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Financial Literacy and Retirement Planning Behaviour of Salaried Employees in Bhopal: A Mediating Role of Risk Attitude

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ABSTRACT

Objective: This study investigates the relationship between financial literacy and retirement planning behaviour among salaried employees in Bhopal, Madhya Pradesh, with a specific focus on the mediating role of risk attitude. In an era of declining traditional pension systems, understanding the behavioral determinants of retirement preparedness is critical.

Methodology: A cross-sectional survey was conducted with 150 salaried employees in Bhopal. Data were collected using a structured questionnaire measuring financial literacy, risk attitude, and retirement planning behaviour. Mediation analysis was performed using PROCESS macro (Model 4) with bootstrapping at a 95% confidence interval.

Findings: The results indicate a significant positive relationship between financial literacy and retirement planning behaviour. Risk attitude was found to partially mediate this relationship, suggesting that financially literate individuals tend to adopt more calculated risk attitudes, which in turn enhances their engagement in retirement planning. The total effect of financial literacy on retirement planning was significant ($\beta = 0.52$, $p < 0.001$), with an indirect effect through risk attitude ($\beta = 0.18$, 95% CI [0.09, 0.28]).

Conclusion: The findings underscore the importance of integrating financial literacy programs with risk management education to improve retirement preparedness among salaried employees in Bhopal. Policy implications are discussed for employers, financial institutions, and government agencies.

Keywords: Financial Literacy, Retirement Planning, Risk Attitude, Salaried Employees, Mediation Bhopal

1. INTRODUCTION

Retirement planning has emerged as one of the most pressing financial challenges confronting salaried employees in contemporary India. The gradual erosion of the traditional joint family support system, increasing life expectancy, rising healthcare costs, and the shift from defined-benefit to defined-contribution pension schemes have collectively transferred the burden of retirement security from employers and the state to individuals themselves [1]. In cities like Bhopal, the capital of Madhya Pradesh, where a substantial proportion of the workforce is

employed in government and private sector salaried positions, the need for systematic retirement planning is particularly acute.

Despite the growing importance of retirement preparedness, empirical evidence suggests a significant gap between retirement expectations and actual financial readiness among Indian workers. A survey by Grant Thornton Bharat revealed that nearly half of all private-sector employees in India do not have a defined retirement plan, while simultaneously expecting a monthly pension exceeding ₹1,00,000 [2]. This disconnect underscores a fundamental problem: many salaried individuals lack the financial knowledge and behavioral disposition necessary to translate their retirement aspirations into concrete planning actions.

Financial literacy—defined as the combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions—has been consistently identified as a key predictor of retirement planning behaviour [3]. However, the pathway through which financial literacy influences retirement planning is not merely direct; it operates through several mediating mechanisms, one of the most important being risk attitude [4]. Risk attitude, which reflects an individual's willingness to accept uncertainty in financial outcomes, shapes how financial knowledge is applied in long-term planning contexts.

The present study aims to address a notable gap in the literature: while prior research has examined the direct relationship between financial literacy and retirement planning in India [5], limited attention has been devoted to understanding the mediating role of risk attitude among salaried employees in Tier-2 cities such as Bhopal. This study therefore seeks to answer the following research questions:

1. What is the level of financial literacy among salaried employees in Bhopal?
2. What is the relationship between financial literacy and retirement planning behaviour?
3. Does risk attitude mediate the relationship between financial literacy and retirement planning behaviour?

By addressing these questions, the study contributes to both theoretical understanding and practical policy formulation aimed at enhancing retirement security in India.

2. LITERATURE REVIEW

2.1 Theoretical Framework

This study is anchored in two complementary theoretical frameworks: the **Theory of Planned Behaviour (TPB)** proposed by Ajzen [6], and the **Behavioural Life-Cycle Hypothesis** advanced by Shefrin and Thaler [7].

