ABSTRACT

The survey was aimed at understanding the attitude of employees towards the PF and Pension scheme. PF is a very important tool for retirement planning. The tax free interest (compounding) and the maturity ensures a good growth of the money. Continued contribution in this scheme helps in meeting the long term retirement goal. It is mandatory for organisation having 20 or more members to be registered under the EPF and provide coverage to its employees. Though it is mandatory for the employees whose Basic plus DA is less than Rs. Fifteen Thousand per month to be a part of the EPF scheme however it is observed that each of the employee have a differing attitude towards this scheme. This study helps us to analyse the trend of such attitude employees and the factors which impact it. The study was conducted in the city of through e-questionnaires only. Data collected was analysed using Excel based tools.

INTRODUCTION

The Employee Provident Fund and the Pension Scheme is governed by the act called as the Employee Provident Fund and the Miscellaneous Provision Act 1952. As per the initiative taken by the PF authorities in the year 2016 they started with the concept of, “One-employee-one EPF account wherein this allows the employee to shift their money accumulated from the previous account to their new account which is linked to the Universal Account Number (UAN). PF has about 150 million EPF accounts, out of which it is seen that 90 million are inoperative accounts and the rest will be soon becoming non-operative. This is because the employee every time the employee shifts from one organisation to another the a new PF account gets created. The EPFO has even started with the procedure of seeding the Aadhaar number and the bank accounts with the UAN. Seeding of the Aadhaar and linking of the bank account will ensure that the employee has an easy withdrawal or transfer procedure since the soft data here has already flown to the EPFO department. The EPFO receives on average 1 crore claims every year which includes claims in regards to EPF withdrawal, pension and insurance. And managing such amount of withdrawal gets difficult for the EPFO department.

The employee as well as the employer contributes 12% (Basic plus Dearness Allowance) towards EPFO. (The employer pays an additional charge of 0.50% as PF admin charges). The EPF scheme consists of various components or accounts in which the contribution made would be deposited. The below graph will provide us a better understanding about the various accounts mentioned as per the act
**EPF Account:**

In this account a minimum amount of 12% which is been contributed by the employee is been deposited. However out of the 12% contributed by the employer only 3.67% goes in to this account. Earlier withdrawal of the entire amount accumulated in this account was allowed if the employee remained unemployed for two or more months. However the EPFO has now recently changed the rules. The employee is now allowed to withdraw 75% of the corpus accumulated in this account after a month of termination of the job wherein the employee is unemployed for one month. He/she can opt for withdrawal of remaining 25% and go for final settlement if he/she has remained unemployed for 2 or more months. In case the employee moves from one job to another then he/she can transfer the funds from one company to another whereby the Unique Account Number would remain the same. The withdrawal or the transfer can be done online now.

The restrictions were imposed on withdrawal with an intention to provide financial security to the employees on their retirement and at the same time provide with some flexibility during the time of crisis or emergency situation. It is meant to be a retirement vehicle wherein too much flexibility if given during the accumulation phase, it will be abused.

**EPS Account:**

The EPS scheme provides widow pensions, pension on debasement. Under this scheme, nominees can also receive pensions. Out of the total contribution made by your employer, 8.33% goes toward your EPS account. As compared to EPF, EPS scheme earns no interest.
This is because it is a pension scheme and the whole idea of this scheme is to provide financial security in the form of monthly payments at the rime of retirement.

EPS provide pension benefits. Lifelong pension is available to the member. Upon the death of the member the family is entitled for the pension. Employees can obtain pension after working for a minimum period of 10 years and upon reaching the age 50. As per the new guidelines released the Pension amount has been increased to Rs. Thousand per month. The employee gets an option of withdrawal here only is the service period has been less than years. Once this is milestone is achieved then no withdrawal is allowed and the employee compulsorily will get the Pension benefit.

EDLI Account:

Another account in the EPF scheme is the Employee Deposit Link Insurance account (EDLI). Here the employer contributes 0.50%. It is an insurance policy to give life cover to the employees of organised sector. It is a group term insurance. The family of employee gets the sum assured if an employee dies while in service. This scheme is applicable to the organisations having an EPF coverage. EDLI is a social security scheme provided to the employees.

In India it is seen that people are hardly aware of the insurance planning and retirement planning. If not forced, rarely an employee takes an insurance cover. It provides 24 hours coverage and the coverage is not just limited to the workplace. The claim amount of the EDLI is decided by the last drawn salary of the employee. The claim amount is the 30 times of the salary. The employee also will receive the bonus. The bonus would be 50% of the balance accumulated in the EPF account. The maximum bonus is Rs 1.5 lakh. The maximum sum insured is Rs 6 lakh. In case of death the nominee or the legal heir can claim the insurance amount. For this calculation salary is ‘basic pay plus DA.

RESEARCH OBJECTIVES

The primary objective of the research was to understand the attitude of the employees towards the Employee Provident Fund and pension scheme.

The proposed hypothesis was as follows:

H1: More than 30% of the respondents find the PF withdrawal and transfer procedure complex.

H2: The average family size of the respondent who are unaware of EPF have annual income less than 5 lakh.

