

Full Length Research Paper

Why Apparel Industry Employees do not engage with a Retirement Saving Plan

AADP Bandara¹ and *HMDN Somathilake²

Department of Accountancy & Finance, Faculty of Management Studies, Rajarata University of Sri Lanka

E-mail: bandaraaadp@gmail.com¹, Tel.: 0711850577

*Corresponding Author's E-mail: dhanujanirmani@gmail.com², Tel.: 0715512155

Abstract

This study investigates factors influencing on engaging with a Retirement Saving Plan by Apparel Industry Employees. The dependent variable of this study was the engaging retirement saving plan and independent variables were financial literacy, planning ability and attitudes towards retirement. The general objective of this study was to investigate the relationship between the financial literacy, planning ability and attitudes towards retirement with engaging a retirement saving plan. As the sample, 100 garment employees were selected who was working in the area of Mawathagama divisional sector. Data was collected through a questionnaire and analyzed by using statistical package as Statistical Package of Social Sciences. Figures and tables were used to present analyzed data. The research indicated significant relationships in between apparel industry employees' planning ability, attitudes towards retirement with an engaging retirement saving plan. Moreover, financial literacy was not the effectible factor in the engaging retirement saving plan. Based on this results recommendation were given to the garment workers, garment owners, financial institutions and government policy makers.

Key words: Attitudes towards retirements, financial literacy, planning ability, retirement saving plan.

Introduction

Sri Lanka's apparel industry began to grow significantly in the 1980s as an alternative to India's garment manufacture because of its open economic policy as well as the trade and investment friendly environment. This industry is highly concentrated in large scale factories that consists large part of export earnings while providing job opportunities Sri Lankan apparels are exported to the large number of countries all over the world including the European Union and United States of America (Embaldeniya, 2015). Sri Lankans apparel export industry makes most significant and dynamic contribution towards the country's economy. The industry has demonstrated the tremendous growth over the past four decades and has today become the country's primary foreign exchange earner (Embaldeniya, 2015).

The Sri Lankan apparel industry provides a large number of job opportunities in the private sector. Among apparel industry workers large portion of contribution is provided by women employees. According to the central bank report (2010), Three hundred and fifty thousand (350000) women are employed in 850 apparel factories; it is 85% of the industry's work force. Most of the apparel

industry workers are lower income people .Their monthly income is very low compared to the others private sector employees. Most of the garment workers are not more educated people, their maximum education qualification limited to the passed grade 8 or passed Ordinary level examination (GCE O/L) or Advanced level examination (A/L). Apparel industry employees provide their maximum working capacity for achieving day to day targets according to the top level manager's requirements. According to the World Social Website They always procure their day to day consumption and social needs of their monthly salary. They only engage with provident funds .but under current Sri Lankan labour law, women can withdraw their full savings from statutory welfare funds when they marry or reach 50 years of age. They have not enough saving for their future wellbeing after their retirement.

Retirement is the period of a person's life during which he or she is no longer working or the commencement of that period. In most developed countries, the official age of retirement is 65 (Kirui et al., 2010). However Retirement savings plan is a plan for setting aside money to be spent after retirement. Access to an employer-based retirement plan is critical for building financial security later in life. The most

important implication of the retirement plan is that people should have accumulated enough wealth to secure their desired standard of living in retirement. But the study of (Shawsy and Ameriks, 2000) pointed out that individuals whose ages between 25 and 71 years will not have sufficient savings to support themselves in maintain their lifestyle after the retirement. The researcher further suggested that it will be difficult for future retirees to remain financial independent in late life. Retirement experts agree that Sri Lanka continue to face a financial retirement crisis among employees who are not prepared to retirement. Most of the private sector employees are worried about not having enough money for retirement and workers face an increasing risk of not having enough funds to maintain their lifestyle through retirement. In This study researcher investigate factors influencing on why apparel industry people do not engage with retirement saving plan.

Problem Statement

Most of the apparel industry people do not have any retirement saving plan for their wellbeing in the future. Therefore, employees face an increasing risk of not having adequate funds to maintain their lifestyle after retirement. In Sri Lanka only a very small percentage has access to regular and sustainable pension plan. But apparel industry people do not have any sustainable retirement saving plan. There are many researches which are emphasis relationship between demographic factors and retirement saving plan. But there are limited number of studies to investigate why apparel sector people do not engage with retirement saving plan, demographic factors such as financial literacy, planning ability, and attitude toward retirement saving plan.