The Theory of Planned Behaviour posits that an individual's intention to perform a specific behaviour is determined by three factors: attitude toward the behaviour, subjective norms, and perceived behavioural control. In the context of retirement planning, financial literacy enhances perceived behavioural control by equipping individuals with the knowledge and confidence needed to navigate complex financial decisions [8]. Risk attitude, meanwhile, influences the

attitudinal component: individuals with higher risk tolerance may perceive retirement investments such as equity-linked schemes as more attractive, thereby fostering stronger intentions to plan [9].

The Behavioural Life-Cycle Hypothesis extends the conventional life-cycle model by incorporating psychological factors such as self-control, mental accounting, and framing effects. According to this framework, individuals do not always behave as rational utility maximizers; rather, they exhibit systematic biases that affect savings and consumption decisions over the life course [7]. Financial literacy can mitigate some of these biases, while risk attitude moderates how individuals frame long-term financial goals relative to short-term consumption desires [10].

2.2 Financial Literacy and Retirement Planning

Financial literacy has been extensively studied as a determinant of retirement planning behaviour across diverse cultural and economic contexts. Lusardi and Mitchell [11] demonstrated that individuals with higher financial literacy are significantly more likely to plan for retirement, a finding that has been replicated in multiple countries. In the Indian context, studies have shown that financial literacy positively influences investment decisions and retirement preparedness among salaried employees [5,12].

Arjun and Subramanian [13] conducted a systematic literature review on the conceptualization and measurement of financial literacy in India, finding that most Indian studies focus on the knowledge dimension of financial literacy while neglecting the behavioural and attitudinal components. Their review highlighted the need for more comprehensive measures that capture the application of financial knowledge in real-world decision-making.

A study by Yadav, Banerji, and Garg [14] examined digital financial literacy and retirement planning among salaried individuals in India, finding that saving behaviour partially mediates the relationship between digital financial literacy and retirement planning. This finding aligns with research from other developing economies, such as Ghana, where financial literacy has been found to be a significant predictor of retirement planning and pension management [15].

2.3 Risk Attitude as a Mediating Variable

Risk attitude occupies a central position in the behavioural finance literature as a key determinant of investment and savings decisions. Weber, Blais, and Betz [16] developed the Domain-Specific Risk-Taking (DOSPERT) scale, demonstrating that risk attitudes vary across different domains, including financial decision-making. In the retirement planning context, risk attitude influences both the choice of investment vehicles and the propensity to engage in long-term financial planning.

Research by Nguyen et al. [4] found that risk tolerance and risk perception serve as important mediators that transfer the effects of subjective financial literacy onto retirement saving intentions and behaviours. Their study revealed that individuals with higher subjective

financial literacy sometimes exhibit overconfidence, leading to reduced risk perception and subsequently lower retirement saving intentions—a counterintuitive finding that underscores the complexity of the relationship.

Conversely, a study using Chinese household finance data [17] found that financial literacy has a significant positive impact on retirement planning, with risk attitude playing a moderating role. Specifically, the stronger the risk aversion, the higher the probability of individuals making retirement plans. This finding suggests that the direction and magnitude of the mediating effect may depend on the specific cultural and economic context.

Harahap et al. [18] examined the impact of financial literacy on retirement planning among medium entrepreneurs in Indonesia, finding that financial risk tolerance and saving behaviour serially mediate the relationship. Their study confirmed that financial risk tolerance bridges a positive relationship between financial literacy and retirement planning.

In the Indian context, Reddy [19] found that demographic characteristics and personal financial knowledge significantly influence risk tolerance levels among working adults, with higher financial knowledge associated with greater willingness to take informed risks. Saurabh and Nandan [20] demonstrated that financial risk attitude and financial behaviour both mediate the relationship between financial socialization and financial satisfaction among Indian respondents.

2.4 Studies on Salaried Employees in India

Several studies have specifically examined the financial behaviour of salaried employees in Indian cities. Gulati, Mathur, and Kaushik [21] analyzed investment behaviour of salaried individuals in Jaipur, finding that financial information significantly influences return on investment, and that factors such as demographic characteristics, financial literacy, risk tolerance, and psychological biases shape investment decisions.

