Chapter V

Findings, Suggestions and Conclusion
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Introduction

This study on National Pension Scheme is an effort to study the pension subscribers’ social security conditions, financial literacy level concerning NPS and their perception and satisfaction concerning NPS. The study is based on the analysis of data collected from 384 sample respondents through a structured questionnaire. The unique information presented in the study includes an analysis of pension subscribers’ perception about NPS. This chapter presents the findings based on the analysis of data, suggestions and the conclusion based on the study.

FINDINGS

I. Socio-economic profile of the respondents

1. Majority of the respondents (68.5 per cent) were under the age group of ‘26 to 35 years’; it reveals that, majority of the respondents were youngsters.

2. Majority of the respondents (67.7 per cent) were males in this study.

3. Majority of the respondents (76 per cent) were married.

4. Majority of the respondents (52.1 per cent) were living in joint families.

5. Majority of the respondents’ (68 per cent) family consists of 4 to 6 members.

6. Highest (50 per cent) of the respondents were “graduates”.


7. Maximum (36.2 per cent) respondents were “B” grade employees.

8. Maximum of (40.1 per cent) respondents were having ‘below four years’ of experience in work.

9. Maximum (40.4 per cent) of the total sample respondents’ annual income lies between Rs. 2,00,001 and Rs. 4,00,000.

10. Majority of the respondents (50.5 per cent) were living in their own houses.

11. Maximum number of the respondents (37.8 per cent) were having basic pay between Rs. 5,001 and Rs. 10,000.

II. Social security conditions of the respondents

1. Majority (53.9 per cent) of the respondents’ total family wealth was ‘upto Rupees twenty lakhs’

2. Maximum of the (40.6 per cent) respondents were saving more than 15 and upto 20 per cent of their income for their old age social security through various investment schemes.

3. In majority (68 per cent) of the respondents’ family, only one person was saving for old age in addition to the respondents.

4. Majority of the respondents (66.4 per cent) had only one bank account.

5. Majority of the respondents (66.1 per cent) strongly agreed or agreed that their relatives would help during post retirement period.
6. Together, a majority of the respondents (82.9 per cent) strongly agreed or agreed that their family members would help at the time of their post retirement life.

7. Together, majority (74 per cent) of the respondents strongly agreed or agreed that their family members would support to save for old age.

8. Respondents give first preference to live with their spouse or life partner after their retirement.

9. There is no significant difference between male and female respondents with respect to their family wealth.

10. There is a significant difference between male and female respondents with respect to their percentage of saving. Female respondents (21.44 per cent) save more than male respondents (19.49 per cent).

11. There is a significant difference between married and unmarried respondents with respect to their family wealth. Married respondents have higher family wealth than unmarried respondents.

12. There is a significant difference between married and unmarried respondents in regard to their percentage of saving for old age. Married respondents (20.54 per cent) save more than unmarried respondents (18.78 per cent).
13. There is a significant difference among respondents of different educational qualification with respect to their family wealth. As the level of education goes up, the wealth of the family also goes up.

14. There is no significant difference among respondents of different educational qualification with respect to their percentage of saving for old age.

15. There is a significant difference among respondents under different types of employer with respect to their family wealth. Private sector respondents’ average family wealth is comparatively lower.

16. There is a significant difference among respondents under different types of employer with respect to their percentage of saving for old age. The private sector respondents’ percentage of saving is comparatively lower.

17. There is a significant difference among the different grade of the respondents with respect to average family wealth. As the grade goes up, the family wealth also goes up.

18. There is a significant difference between type of employer of the respondents and percentage of saving. The private sector respondents’ percentage of saving differs from central and state government respondents.

19. There is a significant difference among the different grade of the employees concerning average family wealth. As the grade level goes up, the average family wealth also goes up.
20. There is a significant difference among the different grade of employees with respect to their percentage of saving for old age period. As the grade level goes up, the percentage of saving goes up.

21. Karl Pearson correlation shows that there is a weak positive correlation \((r = 0.319)\) between ‘basic pay’ and ‘percentage of saving’.

22. Karl Pearson correlation shows that there is a weak positive correlation \((r = 0.137)\) between ‘years of experience’ and ‘percentage of saving’.

