

# A Study on Employees Perception towards NPS & EPF

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**Abstract:** *The study "A Study on Employees' Perception towards NPS & EPF" investigates the views of employees regarding two of India's most prominent pension schemes: the National Pension System (NPS) and Employees' Provident Fund (EPF). The research aims to understand employees' preferences and satisfaction levels with these schemes based on factors such as returns, risk, ease of access, transparency, and tax benefits. NPS, being a market-linked pension scheme, offers higher flexibility and potential for better returns but also carries a higher risk. It is typically favored by employees who seek control over their investments and are comfortable with market fluctuations. In contrast, EPF is a government-backed, more stable scheme, offering lower risk but fixed returns. It is preferred by risk-averse employees who prioritize security over potentially higher gains.*

*Through primary data collected from employees across different sectors, the study highlights key insights into how employees' perceptions differ based on their employment type, income levels, and financial goals. Understanding these perceptions is crucial for policymakers and employers to address gaps in awareness and satisfaction, thereby encouraging more informed decisions for retirement planning and improving participation in both pension schemes. The study contributes to a broader understanding of retirement planning preferences in India*

**Keywords:** National Pension Scheme (NPS), Employee Provident Fund (EPF), Transparency, Government Bond, Equity Bond, Corporate Bond

## I. INTRODUCTION

The pension system in India plays a crucial role in ensuring financial security for individuals' post-retirement. Among the most prominent schemes are the National Pension System (NPS) and the Employees' Provident Fund (EPF), both designed to provide income stability in old age. NPS is a market-linked, voluntary contribution-based scheme, offering individuals the flexibility to choose their investment mix and potentially earn higher returns. On the other hand, EPF, a mandatory government-backed scheme for employees in certain sectors, provides stable returns with low risk, ensuring a safety net through consistent contributions from both employees and employers.

In recent years, employees' perceptions of these schemes have gained importance due to changing economic conditions, increasing life expectancy, and the growing need for financial independence after retirement. The choice between NPS and EPF often depends on various factors, including income level, risk appetite, financial goals, and awareness of the schemes' benefits. This study focuses on analysing employees' perceptions of NPS and EPF to understand which factors influence their preferences and satisfaction.

## II. REVIEW OF LITERATURE

Sanyal, A., Gayithri, K., & Erappa, S. 2011 spoke on the auto choice option for the new pension system and the national pension program. The demographic shift suggests that in the future, the investment structure of asset class may get imbalanced. Still, the descriptive paper is critical as it argues that pension reform in India is a long way to go before it is able to serve the interest of both employees and employer. H. Sadhak (2009) discussed the sections on pension reform that were based on the shifting demographic composition of the population. The defined benefit pension plan is one of the major aims of welfare state. The author in the article mentioned that a fund invested 100% in equity can give higher return than a fund invested otherwise. It is not recommended for an investor to invest all of their money and

retirement income in it. Making investments on all savings in debt instruments, on the other hand, "would generate insufficient walk to comfortably take care of retirement needs." **Kaushal, N. (2014)** examined the consequence of a recent expansion in India's National adulthood Pension scheme on old well-being. The assessments showed that public pension contains an unobtrusively unfavourable impact on the employment of elder or close to old males with a primary or lower education, though it did not affect the employment of comparable females. Study finds that pension leads increased family expenses, and deteriorating economic condition further, and also study observes that most of the pension income households spent on healthcare and education, suggesting that intergenerational transfers within the household are likely. **Sane, R., & Thomas, S. (2014)** evaluated the new pension scheme implementations as per his objectives. The author found that due to the lack of focus on keeping the assets management, low transparency of the system, and lack of investment system, there are certain areas in which new pension scheme has been diverging in multiplicity of the scheme. The author concluded that these loopholes can be cured with the regulatory intervention and the PFRDA also empowered the necessary statutory authority to control the institutions of the new pension scheme. The Such regulator can help the gain in confidence in the system by assuring that the interest of the customers is the main concern in new a pension scheme.

