate the academician with respect to basic and advance financial literacy.
- Psychological variable such as goal setting, exposure and management knowledge which can help an individual to a greater level.
- Financial planners must provide guidance to academician on how to take benefit of tax avoidance mechanisms and also clarify the advantages of making contributions before taxes.
- Recommends Financial Advisors to provide suitable policy and proper information to the investor.
- Educational institution can arrange for financial counselling for the pre- retirees.



11. CONCLUSION

Retirement phase is one of the most significant life phases. Planning ahead is essential for a fulfilling retirement. As the objective, was to discover numerous elements involved in the retirement confidence; where financial literacy plays a significant role. From the numerous studies, the researcher wishes to research the association of retirement planning and retirement confidence among the peer group of academicians which is not been addressed so far; thus, the researcher has an additional opportunity to determine how financial literacy will improve one's confidence for retirement. This study will provide a policy guideline to encourage the investment for the future wealth creation of the academician.

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