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An Analytical Study on Perception and Satisfaction of the National Pension Scheme

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Abstract

This study analyzes the perception and satisfaction of National Pension Scheme (NPS) subscribers in Palakkad, Kerala. Focusing on a sample of 103 government employees, the research explores how factors such as age, education, residence, and experience impact satisfaction levels with the NPS. Using tools like One-Way ANOVA and correlation analysis, the study finds that variables like place of residence, total experience, and monthly income significantly affect satisfaction, with experience and income showing a negative influence. The research highlights that while NPS is an effective retirement tool, improvements in fund management and subscriber engagement could enhance its appeal. The findings offer valuable insights for policymakers to optimize the scheme and better serve its subscribers.

Key words: National Pension Scheme, retirement planning, perception, satisfaction

Introduction

Pension schemes play a vibrant role in ensuring financial security for senior citizens post-retirement. They allow individuals to conserve their quality of life and independence without relying on others. For India's working population, especially in public and private sectors, a viable retirement plan is essential to retain their standard of living. One of the key initiatives addressing this requirement is the National Pension Scheme (NPS), introduced by the Government of India. The NPS is South Asia's first Defined Contribution (DC) pension scheme, proposing features like individual retirement accounts, product choices, professional fund management, and centralized administration.

The NPS is accessible to employees through public, private, and unorganized sectors (except for the armed forces), allowing them to invest in a pension account throughout their employment. Upon retirement, subscribers can extract a portion of the accumulated corpus, ensuring a steady income stream in their retirement years.

Architects of the National Pension System

Point of Presence (POP)

Point of Presence (POP) is the first point of collaboration of the NPS subscriber with the NPS architecture. The authorized branches of a POP, called Point of Presence Service Providers (POP-SPs), will act as collection points and outspread a number of customer services to NPS subscribers.

Central Record keeping Agency (CRA)

The recordkeeping, administration and customer service roles for all subscribers of the NPS are being handled by the National Securities Depository Limited (NSDL), which is performing as the Central Record keeper for the NPS.

Pension Funds (PFs)/Pension Fund Managers (PFMs)

The following Pension Funds (PFs) appointed by PFRDA would manage asset under the NPS:

i. ICICI Prudential Pension Funds Management Company Limited
ii. IDFC Pension Fund Management Company Limited
iii. Kotak Mahindra Pension Fund Limited
iv. Reliance Capital Pension Fund Limited
v. SBI Pension Funds Private Limited
vi. UTI Retirement Solutions Limited

Trustee Bank

The Trustee Bank appointed under NPS shall simplify fund transfers across various entities of the NPS system viz. PFMs, ASPs, Subscribers, etc. Bank of India (BoI) has been appointed as the Trustee Bank

Annuity Service Providers (ASPs

Annuity Service Providers (ASPs) would be answerable for delivering a regular monthly pension to the subscriber after she/he exits from the NPS.

NPS Trust

A Trust, appointed under the Indian Trusts Act, 1882 is responsible for taking care of the funds under the NPS in the best interests of its subscribers.

Pension Fund Regulatory and Development Authority (PFRDA)

PFRDA is an autonomous body set up by the Government of India to develop and legalize the pension market in India. National Pension Scheme (NPS) is an initiative of Pension Fund Regulatory and Development Authority (PFRDA). PFRDA was established by the Government of India to encourage old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds.

Review of Literature

Murari (2020) analysed the risk-adjusted performance of NPS fund managers, revealing that LIC Pension Fund Manager outperformed others based on Sharpe and Jensen's alpha ratios.

Jain & Sharma (2018) investigated the adoption of NPS in Rajasthan and conducted a comparative analysis with other pension schemes. They concluded that NPS offers significant tax-saving benefits for subscribers.

Aruna Kapoor (2018) examined investor awareness regarding NPS in Delhi and found that most respondents were satisfied with the scheme's returns.

Keloth & Baskaran (2018) highlighted the growing popularity of NPS, particularly after recent government amendments, positioning it as a preferred option for retirement planning.

Statement of the Problem

The NPS has gained prominence in India's retirement planning landscape. However, limited research has been conducted to understand the satisfaction levels and challenges faced by subscribers in specific regions like

Palakkad. This study addresses this gap by exploring the perceptions, preferences, and issues of NPS investors in the district. By examining factors influencing NPS participation and satisfaction, the study provides insights into how the pension scheme can be enhanced to better meet the needs of its subscribers.