23. ‘Life insurance policy’ occupies first position, among the ten sources of saving schemes for old age social security taken for comparison with mean rank of 3.38.

24. Friedman test shows that there is a significant difference in the ranking of different sources of savings schemes for the old age social security, on the basis of preference of the respondents.

25. Earning constant income is the first need for saving for old age with the mean rank of 2.12. Source of income for children’s care is the second need for savings for old age with the mean rank of 2.23.

26. Friedman test shows that there is a significant difference among the ranking of different needs of saving for old age.
III. Financial literacy level of the respondents concerning NPS

1. Majority of the respondents (68.8 per cent) were aware that National Pension Scheme (NPS) is applicable from January 1, 2004.

2. Highest percentage (39.8) of the respondents were aware that national pension system is applicable to both organised and unorganised sector.

3. Nearly half of the respondents (49.5 per cent) were aware that the Pension Fund Regulatory Development Authority (PFRDA) is the regulatory body of national pension system in India.

4. Majority (64.3 per cent) of the respondents were aware that the age limit for joining national pension system in India is between 18 and 60.

5. Majority of the respondents (64.8 per cent) were aware that the national pension system is one of the Defined Contribution systems.

6. Highest percentage (49) of the respondents knew that there are two types of account in National Pension Scheme (NPS) namely Tier I and Tier II.

7. Majority of the respondents (56 per cent) knew about the percentage of contribution by the Government (10 per cent) to national pension scheme.

8. Majority of the respondents (58.6 per cent) knew that the employees have to contribute 10 percentage as employees’ contribution.

9. Only 23.2 per cent of the respondents were aware that the ratio of lump sum and annuity is 20:80 when the employees withdraw before their age of 60.
10. Only 29.7 per cent of the respondents were aware that the ratio of lump sum and annuity amount is 60:40 when they withdraw at the age of 60 to 70.

11. A maximum (44.3 per cent) of the respondents knew that there is a tax benefit in the National Pension Scheme.

12. Only 44.5 per cent of respondents were aware that the fund maintenance charge in national pension scheme is low.

13. Only 26.8 per cent of the respondents were aware that the penalty amount if they do not maintain minimum balance in national pension scheme is Rs. 100.

14. Majority (70.8 per cent) of the respondents knew that stock market price will affect their net asset value of different asset class investment in national pension scheme.

15. Majority of the respondents (58.6 per cent) were aware that investment risk is there in defined contribution system of national Pension Scheme.

16. Only 24 per cent of the respondents were aware that the risk in NPS is borne by the individual subscribers.

17. Only 35.4 per cent of the respondents were aware that Asset class E has high risk and gives high return.

18. Only 29.2 per cent of the respondents were aware that Asset class C has medium risk and gives medium return.
19. Only 27.9 per cent of the respondents were aware that Asset class G has low risk and gives low return.

20. Majority of the respondents (68.3 per cent) have low financial literacy about National Pension Scheme.

21. T-test shows that there is no significant difference between male and female respondents’ overall financial literacy concerning NPS.

22. T-test shows that there is no significant difference between married and unmarried respondents’ financial literacy level concerning NPS.

23. One way ANOVA reveals that there is a significant difference in the financial literacy level of the respondents concerning NPS based on educational qualification.

24. Duncan Post Hoc test reveals that (equal variance assumed in levence’s homogeneity test), respondents having education upto schooling differ from graduates and professionally qualified respondents with regard to their financial literacy level. Professionally qualified and graduates have higher literacy level concerning NPS and it is the highest for graduates

25. One way ANOVA reveals that there is no significant difference in the financial literacy level concerning NPS of the respondents based on employer of the respondents.
26. One way ANOVA reveals that there is a significant difference in the financial literacy level concerning NPS of the respondents based on grade of the respondents.

27. Duncan Post Hoc test reveals that (equal variance assumed in levene’s homogeneity test), “D” grade respondents differ from the rest of the respondents with respect to their overall financial literacy level concerning NPS. “D” grade respondents have low financial literacy concerning NPS compared to others. “D” grade respondents have low financial literacy concerning NPS compared to others.

28. Karl Pearson correlation shows that there is no correlation between experience and overall financial literacy level concerning NPS.

