A Study on National Pension Scheme in India with Special Reference to Karnataka

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Abstract

The paper reviewed the National Health Insurance scheme and accessed the possibility of a single premium for decade. The entire paper had its base of a single premium for a decade that is feasible enough to sustain the scheme, to identify alternative means of generating income to sustain the Kassena Nankan District Mutual Health Scheme and to assess the perception of registered and potential clients on the NHIS. The research design employed was statistical survey and both qualitative and quantitative data were collected from a sample of 100 respondents. The research study has its justification from the current government's intention to implement a single premium system for the NHIS. The research findings emphasised the inclusion of age distribution as key variable to avoid all ages

Keywords: Insurance Scheme, Pension Scheme, Premium

Introduction

Pension is said to be an prominent for senior citizens to maintain and improve their quality of life, through greater independence in their decisions, improved status in the family and greater self-confidence.

When people do not enjoy a regular and steady source of income, it becomes more significant to have a pension plan handy. A standard retirement plan serves to ensure that individuals can sustain their life standards without being dependent on others and without having to compromise on their standard of life during their post retirement period.

In the constitution of India, entry in list III schedule VII deals with the " welfare of labour, including conditions of work, provident funds, liability for workmen's compensation, old age pension and maternity benefits. In directive Principles, article 41 of the constitution of India directs the state to provide public assistance to its citizens in case of unemployment, old age, sickness and disablement and other in other cases of underserved want within the limit of its economic capacity and development.

History of Insurance in India

Insurance in India has a deep rooted history. It finds in the writings of Manu(Manusmrithi), Yagnavalkya(Dharmasatra) and Kautilya (Arthashastra). The writings talk in terms of pooling of resources that could be redistributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular(IRDA 2007). The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta by Anitha Bhavsar to cater to the needs of the European Community. This was followed by the Bombay Assurance company in 1823 and the Madras Equitable Life Insurance society in 1829.

The new economic policy and liberalisation process followed by Government of India since 1991 paved the way for privatisation of insurance sector in the country. The Insurance Regulatory and Development Authority bill passed in Indian Parliament is the important beginning of changes having significant implications for the health sector.

Social Security

Social Security protects not just the subscriber but also his /her family by giving benefit packages in financial security and health care. Social security schemes are designed to guarantee at least long term sustenance to families when the earning member retires dies or suffers a disability. Thus, the main strength of the social security is that it acts as a facilitator; it helps people to plan their own future through insurance and assistance. The success of social security schemes however requires the active support and involvement of employees an employers.

India always has joint family system that took care of the social security needs of all the members provided it has access of material assets like land. Cultural traditions, family members and relatives have always discharge a sense of shared responsibility towards one another. To the extent that the family has resources to draw upon, this is often the best relief for the special needs and care required by the aged and those in poor health.

Current Pension Plans In India

Civil Servants Pension : CSP is a traditional defined benefit scheme which runs on the basis of pay as you go system, for employees of central government who were recruited up to 31st December 2003 and employees of state governments recruited up to the effective date mentioned in notifications issued by those governments. There has been no attempt at building up pension assets through contribution or any other provision in CPS. A modified one rank one wage principle applies to it wherein all retired employees of a certain rank get the same pension.

Employees Provident Fund: The EPF scheme is an individual account defined contribution scheme wherein both the employee and employer contribute to the fund at the rate of 12 percent of the employees pay. There are a number of provisions under the scheme for pre-mature withdrawal of accumulation. This is premature withdrawal provision is frequently used by the members of the scheme which leads to small balances at the time of their superannuation. Because of low balance in individual account of the members, old age income benefit is negligible. The EPF scheme enjoys an exempt tax structure which constitutes a major tax based subsidy.

Employees pension scheme (EPS): The EPS is a defined benefit scheme, based on a contribution rate of 8.33percent from the employee to which government makes an additional contribution of 1.16 percent. EPS was introduced in 1995 and is applicable to the workers who entered into employment after 1995. In case of death of a member the scheme provides for a pension to the spouse for his/ her remaining life.