Scope of the Study

This study investigates the perception and satisfaction levels of National Pension Scheme (NPS) subscribers in Palakkad district, Kerala. Through surveys and interviews, the research delves into the experiences, difficulties, and overall satisfaction of investors. The findings aim to benefit policymakers, fund managers, and future subscribers by identifying potential areas for improving the scheme.

Objectives of the Study

1. To analyse respondents' perceptions of the National Pension Scheme.
2. To identify satisfaction levels among NPS subscribers.

Research Methodology

The population includes NPS contributors from Palakkad district, encompassing employees from various Central and State Government departments. The study involves a sample size of 103 respondents, selected through convenience sampling. This non-probability sampling technique allows easy access to participants. Both primary and secondary data were used in the research

Tools Used for the Study

Data analysis was conducted using SPSS software. Statistical tools such as one-way ANOVA, Correlation, Regression and Step-wise Regression were employed to interpret the data.

Analysis and Interpretation

One-Way Anova on Perception Towards NPS

H_0: There is no significant variation in the means score obtained for the variable related to the perception concerning NPS with respect to age

H_1: There is significant variation in the means score obtained for the variable related to the perception concerning NPS with respect to age**.**

ONE-WAY ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
100% social security in NPS	Between Groups	1.562	3	.521	.350	.789
	Within Groups	147.156	99	1.486		
	Total	148.718	102			
Citizens aware about NPS	Between Groups	2.045	3	.682	.598	.618
	Within Groups	112.809	99	1.139		
	Total	114.854	102			
100% lumpsum needed at the time of retirement	Between Groups	4.505	3	1.502	1.159	.329
	Within Groups	128.272	99	1.296		
	Total	132.777	102			
Age of retirement	Between Groups	.968	3	.323	.279	.841
	Within Groups	114.721	99	1.159		
	Total	115.689	102			
Overall fund management is poor in NPS	Between Groups	3.297	3	1.099	1.220	.306
	Within Groups	89.169	99	.901		
	Total	92.466	102			
Government should fix minimum return for their investment for reducing the risk in NPS	Between Groups	2.557	3	.852	.825	.483
	Within Groups	102.317	99	1.034		
	Total	104.874	102			
Principal amount is safe in NPS	Between Groups	1.869	3	.623	.596	.619
	Within Groups	103.471	99	1.045		
	Total	105.340	102			
Achievement of expected return	Between Groups	3.174	3	1.058	.985	.403
	Within Groups	106.282	99	1.074		
	Total	109.456	102			
More importance to grievances	Between Groups	2.852	3	.951	.998	.397
	Within Groups	94.351	99	.953		
	Total	97.204	102			
Priority given to government bonds	Between Groups	10.000	3	3.333	3.124	**.029***
	Within Groups	105.632	99	1.067		
	Total	115.631	102			
PFM is true decision maker for their investment	Between Groups	9.218	3	3.073	3.410	**.020***
	Within Groups	89.209	99	.901		
	Total	98.427	102			
Tax exemption is high in NPS	Between Groups	4.992	3	1.664	1.640	.185
	Within Groups	100.425	99	1.014		
	Total	105.417	102			
Suitable for long term investment	Between Groups	4.618	3	1.539	1.480	.225
	Within Groups	102.936	99	1.040		
	Total	107.553	102			

The result of the one-way anova for the variable perception concerning with the age give an F value 3.124 and 3.410 respectively, which are significant at 5 per cent level ($p < 0.05$). Hence the null hypothesis is rejected. This implies that there is significance difference in the means score obtained for the variable related to the perception concerning NPS with respect to age with respect to priority given to government bonds, PFM is true decision maker for their investment in relation to age. In case of variables such as 100% social security, awareness about NPS,100% lumpsum needed, retirement age to get pension, overall fund management poor in NPS, government

should fix minimum return, principal amount is safe in NPS, expected rate of return is achieved, grievances be given more importance, tax exemption is high in NPS, suitable for long term investment with correspondent F value .350, .598, 1.159, .279, 1.220, .825, .596, .985, .998, 1.640, 1.480 respectively are found to be not significant at 5 per cent level (p>0.05).Hence null hypothesis is not rejected .

In order to examine the nature and quantum of association of variables with level of satisfaction with concerning NPS, correlation analysis is used. Nine variables namely Age, Gender, Marital status, period of subscription, Education level, place of residence, nature of bank account, total experience, monthly pay are taken for correlation analysis. Out of nine variables selected five variables are found to be significant namely age, marital status, education level, place of residence and total experience are found to be significant at one per cent and five per cent level.

