

International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: www.ijarcsms.com

Exploring Barriers in Penetration of New Pension Scheme

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Abstract: Social security system provides essential tools to safeguard society from ongoing economic and global fluctuations or contingencies, leading to reduction or stoppage of earnings. Despite having many staggered assistance plans, India has always been seeking to establish a robust universal social security system. The main objective of this paper is to explore the barriers of new pension scheme. Primary data method is used for collecting the data from 110 government employees by using purposive sampling technique. Further, the data has been analysed through frequency analysis and Weighted Average score. Further, statistical t-test is applied to check significant difference between the central and state government employees with respect to barriers of new pension scheme. The findings of my paper reveals that significant difference exists between central and state level government employees with respect to barriers of new pension scheme.

Keywords: Barriers, Central government, Employees, New Pension Scheme, Social security, State government.

I. INTRODUCTION

In the last decade tremendous transformations have taken place in financial sector of India. These changes have triggered financial implications on conventional taxation, benefits and Social security regimes. With consistently increasing focus on financial security of citizens, Government has reengineered its years-old approaches and social security system to secure social & financial wellbeing of people. To align with existing economic challenges, we require better standards, not only in terms of well-designed policy frameworks, but also in terms of the better financial security systems. Further, Government appointed a dedicated legal/ regulatory authority named Pension Fund Regulatory and Development Authority (PFRDA), which supervises the overall effectiveness of new pension plans/ schemes. The objective of bringing revamped pension systems is to provide social security to the broader categories of citizens of India. In the Budget, 2003-04 government proposed a new policy named as defined contribution scheme. **New Pension Scheme (NPS)** is an initiative taken by the government of India which is applicable for all the citizens of India. Later on, this scheme is opened for the foreign residents also. Its main purpose is to promote savings for old-aged pensioners and also boosts the investment also. It is an attractive policy which provides significantly higher returns to the pensioners. Under this scheme, there are two types of accounts which need to be maintained i.e. **Tier-1** Account where the pensioners invest in this scheme till the age of retirement. Subscribers to this scheme do not get withdraw facility. And, second one, **Tier 2 A/c** in which subscribers get an option to do investment and avail the withdraw facility also.

In this scheme, both employer and employee contribute in employees' NPS accounts. The NPS scheme is well equipped with clear guidelines, rules and controls. Its performance analytics are thoroughly evaluated by NPS trust on periodic basis. State government employees have the option to join NPS, policy has accommodated with them and the programs which are going on under EPFO remain same as previous under the new policy.

II. LITERATURE REVIEW

In order to conduct a study, a brief survey regarding work is undertaken on the study of cashless transactions.

Beattie R. (1998) in the paper described the challenges faced during pension reform. Old pension system did not open for self-employed individuals and didn't provide any periodical retirement benefits. To remove such kind of hindrances, new pension system was launched for all type of employees. The changed reform in pension system brings lot of economic development in the country.

Shah A. (2000) highlighted role of PFRA in formulation of pension policy. This paper considered the problems in relation to presence of political risk, rising illiquidity position and declined in participation of individuals in pension system. To tackle these issues, micro-credit provision introduced by the government so that individuals get small amount of loan as a collateral security.

Goswami R. (2001) explored the problems in relation to provide retirement benefits schemes. Rise in government budgets, declined in rate of return related to provident funds, lack in the amount of pension annuities are the major drawbacks in the existing pension system. The result concluded that policymakers have to take some reformatory measures in relation to pension system.

ILO report (2001) considered the challenges with respect to social security system. In this report, health insurance considered as a vital component to provide social protection to individuals of formal as well as informal sector.

Sinha V.K. (2004) analysed the challenges faced in relation to implementation of New Pension Scheme. Increased financial burden, rise in amount of pension liability were the major challenges, this paper gave some suggestive measures like involvement of private sector, relaxation in investment norms and provide reliable economic security to pension subscribers.

Coco J.F. & Lopes P.(2004) differentiated the old pension and new pension scheme while considering amount of contribution and retirement benefits. This paper concluded that individuals have high salary preferred defined benefit scheme and low salaried persons defined contribution scheme.

Ganapathy V. (2021) examined the problems faced by old persons in relation to population ageing. Imbalance ageing system declined fertility rate and rise fiscal problem for the government. So, this paper concluded that with active population ageing system, a secure pension system has been developed for the country.

III. OBJECTIVE OF THE STUDY

The main objective of the study is to explore the barriers/challenges of New Pension Scheme.