Objectives of the Study

- 1) To investigate relationship between apparel industry people's financial literacy and engaging retirement saving plan.
- 2) To investigate the relationship between apparel industry people's attitude toward engaging retirement and retirement saving plan.
- 3) To investigate relationship between apparel industry people's planning ability and engaging retirement saving plan.

Research Questions

- 1) Is there a relationship between apparel industry people's financial literacy and engaging retirement saving plan?
- 2) Is there a relationship between apparel industry people's attitudes toward retirement engaging and retirement saving plan?
- 3) Is there a relationship between apparel industry people's planning ability and engaging retirement saving plan.

Literature Review

Financial Literacy

According to (Lusardi and Mitchell, 2006) financial literacy studies in many developed nations show that consumers are poorly informed about financial products and practices. This is problem, in that financial illiteracy may 'stunt peoples' ability to save and invest for retirement, undermining their well-being in old age. While more is being learned about the causes and consequences of financial illiteracy it is still the case that one must be cautious when concluding that financial education has a potent influence on retirement saving. Saving and could even be a disincentive to participate in a financial literacy crack. In accordance with Alessie et al (2011) there is a causal relationship of financial knowledge upon thinking about retirement. Their findings suggest that the formation of pension expectations might be an important mechanism contributing to the impact of financial literacy on planning. The empirical estimates convincingly show that financial literacy is an important determinant of retirement planning. For this purpose it is important to better understand the relationship between financial literacy and planning. According to this study they explore the relationship between financial literacy and retirement expectations as this might provide information on how financial literacy affects planning for retirement. In addition the Gonzalez, (2014) evaluates knowledge regarding financial and retirement planning in Puerto Rico. The results revealed that lack of knowledge in financial and retirement planning is influence to the retirement decision. These results reflect lack of financial knowledge and planning ability negatively influence for the retirement plan. Furthermore, Kalmi & Ruuskanen (2015) analyzed the relationship between pension planning and financial literacy. The statutory element in the pension system of Finland is pronounced, in this country private pension arrangements play a complementary role. In such an environment, the proportion of people who plan for their pensions can be expected to be lower than in countries in which individuals are more responsible for their pensions. However, according to their study a wider set of financial literacy questions showed a clear positive association between financial literacy and retirement planning. On the other hand, their study also have been founded that women are much less financially literate than men. in this study they emphasis the gender gap in financial literacy may also leave at least some women in a rather vulnerable position. According to the Agnew et al (2013) even though participation in the Australian retirement saving system, all workers have the opportunity to make decisions about important facets of their retirement savings plan. For the rest of the world, Australia presents an interesting natural experiment in whether making retirement investment compulsory motivates higher financial literacy. Besides to the Lusardi & Mitchell ,(2005) their module for the 2004 HRS first asks about people's basic financial literacy that is, whether they understand compound interest rates and the effects of inflation and concept of risk diversification.

Attitude toward Retirement

According to the turner, (1989) found that although most people express positive attitudes toward retirement, few are doing any concrete planning for their retirement years. The one factor that facilitates financial planning for retirement is higher income. This finding suggests that those most in need of planning are least likely to be involved in it because of limitations of current income. In accordance with Ansong, (2014) found that workers who have attended retirement planning programs engage more in retirement planning and had positive attitude towards retirement compare those who have never attended retirement planning programs. The results also indicate that among those who have attended retirement planning programs, males, older workers and high income workers engage more in retirement planning and had positive attitude towards retirement compare to females, younger workers and low income earners. Level of education, marital status and number of depended were not significant predictors of retirement planning an attitude toward retirement. Furthermore (Joo & Pauwels, 1999) found that working men compared to women; who were younger; had higher levels of education; higher levels of income; positive financial attitudes and behaviors; lower level of risk aversion; received employer financial education; and were savers had higher levels of retirement confidence. With an understanding of retirement confidence, planners and benefit providers can better serve their clients. Further (Joo & Pauwels, 1999) pointed that, financial attitudes and behaviors and risk tolerance were positive factors on women's retirement confidence. Women who had positive financial attitudes and behaviors and those who had lower levels of risk aversion tended to be more confident about their retirement compared to other women. Having savings was positively related women's retirement confidence.

