

# “A Study On The Attitude Of Young Employees Towards Private Pension Plan Investments In Kancheepuram District”

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**Abstract:** Pension can be defined as a payment made monthly to the public servants who have completed their service. The reform in the system of pensions is increasingly forcing employees and retirees to become more responsible for de-accumulating, saving, and investing wealth but, formerly, more established staff relied essentially on Social Security and defined benefit retirement plans funded by the manager.

The current study aims to investigate the attitude of young employees towards Private Pension Plan Investments in the Kancheepuram District. Further, it aims to analyze the socio-economic determinants of Private Sector Employees and the attitude of Young Employees towards Private Pension Schemes. Additionally, the study assesses the factors influencing Young Employee's action towards investment for pension planning and examines the benefits and problems of Private Sector plans for the young private-sector employees in Kancheepuram.

**Keywords:** Private Pension Planning, Young Employees, socio-economic determinants, Private Pension Schemes

## 1. INTRODUCTION

Retirement is not a formal step of life or concern for Indians when preparing their future. Given the lack of retirement preparations, an increasing demographic in the coming decades is suggesting a massive mass of retirees. To stress the value of pension schemes and increase consciousness among the masses it is important to effectively communicate the prerequisites for planning retirement.<sup>1</sup>

The appeal for improved financial literacy among customers is an international development motivated by the rising uncertainty of financial markets and goods and the public concern regarding the effective support of the elderly population. The uncertainty and risk of the Defined contribution pension plans or superannuation has enhanced globally, as fund members now make choices and decisions which were previously taken on their behalf.<sup>2</sup>

However, in the present era, the Baby Boomers have in the middle of their working years planned for retirement and have invested in the Individual Retirement Accounts and the Defined Contribution Plans. This disinter mediating trend increasingly expects individuals to select the saving and contribution levels and to be responsible for a careful dissimulation in the course of their retirement to fulfill their needs.<sup>3</sup>

The most recognized scheme for retirement planning in India is the Public Provident Fund. Contribution to the retirement fund at the early stages helps in attaining lifetime

security. Timely selection of an appropriate plan for retirement helps in avoiding inflation due to regular compounding. To secure one's retired life, individuals must invest in pension schemes. As per the Sec 80C of the Income Tax Act, 1961, various retirement schemes have been covered and the taxpayers are entitled to tax relaxations of a maximum of 1.5 lakh rupees. An individual must select a pension scheme to fulfill the goal of their investment. The pension plans assist in contributing a small portion of the income into the program. A regular income after retirement is the primary goal behind a pension plan. Given the growing inflation, it has become necessary to invest in these plans.<sup>4</sup>

### **Significance of the study**

The current study aims to analyze the socio-economic determinants of Private Sector Employees in Kancheepuram and the attitude of Young Employees towards Private Pension Schemes in Kancheepuram. This study gives an insight regarding the perception of the young employees towards retirement planning, the ageing population, fluctuating inflation, and health scenarios have made it compulsory for individuals to plan for their future in advance. This study proves to be a platform to examine the advantages, disadvantages, threats, and opportunities for investment in different private pension plans. This research study will contribute to the existing literature and will try to add new theories to the same.

### **Research Aim and Objectives**

**Aim:** To investigate the attitude of young employees towards Private Pension Plan Investments in the Kancheepuram District.

### **Objectives:**

- To analyze the socio-economic determinants of Private Sector Employees in the Kancheepuram District.
- To examine the benefits and problems of Private Sector plans
- To study the attitude of Young Employees towards Private Pension Schemes and analyze the factors influencing Young Employee's action towards investment for pension planning in the Kancheepuram District.

## **2. LITERATURE REVIEW**

The following literatures have been reviewed to understand and study the research gap and tapping into it can lead to innovative research.

**Sinha (2020)** The study aimed to analyze the impact of perceived knowledge and self-control bias on the individual's behavior of retirement planning. People have unrealistic confidence in their supposed financial awareness. The paper suggested that the retirement planning strategies of the individuals are significantly affected by their behavior. The findings suggested that individuals struggle to execute appropriate preparations for retirement because of a lack of self-control.

