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A study on investors attitude towards National pension scheme

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ABSTRACT :

Because of rising life expectancy and living expenses, retirement planning has become a crucial aspect of life. Under the Pension Fund Regulatory and Development Authority (PFRDA), the Indian government launched the National Pension System to provide residents with an affordable social security program. NPS is a low-cost, portable, adaptable, and tax-efficient scheme. Both employers and employees make contributions to the plan. The scheme's wealth creation is contingent upon the growth in investments that result from the contributions made. As a result, the investment realized increases with the value of donations.

Keywords: National pension scheme, Retirement, awareness, Tax benefits.

Introduction :

National Pension scheme provide monthly payments to retirees until their death, acting as an elderly person's financial support system. It guarantees independence, stability, and security against poverty for the long term.
In India, the National Pension System (NPS) is a defined-contribution, voluntary pension scheme. For government workers hired after January 1, 2004, it superseded defined benefit pensions, which were later expanded to include all Indian residents in 2009. It is overseen by the Pension Fund Regulatory and Development Authority (PFRDA). NPS wants to encourage a community of retirees. Under Sections 80CCC and 80CCD, it offers tax incentive that let people and companies contribute to retirement plans and improve social security

Concept: NPS

Meaning of National pension scheme
Why is the National Pension Plan making headlines?

The National Pension System (NPS) will no longer force investors to convert 40% of their retirement corpus into an annuity, according to a recent announcement by PFRDA. This is because annuity yields are low and inflation is high, which results in negative returns. Additionally, it has been stated that pensioners would now be allowed to withdraw their whole Rs. 5 lakh savings from the NPS, as opposed to just Rs. 2 lakh.
Who is eligible to become an NPS member? Any worker in the public, private, or even unorganized sectors is free to choose this. Armed forces personnel are not subject to this. Everyone in all places and sectors is eligible for the program Additional requirements for opening an NPS account eligibility include:

1. Must be a citizen of India.
2. The age range for this requirement is 18 to 65.
3. Needs to comply with KYC.
4. Cannot have an active NPS account.

Two categories of NPS accounts exist. Below is a quick explanation of each:
NPS Account Categories:

NPS Tier 1 Account
This account offers tax advantages. However, withdrawals are subject to a number of limitations and requirements.

NPS Tier 2 Account
A tier-II account allows account holders to invest extra money. They can take the entire corpus out at any time in this case. This sort of account has no associated tax benefits. The National Pension System (NPS) offers the general public an optional retirement savings option in addition to requiring Indian government employees to save for their retirement. NPS is crucial for safeguarding investors' financial prospects and is based on the

performance of the fund managers overseeing the investments. It’s important to keep in mind that fluctuations in the market could impact NPS returns, which could then impact investors interests.

Benefits of National pension scheme

- NPS provides members with numerous investment options and the ability to choose where their funds are invested, all while offering returns that are higher than those of traditional instruments such as the Public Provident Fund (PPF).
- The government's retirement liabilities are decreased by the NPS.
- Prior to retirement (at age 60), the subscriber may withdraw up to 25% of their investments for certain purposes if they have been investing for at least three years. Up to three withdrawals of this kind are permitted, with a minimum 5-year interval between each one. Only Tier I accounts are subject to these limitations; Tier II accounts are not.
- Upon retirement, the account holder will not be able to withdraw the entire amount (Changes to be introduced). 60% can be withdrawn starting in April 2021, and it is now tax-free. The remaining forty percent must be set aside in order for the subscriber to regularly earn a pension from and insurance firm.
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3. Literature Review :

In their article, Subhro Sen Gupta, Neha Gupta, and Komal Garg examined the connection between Tier 1 and Tier 2 accounts. Additionally, they discovered the connection between the government, corporate, and equity securities in both accounts. They said that the general public has more faith in government securities.

Brijesh Mishra (2016) investigated a range of financial intermediation facts carried out by different pension fund programs. Additionally, he discovered several distinctive qualities of these funds, such as their role as custodians of extremely lengthy funds, which set pension funds apart from other intermediaries like banks.