Planning Ability

Even a cursory review of the financial investment literature reveals the import of planning activities when it comes to accruing an adequate an retirement nest e.g. research by Lusardi (1999) indicates that planning behaviors have a clear impact on personal saving practices. She found heads of household who had not engaged in planning activity had accumulated significantly less wealth than household in which the head done some planning. On the other hand Lusardi, (2003) stated that planning is shaped by the experience of other individuals learn to plan for retirement from older siblings.as well as unpleasant events, such as financial difficulties and health shocks at the end of life ,provide incentive towards planning .In addition planning affect wealth level as well as portfolio choice. Individuals who plan are more likely to hold large amount of wealth and to invest their wealth holdings in high return assets. In accordance with Stawski et al., (2007) investigate the extent to which retirement goal clarity and planning activities influence retirement saving tendency.in this study the model of financial planning proposed serves as a backdrop against which two competing models of retirement savings tendencies are tested. Both models

contain the same five constructs. This investigation pitted two competing models of retirement savings contribution against one another; in the sequential model retirement goal clarity was specified to predict planning activities. And planning activities predicted saving involvement. Likewise Lawson & Hershey, (2005) the goal of present study is to examine the effects of three psychological variables (future time perception, risk tolerance and financial planning) on retirement saving tendencies. Often it is the case that these variables are studied in isolation of one another or in combination with other variables such as age, gender and house hold income. This study is unique in that all three psychological variables where investigated simultaneously. Doing so allowed us to establish the relative influence of these three predictors .this findings indicate that future time perspective ,financial planning and financial risk tolerance are all important variables when it comes to understanding individual's retirement saving practices.

Retirement Saving Plan

In according to the (Wills & Ross,2002) proposed a model of the personal retirement savings decision based upon the involvement of individuals in the decision to save for their retirement . In this study Enhanced Personal Retirement Savings Behavior was the dependent variable and Perceived Ownership of Personal Retirement Savings, Awareness of the Need to Save for Retirement, Understanding of How to Save for Retirement was the independent variable. Furthermore (Clark et al., 2013) has presented an overview of the extant literature relating to retirement savings investment choices. This study used that prevalence of inertia, Competence, information processing and choice, the role of demographics in individual retirement decisions, other influence on member choices (income, wealth, internet and advice), and behavioral influence on investor retirement decisions were selected as the independent variables and retirement income system and choice were the dependent variables. From this review, it was justifiable that their knowledge of investor behavior and particularly their decisions regarding investment savings and changes in their retirement savings can be improved. As well as some key demographic factors (gender, age, balance, and income) associated with retirement savings behavior. Other factors such as financial literacy and internet access had also been found to explain investment activity. In addition (Clark et al.,2002) found that important implications for employers that offer pension plans, especially those with defined contribution plans also influencing on retirement savings behaviours of employees while this study had shown the importance of financial education to successful retirement planning, Greater efforts by employers can provide the resources needed to assist workers and those may enable them to achieve their retirement objectives. Besides (Knoll,2010) had discussed how behavioral and psychological issues, such as self-control, emotions, and choice architecture can help policymakers understand what factors, aside from purely economic ones, may affect individuals' savings behavior. This study emphasized the behavioral

economics and JDM concepts summarized herein can serve as powerful tools to encourage savings behavior and lead Americans toward more comfortable retirements. Based on above literature following hypothesis can be formulate,

H₁: There is a relationship between apparel industry people's financial literacy and engaging retirement savings plan.

H₂: There is a relationship between apparel industry people's attitudes toward retirement and engaging retirement savings plan.

H₃: There is a relationship between apparel industry people's planning ability and engaging retirement saving plan.

Research Methodology

Study Period & Data Coverage

As the population of this study, researcher selected garment workers in Mawathagama divisional sector in

Kurunegala district. According to the board of investment in Mawathagama there are 5550 workers in this investment zone. There are six garment factories such as Hela Pvt Ltd, Timex Pvt Ltd, unit 6, unit 7, unit 10, and Unicella Pvt Ltd. Among workers 90% are female workers and 10% are male workers in this investment zone. It is required collect data regarding apparel industry people's knowledge, capabilities, and attitudes about retirement saving for this research study. Therefore, 100 employees were selected out of 5550 garment workers working in Mawathagama investment zone based on simple random sampling technique.

Conceptual Framework

The conceptual framework constructed below is developed based on literature review and research problem. For this study researcher consider three independent variables such as financial literacy of retirement saving, attitudes towards retirement, and planning ability. The dependent variable is engaging retirement saving plan.

