

## Investor's perception towards pension schemes (reference to Bhopal city, Madhya Pradesh, India)

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### Abstract

Investment in pension schemes is influenced by the perception of the investors. The objective of this research is to assess the investor's perception on pension schemes and to find the factors involving in investor's perception for pension scheme. This research focuses on the perception of the investors for investment in pension schemes in Bhopal City. Talking random sampling of 500 investors and statistical methods are applied for analyzing the data collected for this research. This research focuses on investor's positive mindset for pension schemes. The pension scheme opted or selected by investors for after service life. Investors collecting the information from pension expert and after expert opinion then invest their money in pension. Most of the investors choose market linked pension schemes for investment selection in pension schemes.

**Keyword:** investor perception, pension scheme, demographic criteria, Bhopal city, Madhya Pradesh

### 1. Introduction

Pension provides old age security. It is a welfare schemes for supporting people during old age. Pension is investment method to secure future during non-earning days. Pension provides financial resources to people after a specific age or service. Specifically, pensions are periodic payments to people that start after retirement and continues until death. Thus, pension gives a long-term financial security during old age. Pension schemes not only fulfill the goal of utilization easiness' but also provide insurance support and reduce old age poverty during non-working years<sup>[1]</sup>.

The aim of doing this research work is to find the investor's perception for investment in pension schemes. It will guide the investors to select pension schemes. Finally, the research work carried out to discover the investor's perception for pension schemes with special reference to Bhopal City of Madhya Pradesh state. For attainment of these objectives, primary data firstly collected on the basis of structured designed questionnaires from the investors of Bhopal City of Madhya Pradesh state. After collection primary data, Secondary data collected from reports, books, journals, magazines and other published data's related to pension. For analyzing the different hypothesis and gaining insight for drawing sound conclusion, a number of statistical tests conducted i.e. chi square test for hypothesis testing<sup>[2]</sup>.

### 2. Review Literature

Joy and Douglas (2003)<sup>[3, 8]</sup>, designed to complement that line of work by exploring the extent to which demographic factors (age, income gender, and educational background) are related workers' perceptions of financial stability in retirement. Results revealed that demographic variables were associated with individuals' perceptions of how difficult it will be to fund their retirement, and perceptions of the importance of income from personal savings, pension plans, Social Security, and family members. Findings are discussed in terms of how perceptions of income are related to income patterns experienced by current retirees. All together, the

results show that the need to develop public policy initiatives and tailored retirement intervention programs is that it meets the needs of subgroups of workers.

Beck's (1984)<sup>[4, 8]</sup>, findings show that people who were more motivated for retirement programs planning were the economically and socially advantaged worker who could have easily got opportunity to get into such programs. It was found that people benefitting most from the retirement preparation programs were the older workers and those who were less educated, with low occupational status, no pension scheme coverage, and consequently with low retirement income.

Beck's (1984)<sup>[4, 8]</sup>, findings show that people who were more motivated for retirement programs planning were the economically and socially advantaged worker who could have easily got opportunity to get into such programs. It was found that people benefitting most from the retirement preparation programs were the older workers and those who were less educated, with low occupational status, no pension scheme coverage, and consequently with low retirement income. Everyone does not get actively involved in any schemes how so ever the scheme may be for them only<sup>[5]</sup>.

Fillenbaum *et. al.* (1985)<sup>[6, 8]</sup>, stated that the real motivation to plan retirement comes from perception of adequacy of individual income by high income group people to take action in maintaining their status quo as regards to the standard of living and expenditures in retirement. People with low income don't foresee changes in their living standards and those who come under middle class feel trapped in planning retirement or any other financial investment because they are always in condition of hand to mouth and with very less savings.

Malroutu *et. al.* (1995)<sup>[7, 8]</sup>, to examine the effect of the socio demographic factors, data from the 1989 Survey of Consumer Finance was used, work related, human capital, and objective variables were checked on the perceived adequacy of the retirement income of the pre-retirees. After adding subjective variables to the analysis, pre-retirees' perception was positively related to planning to save within 5 years with of

having adequate retirement income.