Garg and Mehrotra [22] studied financial literacy and retirement preparedness among salaried women in Haryana, finding that financial literacy significantly predicts retirement preparedness, with education level, income, and employer support also playing strong contributing roles. A study on determinants of financial planning decisions for salaried individuals in Uttar Pradesh [23] found that financial literacy, access to resources, attitudes toward retirement planning, and cultural norms significantly influence financial decisions.

Indapurkar et al. [24] explored the impact of financial attitude and financial well-being on retirement planning, finding a significant correlation between an individual's financial perspective, financial welfare, and inclination to participate in retirement preparation. Their study employed structural equation modelling with a special emphasis on the mediating influence of financial attitude.

2.5 Research Gap and Hypotheses

Despite the growing body of literature, several gaps remain. First, most studies on retirement planning in India have been conducted in metropolitan cities, with limited attention to Tier-2

cities such as Bhopal. Second, while prior research has examined the direct effects of financial literacy on retirement planning, fewer studies have investigated the mediating role of risk attitude in the Indian context. Third, the salaried employee segment in Bhopal, which includes both government and private sector workers, represents a distinct demographic with unique financial behaviours shaped by regional economic conditions.

Based on the theoretical framework and literature review, the following hypotheses are formulated:

H_1: Financial literacy has a significant positive effect on retirement planning behaviour among salaried employees in Bhopal.

H_2: Financial literacy has a significant positive effect on risk attitude among salaried employees in Bhopal.

H_3: Risk attitude has a significant positive effect on retirement planning behaviour.

H_4: Risk attitude mediates the relationship between financial literacy and retirement planning behaviour.

3. RESEARCH METHODOLOGY

3.1 Research Design

The study employed a descriptive and cross-sectional research design using a quantitative survey approach. This design was appropriate as it allowed for the systematic measurement of relationships among the key variables—financial literacy, risk attitude, and retirement planning behaviour—at a single point in time.

3.2 Study Area and Population

The study was conducted in Bhopal, the capital city of Madhya Pradesh, India. Bhopal is a Tier-2 city with a diverse employment base spanning government administration, public sector undertakings, private corporations, and educational institutions. The target population comprised salaried employees working in both public and private sector organizations within the Bhopal municipal limits.

3.3 Sample Size and Sampling Technique

A sample size of 150 salaried employees was selected using convenience sampling, a non-probability sampling technique appropriate for exploratory research with resource constraints. The sample size was determined based on the guideline of having at least 10-15 observations per predictor variable for regression-based analysis, which was satisfied given the three primary constructs in the model. While convenience sampling limits generalizability, it was deemed suitable given the study's exploratory nature and the practical challenges of accessing a complete sampling frame of all salaried employees in Bhopal.

3.4 Research Instrument

Data were collected using a structured questionnaire divided into four sections:

Section A: Demographic Profile — Age, gender, education level, monthly income, years of work experience, type of employer (government/private), and marital status.

Section B: Financial Literacy — Measured using an adapted version of the OECD/INFE financial literacy questionnaire [25], comprising 15 items across three dimensions: financial knowledge (5 items), financial behaviour (5 items), and financial attitude (5 items). Items were scored on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree), with higher scores indicating greater financial literacy. The scale demonstrated acceptable reliability in the current study (Cronbach's $\alpha = 0.84$).

Section C: Risk Attitude — Measured using a 10-item scale adapted from the Domain-Specific Risk-Taking (DOSPERT) scale [16], focusing on the financial risk domain. Participants rated their likelihood of engaging in various financial risk-taking behaviours on a 5-point scale (1 = Extremely Unlikely to 5 = Extremely Likely). Higher scores indicated greater financial risk tolerance. The scale showed good reliability (Cronbach's $\alpha = 0.81$).

Section D: Retirement Planning Behaviour — Measured using a 12-item scale adapted from the Process of Retirement Planning Scale (PRePS) [26], focusing on the financial planning dimension. Items assessed the extent to which respondents engage in retirement planning activities such as estimating retirement expenses, contributing to retirement accounts, and reviewing retirement goals. Responses were recorded on a 5-point Likert scale (1 = Never to 5 = Always). The scale demonstrated strong reliability (Cronbach's $\alpha = 0.87$).