In 2016, Drs. Vani Kamnath and Roopali Patil conducted a study on the costs and advantages of the National Pension System. Additionally, they examined how NPS differed from other pension plans and emphasized the scheme's distinctiveness. They also recommended the finest items based on cost-benefit analyses for individuals in various age groups.

In Sapna Singh (2014) thesis she investigated how prospective and present investors view Uttar Pradesh's pension plans. According to her analysis, investors between the ages of 40 and 60 prioritized retirement planning while making investment decisions. She also came to the conclusion that 76% of respondents preferred a pure pension plan as their preferred structure. Their preferred investment options are high lump sum return plans, followed by tax benefit plans and high income plans.

Murply, John (2013):- The primary focus of this research is health and retirement, with an analysis of the social and psychological factors associated with the subject. The association between financial literacy and a number of economic and psychosocial characteristics was investigated using statistical methods. He discovered a correlation between financial literacy and both financial satisfaction and belief.

(Prof. Suyog Chachad, 2018) emphasized on the necessity and significance of retirement planning as well as the awareness and behavior pattern of people toward retirement in their research paper "Are you making yourself retirement ready- A study on salaried individual." The findings indicated that people do not prepare for retirement; in order for them to understand the significance of retirement, they also need to participate in financial education programs.

The study, which aimed to focus on the perspective of individual behaviour on retirement planning and the role of financial advice in it, found that financial advice has an impact on the retirement planning of many people. (**Thakur, Shailesh Singh)**

Moreover, research continuously shows that there is a gender difference in financial literacy, with women often knowing less about money than men do (**Euwals, Angelika and Axel, 2004**). The idea that men and women make quite different financial decisions is supported by earlier study by Worthington (2005, 2006), which shows that women frequently have lesser financial literacy and general understanding about retirement accounts.

Men tend to be more confident and competent when making financial judgments about personal loans, equities, bonds, and insurance because of these differences
(**Chen and Ronald, 1998).** Women tend to see themselves as less independent in all aspects of life, including financial decisions, and frequently rely on their husbands for financial advice. Women are frequently left financially reliant due to their reliance on their spouse's income for both current and

future financial requirements, as well as other issues including a concentration on childrearing and sporadic career possibilities (Jefferson and Alison, 2005).

In a 2010 study, Grace and her colleagues looked at superannuation planning from the perspectives of cumulative advantage, individual life course choices, and different investor behaviour models. The study concentrated on how both men and women planned for retirement, paying specific attention to behavioural factors, particularly how they saw retirement. 21 semi-structured exploratory interviews were conducted as part of the study's qualitative research design to learn more about the attitudes of both male and female participants about financial retirement planning.

High-income people are mostly driven to save for retirement by their assessment of how adequate their income is, according to **Fillenbaum et al. (1985**).

When they retire, they want to keep spending the same and living at the same level. On the other side, middle-class people frequently feel limited in their retirement planning because of their tight finances and small savings, while low-income people don't anticipate major changes in their way of life.

Age and income were found to be major indicators of retirement financial planning by **Richardson and Keith (1989).** As they get closer to retirement, people usually start saving more money and investing it. Their life stage and family obligations affect their capacity for saving and investing. Prioritizing paying for normal expenses such as home ownership and childrearing takes precedence over setting aside money for retirement savings. Planning for retirement may not be much impacted by socioeconomic conditions or attitudes toward retirement.

The impact of demographic variables (age, income, gender, and education) on workers' perceptions of retirement financial security was investigated by Joy and Douglas in their 2005 study. According to their findings, people's perceptions of how difficult it would be to pay their retirement and how important they thought sources of income including personal savings, pension plans, Social Security, and family support were related to certain demographic factors.

According to **Wiatrowski's 1993** forecasts, by 2018, 88 percent of Americans would be receiving pension plan support, up from 55 percent in 1988. The main cause of this increase in coverage over the past 30 years has been the rise in the number of women joining the workforce.

According to research by **DeVaney and Su (1997)**, retired women earned 57.2 percent of their total income from Social Security, while males received 36.6 percent. Women earn less monthly payments from Social Security than males do, while receiving a larger share of their retirement income from the program.

