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FINANCIAL RETIREMENT PLANNING: A SURVEY AMONG PROVIDENT FUND CONTRIBUTING EMPLOYEES IN A TERTIARY EDUCATIONAL INSTITUTION

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ABSTRACT

This study investigates the retirement planning behavior of EPF contributing workers of Sri Lankan tertiary educational institutions, considering their awareness, concerns, attitudes, and accessible information of financial planning choices during the pandemic. This article focuses especially on provident fund contributing employees recognizing the necessity of financial retirement planning because they are not eligible for any government-provided pension plans. The study is being conducted in a Non-State Tertiary Educational Institute with over 300 faculty members, both academic and administrative. Data was gathered using an online questionnaire covering demographic and socioeconomic information, understanding of EPF-related information, accessible financial planning options, and employee concerns and attitudes toward retirement from 103 responses. The statistical methods used are descriptive statistics and Chi-square test, to summarize the given data set and to evaluate how likely is that the observed distribution is due to chance. The tool used to derive the results is STATA. According to the results, awareness, availability of financial planning options, concerns, and attitudes all have a significant impact on retirement financial planning.

Key Words: Retirement Behavior, Financial Planning, Provident fund, Tertiary Education

1. Introduction

Financial retirement planning is a financial objective that entails increased individual responsibility because of diminished or lost guaranteed income streams (Fan, Stebbins, & Kim, 2021). Sri Lanka has the world's largest aging population, which indicates that the probability of financial retirement planning is high. However, many people put off financial planning for retirement on purpose, either due to ignorance, a lack of information, or anxiety about the influence of retirement on their overall health, well-being, or beliefs of themselves as productive people. Hence, Sri Lanka differs from other emerging countries in that context as it has a relatively underdeveloped social security system (including pensions).

Given the aging population, the sufficiency of, and access to, a steady source of income in retirement are attributes that substantially influence the future poverty and living standards in Sri Lanka (Gamaniratne, 2007). The government pension system and the provident fund are the two most significant retirement schemes currently in Sri Lanka. The government pension system is made available to most of the public-sector employees, while Private sector employees, on the other hand, are not entitled to a government pension system and must thus deploy their EPF, ETF money to support their lifestyle in the future (Afthanorhan, Mamun, Zainol, Foziah, & Awang, 2020).

Financial retirement planning is essential with the goal that an individual can set himself/herself for the inconspicuous future costs and keep an uplifting perspective on life. At the point when people have adequate financial literacy, they will be able to plan for their savings and achieve the financial independence for their retirement. Invest in a business, invest in a high interest-bearing fixed deposit, invest in property, invest in a retirement plan scheme and invest in stock market are some retirement planning options that currently available in Sri Lanka.

Accordingly, this study analyzes the financial retirement behavior of provident fund contributors in a tertiary educational institution and the results will aid government policymakers in determining the extent of awareness and main concerns among provident fund contributing employees, as well as the factors that influence attitudes toward financial retirement planning.

2. Literature Review

Financial retirement planning in Sri Lanka

Karunaratne, (2005) examines the investment performance of Sri Lanka's statutory pension program, the Employees Provident Fund (EPF), by diversifying its assets across several portfolios, determining that the EPF could have increased its accumulated member balances. According to a study on estate sector employees in Sri Lanka, their retirement planning readiness is significantly related to attitudes, pressures, and a sense of control, and that reducing structural barriers, financial knowledge, and financial inclusion may culminate their retirement planning behavior (Heenkenda, 2016).

Demographic factors

Demographic variables are statistical depictions of the socioeconomic characteristics of a population. A study conducted in Ghanaian colleges of education revealed that the majority (74%) of tutors did not engage in retirement financial planning aside from public pension schemes. There were significant but marginal gender gaps in retirement financial planning between male and female tutors (Bernice, Augustine, Rosemary, & Nkonyane, 2018). Gender, age, retirement planning practices, and job categorization were shown to be important determinants of retirement satisfaction (Power & Hira, 2004). His findings suggest that younger male retirees who were faculty members and those who started planning for retirement early are more likely to be satisfied with their financial resources presently.

Attitudes and concerns

Turner, et al., (1994) found that older males with higher levels of education, higher occupational status, and more income had more positive attitudes toward retirement planning, while respondents with dependent children had more negative attitudes. He mentions that university employees in their mid-forties are more likely to devote their financial resources to immediate concerns such as child support, college education for their children, or care for aging parents. Public and private universities have found that job position and self-reported income are closely related, payments for children's education are seen as the most likely source of conflict. Public university researchers seem less concerned about their post-retirement lives than their private university counterparts, and women anticipate retirement more than men (Lai & Lau, 2009).

Awareness

According to Lusardi, (2007) those who correctly answered interest rate questions are better prepared for retirement, showing the impact financial literacy may have on a person's awareness and ability to plan for retirement. Individuals need to understand basic financial concepts such as interest, inflation, and risk management to maintain good financial practices.