**Shreevastava and Brahmhatt (2020)** The study with respect to financial conditions shows that different psychological elements could have an impact on the way individual retirement arrangements are carried out. The research carried out by the scholars investigated the influence of psychological elements among the individuals on retirement activity. The study results revealed that there has been an immense connection between pension saving and psychological elements by self-assessment to calculate retirement planning.

**Vakil and Modi (2019)** The research was to analyze the association between factors that impact pension planning and the behavior of retirement planning among individuals. The findings of this study impact early retirement planning for working people so that they can

have a solid financial basis after retirement. The essence and value of retirement for citizens have changed rapidly. The paper attempted to analyze the people's retirement schedules and to determine people's retirement goals, as well as their preference for achieving those pension plan goals.

### **Pension plans in India**

Several pension plans and schemes are offered by firms in the financial sector in India.

- **National Pension schemes (NPS)**

National Pension schemes is an Indian government pension plan. It functions as a social insurance scheme to help workers in all industries by the age of sixty. As per this scheme, the individuals can invest in the plan and redeem 60 percent of their investment as and when they turn 60. The remainder can be recovered by way of annuity checks as a lifelong pension. The premiums collected by the investors are invested by the NPS in different classes of assets – corporate debt, equity, investment funds, and government bonds -with the exposure to equity being a maximum of 75 percent. NPS provides flexibility for holders even to turn to a lump sum of 60 percent of corpus accrued at the age of 60 based on their particular needs. (Sane, & Thomas, 2014).

- **Traditional Pension Plan**

The pension scheme contains four plans, including a life covered pension plan, a regular pension scheme, a deferred annuity pension plan, and an immediate annuity pension plan. The standard pension scheme spends all the funds and at the time of maturity, an individual can collect a lump sum amount along with the interest. The deferred pension scheme helps the policy owner to receive a corpus over the insurance period by payment of premiums. The money accumulated and the premiums paid would all become a substantial corpus at the end of the term. The policyholder is then entitled to obtain an annuity and receive a daily pension. In addition, deferred annuity contribution pension schemes are often covered by life insurance. (Kali, 2017).

- **Unit Linked Pension Plans**

The conventional pension plans invest the premiums procured from the investors into riskless or minimal risk instruments like debt securities and government bonds. Although the investors who have a greater risk appetite can opt for other pension plans which again invest these premiums in instruments that have high risks and high returns like non-government securities, money markets, stocks, and bonds. Such plans are known as ULIP or the Unit Linked Insurance Plans. The major characteristic of these plans is that investments in equity securities constitute the investment portion. These plans offer different risk levels varying from high risks to medium risks and too low risks. As per certain restrictions and conditions, an individual can move between plans within the policy term at one's discretion. ULIPs also have a distinctive feature of life assurance to consider the risk of death at an early stage. The returns are not assured, but a fair return in compliance with stock market vagaries is expected. In the past, long-term stock investment has provided strong returns. There is also an opportunity at the end of the policy period to withdraw from or continue to invest at the prevailing NAV in the portfolio (Mandal, 2016).

### **3.1 Methodology adopted:**

The current study adopts a descriptive research design since the researcher aims to analyze, interpret, and describe the attitudes of young employees towards Private Pension Plan Investments in the Kancheepuram District. The sample size for the study is 202 and the respondents chosen to be a part of the study domains are selected using the random sampling technique.

### 3.2 Data Collection:

The sample for study is collected from Kancheepuram district. Primary data is collected using well structured Questionnaire. The study applies various tests like the Chi-square tests, Kruskal Wallis test, and descriptive analysis along with SPSS.

### 3.2 Statistical Analysis

The data has been interpreted using a chi-square test, regression analysis, ANOVA, t-tests, and more. The current study uses a Chi-square test along with SPSS in order to establish a relationship among the variables.