3.5 Data Collection Procedure

The questionnaire was administered in both printed and online formats (via Google Forms) between January and March 2025. Participants were approached at their workplaces and through professional networks. Informed consent was obtained from all respondents prior to participation, and anonymity and confidentiality were assured. A total of 165 questionnaires were distributed, of which 150 were found to be complete and usable, yielding a response rate of approximately 91%.

3.6 Data Analysis Techniques

Data were analyzed using IBM SPSS Statistics Version 26.0 and the PROCESS macro developed by Hayes [27]. The analytical techniques employed included:

- **Descriptive statistics**: Means, standard deviations, frequencies, and percentages to summarize the demographic profile and variable distributions.
- **Reliability analysis**: Cronbach's alpha coefficients to assess the internal consistency of the measurement scales.
- **Pearson correlation analysis**: To examine bivariate relationships among financial literacy, risk attitude, and retirement planning behaviour.

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- **Mediation analysis**: PROCESS macro (Model 4) with 5,000 bootstrap samples at a 95% bias-corrected confidence interval to test the mediating effect of risk attitude. Mediation was deemed significant if the bootstrap confidence interval for the indirect effect did not include zero.

4. DATA ANALYSIS AND RESULTS

4.1 Demographic Profile of Respondents

Table 1 presents the demographic profile of the 150 respondents. The sample comprised 92 males (61.3%) and 58 females (38.7%). The largest age group was 31-40 years (38.0%), followed by 20-30 years (32.7%) and 41-50 years (20.7%). In terms of education, 44.7% held postgraduate degrees, 38.0% held graduate degrees, and 12.7% held professional qualifications. Regarding monthly income, 36.0% earned ₹30,001-₹50,000, while 28.7% earned ₹50,001-₹75,000. Government sector employees constituted 58.7% of the sample, and 41.3% were from the private sector. The mean work experience was 11.4 years (SD = 8.2). Married respondents accounted for 72.0% of the sample.

Table 1: Demographic Profile of Respondents (N = 150)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	92	61.3
	Female	58	38.7
Age Group	20-30 years	49	32.7
	31-40 years	57	38.0
	41-50 years	31	20.7
	51 years and above	13	8.7
Education Level	Up to Higher Secondary	7	4.7
	Graduate	57	38.0
	Postgraduate	67	44.7
	Professional Degree	19	12.7
Monthly Income	Up to ₹30,000	28	18.7
	₹30,001-₹50,000	54	36.0
	₹50,001-₹75,000	43	28.7
	Above ₹75,000	25	16.7
Employer Type	Government Sector	88	58.7
	Private Sector	62	41.3
Marital Status	Married	108	72.0
	Unmarried	42	28.0

Source: Primary Data

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Interpretation: The demographic profile reveals a predominantly male, married, and middle-aged sample, which is broadly representative of the salaried workforce in a Tier-2 city like Bhopal. The high proportion of government sector employees (58.7%) reflects Bhopal's status as the state capital, which hosts numerous government offices and public sector undertakings. The educational profile indicates a well-educated sample, with over 95% holding at least a graduate degree. The income distribution shows a concentration in the ₹30,001-₹75,000 range, which is consistent with mid-level salaried positions in the region. These characteristics suggest that the sample is suitable for examining retirement planning behaviour, as these individuals are likely to have both the means and the need to engage in financial planning for their post-retirement years.

4.2 Descriptive Statistics and Reliability Analysis

Table 2 presents the descriptive statistics and reliability coefficients for the three primary constructs: financial literacy, risk attitude, and retirement planning behaviour. All constructs demonstrated acceptable internal consistency, with Cronbach's alpha values exceeding the recommended threshold of 0.70.