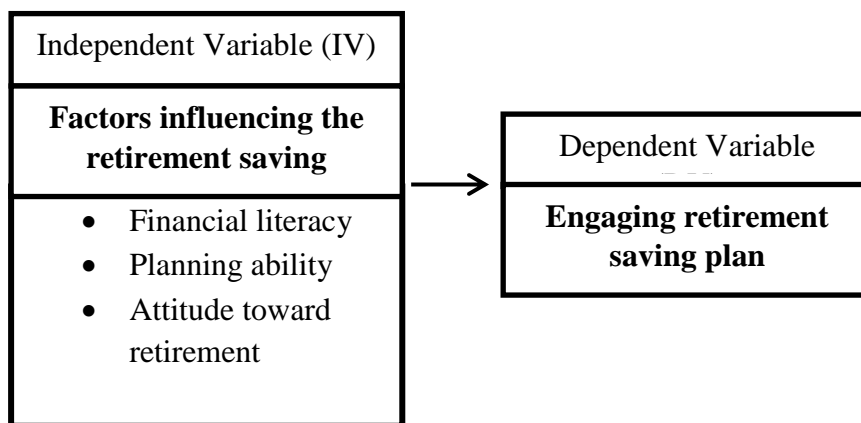


Figure 1: Conceptual Framework
Source: Developed by Researcher

Operationalization of Variables

Operationalization mainly consists of identifying the variables and the criteria for each variables and how each variable is measured. According to the table factors, affecting to the retirement saving decisions is the independent variable and engaging retirement saving plan is the dependent variable.

Method of Data Analysis and Presentation

The data collected through questionnaire were analyzed using Descriptive statistics, Correlation coefficient and multiple regression analysis. And also reliability test is made in accordance to the Cronbach's Alpha

Research Model

Regression analysis estimates the conditional expectation of the dependent variable given the independent variables.

The regression equation is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \dots \dots \dots [1]$$

- Y = Engaging retirement saving plan
- α = Constant term
- β = Beta coefficients
- X₁ = Financial literacy
- X₂ = Planning ability
- X₃ = Attitude toward retirement

Data Analysis & Discussion

Reliability Test

Table 1: Reliability Test

	No of Items	Cronbach's Alpha
Financial literacy	4	0.942
Planning ability	6	0.727
Attitude toward retirement	15	0.823
Engaging retirement saving plan	5	0.717

Source: Survey Data, 2016

Acceptable value of Cronbach's Alpha is 0.7. According to the table 2 all variables have acceptable Cronbach's Alpha in between 0.717-0.942. Financial literacy has 0.942 Alpha values and there are 4 numbers of items. Planning ability has 0.727 Cronbach's Alpha value and there are 6 items. Attitudes towards retirement have 0.823 Alpha values there are 15 items measure the positive and negative attitude. Final variable has 0.717

Cronbach's Alpha value there are 5 items measures by engaging retirement saving plan.

Descriptive Analysis

To provide a better understanding of the behavior of the variables researcher utilized descriptive analysis such as mean and standard deviation. Following table showed the results of the descriptive analysis.

Table 2: Descriptive Analysis for the Independent and Dependent Variable

Variable	Mean	Standard Deviation
Financial literacy	3.642	1.034
Planning ability	3.096	0.647
Attitude toward retirement	2.920	0.603
Engaging retirement saving plan	3.844	0.519

Source: Survey Data, 2016

According to the table 2, financial literacy has 3.6425 mean values, Planning ability has 3.0967 and Engaging retirement saving plan has 3.844 but Attitude toward retirement has 2.9200 mean values. According to the table garment workers have better knowledge about financial literacy, planning ability and Engaging retirement saving plan question compare to the questions about attitude towards retirement. And also

financial literacy has highest standard deviation. It is 1.03491. its mean financial literacy has high probability of changing positively or negatively from its mean. As well as engaging retirement saving plan has the low probability of changing positively or negatively from its mean.

Correlation Analysis

Table 3: Correlation Analysis

		Engaging Retirement saving plan	Financial literacy	Planning ability	Attitude toward retirement
Engaging Retirement saving plan	Pearson Correlation	1			
	Sig. (2-tailed)				
Financial literacy	Pearson Correlation	.600**	1		
	Sig. (2-tailed)	.000			
Planning ability	Pearson Correlation	.527**	.635**	1	
	Sig. (2-tailed)	.000	.000		
Attitude toward retirement	Pearson Correlation	-.600**	-.333**	.179	1
	Sig. (2-tailed)	.000	.001	.075	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Data, 2016

According to the table 3 all variable have less than 0.05 correlation value. There for all three independent variable such as financial literacy, planning ability and attitude towards retirement have significant relationship

with dependent variable. Financial literacy has 0.600 Pearson correlation value. This concludes that there is a positive association between financial literacy and Engaging retirement saving plan. And also P-Value

0.000 emphasized that financial literacy has significant relationship on the engaging retirement saving plan. Planning ability has 0.527 Pearson correlation value. This concludes that there is a positive association between planning ability and Engaging retirement saving plan. And also P-Value 0.000 emphasized that planning ability has significant relationship on the engaging retirement saving plan. Attitudes towards retirement

have - 0.600 Pearson correlation value. This concludes that there is negatively association between attitude towards retirement and Engaging retirement saving plan. And P-V value also 0.000 emphasized that attitudes towards retirement has significant relationship on the engaging retirement saving plan.

