

## NPS as A Scheme for Non-Government Employees: Exploring the Outlook

*Discipline: Commerce*

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### Abstract

National Pension Scheme (NPS) designed to provide financial security as well as stability in retirement for individuals and it is an Indian government-sponsored pension program. In the year 2004 it was launched, the main aim of NPS is to encourage long-term investment and savings for retirement and to create a pension system with sustainability for all citizens. This is an important initiative in the Indian financial system, offering various benefits like tax incentives and flexible investment options. Employees who are not civil servants lack information on the National Pension plan or the benefits of joining it and how to do so. For this reason, some employees take it and as such, those who do are not prepared for retirement. What they fail to do is to ensure their stability in finance by not getting enough information. This is further compounded by the fact that employers and policymakers are failing to adequately communicate the advantages, the worth, and how the scheme operates. This study highlights a significant lack of non-government employee participation, despite the scheme's clear benefits like tax benefits, flexible options for investment, and long-term financial security. To bridge this gap, it is essential to implement enhanced awareness campaigns, simplify the enrolment process, and involve employers more actively by offering incentives and integrating NPS contributions into payroll systems. Promoting financial literacy and introducing more flexible, affordable contribution options can make the NPS more accessible and appealing. By addressing these barriers, it significantly improves participation rates among non-government employees, ensuring better financial security in their retirement years.

**Key words:** NPS, PRAN, PFRDA

## Introduction

In this present era people are living longer and this has made it very important to plan for retirement. In this regard, the governments have come up with the National Pension Scheme. These schemes provided ways by which people could save for their retirement through contributions made to the arrangements and usually supported by employers together with government incentives. But there are civil servants, who are unaware of these schemes, or they are not concerned with it, this in turn impacts their planning and preparations when they are out of their working life retirement period. The NPS is a pension scheme wherein the central government of India has intervened with an aim of providing the pensioners a stable and efficient source of income. In January 2024 NPS was started, which aims to create pension like environment for every citizen of the country by offering long term corpus and investment which is required in their post-retirement period. It has been referred as a most important leap in the financial sector of India. The NPS has got several benefits such as tax exemptions and can be invested in various flexible forms.

Knowledge of these factors hence assists policymakers and employers develop appropriate modality of extending a better understanding of the benefits accruing from NPS to non-governmental employees. There is much that can be done to add extra years of planning and to mobilize society so that cases of lack of financial security in the post-retirement age are mitigated. When you retire, it's possible to withdraw up to 60 percent of your savings by the age of 60. The rest 40% can be spent only for the purchase of annuity and it will bring monthly pension. This setup provides you with cash on the spot as well as a continuous flow of income in the future. This is also an added advantage since the NPS is transferable and therefore you can move your account to another organization once you change jobs or move to another region. Pension Fund Regulatory and Development Authority (PFRDA) is the apex authority of NPS. It is managed by several fund managers, ensuring that your investments are carefully handled and spread out to help grow your retirement savings.

## Review of Literature

- Jariwala P. T. (2019) The study on the National Pension Schemes performance in India is low-cost, flexible retirement savings scheme. In the year 2009 it was available for all the citizens. The NPS was originally launched in 2004 for government employees only but is now available with multiple fund managers. It involves the assessment of tier-I schemes while making recommendations for investors in a bid to enable them to get a better return rate.

- Mettle F. Olaedo E. K and Asiedu L (2021) This paper has the following objective of forecasting pension costs of Ghana's SSNIT using a detailed stochastic model. It categorizes members into five categories and integrates several processes to estimate pension scheme's surpluses and solvency. The model proved to be quite reliable in the estimated values of surplus and offers the ability to perform sensitivity analyses that test various possibilities. Besides, it uses more variables than other models, which increase the accuracy of estimates. The study also revealed that the SSNIT would still in a position to manage its affairs without defaulting on its responsibilities even if pensions were doubled.
- Nandkumar Baburau Bodhgire (2021) this study, the researcher sought to look at NPS which was made compulsory for both state and central government employees who joined the service after 2005. Despite the fact, the scheme was launched in 2006, many of the government employees are not aware of the scheme. This paper focuses on the roles of the NPS and compares pension fund managers' performance from their returns in 2020. This paper applies the ANOVA tool to analyse differences in returns offered by various pension fund managers. The conclusion is drawn in this paper by saying that; this paper also revealed that the pension fund of HDFC was among the most-performing funds in returns.
- Singh K (2022) This paper was undertaken to understand the familiarity of government employees at Ambala and Karnal administrative divisions of Haryana, India, with regard to General Provident Fund and National Pension Scheme. In a study of 250 survey respondents 205 valid. In this study descriptive statistics were adopted. Reliability and validity of the data were established with a Cronbach's Alpha of .871. All NPS account holders did not fully comprehend the NPS Tier II account investments options, the penalty fee for having an insufficient balance and its various options.
- Maithri and Panakaje N (2023) This paper revolves around Investment pattern and challenges in India's National Pension Scheme (NPS). It discovers that many Indians save money, however, few invest for the retirement through factors like matters of ignorance. The NPS gives freedom to the people to decide where to invest in different forms of assets. Nevertheless, some key challenges are identified, for instance, lack of adequate financial literacy on retirement products. Therefore, according to the research goals and objectives, secondary sources will be used in order to educate potential investors on the opportunities and risks associated with the NPS as well as for policymakers to improve the retirement investment plans. The study has some limitations in that the researcher did not use primary data.

