Chapter 1 – Introduction

1.1 Background and Motivation of the Research

Retirement is a pivotal stage in life, marking the transition from active employment to a period of financial dependence on savings, investments, or pensions. How individuals prepare for this phase can differ significantly based on various factors. In India, this issue has gained increasing importance due to rapid economic growth and shifting demographics, making it essential to understand retirement financial behaviour. One of the key changes in India's retirement system is the transition from defined benefit plans to defined contribution plans. Under defined benefit plans, retirees were guaranteed a fixed income, usually based on their salary and years of service. In contrast, defined contribution plans place more responsibility on individuals to manage their retirement by contributing a portion of their income into retirement funds and making critical decisions about how to save and invest (Lusardi and Mitchell, 2006). This shift means that individuals must actively engage in retirement planning to ensure their financial security. To put this into context, the Max Life Insurance India Retirement Index Study 3.0 (July-August 2023) reveals that two out of five Indians have yet to begin planning for retirement (Mehta ,2023). Moreover, the absence of a robust social security system in India further highlights the importance of personal retirement planning. Unlike countries with strong government-backed pensions, Indian citizens cannot fully rely on the government for post-retirement income. This gap in social security makes individual financial planning even more critical to ensure sufficient savings for old age.

Globally, research has primarily focused on understanding why so many individuals are underprepared for retirement, and much of the literature highlights the role of demographic factors, such as age, income, gender, and marital status. Studies indicate that these demographic factors significantly influence retirement financial behaviour. For example, younger people tend to delay saving, believing they have more time to prepare for retirement, while individuals with higher incomes are more likely to save for retirement than those with lower incomes (Glass and Kilpatrick, 1998, Grable, 2000, Joo and Pauwels, 2002, Hershey, 2004, Adams and Rau, 2011, Moorthy et. al., 2012 etc). While demographic factors are important, non-cognitive or psychological factors have received less attention in related literature, despite their significant role in shaping financial behaviour. Psychological elements, such as future time perspective, financial risk tolerance, and retirement goal clarity, can influence how individuals perceive and approach retirement planning (Hershey, 2004). The influence of these factors on retirement financial behaviour, indicate that people's mindsets and attitudes can directly affect their planning and savings decisions. However, psychological factors are not the only consideration that shape retirement financial behaviour. With the shift toward individual responsibility for managing retirement finances, financial literacy has become essential for making informed decisions. Financial markets have evolved rapidly, with increasingly complex financial products and options, making it crucial for individuals to understand these products and their implications. As a result, the study of financial literacy has become even more important. Financial literacy refers to an individual's ability to understand and apply financial knowledge in making informed decisions regarding saving, investing, and managing money (Lusardi and Mitchell, 2007). Atkinson and Messy (2011) defined financial literacy as a comprehensive metric that evaluates financial knowledge, behaviour, and attitudes. Previous research has explored the cognitive effects of financial literacy on retirement planning (Hauff et al., 2020; Lusardi and Mitchell, 2007). Yet, there is a notable gap in understanding how financial literacy interacts with psychological factors to shape retirement financial behaviour (Tomar et. al., 2021). This gap underscores the need for a more integrated study of both psychological elements (non-cognitive) and financial literacy (cognitive) in influencing retirement financial behaviour.

In India's diverse socio-economic landscape, these factors are especially relevant in regions like the Bodoland Territorial Region (BTR), where the population includes a significant proportion of scheduled tribes facing socio-economic challenges. In the Indian context, there is a notable scarcity of research on retirement financial behaviour, particularly among tribal and marginalized communities. While retirement planning and financial literacy are extensively studied in developed countries, limited studies address the unique socio-cultural and economic factors affecting retirement behaviour in India (Ingale and Paluri ,2023 and Tomar et. al, 2021). This gap is especially pronounced among indigenous (scheduled tribe) population where traditional economic systems, limited access to formal financial services, and distinctive cultural values create unique perspectives and challenges around retirement preparedness. The lack of empirical research in this area limits our understanding of the psychological and financial literacy factors that shape retirement financial behaviour among India's diverse populations. For policymakers and financial educators, this presents a critical challenge, as insights drawn from other countries may not account for the specific needs, social dynamics, and economic barriers faced by tribal communities in India. Consequently, there is a pressing need for studies that examine retirement financial behaviour within the Indian tribal context, enabling the development of culturally relevant financial literacy programs and policies. Addressing this research gap can provide a foundation for informed strategies that promote financial security and empowerment across India's socio-economically disadvantaged regions.