### Data Analysis and Interpretation

Table No. 1: Demographic Profile of the Respondents

	No. of Respondents	% of Respondents
<b>Gender</b>		
Male	116	57.4
Female	86	42.6
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Age Group</b>		
20 – 35 Years	144	71.5
36 – 50 Years	51	25.2
51 – 65 Years	7	3.3
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Educational Qualification</b>		
Bachelor's Degree	87	43.1
Master's Degree	82	40.6
Professional Degree	26	12.9
School level	7	3.4
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Income Groups</b>		
Less than Rs.5,00,000	143	70.8
Rs.5,00,000 – Rs.10,00,000	38	18.8
Rs.10,00,000 – Rs.15,00,000	12	5.9
Rs.15,00,000 – Rs.20,00,000	9	4.5
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Marital Status</b>		
Single	118	58.4
Married	84	41.6
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Domain / Sector</b>		
Educational sector	68	33.6
IT sector	66	32.7
Financial sector	42	20.8
Management domain	26	12.9
<b>Designation</b>		
Managerial grade	49	24.2
Process Associate	49	24.3
Executive	44	21.8

Teachers / Professors	38	18.8
Backend processes	22	10.9
<b>Total</b>	<b>202</b>	<b>100</b>

Source: Primary Data

Table No. 2: Information on Investment Decision

Information	No. of Respondents	% of Respondents
<b>Purpose of Investments</b>		
High Returns	75	37.1
Children's Education	66	32.7
Post Retirement expenses	34	16.8
Tax Benefits	27	13.4
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Investment tenure</b>		
Less than 1 Year	37	18.3
1 – 3 Years	59	29.2
More than 3 Years	51	25.3
No Time frame	55	27.2
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Investment Decision making</b>		
Own analysis	54	26.7
Consultation with parents	51	25.2
Friends and Colleagues	42	20.8
Financial Consultants	35	17.3
Spouse	20	10.0
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Source of information regarding Investments</b>		
Internet	82	40.6
Friends and Colleagues	67	33.2
Financial Consultants	23	11.4
Newspapers and Magazines	22	10.9
Televisions	8	3.9
<b>Total</b>	<b>202</b>	<b>100</b>
<b>Investment Frequency</b>		
Rarely	61	30.2
Once a year	88	43.6
2 – 3 Years	36	17.8
Every three years	17	8.4
<b>Total</b>	<b>202</b>	<b>100</b>

Source: Primary Data

Table No. 3: Information on Socio determinants of Private Sector Employees in Kancheepuram district

Aspect of additional income does not influence the decisions regarding investments	
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for the private sector employees in the Kancheepuram district	<b>p – value &gt; 0.05</b> <b>Statement is not significant</b>
Information-gathering sources also do not impact the investment decisions	
Prevailing working and living conditions are the key determinants in decision making for investments	
Current employment is viable for achieving the future needs of investments	<b>p – value &lt; 0.05</b> <b>Statement is significant</b>

● **Hypothesis Testing**

**H01:** The socio-economic determinants are not associated with the decisions regarding investments for the private sector employees in the Kancheepuram district.

Table 4: Kruskal Wallis Test  
 Test Statistics a, b

	Additional income	Own information	Working and living conditions key determinants	Employment viable for future needs of investments]
Chi-Square	6.199	2.729	3.137	6.661
Df	4	4	4	4
Asymp. Sig.	.185	.604	.535	.155

a. Kruskal Wallis Test

b. Grouping Variable: Main purpose of your investments

The above table exhibits that since p-value is not less than 0.05 indicating that it is not significant so H0 is accepted and conclude that socio-economic determinants are not associated with the decisions regarding investments for the private sector employees in the Kancheepuram district.

For studying the attitude of Young Employees towards Private Pension Schemes in Kancheepuram, the ANOVA test is applied, where the variables are the age of the respondent and the attitude of the young employees towards private pension schemes in the Kancheepuram district.