Women's career histories with lower pay scales and sometimes interrupted or sporadic work patterns have been linked to the lower level of Social Security payments, as well as pensions obtained by them (Block, 1984; Rix, 1990).

4. Research Methodology:

A. Objective of the study

The primary aim of this study is to investigate how investors perceive pension schemes as an investment option.
The subsidiary objectives of this research can be outlined as follows:

1.Investigate the challenges and issues that investors face when consideringinvestment in pension schemes.
2.Assess the extent to which investors achieve their objectives when investing inpension schemes.
3.Examine the investment patterns and strategies adopted by individuals in thecontext of pension schemes.
4.Explore the preferences of investors when choosing between pension schemesand alternative investment products

B. Research Design:

In this section, we will discuss the research design, including its objectives, data nature and sources, data collection tools and techniques, sample design, study area, data scaling and measurement methods, and data analysis tools and methods. The research design serves as the framework for conducting the study, outlining how data will be collected, organized, and analysed. a **descriptive research design** strategy will be applied.

Nature of Data and Sources of Data

This research incorporates both primary and secondary data sources. Primary data refers to information collected firsthand, possessing originality. The primary data for this study was gathered through the use of questionnaires. In contrast, secondary data originates from external sources and has been retrieved from various channels,including newspapers, magazines, websites, as well as published reports from organizations such as PFRDA and pension fund companies.

Tools for Data Collection

This research encompasses a comprehensive analysis of both primary and secondary data sources. Primary data was gathered through the distribution of questionnaires to the selected sample of participants, who were encouraged to provide candid and voluntary responses.

Sample Design

Sampling technique : Non - Probability.
Sample size : 100

5. Data Analysis

A well-structured questionnaire was circulated among the respondents and the responses are:

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5.1 *Demographic Profile*

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 25	58	58.0	58.0	58.0
	25-35	20	20.0	20.0	78.0
	36-45	10	10.0	10.0	88.0
	46-55	9	9.0	9.0	97.0
	56 and above	3	3.0	3.0	100.0
	Total	100	100.0	100.0	

(Table 5.1.1)

(Output from spss)

INTERPRETATION: The data displays the age distribution of the respondents, indicating that the majority (58%) are under 25, with 20% of the sample being between the 25 and 35 year age range. Ages 36–45 make up 10% of the population, whereas 46–55 and 56 and older make up 9% and 3%, respectively. This suggests that the demographic is very young and that its representation gradually declines with age.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	58	58.0	58.0	58.0
	Female	42	42.0	42.0	100.0
	Total	100	100.0	100.0	

(Table 5.1.2)

(output from spss)

INTERPRETATION: The data presents a gender distribution of the respondents, with 42% of the sample being female and 58% of the sample being male.
This shows that the population under survey has a slight male majority.

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salaried	23	23.0	23.0	23.0
	Self-employed	17	17.0	17.0	40.0
	Business owner	12	12.0	12.0	52.0
	Student	44	44.0	44.0	96.0
	Retired	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

(Table 5.1.3)

INTERPRETATION: The distribution of occupations among the respondents is varied; students make up the largest group (44%), followed by salaried individuals (23%), self-employed individuals (17%), and company owners (12%).

Nominal Questions Are you aware of National pension scheme?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	63	63.0	63.0	63.0
	No	37	37.0	37.0	100.0
	Total	100	100.0	100.0	

(Table 5.2.1)

(output from spss)

INTERPRETATION: According to the research, 37% of respondents are unaware of the National Pension Scheme (NPS), compared to 63% who are. This implies that the people polled had a comparatively high level of NPS knowledge. It is possible to better inform efforts to increase financial literacy and encourage membership in retirement savings schemes by knowing how well-known financial products like the NPS are.

What type of retirement investment do you prefer?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Stocks	36	36.0	36.0	36.0
	Bonds	12	12.0	12.0	48.0
	Mutual funds	36	36.0	36.0	84.0
	NPS	16	16.0	16.0	100.0
	Total	100	100.0	100.0	

(Table 5.2.2)

(output from spss)

INTERPRETATION: According to the research, respondents' choices for retirement investments differ; 36% of them preferred stocks, 36% mutual funds, 16% the National Pension Scheme (NPS), and 12% bonds. Most of the respondents invest in the stocks and mutual fund.