Table 2: Descriptive Statistics and Reliability Analysis (N = 150)

Construct	No. of Items	Mean	Std. Deviation	Skewness	Kurtosis	Cronbach's α
Financial Literacy	15	3.41	0.68	-0.28	-0.42	0.84
Risk Attitude	10	2.98	0.74	0.15	-0.38	0.81
Retirement Planning Behaviour	12	3.12	0.79	-0.19	-0.51	0.87

Source: Primary Data

Interpretation: The mean financial literacy score of 3.41 (on a 5-point scale) indicates a moderate level of financial literacy among the sampled salaried employees in Bhopal. This finding is consistent with the RBI's financial literacy survey, which reported an average financial literacy score of approximately 68% among Indian adults [28]. The risk attitude mean of 2.98 suggests a slightly conservative risk orientation among respondents, which aligns with the traditional savings-oriented culture prevalent in central India. The retirement planning behaviour mean of 3.12 indicates moderate engagement in retirement planning activities. The standard deviations reveal reasonable variability across all constructs, suggesting adequate dispersion for correlation and mediation analyses. All skewness and kurtosis values fall within acceptable ranges (±1.0), indicating approximately normal distributions suitable for parametric statistical tests.

4.3 Pearson Correlation Analysis

Table 3 displays the Pearson correlation coefficients among the three primary constructs. All correlations were found to be statistically significant at the $p < 0.01$ level.

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Table 3: Pearson Correlation Matrix (N = 150)

Construct	Financial Literacy	Risk Attitude	Retirement Planning Behaviour
Financial Literacy	1.00		
Risk Attitude	0.42**	1.00	
Retirement Planning Behaviour	0.51**	0.48**	1.00

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

Source: Primary Data

Interpretation: The correlation analysis reveals significant positive associations among all three constructs. Financial literacy exhibits a moderate positive correlation with retirement planning behaviour ($r = 0.51$, $p < 0.01$), providing preliminary support for Hypothesis H_1. This finding aligns with the work of Lusardi and Mitchell [11], who established financial literacy as a consistent predictor of retirement planning across multiple countries. Financial literacy also shows a moderate positive correlation with risk attitude ($r = 0.42$, $p < 0.01$), supporting Hypothesis H_2. This suggests that financially literate individuals tend to develop more calculated and informed risk-taking propensities, consistent with Reddy's [19] findings in the Indian context. Risk attitude, in turn, demonstrates a moderate positive correlation with retirement planning behaviour ($r = 0.48$, $p < 0.01$), supporting Hypothesis H_3. This indicates that individuals with higher financial risk tolerance are more likely to engage in retirement planning, possibly because they are more comfortable with the inherent uncertainties of long-term financial planning. Importantly, the inter-correlations among predictor variables are below the commonly accepted threshold of 0.70, suggesting no serious multicollinearity concerns for subsequent regression-based analyses.

4.4 Mediation Analysis

Mediation analysis was conducted using the PROCESS macro (Model 4) developed by Hayes [27], with financial literacy as the independent variable (X), retirement planning behaviour as the dependent variable (Y), and risk attitude as the mediator (M). The analysis employed 5,000 bootstrap samples with bias-corrected 95% confidence intervals.

Table 4 presents the results of the mediation analysis, including the total effect, direct effect, and indirect effect paths.

Table 4: Mediation Analysis Results (N = 150)

Path	Coefficient (β)	SE	t-value	p-value	LLCI	ULCI
Path a: FL → RA	0.46	0.08	5.75	< 0.001	0.30	0.62
Path b: RA → RPB	0.39	0.08	4.88	< 0.001	0.23	0.55
Path c': FL → RPB (Direct)	0.34	0.09	3.78	< 0.001	0.16	0.52
Path c: FL → RPB (Total)	0.52	0.08	6.50	< 0.001	0.36	0.68
Indirect Effect (a × b)	0.18	0.05	—	—	0.09	0.28

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Note: FL = Financial Literacy; RA = Risk Attitude; RPB = Retirement Planning Behaviour; SE = Standard Error; LLCI = Lower Limit Confidence Interval; ULCI = Upper Limit Confidence Interval. Bootstrap sample size = 5,000.

Source: Primary Data

Table 5 summarizes the model fit indices and variance explained at each stage of the mediation model.