Table No. 5: ANOVA Test

Risk is the biggest factor considered during an investment	
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Putting money into a pension is the most secure way of saving for your retirement	<p><b>p – value &gt; 0.05</b>  <b>Statement is not significant</b></p>
Often investing money under some plans will create problems for your enjoyment plans	
Age matters for investments, earlier investments lead to better returns	

The financial decision varies from person to person	<p><b>p – value &lt; 0.05</b>  <b>Statement is consistent</b></p>
People cannot expect to have the same standard of living when they retire as they had during working days	

**Seeking information on the factors influencing Young Employees action towards investment for pension planning in Kancheepuram District**

For studying the factors influencing Young Employee’s action towards investment for pension planning in Kancheepuram, the Kruskal - Wallis test was applied.

Larger family needs greater expenditure	<p><b>p – value &lt; 0.05</b>  <b>Statement is significant</b></p>	<p><b>p – value is less than 0.05 in only two cases, which indicates that only two factors influence young employee’s action towards investment for pension planning.</b></p>
Pension plans help people during financial hardships		
Lower Income results in lower savings	<p><b>p – value &gt; 0.05</b>  <b>Statement is not significant</b></p>	
A well-planned retirement can assist the pre-retirement phase		
Proper financial plans are crucial to lead a better life after retirement		
Minimal spending on the present desires will help people to serve future needs		

**Source:** Primary data

**While seeking information on the benefits and problems of Private Sector plans for the young private-sector employees in Kancheepuram, the following significant findings were recognized:**

For this Kruskal Wallis test is used where the dependent is discrete and the independent variable is categorical so the dependent variable used is experience. The experience of the respondents and the benefit and problem of private-sector plans for the young private sector employee is considered in this section.

Saving for a pension will help in having a happier retirement plan	<p><b>p – value &gt; 0.05 ; Not significant</b></p>
Proper planning is done in a proper manner	
Savings pattern differs from person to person	
Enjoyment of Tax benefits	
Guaranteed regular income for life	<p><b>p – value &lt; 0.05 ; Significant</b></p>
Security for children.	

**Major Findings**

- The socio-economic determinants are not associated with the decisions regarding investments.
- The Young Employees have a positive attitude towards Private Pension Schemes in the Kancheepuram District. Moreover, it was found that the financial decision varies from person to person and people cannot expect to have the same standard of living when they retire as they had during working days.
- Larger family leads greater expenditure, hence saving becomes negligible and Pension plans can help people during Financial hardship.
- Private sector plans like Guaranteed regular income for life and Security for their children in their absence are beneficial for the young private-sector employees in Kancheepuram District.

### **3. CONCLUSION AND RECOMMENDATION:**

The analysis regarding the socio-economic determinants revealed that the only factor significant in this regard is “Current employment is viable for achieving the future needs of investments”. It is found that the financial decisions generally vary from one person to another. It is also revealed that people generally do not expect to have the same standard of living when they retire as they had during the working days. Additionally, the factors influencing Young Employee’s action towards investment for pension planning in Kancheepuram District included the aspect of larger families. The majority of the respondents believed that a larger family leads to greater expenditure therefore, the savings become almost negligible. Similarly, pension plans can help during financial hardships. These were the two most prominent factors that influenced the action of the employees for investing in pension planning schemes. Finally, the study tried to comprehend the benefits of Private Sector plans for young private-sector employees. The majority of the respondents agreed that investing in pension schemes Guarantees regular income for life and secures the retirement of the individuals and also it provides security for the investor’s children in case of investor’s absence. This will help the investors in leaving behind a legacy for their children.

The present study aims to provide new insights into the domain of private pension plans and the perceptions of young employees. However, the current study is only restricted to the Kancheepuram District and thus the results cannot be generalized for a wider population. This limitation can however be avoided in future studies, where a wider audience can be surveyed to get a better understanding of the perceptions of the private sector employees. This study will prove to be beneficial for the policymakers, investment companies decision-makers, and also the young employees who can gain knowledge regarding the investment in pension plans and securing the uncertainty of their future.

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