

NATIONAL PENSION SYSTEM – REASONS FOR INVESTING

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Abstract: The National Pension System which is regulated and administered by the PFRDA seeks to provide retirement benefits to all citizens of India, including the unorganised sector workers. It is a defined, voluntary contribution scheme that is market-linked and managed by professional fund managers. Subscribers also have an option to exit this plan before retirement or opt for superannuation. However, this scheme ensures that a part of savings is utilised to provide a subscriber with retirement benefits. NPS not only allows them to fulfill their retirement expenses but also allows them to sail through their post-retirement life with the least hassles. Hence, the researcher attempts to identify the subscriber's interest towards NPS investment.

Keywords: NPS, PFRDA, Market-linked, Tax benefits.

I. INTRODUCTION

The National Pension System which is regulated and administered by the PFRDA seeks to provide retirement benefits to all citizens of India, including the unorganised sector workers. It is a defined, voluntary contribution scheme that is market-linked and managed by professional fund managers. Subscribers also have an option to exit this plan before retirement or opt for superannuation. However, this scheme ensures that a part of savings is utilised to provide a subscriber with retirement benefits.

1.1 Statement of the Problem

In today's life, an individual should create a significant amount of corpus for their retirement phase is a vital aspect in their financial planning. It not only allows them to fulfill their retirement expenses but also allows them to sail through their post-retirement life with the no hassles.

India as other developing country faces the difficulty of increase in greying population, thus the Indian Government had introduced schemes like the National Pension System. This scheme allows the individuals for systemised savings during their working years, which inculcate a financial discipline among them to save for their future. Hence, the researcher attempts to identify the subscriber's interest towards NPS investment.

1.2 Objective

The study is to identify the reasons for which the subscribers are investing in National Pension System.

1.3 Research Methodology

1.3.1 Area of the study

The study has been conducted in coimbatore City.

1.3.2 Sampling design

- Sampling technique - Purposive Sampling Technique
- Sample size - 100 respondents

1.3.3 Data Collection

Primary data has been collected from 100 respondents through interview Schedule method using structured questionnaire.

1.3.4 Tools used for the Analysis

- Percentage Analysis
- Average score Analysis

II. LITERATURE REVIEW

- **Eronimus (2015)¹** conducted "A Study on National Pension Scheme (NPS) in India with special reference to pension subscribers in Tamil Nadu". In that study he examined the pension subscriber's social security conditions, financial literacy level concerning NPS and their perception and satisfaction towards NPS.
- **Sapna Singh (2014)²** examined the prospective and current investor's perception, preference, attitude and factors toward the different pension schemes as an investment product as well as to fulfill the need of old age security. The study revealed that the

investors had a positive approach towards investing in pension schemes and they mainly select different types of market-linked schemes for their pension investment.

- **Suresh.N and Devanathan.S.V (2012)³** studied the various factors that influence the employees in the investment decision of pension fund scheme in a public sector organization at Tiruchirappalli. The study concluded that pension schemes needed to concentrate on the factors like balanced investment portfolio, funds past performance, extra benefit at the time of retirement, risk profile of the scheme which attract the customers to their organisation.

III. DATA ANALYSIS

3.1 Percentage Analysis

Table No: 1
Socio Economic Profile of the Subscribers

Variables	Group	Percentage
Age	18 - 25 years	3.9
	25 - 35 years	59.9
	35 - 45 years	22.9
	Above 45 years	13.3
Gender	Male	57.6
	Female	42.4
Marital Status	Married	71.6
	Unmarried	28.4
Educational Qualification	Schooling	7.0
	Under Graduate	39.8
	Post Graduate	40.4
	Professional	11.7
	Others	1.0
Occupational sector	State Government	48.2
	Central Government	40.9
	Private Sector	10.9
Individual Monthly Income	Below 15000	0
	15000 – 25000	29.9
	25000 – 35000	37.0
	35000 – 45000	9.6
	Above 45000	23.4
Family Monthly Income	Below 25000	13.3
	25000 – 35000	20.8
	35000 – 45000	27.3
	45000 – 55000	9.6
	Above 55000	28.9
Type of Family	Joint Family	59.1
	Nuclear Family	40.9
Area of Residence	Urban	56.3
	Semi urban	26.8
	Rural	16.9

Table No: 2
Period of Investment in NPS

Range	Percentage
Less than 1 year	5.5
1 - 5 years	35.9
6 - 10 years	40.9
More than 10 years	17.7

Table No: 3
Amount of Contribution to NPS

Amount of Contribution	Percentage
Below 10000	1.8
10000 – 20000	28.9
20000 – 30000	27.9
30000 – 40000	8.1
40000 – 50000	24.2
Above 50000	9.1

3.2 Average Score Analysis

Table No: 4
Average score analysis - Reasons for Investing in National Pension System

Reasons	Mean Score
Old Age Security	3.88
Standard of Living	3.57
Tax Exemption	4.08
Market Linked	2.31
Diversification of Risk	2.75
Choice of Scheme	2.42
Mandatory	3.53
Portability	2.84
Flexibility	3.07
Simple	3.40
Reliability	2.99
Grievance Redressal Facility	2.83
Adequate Information	2.95
Professional Management	2.85
Prompt Service	2.92
Well Regulated	3.14
Low Cost	3.34
Transparency	2.57
Convenient	3.38

IV. FINDINGS

4.1 Percentage Analysis

- Majority (59.9%) of the subscribers belong to the age group of 25 – 35 years.
- Majority (57.6 %) of the subscribers are Male.
- Majority (71.6 %) of the subscribers are Married.
- Most (48.2 %) of the subscribers are employed under State Government.
- Most (40.4 %) of the subscribers are Post graduates.
- Most (37 %) of the subscribers have the monthly income between 25000- 35000.
- Most (28.9 %) of the subscribers have the family monthly income of above 55000.
- Majority (59.1%) of the subscribers belong to Joint Family System.
- Majority (56.3%) of the subscribers are residing in urban area.
- Most (40.9%) of the subscribers are investing in NPS for 6 – 10 years.
- Most (28.9) of the subscribers are contributing 10000 – 20000 to NPS per year.

4.2 Average Score Analysis

- Subscribers felt that Tax Exemption is the reason for investing in NPS which has the highest mean score of 4.08
- Old Age Security has the second highest mean score of 3.88
- Subscribers also felt that standard of living is the reason for investing in NPS which has the third highest mean score of 3.57

V. SUGGESTIONS & CONCLUSION

In NPS, the contributions made by the subscribers would grow and accumulate over the years depending upon the returns earned on the investment. Other than tax benefits in NPS subscribers can also get various advantages like choice of scheme, market-linked, risk diversification and mainly it is regulated by PFRDA, with transparent investment norms, and regular monitoring. But most of the subscribers are making investment in NPS for mandatory purpose without knowing its benefits. Hence, the government and other related authorities should take necessary actions to attract more subscribers for NPS.

VI. REFERENCE

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