**3. Objective of the Study**

To find the investor’s perception and interest for investment in pension scheme. To get discover the influential factors that influences the perception of investors regarding investment in pension scheme.

**4. Research Design & Development**

This research study is an analytical and descriptive research [9]. It is related to the analysis of perception of investors for pension schemes. In order to conduct this study, 500 investors of Bhopal City of Madhya Pradesh state have been considered.

**(A). Sources of Data**

All the data required for this work is collected from primary and secondary sources. Mainly questionnaire has been used as a primary medium to collect data from investors.

**(B). Sampling Plan**

Targeted population: Bhopal City of Madhya Pradesh state  
 Sampling unit: Individual investors of Bhopal City of Madhya Pradesh state  
 Sampling method: Random sampling Method  
 Sample size: 500

**(C). Hypothesis**

H0: Investors’ perceptions are independent towards pension scheme on the basis of demographic factors.

H1: Investors’ perceptions are dependent towards pension scheme on the basis of demographic factors.

**5. Scope of the Study**

Conducted research does not investigate too much about whether the investor has a very good knowledge about pension schemes. This work indicates only a general study related to the investment perception of investors for pension schemes. This work would tell the results about the investment perception of various investors about pension schemes and thus in turn, helps the financial companies to identify the perception of various investors and to improve the marketing and selling of pension schemes.

This research motivates the researchers to feel experience by interacting with the investors and guide them to analyze “The perception of the investors for Pension Schemes”.

This research will help for pension provider organizations to plan the selling of pension schemes. The research has been carried out with a motive to change and access the perception of the investors and help them to get more knowledge and information for their investment.

**6. Data Analysis and Interpretation**

**Table 1:** Age Vs Attitude

Age Criteria	H	M	L	Total
18 to 30	30	40	40	110
30 to 50	60	110	40	210
Above 50	85	60	35	180
Total	175	210	115	500

H: High, M: Medium, L: Low

At 10% level of Significance with Degrees of freedom 6, the

tabulated value of is 15.832 with respect to  $\chi^2$  value is 12.239. Since  $\chi^2$  calculated < Tabulated value the hypothesis is accepted and it is indicating that there is a significant association between the age of the investor and their perception for pension scheme. (As shown in Table 1)

**Table 2:** Gender Vs Attitude

Gender Criteria	H	M	L	Total
Male	90	190	55	335
Female	45	95	25	165
Total	135	285	80	500

H: High, M: Medium, L: Low

At 10% level of Significance with Degrees of freedom 2, the tabulated value of is 10.332 with respect to  $\chi^2$  value is 5.371. Since  $\chi^2$  calculated < Tabulated value the hypothesis is accepted and it is indicating that there is a significant association between the gender of the investor and their perception. (As shown in Table 2)

**Table 3:** Education Vs Attitude

Education Criteria	H	M	L	Total
SSC	20	25	10	55
HSC	15	20	30	65
Under Graduate	40	50	20	110
Graduate	45	55	30	130
Post Graduate	55	65	20	140
Total	175	215	110	500

H: High, M: Medium, L: Low

At 10% level of Significance with Degrees of freedom 6, the tabulated value of is 16.932 with respect to  $\chi^2$  value is 8.275. Since  $\chi^2$  calculated < Tabulated value the hypothesis is accepted and it is indicating that there is a significant association between the education of the investor and their perception. (A shown in Table 3)

**Table 4:** Income Vs Attitude

Income Criteria	H	M	L	Total
Up to Rs.15000	30	90	35	155
Rs.15000 to Rs.25000	40	50	25	115
Rs.25000 to Rs.35000	55	60	20	135
Rs.35000 to Rs.45000	25	25	15	65
Above Rs.45000	15	10	5	30
Total	165	235	100	500

H: High, M: Medium, L: Low (As shown in Table 4)

At 10% level of Significance with Degrees of freedom 4, the tabulated value of is 12.375 with respect to  $\chi^2$  value is 10.928. Since  $\chi^2$  calculated < Tabulated value the hypothesis is accepted and it is indicating that there is significant association between the income of the investor and their perception.