Available financial options and information

In Sri Lanka, life insurance companies are now offering a variety of retirement programs. Customers are eager to buy retirement plans, but the product features do not meet their expectations, and insurance company management recognizes the need for retirement plans, but they are not advertising the product adequately (Gamage, 2019). In addition, comprehensive retirement preparation programs that address the financial, social, and personal dimensions of retirement planning will best meet the diverse set of needs of retiring higher education workers. Retirement reasons have changed over time, according to retired educators interviewed (Lenard & Abraham, 1989).

Conclusion

The demographic factors related to retirement, attitudes toward retirement, concerns related to retirement, and availability of information with respect to retirement planning were identified as the key variables impacting retirement planning. The Sri Lankan-based empirical studies about retirement planning focused on the retirement planning behavior of estate sector employees, the types of retirement plans offered by insurance companies, and the investment performance of the Employees Provident Fund as a pension scheme. However, the retirement planning behavior of provident fund contributing employees in the tertiary educational sector was not addressed. Similarly, the majority of the studies have stated the attitudes, concerns, and level of financial literacy among tertiary education employees. However, a gap has been created as no attempt has been made to address the suitability of retirement planning options concerning the needs of tertiary education employees. Therefore, this study is determined to address these gaps.

3. Methodology

The study is being conducted at a Non-State Tertiary Educational Institute, which employs over 300 faculty members, both academic and administrative. Employee concerns and attitudes about retirement were obtained from 103 responses from 300+ online surveys that contained demographic and socioeconomic information, EPF-related information, accessible financial planning selections, and employee concerns and attitudes about retirement. Given the pandemic, a questionnaire was deemed most suitable, and all surveys were disseminated online to decrease the non-response rate; three reminder e-mails were sent to the survey sample's respondents. A self-administered questionnaire was employed to obtain primary data on three areas: (1) Demographics and attitudes; (2) Awareness of available financial investment alternatives and information; and (3) Concerns and financial retirement planning behavior. The stratified sampling strategy, a probability sampling technique, was employed to choose an appropriate sample from the provident fund contributors. A pilot survey of a sample size of 30 was done to ensure reliability. As analysis methods, this study relied on reliability analysis, descriptive statistics, and the Chi-square test, and the results were derived using STATA software.

Table 1: Sampling Framework

Study setting	Provident fund contributors in a tertiary educational institution
Time horizon	Cross-Sectional study
Unit of Analysis	Private sector employees in a university
Sample size	100+ private university employees
Sample method	Stratified random sampling

Source: Compiled by Authors

4. Results and Discussion

4.1 Reliability Analysis

Table 2: Reliability results

Cronbach's Alpha	No. of Items
0.777	37

Source: Compiled by Authors

Cronbach's Alpha is a measure of consistency that ranges between 0 and 1. Generally, an alpha value greater than 0.70 is considered desirable (Taber, 2017). Cronbach's Alpha in the current study for 37 items is 0.777, as shown in Table 2, indicating that it is suitable for future analysis.

4.2 Descriptive statistics

Table 3: Descriptive summary statistics

	Mean	Std.Dev	Min	Max
<i>Demographics & Attitudes</i>	2.2845	1.0019	0.50	4.10
<i>Awareness</i>	2.3603	1.1336	0.22	3.78
<i>Availability of financial options & information</i>	1.1429	0.9592	0	2.71
<i>Concerns</i>	2.2233	1.0722	0	4.29
<i>Financial retirement planning behavior</i>	3.2087	1.0566	0	5

Source: Compiled by Authors

According to the descriptive data in Table 3, Attitudes are assessed using variables such as Age, Gender, Employment, dependent children EPF, ETF member years, and Plan to Retire (years). This independent variable has a significant impact (high level attribute-mean=2.2845) on financial retirement planning behavior. Likewise, Awareness has a high degree characteristic (mean=2.3603) on financial planning for behavior. This independent variable is assessed using EPF, ETF savings and payment, and rate of return estimations. Furthermore, the standard deviations for all the variables are closer to 1, which means that the data concentrates closer to the mean.

4.3 Attitudes of provident fund contributing employees towards financial planning for retirement

Provident fund contributors' attitudes regarding financial retirement planning are influenced by their own circumstances. Age, Gender, Marital Status, Employment, and Education are used to evaluate this. Further, when they plan to retire (in years), how long they have been EPF and ETF members, and whether they have any dependent children are also considered in evaluating attitudes. A negative attitude about retirement is more likely in those who are 41 to 50 years and 51 or older, have dependent children, have been an EPF, ETF member for 11 to 20 years.