Tribal communities in BTR, as in other parts of India, often experience economic backwardness, lower literacy rates, and limited access to financial services (Dutta and Sarkar, 2019; Singh and Singh, 2023). Research has shown that even when tribal populations are included in financial systems, their saving and investment behaviour remains low. For example, Sadhu (2022) highlights that while tribal communities may participate in banking, they often lack the financial knowledge or tools to maximize their financial resources. Similarly, Nayak (2013) found that rural households in Odisha, which share similarities with those in BTR, exhibit limited awareness of saving benefits, largely due to low levels of education. Given these socio-economic barriers, it is critical to study both psychological and demographic factors within the context of BTR to understand the unique challenges faced by tribal communities in planning for retirement. At the same time, understanding the role of financial literacy is becoming increasingly important, especially as individuals navigate more complex financial products (Hauff et al., 2020; Lusardi and Mitchell, 2007).

This research seeks to address gaps in the current literature by investigating the influence of psychological factors, financial literacy, and demographic variables on retirement financial behaviour in BTR. To provide a comprehensive understanding of these influences, this study integrates two key theoretical frameworks: *Ajzen's Theory of Planned Behaviour (TPB) (Ajzen, 1991) and Mowen's 3M Theory of Motivation (Mowen, 2000).* According to the TPB, an individual's intention to engage in specific actions—such as planning and saving for retirement—is influenced by three core factors: (1) Attitude towards the behaviour, which reflects how individuals perceive the importance of future financial preparedness, including elements such as future orientation, retirement goal clarity, and risk tolerance. People who view retirement planning as important and have clear financial goals are more likely to engage in saving practices. (2) Subjective norms, or the perceived social pressures from family, peers, and society, which can either encourage or discourage retirement planning. For instance, in communities where financial independence in old age is valued, individuals may feel more compelled to save. (3) Perceived behavioral control, which refers to an individual's belief in their ability to manage their financial situation. Financial literacy plays a crucial role here, as those who are more knowledgeable about financial products and retirement planning are likely to feel more confident in their ability to save effectively. Together, these factors shape the individual's intention to plan and save for retirement, emphasizing the importance of psychological and social elements in financial decision-making. The 3M Theory of Motivation complements this by providing a hierarchical structure that links personality traits to behaviour. The theory suggests that individual behaviour, such as retirement planning, is influenced by a progression of traits: elemental traits, which include basic personality characteristics like conscientiousness and openness; compound traits, such as future time perspective, which determine how far into the future an individual is likely to plan; situational traits, such as financial risk tolerance, which reflect how individuals respond to specific financial decisions and risks in their environment; and surface traits, which are more immediate and context-driven, like the clarity of one's retirement goals. These traits interact to shape behaviour, offering a deeper understanding of the motivations behind financial decision-making in retirement planning. By integrating the TPB and Mowen's 3M Theory, this study aims to provide a holistic framework for understanding the psychological, cognitive (financial literacy) and demographic drivers of retirement financial behaviour in the BTR.

The retirement financial behaviour construct was operationalized by adapting items from two established scales: the Retirement Planning Behaviour (RPB) scale by Moorthy et al. (2012) and the Retirement Savings Behaviour (RSB) scale by Jacobs-Lawson and Hershey (2005). This construct comprehensively assesses proactive behaviour in retirement planning and saving, capturing an individual's preparedness for retirement. The RPB component focuses on attitudes and concerns regarding retirement readiness, while the RSB component examines actual saving practices, including contributions to retirement savings and comparisons with peers. An exploratory factor analysis (EFA) refined the scale to an 8-item measure, providing a robust tool named "Retirement Financial Behaviour" to analyze how individuals anticipate and prepare for their financial future in retirement.