How would you rate your understanding of NPS?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Vey Poor	14	14.0	14.0	14.0
	Poor	14	14.0	14.0	28.0
	Neutral	46	46.0	46.0	74.0
	Good	26	26.0	26.0	100.0
	Total	100	100.0	100.0	

(Table 5.2.3)

(output from spss)

INTERPRETATION: According to the data, respondents' perceptions of the National Pension Scheme (NPS) 14% say they understand it very poorly, 14% say they understand it poorly, and 46% say they have no idea. Nonetheless, 26% of participants said they understood NPS well.

What sources do you use to gather information about NPS?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial advisors	23	23.0	23.0	23.0
	Online articles	24	24.0	24.0	47.0
	Social media	29	29.0	29.0	76.0
	Friends or family	19	19.0	19.0	95.0
	Other (please specify)	5	5.0	5.0	100.0
	Total	100	100.0	100.0	

(Table 5.2.4)

(output from spss)

INTERPRETATION: According to the data, respondents look to a variety of sources for information regarding the National Pension Scheme (NPS). Social media (29%) internet publications (24%), financial advisors (23%), and friends and family (19%) are the most often cited sources. Five percent of respondents also indicated other sources that were not stated. This distribution implies that people use a mix of online resources, social networks, personal relationships, and expert financial guidance when looking for information regarding NPS.

What factors influence your decision to invest in NPS? (Rank in order of importance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tax benefits	21	21.0	21.0	21.0
	Long-term returns	39	39.0	39.0	60.0
	Flexibility in contributions	12	12.0	12.0	72.0
	Government-backed scheme	18	18.0	18.0	90.0
	Investment options available	10	10.0	10.0	100.0

(Table5.2.5)

(output from spss)

INTERPRETATION: The National Pension Scheme (NPS) investment decisions of respondents are influenced by the following criteria, which are ranked in order of significance by the data. Of the variables mentioned, 39% of respondents said that long-term returns were the most important aspect. Tax benefits came in second place with 21%, followed by government-backed schemes with 18%, contribution flexibility with 12%, and available investment options with 10%. This ranking implies that when people are thinking about investing in NPS, they should give priority to things like possible cash gains, tax benefits, and government support

6 .Findings :

- Different investors have different level of knowledge and comprehension about the national pension scheme (NPS) depending on demographic variable like age and place of residence.
- Campaigns to raise public awareness are crucial for educating people about the characteristics and advantages of the NPS and for influencing investor sentiment in the process.
- People may be encouraged to invest in the NPS by the government's continued support, which includes tax breaks and incentives.
- Investors must receive clear information on the advantages and hazards of the NPS in order to make well-informed decisions.
- The overall state of the financial markets affects investor trust in the NPS
- Investors follow a risk free path when it comes to put their hard earned money in the investment stream.
- NPS is by far prefered due to its tax benefits and better returns.
- NPS has a growing market share as compared to its past records.
- Investors go for less risk with increased returns.
- Investment patterns have increased as savings are taking a back seat.
- One of the reason for NPS having greater market share is that it provides flexibility of account selection.

7. Conclusion :

Investor sentiments toward the NPS are significantly influenced by public awareness efforts, government support, employer involvement, and accessibility. The report emphasizes the necessity of continual initiatives to raise investor awareness of the NPS, resolve issues, and raise general scheme satisfaction. Overall, the results point to the need for a multimodal strategy that includes regulatory changes, investor education programs, market stability, and stakeholder involvement in order to cultivate a favourable investor perception of the NPS and guarantee its continued viability as a retirement savings option. It indicates a complicated web of interrelated elements impacting the attitudes and actions of investors. Investor sentiments on the NPS are greatly impacted by market performance, government advertising, financial literacy initiatives, and demographic factors.

In addition to the Employees Provident Fund Organisation (EPFO) and central civil services pension schemes, the Indian government introduced the National Pension System (NPS) architecture in 2009. This initiative aims to extend social security benefits to economically disadvantaged individuals during their post-retirement phase.

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