### **Statement of the Problem**

Employees working in various fields have a lack of knowledge about the National Pension plan or the importance of joining it and how to do so. For this reason, few people take it and as such, those who do are not prepared for retirement. What they fail to do is to ensure their financial stability by not getting enough information. This is further compounded by the fact that the policymakers and employers are failing to adequately communicate the worth, the advantages and how the scheme operates. Main aim of the study is to find out any awareness problems in NPS among employees in the government sector. The study aims at establishing the factors that may cause this lack of understanding in the hope of attaining an improved awareness. The aim is to provide recommendations that can be made by policymakers or employers of organizations to enhance the awareness levels of the employees about the scheme to encourage them to participate in the scheme.

### **Objectives**

1. Assess the awareness level among non-governmental employees about the national pension scheme.
2. To explore the perceptions and attitudes of non-governmental employees towards national pension scheme.

### **Scope of the Study**

Study focused on establishing the level of awareness and also the level of participation of the employees in the non-governmental organizations in the country with respect to pension scheme and factors determine these aspects. Study is limited to Kottayam district only.

### **Hypothesis**

H0: There is no significant difference in the level of awareness among non-governmental employees regarding National Pension Scheme.

H1: There is a significant difference in the level of awareness among non-governmental employees regarding NPS.

### **Research Design**

This study is descriptive. Population of the study includes Non -Government Employees in Kottayam. Convenience sampling method is used for collecting data. 100 Non-Government Employees in Kottayam were selected for study.

## Analysis and Interpretation

### Familiarity of the National Pension Scheme

Category	No. of respondents	Percentage
Very familiar	25	25%
Somewhat familiar	27	27%
Not very familiar	30	30%
Not familiar at all	12	12%
Never heard of it	6	6%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: primary data

The table 1 shows the familiarity of employees with the concept of National Pension Scheme, from this 25% of the respondents were very familiar with the concept, 27% of the respondents were somewhat familiar, 30% of the respondents were not very familiar, 12% of the respondents were not familiar at all and 6% of the respondents were never heard of the concept.

### Familiarity with the concept of the NPS

#### CHI-SQUARE TEST

To identify if there is any significant difference between the level of awareness among non-governmental employees regarding the National Pension Scheme uses chi-square test is conducted with the following hypothesis:

H0: "There is no significant difference in the level of awareness among non-governmental employees regarding the National Pension Scheme".

H1: "There is a significant difference in the level of awareness among non-governmental employees regarding the National Pension Scheme. "

#### Calculation of Chi Square: Private Company

Observed Values		Expected Values		O-E
(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E			
21	15.1	5.9	34.82	2.31
14	15.7	-1.7	2.89	0.18
13	15.7	-2.7	7.29	0.46
6	6.7	-0.7	0.49	0.07
2	2.8	-0.8	0.64	0.23
<b>Total</b>	<b>3.25</b>			

Source: primary data

**Calculation of Chi-Square: Non-Profit Organization**

Observed Values	Expected Values	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	1.1	-0.1	0.01	0.009
1	1.1	-0.1	0.01	0.009
1	1.1	-0.1	0.01	0.009
0	0.5	-0.5	0.25	0.5
1	0.2	0.8	0.64	3.2
<b>Total</b>	<b>3.727</b>			

Source: primary data

**Calculation of Chi-Square: Self-Employed**

Observed Values	Expected Values	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
3	8.9	-5.9	34.81	3.91
11	9.2	1.8	3.24	0.35
11	9.2	1.8	3.24	0.35
6	4.0	2	4	1
2	1.7	0.3	0.09	0.05
<b>Total</b>	<b>5.66</b>			

Source: primary data

**Chi-Square test**

Observed Values	Expected Values	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
2	1.9	0.1	0.01	0.005
2	2.0	0	0	0
3	2.0	1	1	0.5
0	0.8	-0.8	.64	0.8
0	0.4	-0.4	0.16	0.4
<b>Total</b>	<b>1.705</b>			

Source: primary data

$$\Sigma (O-E)^2/E = 14.342$$

$$\text{Degree of Freedom} = (4-1) * (5-1) = 12$$

Significance level : 0.05

Table Value: 21.026

### Chi-Square test

Employment Sector	Familiarity with the concept National Pension Scheme					Row Total	Chi square Statistics
	Very familiar	Some what familiar	Not very familiar	Not familiar at all	Never heard of it		
Private Company	21	14	13	6	2	56	3.25
Non-profit Organization	1	1	1	0	1	4	3.727
Self Employed	3	11	11	6	2	33	5.66
Others	2	2	3	0	0	7	1.705
<b>Total</b>	<b>27</b>	<b>28</b>	<b>28</b>	<b>12</b>	<b>5</b>	<b>100</b>	<b>14.342</b>

Source: Primary data

We can conclude from the analysis made through chi-square is that the test statistic is 14.342, the table value is 21.026 of nine degrees of freedom at 5% level of significance. The test statistic is small. Hence, we reject the H<sub>1</sub>. Therefore no significant difference in the level of awareness among non-governmental employees in the case of NPS.

### Findings and Conclusion

The research on National Pension Scheme (NPS) highlights a significant lack of participation among non-government employees, despite the scheme's clear benefits like tax advantages, flexible investment options, and long-term financial security. It was observed that the most of the respondents are not familiar with the concept of NPS. It is clear from the chi-square test analysis is that there is no significant difference in the level of awareness among non-governmental employees regarding the National Pension Scheme. To bridge this gap, it is essential to implement enhanced awareness campaigns, simplify the enrolment process, and involve employers more actively by offering incentives and integrating NPS contributions into payroll systems. Additionally, promoting financial

literacy and introducing more flexible, affordable contribution options can make the NPS more accessible and appealing. By addressing these barriers, we can significantly improve participation rates among non-government employees this scheme.

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