The studies at individual levels of NPS and EPF are present, comprehensive comparison studies are not that many. The following are the gaps that this study will seek to fill. The general lack of a study which provides for a comprehensive comparison taking into consideration subscriber satisfaction, risk, and returns all together in a single study. There was also a need to develop an overall strategy that incorporates quantitative and qualitative reviews of such pension schemes.

#### **Statement of Problem**

Pension plans form the backbone for any person to remain financially secure beyond their retirement age. In India, there are mainly two pension plans, namely, Employees' Provident Fund and National Pension System. While both these schemes share a common objective of providing a source of income in old age, they have distinct differences in their target population, benefits, and structure. The tricky part is to find out the plan which gives maximum benefits, security, and returns for various employee groups. This study compares NPS with EPF and provides full knowledge about their different benefits and drawbacks so that the people and policy makers can take better decisions.

#### **Objectives of the Study.**

- To assess employees' perceptions and satisfaction levels with the National Pension System (NPS) and Employees' Provident Fund (EPF)
- To understand the current NPS and EPF plan and regulations.

### **III. RESEARCH METHODOLOGY**

This study uses a combination of primary and secondary data. Surveys were conducted with the population includes all individuals currently subscribed to either the NPS or EPF in Bengaluru. sampling unit will be individual subscribers who have been enrolled in either NPS or EPF for at least 5 years. **T-test** used for hypotheses test to find differences statistically.

#### **Sampling.**

A sample size of **110** Employees will be targeted, with **52** each from NPS and EPF 6 from Both schemes.

**Sampling Techniques** - Stratified Random method is used.

#### **Hypothesis.**

##### **Hypotheses on Employment Type & Pension scheme**

H0: There is no significant association between employment type and the choice of pension scheme (NPS vs. EPF).

H1: There is a significant association between employment type and the choice of pension scheme (NPS vs. EPF).

**IV. DATA ANALYSIS AND HYPOTHESIS TESTING.**

**I. Data Analysis:**

**Table Showing, The Employment Type**

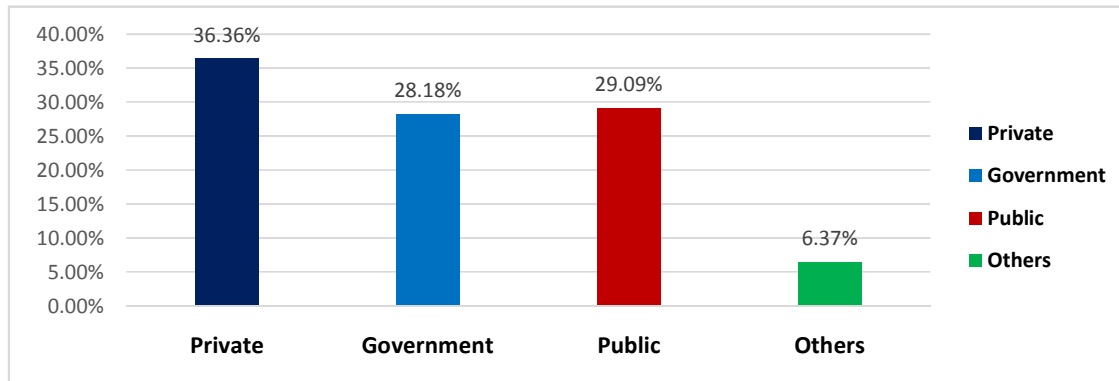
Employment. Type	NPS	EPF	BOTH	Total	Percentage
Private	12	25	4	41	36.36%
Government	22	8	1	31	28.18%
Public	14	16	1	31	29.09%
Others	2	5	0	7	6.37%
<b>Total</b>	<b>50</b>	<b>54</b>	<b>6</b>	<b>110</b>	<b>100%</b>

**Analysis:**

The biggest shareholding goes to private sector employees, at 36.36%, while government and public sector hold 28.18% and 29.09%, respectively. Smaller percentages are covered by NGOs and others, with 3.64% and 2.73%, respectively.