29. Karl Pearson correlation shows that there is a low positive correlation (r = 0.146) between basic pay and overall financial literacy level concerning NPS.

30. Karl Pearson correlation shows that indicates that there is a weak positive relationship (r = 0.134) between family wealth and financial literacy concerning NPS.

31. Karl Pearson correlation shows that there is no significant relationship between percentage of saving for old age and financial literacy level of the respondents concerning NPS.
IV. Perception concerning NPS

1. Maximum of the respondents (39.1 per cent) strongly disagreed or disagreed that 100 per cent social security is possible through National Pension Scheme.

2. Maximum of the respondents (39.8 per cent) strongly disagreed or disagreed that the NPS gives more joy.

3. Majority of the respondents (78.9 per cent) strongly agreed or agreed that awareness about NPS is needed for all the citizens of India.

4. Majority of the respondents (50.8 per cent) strongly agreed or agreed that 100 per cent lump sum amount is needed at the time of retirement.

5. Majority of the respondents (79.2 per cent) strongly agreed or agreed that they joined in NPS because it is mandatory but actually they are not interested to join NPS.

6. Majority of the respondents (56 per cent) strongly agreed or agreed that the retirement age has to be increased to get more pension.

7. Majority of the respondents (59.6 per cent) strongly agreed or agreed that all PFM must give equal NAV.

8. Majority of the respondents (60.5 per cent) strongly agreed or agreed that the overall fund management is poor in NPS.

9. Majority of the respondents (73.7 per cent) strongly agreed or agreed that the government has to discontinue NPS and maintain the old scheme.
10. Majority of the respondents (75.3 per cent) strongly agreed or agreed that the government should fix minimum return for their investment for reducing the risk in NPS.

11. Majority of the respondents (51.3 per cent) strongly disagreed or disagreed that the NPS is favourable to pensioners.

12. Maximum of the respondents (49.2) strongly disagreed or disagreed that principal amount is safe in NPS.

13. Maximum of the respondents (45 per cent) strongly agreed or agreed that the investment in different assets class based on age is necessary in NPS.

14. Majority of the respondents (51.6 per cent) strongly disagreed or disagreed that the expected rate of return is achieved in NPS.

15. Maximum of the respondents (45.9 per cent) strongly disagreed or disagreed that the grievances be given more importance in NPS.

16. Majority of the respondents (64.3 per cent) strongly disagreed or disagreed that investment in stock market is good in NPS.

17. Majority of the respondents (57 per cent) strongly agreed or agreed that NPS is suitable for long term investment.

18. Maximum of the respondents (36.7 per cent) strongly disagreed or disagreed that the Tier I and Tier II account is needed in NPS.
19. Majority of the respondents (68.2 per cent) strongly agreed or agreed that Tier I account needs withdrawal facility.

20. Majority of the respondents (54.2 per cent) strongly agreed or agreed that 10 percentage contribution by the employer is enough in NPS.

21. Majority of the respondents (60.4 per cent) strongly agreed or agreed that priority be given to invest in Government bonds in NPS.

22. Majority of the respondents (65.2 per cent) strongly disagreed or disagreed that there is low risk in NPS compared to other type of pension schemes in India.

23. Maximum of the respondents (44.2 per cent) strongly agreed or agreed that the Pension Fund Manager is the true decision maker for their investment at different asset classes.

24. Majority of the respondents (50.6 per cent) strongly disagreed or disagreed that the private Pension Fund Manager is necessary in National Pension Scheme.

25. Majority of the respondents (55.8 per cent) strongly disagreed or disagreed that tax exemption is high in NPS.

26. Majority of the respondents (71.1 per cent) strongly agreed or agreed that EEE tax exemption is required in NPS which means the tax exemption is needed for their principal amount, interest and lump sum in NPS investment.
27. Majority of the respondents (60.7 per cent) expected from 15 per cent to 19 per cent as the rate of return for their amount of savings in NPS.

28. T-test shows that there is a significant difference in male and female respondents’ expected rate of return from NPS. Female respondents expect more return (17.99 per cent) than male respondents (16.77 per cent) from NPS.

29. T-test shows that there is a significant difference between married and unmarried respondents with regard to expected rate of return from NPS. Married respondents expect more return (17.38 per cent) than unmarried respondents (16.19 per cent) from NPS.