Objectives of the study

1. To study the socio economic profile of the sample contributors of National Pension Scheme.
2. To ascertain the respondents social security conditions

3. To evaluate the financial literacy level of the respondents concerning National Pension Scheme
4. To analyse the respondents perception about National Pension Scheme
5. To ascertain the level of satisfaction concerning National Pension Scheme

Variables used in the study

Dependent Variable: Financial Literacy level social security conditions, perception and satisfaction concerning NPS Independent Variable: Demographic characters of the respondents.

Hypotheses

1. There is no relationship between demographic character of the respondents and social security conditions.
2. There is no significant difference in ranking of the saving schemes for old age social security by the respondents
3. There is no significant difference in ranking of the needs for the savings for the old age by the respondents.

Pilot Study

A pilot study was undertaken to collect preliminary information about individual investor's behaviour. Based on the pilot study of 100 respondents, the questions were checked as to whether they relate to objectives and the feasibility, validity and reliability of the variables contained in the questionnaire were confirmed. Based on the feedback given by the respondents, necessary changes were incorporated in the questionnaire.

Statistical Tools Applied

The primary data collected from the respondents from different districts have been properly sorted, classified, edited, tabulated in proper format and analysed by deploying appropriate statistical tools. The researcher used statistical package for social sciences, in order to analyse the data. The following statistical tools were used for analysing the data collected from the respondents from different locations selected for the study.

1. Percentage analysis
2. Chi- square test
3. Friedman's test
4. T-test
5. ANOVA
6. Duncan and Games – Howell Post hoc multiple comparison test and
7. Correlation

Research Methodology

Methodology is the key aspect which governs the outcome of the research. It encompasses and directs the researcher to conduct the research in a systematic process which ensures and facilitates the accuracy of the outcomes

The methodology deals with the population of the study, method of data , collection, pilot study and pre testing, sampling plan, sample size, technique of data , collection, types of data used for the research, hypotheses and statistical tools applied.

Types of Data Used for the Research
In this study both primary data and secondary data have been used based on objectives of the study. Primary data were collected through structured questionnaire. The secondary data were collected from various sources such as journals, books, magazines, newspapers, websites and from previous studies.

Sampling Plan
Sampling is simply the process of learning about the population on the basis of a sample drawn from it. In sampling technique instead of every unit of the universe only a part of the universe only a part of the universe is studies and conclusions are drawn on that basis for the entire universe.

Sample Size
384 samples were determined as sample size from the following formula suggested by Godden (2004)
$SS= Z^2p(1-P)/ C^2$
$SS = (1.96)^2\ 0.5\ (1-0.5)/ (0.05)^2 = 384$
Where,
SS= Sample Size
Z= Z- value (e.g., 1.96 for a 95 percent confidence level)
P= Percentage of population picking a choice, expressed as decimal (max=0.5)
C= Confidence interval, expressed as decimal (e.g., 05 +/-5 percentage points)

Sample distribution
The 384 samples were distributed according to the percent of central, state and private pension subscribers out of total NPS subscribers

Table 1.1 Population and sample size

Sl no	Employer/sector	Population (%)	Sample (%)
1	Central Government	10,90,697(61)	236(61)
2	State Government	3,75,486(21)	79(21)
3	Private Sector	3,21,845(18)	69(18)

Technique of data collection
The primary data required for the study were collected through a structured questionnaire. The questionnaire contains four parts. The first part deals with socio-economic profile of pension subscribers. The second part relates to social security conditions including their wealth, percent of saving, investment pattern etc., of the respondents. The third part explores their financial literacy or awareness on National Pension Scheme. The fourth part deals with their perception and satisfaction level concerning National Pension scheme

Conclusions

Despite the many benefits offered by the NPS, many investors are keeping away from this investment instrument. This is due to lack of knowledge between customers or lower commission structures to investment advisory. NPS portfolios are restricted to have more than 50% exposure to equity. It spells loss for people in their 20s or 30s as the equity has shown two offer 12% to 15% returns per annum over long periods. In compression to traditional retirement's schemes such as EPF and PPF, NPS is the best as it is lot more flexible in terms of equity exposures. As per budget 2017 now salaried individuals can withdraw 25% of their hand outs with pay tax through their companies. The Government has initiated some amendments in NPS under which a part of withdrawals from NPS is tax free.

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