**Table 5:** Savings Vs Attitude

Saving Criteria	A	D	C	Total
Up to Rs.5000	40	20	105	165
Rs.5000 to Rs.15000	30	30	65	125
Rs.15000 to Rs.25000	55	15	50	120
Rs.25000 to Rs.35000	20	5	30	55
Above Rs.35000	10	5	20	35
Total	155	75	270	500

A: Agree, D: Disagree, C: can’t say (A shown in Table 5)

At 10% level of Significance with Degrees of freedom 4, the tabulated value of is 14.256 with respect to  $\chi^2$  value is 22.731. Since  $\chi^2$  calculated > Tabulated value the hypothesis is rejected and it is indicating that there is a no significant association between the Savings of the investor and their perception.

**Table 6:** Occupation Vs Attitude

Occupation Criteria	H	M	L	Total
Business	65	80	35	180
Farming & Allied Activities	25	60	5	90
Salaried	55	45	25	125
Any other	35	55	15	105
Total	180	240	80	500

H: High, M: Medium, L: Low (As shown in Table 6)

At 10% level of Significance with Degrees of freedom 6, the tabulated value of is 16.349 with respect to  $\chi^2$  value is 7.716. Since  $\chi^2$  calculated < Tabulated value the hypothesis is accepted and it is indicating that there is a significant association between the occupation of the investor and their perception.

**Table 7:** Primary Purpose of Investment

Primary Purpose of Investment	Total
Safety for Principal	210
Safety for life	50
Safety for family	110
Safety for retirement	130
TOTAL	500

26% of the investors invest in Pension Schemes' for retirement, 22% of them invest for the family safety, 10% of them invest for safety of life and 42% invest for the safety of principal amount. (As shown in Table 7)

**Table 8:** Secondary Purpose of Investment

Secondary Purpose of Investment	Total
Safety	260
Tax savings	80
Growth	50
High returns	110
TOTAL	500

52% of the investors look for safety, 16% invest to save tax, 22% invest for fetching high returns and 10% invest for growth of investment. (As shown in Table 8)

**Table 9:** Investment Avenues

Investment Avenues	Total
Bank/Post office deposit	200
Gold	75
Pension scheme/Insurance	140
Share	85
Total	500

40% people invest in Bank/Post Office, 15% invest in Gold, 28% invest in pension schemes' and 17% invest in capital market. (As shown in Table 9)

**Table 10:** Risk Factor

Risk factor	Total
Yes	210
No	290
Total	500

42% of the mass presume that pension schemes' is associated with risk in terms of return where as 58% of them deny the same. (As shown in Table 10)

**Table 11:** Mobilization of Information

Mobilization of Information	Total
Electronic Media	170
Advisors	100
Print Media	175
Other sources	55
Total	500

The information percolates to 20% investors by advisors, 35% of them get information from print media, 34% of them from Electronic media and the rest from other sources. (As shown in Table 11)

**Table 12:** Types of Pension Scheme

Types of Pension Scheme	Total
Pure Pension Scheme	210
Pension with Insurance Scheme	180
Market Linked Pension Scheme	70
Early Withdrawal Pension Scheme	40
Total	500

42% of the investors have their tendency to invest in pure pension scheme, 36% in pension with insurance schemes, 14% in market linked pension scheme and 8% in early withdrawal pension schemes. (As shown in Table 12)

### 7. Findings

This research analyzes 500 investor questioners regarding to age, gender, education level, income level, saving criteria, occupation criteria, employment criteria, investment purpose. The majority of results of this research shows investor positive perception for pension schemes. Investors of Bhopal City has positive outlook for investment in pension schemes. Younger generation and level of education has positive impact for investment in pension scheme.

### 8. Conclusion

The work investigates the investor's perception for different Pension schemes that are related to investment in pension schemes. Investor's perception is positive for pension schemes and they are regularly contributing in Pension schemes. Investors have a preference for Pension schemes because they are looking for good amount after retirement. Investment protection is one of the important reasons to invest in Pension Schemes. Age, gender, qualification, income and occupation are the cheering the positive attitude of investors to invest in pension. This research work will help researcher to get knowledge about pension and will help future investors to evaluate the perception of the investors.

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