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Role of Mutual Funds in Retirement Planning: An Analysis of Investor Awareness and Understanding

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ABSTRACT: The current study seeks to explore the use of mutual funds in retirement planning through the assessment of awareness and knowledge of investors. This comes in light of the transition taking place from the old-fashioned government pension plans to more market-oriented ones which are more flexible and profitable. Specifically, the study seeks to explore the level of knowledge, perceptions, and willingness of individuals to invest in mutual funds as a means for future financial stability. The primary data to be used will be gathered through the conduct of surveys.

KEYWORDS: Mutual Funds, Retirement Planning, Investor Awareness, Financial Literacy, Pension Schemes, Investment Behaviour

I. INTRODUCTION

Retirement planning has now been included as an important aspect of financial planning in the current uncertain economic scenario. In past, the main source of finance for the post-retirement period used to be government-sponsored pension schemes, but due to changes in policy and life expectancy, investors now look toward investments in the stock market. Mutual funds, being one of the investment options that can give better returns in comparison to pensions, have now become more popular among investors. However, the use of mutual funds in the context of retirement planning is heavily dependent upon the knowledge and awareness of investors regarding mutual funds.

II. LITERATURE REVIEW

Mutual funds and awareness among the investors regarding them have been extensively studied in retirement planning literature. According to a study conducted by Sharma et al. (2024), investors are now increasingly inclined towards market-based financial tools, and mutual funds in particular are gaining prominence owing to their high rate of return and flexibility in comparison with the conventional pensions schemes. Also, Shaikh et al. (2022) indicated that while awareness among investors regarding mutual funds has increased over time, the majority of them are unaware of the risks associated with them as well as benefits in the long run. As stated by Kumar and Singh (2021), financial literacy has played an important part in shaping investor behavior, with financially literate people showing inclination towards mutual funds for their retirement. Conversely, Gupta (2020) stressed that even in the current era, there exists a number of investors who prefer government-sponsored pension schemes owing to their security and returns on investment. Further, according to a study carried out by Patel and Jain (2019), SIPs offered through mutual funds serve as an excellent way to build up long-term wealth.

III. RESEARCH METHODOLOGY

3.1 Research Design: descriptive research

3.2 Data Collection:

- **Primary Data:** Collected through structured questionnaires.
- **Secondary Data:** Journal, Research Paper



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- **Respondents:** Investor, Employees
- **Sampling Technique:** Random sampling.
- **Sampling Area:** Akola District
- **Sample Size:** 100 respondents.
- **Tools for Analysis:** MS Excel

3.3 Objectives of the Study:

1. To understand how investors use mutual funds for retirement planning.
2. To find out the gap between investor awareness and actual use of mutual funds for retirement.

3.4 Hypothesis:

H₀ (Null Hypothesis) :

There is no significant gap between investor awareness and the actual use of mutual funds for retirement planning.

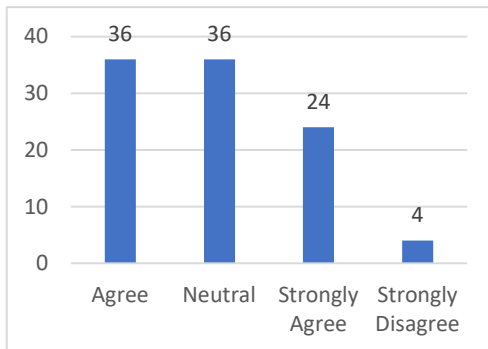
H₁ (Alternative Hypothesis):

There is a significant gap between investor awareness and the actual use of mutual funds for retirement planning.

IV. DATA ANALYSIS:

4.1 Statistical Analysis:

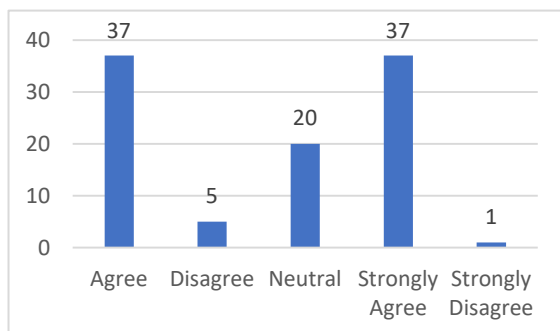
4.1.1 There is confidence in the ability to select the right Mutual Fund category for post-retirement needs.



Interpretation:

Most investors show moderate confidence in selecting mutual funds, but a high neutral response indicates uncertainty, highlighting the need for improved financial education and guidance in investment decision-making.

4.1.2 Mutual Fund investments can help investors to achieve financial independence after retirement.



Interpretation:

Most investors believe mutual funds can ensure financial independence after retirement, showing high confidence, though some remain uncertain, indicating a need for better clarity and awareness.



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4.2 Hypothesis Analysis:

Applied Method: Chi-Square test

	High Usage	Low Usage	Total
High Awareness	40	25	65
Low Awareness	10	25	35
Total	50	50	100

Expected Values Calculation

	High Usage	Low Usage
High Awareness	$(65 \times 50) / 100 = 32.5$	32.5
Low Awareness	$(35 \times 50) / 100 = 17.5$	17.5

Chi-Square Formula

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Cell	O	E	(O-E) ² /E
1	40	32.5	1.73
2	25	32.5	1.73
3	10	17.5	3.21
4	25	17.5	3.21

$$\chi^2 = 9.88$$

Decision Rule

- Degree of Freedom (df) = $(2-1)(2-1) = 1$
- Critical value at 5% level = **3.84**

Since **9.88 > 3.84**

Reject H₀ (Null Hypothesis) Accept H₁ (Alternative Hypothesis)

Interpretation:

The knowledge of investors about mutual funds and their practical application to retirement saving is very different. Despite knowing the theory behind mutual funds, people do not apply that knowledge to save for their old age.



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V. CONCLUSION

In conclusion, it can be said that although investors possess good knowledge regarding mutual funds and how beneficial they are in preparing for retirement, there remains a huge gap between the two. Investors may be aware of various things like SIP, SWP, and wealth generation, but when it comes to practical implementation, they tend to opt for pensions because of the safety factor associated with them. This study clearly shows that just knowing something is not enough to motivate people to invest. Various elements like fear of risks, lack of confidence, and inclination towards safety affect one's decision-making process.

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