

**A STUDY ON FINANCIAL LITERACY AND ITS IMPACT ON RETIREMENT  
READINESS OF WORKING POPULATION IN MUMBAI**

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**Abstract**

Financial literacy can be defined as the ability of a person to understand financial information and make rational financial decisions. The importance of financial literacy in enabling an individual to manage his funds wisely cannot be stressed enough. Also, in the absence of a formal social security system in India, it becomes imperative that an individual plans for his retirement during his working life. The present study was undertaken to assess the level of financial literacy of the working population and to study the impact, if any, of financial literacy on their retirement readiness. An analysis of primary data collected from 132 respondents showed that a majority of them had high level of financial literacy, whereas less than half of them were financially ready for retirement. A comparison of financial literacy across various demographic factors showed that financial literacy differed according to age, gender and annual family income, but not according to educational qualification, marital status and occupation. Also, no significant association was found between the level of financial literacy and retirement readiness.

**Key words:** *Financial literacy, retirement readiness, working population, financial awareness, financial behaviour*

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**Introduction**

The importance of financial literacy in the world today cannot be stressed enough. An individual is responsible for making many financial decisions in his/her life such as where to invest funds, how to save for the future, how to provide for children's education, etc. A financially literate person will be able to process the financial information available to him quicker and make informed educated decisions about wealth management. One of the most important financial decisions to be taken pertains to retirement planning. With increase in life expectancy and better health facilities, the percentage of older population in India is increasing, whereas the Government is finding it difficult to provide for them during their old age. In the absence of a formal social security system in India, it becomes imperative that an individual plans for his retirement during his working life. This raises a few questions- are financially literate people more financially ready for their retirement than financially illiterate people? Does the level of financial literacy impact their retirement readiness? The present study aims at assessing the level of financial literacy of the working population as well as answering the above questions on its impact on retirement readiness.