Table 5: Model Summary and Effect Sizes

Model	R^2	F-value	df1	df2	p-value	Effect Size
Model 1: RA regressed on FL	0.18	32.45	1	148	< 0.001	Medium
Model 2: RPB regressed on FL and RA	0.36	41.34	2	147	< 0.001	Large
Proportion Mediated (Indirect/Total)	—	—	—	—	—	34.6%

Source: Primary Data

Interpretation: The mediation analysis results provide compelling evidence for the hypothesized model. **Path a** (Financial Literacy → Risk Attitude) is statistically significant ($\beta = 0.46$, $p < 0.001$), indicating that higher financial literacy is associated with a more calculated risk-taking propensity. This finding supports Hypothesis H_2 and aligns with prior research showing that financial knowledge enhances individuals' confidence in navigating financial risks [19].

Path b (Risk Attitude → Retirement Planning Behaviour) is also significant ($\beta = 0.39$, $p < 0.001$), confirming Hypothesis H_3. This suggests that individuals with higher risk tolerance are more likely to engage in retirement planning activities, consistent with the Behavioural Life-Cycle Hypothesis [7] and findings by Harahap et al. [18] in the Indonesian context.

Path c (Total Effect of Financial Literacy on Retirement Planning Behaviour) is substantial and significant ($\beta = 0.52$, $p < 0.001$), confirming Hypothesis H_1. This finding corroborates the extensive body of literature establishing financial literacy as a key determinant of retirement preparedness [11,14,22].

Path c' (Direct Effect of Financial Literacy on Retirement Planning Behaviour, controlling for Risk Attitude) remains significant ($\beta = 0.34$, $p < 0.001$), though it is attenuated compared to the total effect. This indicates partial mediation—financial literacy influences retirement planning both directly and indirectly through risk attitude.

The **Indirect Effect** ($a \times b = 0.18$) is statistically significant as the bootstrap confidence interval (0.09 to 0.28) does not include zero, confirming Hypothesis H_4. The proportion of the total effect that is mediated through risk attitude is approximately 34.6%, indicating that a substantial portion of financial literacy's influence on retirement planning operates through its effect on risk attitude.

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Model 1, which regresses risk attitude on financial literacy, explains 18% of the variance in risk attitude ($R^2 = 0.18$). Model 2, which regresses retirement planning behaviour on both financial literacy and risk attitude, explains 36% of the variance in retirement planning behaviour ($R^2 = 0.36$), representing a large effect size according to Cohen's conventions. The substantial increase in explained variance from Model 1 to Model 2 highlights the additional predictive power contributed by the inclusion of the mediating variable.

These results collectively support the theoretical model wherein financial literacy enhances individuals' understanding of financial risks, leading to more informed and balanced risk attitudes, which in turn facilitate engagement in retirement planning activities.

5. DISCUSSION

5.1 Interpretation of Findings

The findings of this study contribute to the growing body of knowledge on the behavioural determinants of retirement planning in the Indian context. The significant positive relationship between financial literacy and retirement planning behaviour ($\beta = 0.52$, $p < 0.001$) is consistent with the foundational work of Lusardi and Mitchell [11], who established financial literacy as a robust predictor of retirement planning across diverse economic settings. This finding also aligns with more recent Indian studies, including Garg and Mehrotra [22], who found that financial literacy significantly predicts retirement preparedness among salaried women in Haryana, and the study on determinants of financial planning decisions in Uttar Pradesh [23], which identified financial literacy as a key predictor of retirement-related financial behaviour.

The partial mediation of this relationship by risk attitude (indirect effect = 0.18, 95% CI [0.09, 0.28]) represents a novel contribution to the Indian retirement planning literature. While previous studies have examined financial risk tolerance as a direct predictor of retirement behaviour [18], the current study demonstrates that risk attitude functions as a mechanism through which financial literacy exerts its influence. This finding is consistent with the work of Nguyen et al. [4], who identified risk tolerance and risk perception as important mediators between subjective financial literacy and retirement saving intentions. The proportion mediated (34.6%) suggests that while risk attitude is an important pathway, other mediators—such as saving behaviour [14], financial self-efficacy [29], and future time perspective [30]—may also play significant roles.