30. One way ANOVA test shows that there is a significant difference among the three educational groups with regard to their expected rate of return from NPS. When the level of education goes up, the expected rate of return also goes up.

31. Duncan Post Hoc test reveals that (equal variance assumed in levence’s homogeneity test), professionally qualified respondents’ expected rate of return differs from the expected rate of return of the respondents with schooling and graduate respondents. Expected rate of return is higher for professionally qualified respondents than others.

32. One way ANOVA test shows that there is a significant difference among the respondents with different type of employer with regard to their expected rate of return from NPS.
33. Games-Howell Post Hoc test (equal variance not assumed in levene’s homogeneity test) reveals that there is no significant difference between central government and state government employed respondents with regard to expected rate of return from NPS. The private sector employed respondents’ expected rate of return is the lowest and it is significantly different from central and state government respondents’ expected rate of return.

34. One way ANOVA shows that there is a significant difference among the respondents belonging to different grades with regard to their expected rate of return from NPS. Expected rate of return is the lowest for (15.83 per cent) for ‘D’ grade respondents and it is the highest (18.07 per cent) for ‘A’ grade respondents.

35. Duncan Post Hoc test reveals that (equal variance assumed in levene’s homogeneity test), ‘B’, ‘C’ and ‘D’ grade respondents did not significantly differ in the expected rate of return from NPS. The ‘C’ grade and ‘A’ grade respondents’ expected rate of return did not significantly differ.

36. Karl Pearson correlation indicates that expected rate of return from NPS is positively correlated with respondents’ percentage of saving at low level ($r = 0.394$).

37. Karl Pearson correlation shows that there is no correlation between financial literacy level concerning NPS of the respondents and their expected rate of return.
V. Satisfaction level on NPS

1. Majority of the respondents (55 per cent) were highly satisfied or satisfied with the Government contribution in NPS.

2. Majority of the respondents (65.1 per cent) were highly dissatisfied or dissatisfied with investment of their pension contribution amount in stock market.

3. Maximum of the respondents (46.4 per cent) were highly dissatisfied or dissatisfied with the tax benefits available in NPS.

4. Maximum (38.5 per cent) of the respondents were highly dissatisfied or dissatisfied with NPS management.

5. Maximum of the respondents (40.6 per cent) were highly dissatisfied or dissatisfied with fund manager’s charge amount in NPS.

6. Majority of the respondents (67.2 per cent) were highly dissatisfied or dissatisfied with NAV performance.

7. Majority of the respondents (75.3 per cent) were highly dissatisfied or dissatisfied with overall performance of NPS.

8. Chi-square test shows that there is a significant association between ‘gender’ of respondents and ‘their satisfaction level’ with respect to national pension scheme. Percentage of female respondents (82.3 per cent) dissatisfied is higher than male respondents (71.9 per cent) with regard to NPS.
9. Chi-square test shows that there is no significant association between ‘marital status’ of the respondents and ‘their satisfaction level’ with respect to national pension scheme.

10. Chi-square test shows that there is no significant association between ‘educational qualification of respondents’ and ‘their overall satisfaction level’ with respect to national pension scheme.

11. Chi-square test reveals that there is no significant association between respondents’ ‘employer type’ and ‘their satisfaction level’ with respect to national pension scheme.

12. Chi-square test reveals that there is no significant association between ‘grade level’ of the respondents and ‘their overall satisfaction level’ with respect to national pension scheme.

13. Chi-square test reveals that there is a significant association between ‘financial literacy level’ of the respondents and ‘their overall satisfaction level’ with respect to national pension scheme. Among the respondents of medium financial literacy level, majority of the respondents (72.8 per cent) were highly dissatisfied or dissatisfied with respect to national pension scheme which is the lowest percentage among all. Among the respondents of high literacy level, majority of the respondents (78.9 per cent) were highly dissatisfied or dissatisfied with respect to national pension scheme which is the highest percentage among all.