IV. RESEARCH METHODOLOGY

The study is based on Primary Data. For the collection of data, Rohtak district is selected and sample of 110 respondents are considered who are working in central and state government offices by using purposive sampling technique.

V. DATA ANALYSIS AND INTERPRETATION

This part explains the analysis of major barriers faced by central and state government employees with respect to New Pension Scheme.

Frequency analysis and Weighted Average Score

Sr.No	Statements	SD	D	N	A	SA	Weighted Average Score	Rank
S1	Investments under NPS may offer lower returns as compared to old pension schemes.	6	24	3	32	45	416	4

S2	Fund managers may involve unethical investment decisions.	12	12	15	40	31	396	8
S3	Poor financial literacy attitude of the employees towards financial savings, risk and retirement planning	20	9	19	37	25	368	10
S4	Confidence of government employees with regard to NPS is very low.	13	5	9	31	52	434	1
S5	NPS scheme has limited options and not offering full coverage.	15	10	9	37	39	405	7
S6	The financial returns are not attractive enough to promote NPS scheme	6	16	8	34	46	428	2
S7	Lack of transparency and disclosure of information regarding investment by the intermediaries.	13	8	8	45	36	413	5
S8	Investment restrictions are imposed by the government may result biasness in investment pattern of the pension funds.	10	12	9	34	45	422	3
S9	Subscriber has to bear the cost of the market based guarantee i.e. guarantee on principal and /or returns.	11	13	9	43	34	406	6
S10	Tax treatment compared to other long and short term financial instrument is not favorable for the development of pension sector.	12	25	8	39	26	372	9

From the above table, it is inferred that Confidence of government employees with respect to NPS is very low (S4), the financial returns are not very attractive enough to promote New Pension Scheme (S6), Investment restrictions are imposed by the government may result biasness in investment pattern of the pension funds (S8), Investment under NPS may offer lower returns as compared to old pension scheme (S1) and Lack of transparency and disclosure of information regarding investment by the intermediaries (S7) are the major challenges faced by the central and state government employees as per the rank allotted with the help of Weightage Average Score analysis. The statement has highest weighted score, rank allotted as first position and statement has lowest weighted score, rank allotted as tenth position.

Applying T-test:-

S.No	Statements	Type of Employee	Mean	F-value	P-value
1	Investments under NPS may offer lower returns as compared to old pension schemes.	Central	3.7368	1.539	0.217
		State	3.8302		
2	Fund managers may involve unethical investment decisions.	Central	3.5088	1.335	0.251
		State	3.7925		
3	Poor financial literacy attitude of the employees towards financial savings, risk and retirement planning	Central	3.0526	2.098	0.150
		State	3.6604		
4	Confidence of government employees with regard to NPS is very low.	Central	3.8246	8.919	0.003
		State	4.0755		
5	NPS scheme has limited options and not offering full coverage.	Central	3.4737	5.555	0.020
		State	3.9623		
6	The financial returns are not attractive enough to promote NPS scheme	Central	3.8070	2.541	0.114
		State	3.9057		
7	Lack of transparency and disclosure of information regarding investment by the intermediaries.	Central	3.6316	9.222	0.003
		State	4.0566		
8	Investment restrictions are imposed by the government may result biasness in investment pattern of the pension funds.	Central	3.6491	0.004	0.952
		State	3.8113		
9	Subscriber has to bear the cost of the market based guarantee i.e. guarantee on principal and /or returns.	Central	3.4035	7.987	0.006
		State	3.9245		
10	Tax treatment compared to other long and short term financial instrument is not favorable for the development of pension sector.	Central	3.1579	4.458	0.037
		State	3.0566		

The hypotheses are given below:

H_0 : There is no statistically significant difference between the central and state government employees with respect to barriers of New Pension Scheme.

H_1 : There is statistically significant difference between the central and state government employees with respect to barriers of New Pension Scheme.

From the above table, it depicts that p value is significant for the statement no. 4,5,7,9 and 10, represents statistically significant difference between the central and state government employees with respect to barriers related to New Pension Scheme. Further, statement 1,2,3,6 and 8 doesn't show any significant difference between the central and state government employees with respect to barriers of New Pension Scheme.

VI. CONCLUSION

It is concluded that Social security system is a fundamental support structure, which aids in consistent uplift of society through its well designed and focused benefit schemes offered to all sections of society. The new reforms of NPS policy are certainly more secure, rewarding and futuristic. Confidence among the central and state government employees and returns received by the pension subscribers are the major barriers which the employees faced. And, it is further examined that by using statistical technique, the significant difference exists among the central and state government employees in relation to barriers related with new pension scheme.

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