Partial Least Squares Structural Equation Modelling (PLS-SEM) is an increasingly popular analytical approach for examining complex models, particularly within exploratory research settings. This methodology has been widely endorsed in empirical studies across diverse domains, including financial behaviour, consumer psychology, and social sciences, due to its robustness in handling complex relationships and flexibility in measurement requirements. Studies by Nosi et al. (2014) and Ramalho et al. (2018) have demonstrated the effectiveness of PLS-SEM in analyzing latent constructs and in examining indirect relationships within predictive frameworks. In the context of this study on retirement financial behaviour in the BTR, PLS-SEM is particularly suitable due to its capacity to explore nuanced interdependencies among psychological, financial literacy and demographic factors that influence retirement financial behaviour. A critical advantage of PLS-SEM, as highlighted by Ramalho et. al., (2019) and Bapat (2020), lies in its capacity to model complex constructs and handle both formative and reflective indicators. This flexibility is essential for understanding retirement financial behaviour, a multi-dimensional concept influenced by variables like financial literacy, psychological traits, and demographic segments, which require a sophisticated approach to modelling. Unlike covariance-based SEM (CB-SEM), PLS-SEM does not rely on distributional assumptions and is more adaptable with smaller sample sizes—a significant advantage in regions like BTR, where data collection is often challenging. According to Hentzen et al. (2022), PLS-SEM's predictive orientation makes it particularly well-suited for applied research, where the objective is to forecast or understand behaviour rather than strictly confirm theoretical models. Moreover, PLS-SEM enables multigroup analysis which is highly beneficial for identifying behavioural variations across different demographic groups. Studies by Ramalho and Forte (2019) and Tomar et al. (2021) underscore the utility of multigroup analysis in providing granular insights into subgroup-specific differences, which is critical for developing targeted policy recommendations. The use of PLS-SEM is justified by its methodological strengths and alignment with research goals that require analyzing complex, predictive relationships. It also aligns with contemporary research practices that emphasize the need for predictive accuracy in socio-economic studies, as discussed in the literature. By leveraging PLS-SEM, this study not only addresses the unique challenges of modelling retirement financial behaviour in BTR but also contributes to the broader literature on financial behaviour analysis, offering a methodological blueprint that can inform similar research in other culturally specific contexts.

The findings of this research are particularly valuable for policymakers, offering guidance on crafting strategies to enhance retirement planning and savings and financial security in underserved areas like BTR. By understanding how psychological factors interact with financial literacy, policymakers can design more effective, culturally relevant programs. These strategies can empower individuals in socio-economically disadvantaged communities to make informed retirement decisions, reducing future financial vulnerability and promoting long-term security. Ultimately, this research underscores the importance of a comprehensive approach to financial education—one that is sensitive to the unique needs and challenges of tribal populations. This culturally attuned approach not only lays the groundwork for more inclusive and effective policy interventions but also contributes to closing the research gap in indigenous financial behaviour, thus fostering a more equitable framework for financial preparedness in India.

1.2 Problem Statement

Retirement financial behaviour is a critical aspect of personal financial management, significantly influencing the quality of life in post-retirement years. However, in the BTR, the socio-economic and cultural context presents unique challenges, such as limited financial literacy resources, varying psychological influences, and traditional financial planning practices that may not prioritize retirement readiness. Despite these challenges, little is known about the factors shaping retirement financial behaviour among working individuals in this region.

Demographic variables such as age, income, education, and family structure may significantly influence retirement financial behaviour, yet their specific impacts within the BTR remain underexplored. Similarly, psychological factors—representing non-cognitive influences—may play a pivotal role in shaping financial behaviour. Furthermore, financial literacy, a cognitive factor, is recognized as a crucial determinant of financial behaviour. However, its interaction with psychological influences in shaping retirement financial behaviour within the unique socio-cultural dynamics of the BTR, particularly among the scheduled tribe communities, has not been adequately examined.

Addressing these gaps is vital for understanding the interplay between demographic, psychological, and cognitive factors in shaping retirement financial behaviour in the BTR. This study seeks to provide insights that can inform tailored interventions to enhance retirement preparedness among working individuals, particularly those from scheduled tribe communities, thereby contributing to the region's socio-economic development.

1.3 Research Objectives

The research is driven by the following objectives:

a. Objective 1: To examine the impact of demographic factors on the retirement financial behaviour of working individuals in Bodoland Territorial Region.

This objective aims to assess how demographic factors impact retirement financial behaviour among working individuals in the BTR, providing insights into the role of age, gender, income, education, and family structure etc. in shaping retirement financial behaviour within this unique socio-cultural context.

b. Objective 2: To examine the impact of psychological factors on the retirement financial behaviour of working individuals in Bodoland Territorial Region.