Multiple Regression Analysis

Table 4: Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.189	.182		23.055	.000
	Financial literacy	-.070	.038	-.140	-1.839	.069
	Planning ability	.607	.059	.755	10.361	.000
	Attitude toward retirement	-.674	.051	-.782	-13.098	.000
R Square		.783				
F Value		115.566				
Sig		.000 ^b				

a. Dependent Variable: Retirement saving plan
 b. Predictors: (Constant), Attitude toward retirement, Planning ability, financial literacy
 Source: Survey Data, 2016

According table 4, R Square is 0.783. It shows what extent change independent variables affect the dependent variable. According to the data analysis it is 78.3%. Its mean changing of dependent variable have 78.3% based on their independent variable.it is most favorable situation. Balance part of the R Square represent other unknown variable for influence the change of dependent variable. When analysis of variance F value should be more than 2 and it should be significant. According to the table 4, F value is more than 2 and it is 115.566 and also it is significant. Therefor the model which researcher use is more significant and acceptable model.

The regression equation is:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 \dots\dots\dots[2]$$

$$Y = 4.189 + (-0.070X_1) + 0.607X_2 + (-0.674X_3) \dots\dots\dots[3]$$

- Y = Engaging retirement saving plan
- A = Constant term
- β = Beta coefficients
- X₁= Financial literacy
- X₂=Planning ability
- X₃=Attitude toward retirement

Hypothesis Testing

H₁ = There is a relationship between apparel industry employee’s financial literacy and engaging retirement saving plan. According to the data analysis financial literacy has 0.069 P Value. Acceptable P Value is less than 0.05.But this value is more than that .It shows this Hypothesis is rejected.it is emphasized that there is a no relationship between financial literacy and engaging retirement saving plan.

H₂ = There is a relationship between apparel industry employee’s attitude towards retirement and engaging retirement saving plan. According to data analysis attitude towards retirement has 0.000 P Value. Acceptable P Value is less than 0.05.Therefor this hypothesis is acceptable.it is emphasized that there is a relationship between Attitude toward retirement saving plan and engaging retirement saving plan.

H₃ = There is a relationship between apparel industry employee’s planning ability and engaging retirement saving plan. According to the data analysis planning ability has 0.000 P value. Acceptable P Value is less than 0.05 .Therefor this hypothesis is accepted. It is emphasized that there is a relationship between planning ability and attitude toward retirement.

Conclusion and Recommendation

Most of the apparel industry people do not have any retirement saving plan for their future. In this research, the main purpose was to understand why apparel industry people do not engage with retirement saving plan and factors influence the apparel industry people retirement saving decision. This research examines 100 garment workers in Mawathagama divisional sector including 6 garment factories. According to the reliability test all variable have 0.7 Cronbach's Alpha value. It is showed that reliability of the entire measuring instrument is high. According to the multiple regression analysis R Square value is 0.783. It shows changing of engaging retirement saving plan 78.3% dependent on financial literacy, attitude towards retirement and planning ability. Findings support that planning ability, attitude toward retirement are the important factors that influence the engaging retirement saving plan. But financial literacy is not a reasonable factor on the engaging retirement saving plan. According to the literature review most of the researchers agree with these results other than the relationship of financial literacy. Because based on literature review researcher shows the significant relationship between financial literacy and engaging retirement saving plan.

There are some kinds of limitations available in this research. This research has being considered only three variables such as financial literacy, Planning ability and Attitude towards retirement. But future researchers can get beyond from these variables. Researchers can consider on different factors relating to the retirement saving decision. In this research, only the garment workers were selected as the sample. But future researchers can consider other private sector employees without having proper retirement plan. Future researchers can do researches regarding engaging retirement saving plan for workers who are not in government and private sector such as Farmers, carpenters, Labours, etc. In this research, the researcher has considered only Mawathagama divisional sector as the research area. Future researchers can select another place for their research in the country.

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