The moderate level of financial literacy observed in the sample (mean = 3.41) is noteworthy. While it compares favourably with the RBI's national average [28], it also highlights a significant gap: approximately 40% of respondents scored below the midpoint of the financial literacy scale. This finding is particularly concerning given the increasing individual responsibility for retirement security in India's evolving pension landscape [2].

5.2 Theoretical Implications

From a theoretical perspective, this study extends the application of the Theory of Planned Behaviour [6] to the domain of retirement planning in a Tier-2 Indian city. The findings suggest that financial literacy enhances perceived behavioural control by equipping individuals with the knowledge to navigate financial decisions, while risk attitude influences the attitudinal component of the TPB framework. This integration of financial literacy and risk attitude within the TPB offers a more nuanced understanding of the psychological mechanisms underlying retirement planning behaviour.

The study also provides empirical support for the Behavioural Life-Cycle Hypothesis [7] in the Indian context. The finding that risk attitude mediates the financial literacy-retirement planning relationship suggests that psychological factors—beyond pure economic rationality—play a critical role in shaping retirement savings behaviour.

5.3 Practical Implications

The findings have several practical implications for stakeholders involved in promoting retirement security:

For Employers: Organizations in Bhopal should consider implementing workplace financial wellness programs that integrate financial literacy education with risk management training. Given that financially literate employees who understand risk are more likely to plan for retirement, employer-sponsored programs that address both knowledge and risk perception could yield substantial benefits.

For Financial Institutions: Banks, mutual fund companies, and insurance providers operating in Bhopal should design retirement products that account for the risk attitudes of their target customers. The finding that risk attitude mediates the literacy-planning relationship suggests that product communication should not only educate but also address risk concerns.

For Policymakers: Government agencies such as the Pension Fund Regulatory and Development Authority (PFRDA) should consider targeted financial literacy campaigns in Tier-2 cities like Bhopal that specifically address retirement planning and risk management. The National Centre for Financial Education (NCFE) could incorporate modules on risk attitude and its role in long-term financial planning.

5.4 Limitations and Future Research Directions

This study has several limitations that should be acknowledged. First, the use of convenience sampling limits the generalizability of the findings. Future research should employ probability sampling techniques to enhance external validity. Second, the cross-sectional design precludes causal inferences; longitudinal studies are needed to establish the temporal precedence of financial literacy in shaping risk attitudes and retirement planning. Third, the study relied on self-reported measures, which may be subject to social desirability bias. Fourth, the sample size of 150, while adequate for the analyses conducted, limited the ability to perform subgroup analyses across demographic categories.

Future research should examine additional mediating mechanisms, including financial self-efficacy [29], saving behaviour [14], and future time perspective [30]. Comparative studies across different Tier-2 cities in India would help identify regional variations in the determinants of retirement planning. Additionally, qualitative research could provide deeper insights into the lived experiences and decision-making processes of salaried employees regarding retirement preparation.

6. CONCLUSION

This study examined the relationship between financial literacy and retirement planning behaviour among salaried employees in Bhopal, with a specific focus on the mediating role of risk attitude. The findings reveal that financial literacy has a significant positive effect on retirement planning behaviour, and that this effect is partially mediated by risk attitude. Specifically, higher levels of financial literacy are associated with more calculated and informed risk attitudes, which in turn facilitate greater engagement in retirement planning activities.

The study makes several contributions to the literature. First, it extends the application of the Theory of Planned Behaviour and the Behavioural Life-Cycle Hypothesis to the context of retirement planning in a Tier-2 Indian city. Second, it provides empirical evidence for the mediating role of risk attitude, a mechanism that has received limited attention in the Indian retirement planning literature. Third, it offers practical implications for employers, financial institutions, and policymakers seeking to enhance retirement preparedness among the salaried workforce.

In conclusion, as India continues its demographic transition and the burden of retirement security increasingly shifts to individuals, enhancing financial literacy and fostering informed risk attitudes among salaried employees will be critical. The findings of this study suggest that interventions targeting both financial knowledge and risk perception may be more effective than those addressing either factor in isolation. For the salaried employees of Bhopal—and, by extension, for millions of workers across India—the path to a secure retirement depends not only on what they know but also on how they think about risk.

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