The aim of this objective is to explore how psychological (non-cognitive) factors influence the retirement financial behaviour of working individuals in the BTR. The study also aims to understand how these psychological factors operate within the socio-economic and cultural context of the BTR.

c. *Objective 3: To examine the influence of financial literacy (cognitive factor) on the retirement financial behaviour of working individuals in Bodoland Territorial Region.*

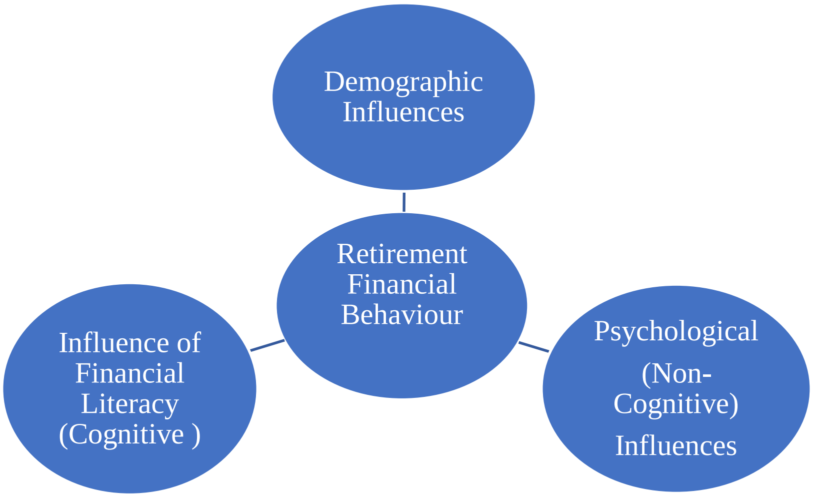
This objective aims to examine the influence of financial literacy (cognitive factor) in the retirement financial behaviour of working individuals in the BTR. The objective also includes exploring how financial literacy interacts with psychological influences, to shape retirement financial behaviour.

d. Objective 4: To examine the moderating role of financial literacy on the relationship between psychological factors and retirement financial behaviour among the Scheduled Tribe working individuals in Bodoland Territorial Region

This objective aims to explore how financial literacy interacts with psychological factors to shape retirement financial behaviour among the scheduled tribe working individuals in the BTR. By examining this interaction, the study aims to understand how financial literacy and psychological constructs jointly impact retirement preparedness in this community.

The research objectives are further illustrated in Figure 1.

Figure 1.1 Research Framework



Source: Researcher's Interpretation

1.4 Research Questions

To address the aforesaid objectives of the research, relevant research questions are developed as shown in Table 1.1.

Table 1.1 Research Questions and Research Strategies

Research Objective	**Research Question (RQ)**
To examine the impact of demographic factors on the retirement financial behaviour of working individuals in BTR	**RQ 1:** Does the retirement financial behaviour of working individuals in BTR differ according to demographic factors?
To examine the impact of psychological factors on the retirement financial behaviour of working individuals in BTR.	**RQ 2:** Does psychological factors influence retirement financial behaviour among working individuals in BTR?
To examine the influence of financial literacy (cognitive factor) on the retirement financial behaviour of	**RQ 3:** Does financial literacy moderates the relationship between psychological constructs and retirement financial behaviour among working individuals in BTR?

working individuals in Bodoland Territorial Region.	
To examine the moderating role of financial literacy on the relationship between psychological factors and retirement financial behaviour among the scheduled tribe working individuals in BTR.	**RQ 4:** Does financial literacy moderates the relationship between psychological constructs and retirement financial behaviour among the scheduled tribe working individuals in BTR?

1.5 Chapterization

As spelled out in Table 1.1, this study aims to explore various factors influencing the retirement financial behaviour of working individuals in the BTR. Each objective corresponds to specific research questions that guide the inquiry throughout the thesis. In this section, we will provide an overview of the subsequent chapters and highlight the contributions of each chapter toward achieving the research objectives.

Chapter 2 provides a comprehensive review of existing literature related to the factors that influence retirement financial behaviour, with a specific focus on demographic, psychological, and financial literacy aspects. The chapter aims to situate the research within the broader context of retirement behaviour studies by examining key theories, findings, and gaps in the literature. The chapter begins by exploring the foundational theories and models that have shaped the understanding of retirement financial behaviour. These models provide the theoretical background necessary for the research. The chapter further delves into the empirical studies that have investigated the role of demographic variables such as age, gender, income, education, and marital status in shaping retirement financial behaviour. Additionally, the literature on the influence of psychological factors is discussed in detail, offering insights into how these factors affect retirement financial behaviour. The chapter also reviews studies on financial literacy and its critical role in retirement financial behaviour. Importantly, the chapter identifies gaps in the literature, particularly in diverse cultural and economic contexts like the BTR.