Table 4: Statistics on factors impacting the Attitudes

Attitudes	
Age - 41 to 50 years	29.54%
51 years or above	31.81%
Dependent children	48.38%
EPF/ETF member years 11 to 20 years	31.81%

Source: Compiled by Authors

4.4 Awareness of provident fund contributing employees towards financial planning for retirement.

Table 5: Testing the impact of awareness on financial retirement planning behavior

Awareness	
Pearson chi2	Pr
71.2113	0.048

Source: Compiled by Authors

Awareness is measured based on the knowledge respondents have with regards to EPF and ETF. It focuses on areas such as EPF, ETF contribution, rate of return, estimate amount to be received from the provident fund. According to Table 4, this study is attempting to test the hypothesis (H1) "Awareness for retirement has a significant impact on financial retirement planning behavior." According to the Pearson Chi square test results ($p < 0.05$), it concludes that awareness has a significant impact on financial retirement planning behavior. The behavior of financial retirement planning depends on how much of awareness the respondents have on utilizing their EPF and ETF for retirement planning.

4.5 Concerns of provident fund contributing employees towards financial planning for retirement.

Table 6: Testing the impact of concerns on financial retirement planning behavior

Concern	
Pearson chi2	Pr
63.2677	0.000

Source: Compiled by Authors

According to Table 5, this study is evaluating the hypothesis (H2) "Retirement concerns have a significant impact on financial retirement planning behavior." According to the Pearson Chi square test results (pr 0.000 < 0.05), it concludes concerns have a significant impact on financial retirement planning behavior.

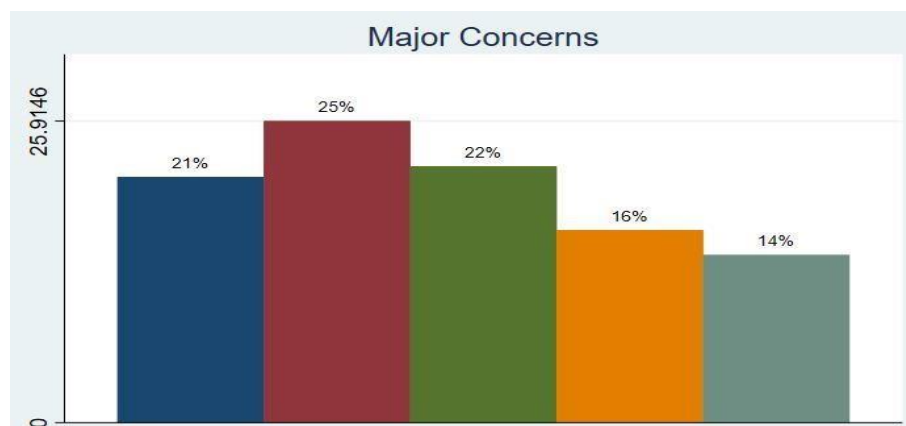


Figure 1: Major concerns related to financial retirement planning

(Note: Blue - Not having enough savings, Maroon - Rise in cost of living and medical expenses, Green - Risk investing retirement savings, Yellow - Repayment of debt, Grey - Paying house mortgage or rent)

The financial retirement planning behavior is impacted based on the degree of concerns. As illustrated above, the top three concerns for provident fund contributors are rising living and medical costs (25 %), the risk of investing in retirement savings (22%), and not having enough savings (21%).

4.6 Available financial planning options of provident fund contributing employees towards financial planning for retirement.

Table 7: Testing the impact of availability of financial options on financial retirement planning behavior

Availability of financial options & information	
Pearson chi2	Pr
37.2591	0.000

Source: Compiled by Authors

According to Table 6, this study is evaluating the hypothesis (H3) “The availability of financial options and information for retirement has a significant impact on the behavior of financial retirement planning.” The Chi square test results above, indicates that accessible financial planning options have a significant impact on financial retirement planning behavior.



Figure 2: Preference of financial planning options in investing EPF, ETF funds

(Note: Blue – Invest in fixed deposits, Maroon – Invest in a business, Green – Invest in property, Yellow – Invest in retirement planning schemes, Grey – Invest in stock market). As shown in Figure 2, most provident fund contributors prefer to invest their EPF, ETF funds in fixed deposits and property, whereas investing in the stock market is their least preferred option.

5. Conclusions and Implications

The study's aim is to identify the statistically significant relationship between the independent variables (attitudes, awareness, concerns, and available financial planning options) and the dependent variable (Financial retirement planning behavior). According to the results of the analysis, all these independent variables have a statistically significant impact on financial retirement planning behavior. As a result, it demonstrates that provident fund contributors require more thorough financial planning for retirement because they are not eligible for a pension fund and must decide how to use their EPF, ETF savings for it. Therefore, a recommendation of this study is that provident fund contributors should be supplied with extensive information about EPF/ETF retirement programs; the benefits given, as well as how they might use the fund's payout and invest in various financial choices for retirement. Furthermore, the primary contribution of this research study is to aid government officials in policymaking, insurance, and investment companies by considering the aforementioned characteristics and the financial retirement planning behavior of provident fund contributors.

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