Variables associated correlated with level of satisfaction concerning NPS

– Correlation Analysis

(a) Age

Age is positively correlated with level of satisfaction concerning NPS. The coefficient determination (r^2) shows that age contributes 2.5 per cent of the variation in the level of satisfaction.

(b) Marital status

Marital status is positively correlated with level of satisfaction concerning NPS. The coefficient determination (r^2) shows that marital status contributes 6 per cent of the variation in the level of satisfaction.

(c) Education Level

Education level is positively correlated with level of satisfaction concerning NPS. The coefficient

VARIABLES	**R**	**R^2**
Age	.159**	0.025
Gender	.041	0.001
Marital Status	-.245*	0.060
Period of subscription	.172	0.029
Education Level	.272**	0.073
Place Of Residence	.331**	0.109
Nature of Bank Account	-.060	0.003
Total Experience	-.224*	0.050
Monthly income	-.114	0.012

determination (r^2) shows that education level contributes 7.3 per cent of the variation in the level of satisfaction.

(d) Place Of Residence

Place of residence is positively correlated with level of satisfaction concerning NPS. The coefficient determination (r^2) shows that place of residence contributes 10.9 per cent of the variation in the level of satisfaction.

(e) Total Experience

Total experience is positively correlated with level of satisfaction concerning NPS. The coefficient determination (r^2) shows that total experience contributes 5 per cent of the variation in the level of satisfaction.

Determinants of Satisfaction Concerning NPS

In order to ascertain the variables that determine the level of satisfaction concerning NPS, the selected seven variables have been regressed on satisfaction index. The results of the regression analysis are shown in the table 4.22.1 Of the variables taken for analysis, the variables namely Area of Residence, Experience and Monthly Income are found to be significant. The other variables do not influence level of satisfaction. The variables that influence the level of satisfaction are explained in following paragraphs:

$SAT = a + b_1AGE + B_2GE + B_3MS + B_4EL + B_5AOR + B_6EX + B_7MI + e$

Where,

SAT = Satisfaction
AGE = Age
GE = Gender
MS = Marital status
EL = Education level
AOR = Area of Residence
EX = Experience
MI = Monthly Income
e = Error Term

Constant : 52.651
Std. Error of Estimate : 9.814
R^2 : .331
Adjusted R^2 : .282

Determinants of Satisfaction Concerning NPS- Multiple Regression Analysis

Variables	Regression Co-efficient	Standard error	t
Age	2.676	2.027	1.320
Gender	-1.090	2.484	-.439
Marital status	-4.426	3.221	-1.374
Education level	2.364	1.264	1.870
Area Of Residence	5.478**	1.553	3.527
Experience	-5.551**	1.893	-2.932
Monthly Income	-5.820**	2.001	-2.909

Source: Primary Data ***Significant at one per cent level*

(a)Area of Residence

The regression co-efficient indicated that Area of residence positively influence the level of satisfaction concerning NPS.

(b) Experience

The regression co-efficient indicated that Experience negatively influence the level of satisfaction concerning NPS.

(c) Monthly Income

The regression co-efficient indicated that Monthly Income negatively influence the level of satisfaction concerning NPS.

Variables Prominently Associated with Satisfaction Concerning NPS- Step-wise Regression Analysis

Step	Constant	AOR	EX	MI	R^2
1	39.786	4.876			0.110
2	47.052	5.760	-6.349		0.197
3	63.026	6.659	-5.512	-5.909	0.299

AOR = Area of Residence
EX = Experience
MI = Monthly Income

The result of step-wise regression test discloses that three variables are found to be significantly associated with the level of satisfaction. The total contribution of the variables namely Area of Residence, Experience and Monthly Income amounts to **29.9** per cent. The r2 value of multiple regression amounts to **29.9** per cent.

Conclusion

National Pension System is a Defined Benefit long-term investment plan for retirement. The underline motive

behind the thesis is to evaluate the performance of pension funds registered under NPS. Pension funds are considered as one of the best retirement investment option available for retirement planning. The performance ratios help the investors to assess the performance of the funds and boost the growth of well performing pension funds. National Pension System is the best way to invest money for retirement. National Pension System and all the authorities related to National Pension System come under the regulation of the Pension Fund Regulatory and Development Authority (PFRDA).

Evaluating the performance of NPS (National Pension System) involves assessing various factors such as returns generated, fund management charges, investment flexibility, and regulatory oversight. By leveraging these statistical methods, policymakers, regulators, and investors can make informed decisions to enhance the efficiency, inclusivity, and effectiveness of the NPS, ultimately contributing to better retirement planning and financial security for individuals.

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