

Impact of financial literacy on retirement planning of the private sector employees in Anuradhapura district

W.M.T.S.K. Weerakoon and P.D.N.K. Palihena

*Department of Accountancy and Finance, Faculty of Management Studies,
Rajarata University of Sri Lanka, Mihintale Corresponding author:
saubhagya@gmail.com*

Abstract

Financial literacy has become increasingly important to manage personal finances with sufficient knowledge, skills, and confidence by individuals before their retirement. But lack of financial literacy is the one reason that individuals do not engage in retirement planning. The present study, therefore, sought to investigate the impact of financial literacy on retirement planning of the private sector employees in Anuradhapura district. According to the literature, the researcher identified knowledge of financial instruments (KFI), knowledge of financial concepts (KFC) and computation capability of retirement requirements (CRR) as independent variables under financial literacy and retirement planning (RPL) as the dependent variable. Descriptive and inferential statistics were used in the analysis of collected data in the study and data were collected from 150 private sector employees by using stratified random sampling technique method and 14,442 private sector employees in Anuradhapura district were considered as the population of the study. In the study, primary data were collected through the self-administrated five-point Likert type questionnaires and data were analyzed via Statistical Package for Social Sciences (SPSS). Findings of the study indicated that knowledge of financial instruments and computation capability of retirement requirements significantly contribute to retirement planning while knowledge of financial concepts has no impact towards the retirement planning. Ultimately, the results of the study concluded that financial literacy significantly impacts on retirement planning.

Keywords: *Computation capability of retirement requirements, financial literacy, knowledge of financial concepts, knowledge of financial instruments, retirement planning.*