14. Majority of the respondents (92.4 percent) were willing to join the old pension system and they are not interested in continuing NPS.
SUGGESTIONS

Pensions are expected to achieve the goals of minimising poverty in old age, at the same time ensuring that retirees do not outlive their pension benefits / incomes. The following suggestions are provided to pension subscribers, pension fund managers and employers/ government and pension policy makers:

To pension subscribers

1. Pension subscribers have to improve their financial literacy concerning National Pension Scheme particularly about the different asset class of investment for reducing their investment risk.

2. The subscribers have to carefully watch the performance of the pension fund managers by analysing the net asset value and take decisions.

3. In addition to National Pension Scheme, the subscribers have to make investment in other alternatives such as fixed income saving bonds, gold and land and buildings.

To pension fund managers

1. A monthly detailed report with regard to the subscribers’ investment corpus pension amount may be given to the subscribers.

2. There is a need for the pension fund managers to see that there is not much fluctuation in Net Asset Value.
3. Pension fund managers may conduct periodical meetings with the subscribers to handle grievances.

4. Pension fund managers may organise programmes periodically to the subscribers to enhance awareness about National Pension Scheme.

5. Pension fund managers may appoint qualified and experienced persons to deal with pension funds in stock market.

**To Government / Employer**

1. The government may try to provide a minimum guaranteed amount of pension at the time of retirement.

2. The government / employer may contribute extra amount to the pension investment for getting more lump sum as well as annuity to the pensioners.

3. The government/ employer may explain about the investment pattern in national pension system periodically to the pension subscriber to increase their financial literacy concerning NPS.

4. Exempt Exempt Tax (EEE) may be given to pension subscribers in NPS.

**To pension policy makers**

1. The policy makers have to find out the best way of communication to impart knowledge on national pension scheme for improving the financial literacy level of the all stakeholders.
2. They may find the way to fulfil the 100 per cent social security by modifying the national pension scheme.

3. Evaluation of the current social security conditions of the pension subscribers may be done for making necessary changes in NPS.

4. Some extra benefits in NPS like family benefits of old pension scheme may be introduced.

5. Withdrawal facility in Tier I account of NPS may be given.

SCOPE FOR FURTHER RESEARCH

1. A study on National Pension Scheme may be made in all places of Tamil Nadu and may be extended to the whole country.

2. A study on National Pension Scheme Lite scheme may be undertaken.

3. A comparison of old pension scheme and National Pension Scheme may be undertaken.

4. A study on the performance of Pension Fund Manager with special reference to net asset value may be undertaken.

5. The impact of stock market on the net asset value of National Pension Scheme may be studied.
CONCLUSION

After a long tenure of service, may be around thirty years the employees get retired. The employees have to live peacefully after their retirement which depends on several factors. One of the important factors is the social security. The social security depends mainly on the economic status. The employees need to have regular source of income even after their retirement for maintaining not only themselves but also their family members including children.

When people live in joint family they have more social security. On the other hand, when they live in nuclear family there is a possibility of social security problem in different dimensions and they have to be more responsible and economically independent. In India, the nuclear family system is in the increasing trend which leads to change in culture, values and more economic needs.

In the recent past, in India there have been old people neglected by the family members and started living in old age homes. The Census of India 2011 states there are 50 lakh people living alone.

In this scenario pension is the most important source of social security for the retired old people. The Constitution of India has recognised the pension as one of the social security measures. The Supreme Court of India has given the judgement that pension is the fundamental right of the employees.

The Government of India introduced the New Pension Scheme from 1.1.2004 as a defined contribution system. Through the NPS the burden of providing social
security has been shifted from the Government to the individual concerned. There are several flaws in the system. To cite an example, the contribution to be invested in stock market has a huge bearing and has created apprehension among the employees. There is no certainty with regard to the amount of pension to be received at the time of retirement in NPS.

The study shows that maximum of the respondents opine that 100 per cent social security is not possible through NPS as promised. They also feel that a minimum amount of pension must be guaranteed by the Government. Majority of the respondents opine that the pension contribution should not be invested in stock market as they think that it is very risky. Even though the study shows that the employees are aware of the fundamental aspects of NPS the financial literacy level of majority of the respondents is low; therefore more awareness has to be created among the employees relating to NPS.

Majority of the respondents state that they have joined in NPS because it is obligatory and they are not satisfied with the overall performance of NPS. A vast majority of the respondents are willing to join in the old pension scheme instead of NPS.