**Chart Showing Employment Type**

**Interpretation:**



The data presents a comparative analysis of pension scheme participation among different employment types in India. In the private sector, a significant majority prefer the Employee Provident Fund (EPF) (25 respondents) over the National Pension System (NPS) (12 respondents), indicating a stronger reliance on EPF for retirement savings. Government employees show a higher inclination toward NPS (22 respondents) compared to EPF (8 respondents), possibly reflecting the nature of their employment benefits. Public sector employees exhibit a balanced preference for both schemes, while "Others" have minimal participation. Overall, EPF is favoured in private and public sectors, while NPS gains traction among government employees.

**Hypothesis test;**

**Hypotheses on Employment Type & Pension scheme**

H0: There is no significant association between employment type and the choice of pension scheme (NPS vs. EPF).

H1: There is a significant association between employment type and the choice of pension scheme (NPS vs. EPF).

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
<b>Pearson Chi-Square</b>	<b>14.934<sup>a</sup></b>	<b>6</b>	<b>.021</b>
<b>Likelihood Ratio</b>	<b>15.454</b>	<b>6</b>	<b>.017</b>
<b>Linear-by-Linear Association</b>	<b>1.557</b>	<b>1</b>	<b>.212</b>

<b>N of Valid Cases</b>	<b>110</b>		
a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .38.			

**Interpretation:**

The Chi-Square test results shed light on the relationship between employment type and the selection of pension schemes (NPS vs. EPF). The Pearson Chi-Square statistic stands at 14.934 with 6 degrees of freedom, resulting in an asymptotic significance (p-value) of 0.021. Since this p-value is below the conventional alpha level of 0.05, we can reject the null hypothesis (H0), providing strong evidence that a significant association exists between employment type and pension scheme preference.

The Likelihood Ratio corroborates this finding, showing a value of 15.454 and a p-value of 0.017, further reinforcing the significance of the relationship. However, the Linear-by-Linear Association test, which yields a value of 1.557 and a p-value of 0.212, suggests that the relationship does not exhibit a linear trend across the various employment categories. These findings indicate that employment type significantly influences the choice of pension scheme, suggesting that promotional strategies for NPS or EPF should be tailored to the unique characteristics and preferences of each sector.

**V. FINDINGS**

- A significant majority of private sector employees prefer the Employee Provident Fund (EPF) over the National Pension System (NPS).
- Government employees show a higher preference for NPS, suggesting a potential alignment with their employment benefits.
- Public sector employees exhibit a nearly equal preference for both EPF and NPS.
- Employees categorized as "Others" have low engagement with both pension schemes, indicating a need for targeted outreach.
- Chi-Square test results (p-value = 0.021) indicate a significant association between employment type and pension scheme choice, allowing for the rejection of the null hypothesis.
- The Linear-by-Linear Association test suggests that the relationship between employment type and pension scheme does not follow a linear trend across categories.
- The findings emphasize the need for tailored promotional strategies for NPS and EPF, based on the distinct preferences of each employment sector.

**VI. RECOMMENDATIONS**

- By Developing targeted awareness campaigns for NPS in government sectors, highlighting its long-term benefits, while emphasizing EPF's advantages for private sector employees.
- Implement workshops and seminars in organizations to educate employees about both schemes, facilitating informed decision-making based on their employment type.
- Establish channels for employees to provide feedback on their preferences and concerns regarding pension schemes, which can guide future policy adjustments.

**VII. CONCLUSION**

The comparative analysis and hypothesis testing reveal a significant relationship between employment type and the choice of pension scheme in India. The findings suggest that understanding these dynamics is crucial for policymakers and financial institutions to effectively cater to the retirement planning needs of various employee groups. Tailored approaches that respect the unique characteristics of each sector will likely enhance participation in pension schemes, ultimately contributing to better financial security for employees in their retirement years.

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