Chapter 3 provides an in-depth discussion of the data and methodology employed in this study. This chapter serves as a critical section as it outlines how the research was conducted, detailing the source of data, the design of the study, and the analytical techniques used to examine the data. It specifies the population under study and provides details about the sample size and sampling techniques used to ensure representativeness. It also discusses the demographic and socio-economic characteristics of the sample, such as age, income, education, occupation, etc. which are crucial for understanding the context of the research. Next, the chapter outlines the methodology used to analyse the data. This includes a detailed explanation of the analytical techniques employed, with a particular focus on the choice of PLS-SEM. Finally, the methodology section describes the application of multigroup analysis within the PLS-SEM framework. This approach allows for the comparison of model structures across different subgroups. The chapter explains how multigroup analysis helps to uncover differences in retirement financial behaviour among these subgroups, ensuring that the findings are relevant and specific to the unique needs of each group within the BTR population.

Chapter 4 of the thesis provides an in-depth exploration of demographic variables and their effects on retirement financial behaviour. The chapter addresses RQ 1: Does the retirement financial behaviour of working individuals in BTR differ according to demographic factors? In this chapter, we analyse various demographic characteristics, and how they play a crucial role in shaping individuals' retirement financial behaviour. By establishing the links between demographic variables and retirement financial behaviour, this chapter underscores the significance of our research in the broader context of retirement behaviour studies, particularly in culturally and economically diverse areas like the BTR. The BTR presents unique socio-economic challenges and cultural contexts that may influence retirement financial behaviour differently compared to other regions. This focus not only enriches our understanding of retirement financial behaviour in the BTR but also aids policymakers and financial educators in developing targeted strategies to enhance retirement preparedness among working individuals in this region.

Chapter 5 delves into the psychological factors that shape retirement financial behaviour among working individuals in the BTR. This chapter aims to address the critical research question RQ 2: Does psychological factors influence retirement financial behaviour among working individuals in BTR? The chapter concludes by highlighting how understanding these psychological influences is crucial for developing targeted programs and interventions that can help individuals in the BTR make better financial decisions for their retirement.

Chapter 6 examines the critical role that financial literacy plays in influencing the retirement financial behaviour of working individuals in the BTR. This chapter addresses RQ 3: Does financial literacy moderates the relationship between psychological constructs and retirement financial behaviour among working individuals in BTR? The chapter begins by exploring the concept of financial literacy. This chapter discusses the interaction between financial literacy and other psychological characteristics. By understanding how financial literacy influences retirement financial behaviour, this chapter provides insights into the broader impact of financial education on improving retirement outcomes for working individuals in the BTR. It underscores the need for region-specific interventions and policy measures to enhance financial literacy and, consequently, the overall retirement preparedness of the population.

Chapter 7 delves into the role of financial literacy as a moderator in the relationship between various psychological constructs and the retirement financial behaviour of scheduled tribe working individuals in the BTR. The focus of this chapter is to explore how an individual’s understanding of financial concepts can influence or change the impact of psychological factors on retirement financial behaviour in the scheduled tribe population. The chapter's findings have broader implications for both future research and practical interventions aimed at improving financial preparedness among the scheduled tribe population.

Chapter 8 brings together the key findings from the previous chapters, providing a comprehensive analysis of the interactions between demographic, psychological, and financial literacy factors in shaping retirement financial behaviour. This synthesis offers a deeper understanding of how these variables collectively influence retirement preparedness among working individuals in the BTR. The chapter begins by summarizing the insights gathered from each chapter. The evidence emphasizing the significant role those demographic variables play in retirement financial behaviour. Additionally, the psychological factors explored in earlier chapter, are revisited to highlight their influence on retirement decisions. Furthermore, the pivotal role of financial literacy is underscored. This chapter also evaluates the practical implications of these findings for policymakers and practitioners in the BTR. The chapter concludes by outlining the broader contributions of the study to the field of retirement financial behaviour research. It not only fills gaps in the existing literature but also provides a framework for future studies on the subject, especially in economically and culturally diverse regions like the BTR. The findings from this research can inform both local and national policies aimed at improving financial security for aging populations.