H3: The experience of the respondents towards EPF, is not independent of annual income.
LITERATURE REVIEW

(Colin et al, 2002). The rationale of establishing retirement benefit arrangements is often similar for both defined contribution scheme and defined benefits schemes with the primary objective of providing for members upon retirement. It is also meant to provide retirees with a certain standard of living by ensuring that their income does not fall below a certain minimum level after retirement. Retirement benefits plan have therefore been instituted so as to help employees experience a wonderful life during their retirement years (Adkins, 2010).

B.S. Ramaswamy in a paper presented at a seminar on Development of Social Security programmes in developing countries had highlighted two main problems in the administration of Social Security programmes in India. The first was that there was inadequate appreciation of the nature of social insurance on the part of the beneficiaries and to a certain extent on the part of the administrators. There was a tendency to equate the insurance schemes with provident fund schemes and to expect the refund of or a return on the contributions made in respect of the insurance schemes. Ramaswamy further stated that the functional responsibility for providing medical care to the insured persons and their families was with the State Governments in addition to their own schemes. The result was inadequacy of doctors, non-maintenance of equipment and non-availability of medicines and in short total dissatisfaction on the part of the beneficiaries. Ramaswamyís concern was mainly of inadequacy of medical benefit administration. It does not go beyond this area of social security. His understanding of social insurance appears to be requiring comprehension for it does not speak of components of social insurance and the difference between the institutions of provident fund.

P.S. Srinivas in his report submitted to the World Bank has stated, Funds had been set at 12 per cent per annum. This rate was largely independent of market rates. Since provident funds finance a significant portion of the government’s budget deficits [Gillingham and Kanda 2001], such an administratively determined rate was a convenient way for the government to obtain low-cost financing in an environment of high market interest rates. In an environment of low market interest rates however, such administratively set rate created an unacceptably high floor on the government’s cost of funds. He further states while speaking on the investment of funds by the Employees Provident Fund organization these examples mean that the current investment regulations of the EPF severely limit the ability of contributors to accumulate significant retirement savings. If alleviating poverty in old age is an important objective of mandatory retirement savings programmes such as the EPF, then investment restrictions have an adverse impact achieving this objective. The crisis that is likely to be brought on by the investment restrictions is one of significantly lower retirement savings than that obtainable through an improved investment regime.
RESEARCH METHODOLOGY

The methodology used in the Survey method for the research was in line with the objectives. Based on this, questionnaires were prepared and circulated to employees in order to investigate the attitude of the employees towards PF and Pension Scheme. The research done is based on 45 respondents which represents the entire population. Selection of the sample is based on every availability and accessibility. The research contains responses from different age groups, gender and annual income. P-test, T-test and Chi-squared test technique is used in order to prove the hypothesis.

P Test

H0: Less than 30% of the respondents find the PF and withdrawal and transfer procedure complex

Ha: More than 30% of the respondents find the PF withdrawal and transfer procedure complex

T Test

Ho: The average family size of the respondent who are unaware of EPF have annual income more than 5 lakh

Ha: The average family size of the respondent who are unaware of EPF have annual income less than 5 lakh

Chi-squared Test

H0: The experience of the employee towards EPF is independent of annual income.

Ha: The experience of the employee towards EPF is not independent of annual income
DEMOGRAPHICS

Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-25</td>
<td>33%</td>
</tr>
<tr>
<td>31-35</td>
<td>27%</td>
</tr>
<tr>
<td>41-45</td>
<td>9%</td>
</tr>
<tr>
<td>36-40</td>
<td>11%</td>
</tr>
<tr>
<td>26-30</td>
<td>7%</td>
</tr>
<tr>
<td>46-50</td>
<td>13%</td>
</tr>
</tbody>
</table>

Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>60%</td>
</tr>
<tr>
<td>Female</td>
<td>40%</td>
</tr>
</tbody>
</table>
Income Per annum

INCOME PER ANNUM

- 2.5 - 5 lakh: 40%
- 5 - 10 lakh: 18%
- Above 10 lakh: 18%
- Below 2.5 lakh: 24%
DATA ANALYSIS

Hypothesis 1: P Test

Ho: Less than 30% of the respondents find the PF and withdrawal and transfer procedure complex

Ha: More than 30% of the respondents find the PF withdrawal and transfer procedure complex

N: Ho: p<30%: Less than 30% of the respondents find the PF withdrawal and transfer procedure complex
A: Ha: p>30%: More than 30% of the respondents find the PF withdrawal and transfer procedure complex
T: Right Tail
T: P test
Alpha = 0.10
P = 0.90
Critical value = 1.28

N = 45
X = 30
p' = 1.5
P = 0.3
q = 0.7
p'-p = 1.2
P*Q = 0.21
Sqrt(P*Q)/N = 0.07

Observed value = 17.57
P-value = 0
Alpha = 0.10

p-value<alpha we reject the null
Zo>Zc we reject the null

Observation: We reject the null: more than 30% of the respondents find the PF withdrawal and transfer procedure complex
Hypothesis 2: T-Test

Ho: The average family size of the respondent who are unaware of EPF have annual income more than 5 lakh

Ha: The average family size of the respondent who are unaware of EPF have annual income less than 5 lakh

N=  Ho:µ>5: The average family size of the respondent who are unaware of EPF have annual income more than 5 lakh

A=  Ha:µ≤5: The average family size of the respondent who are unaware of EPF have annual income less than 5 lakh

T=  Left Tail
T=  T Test
A= 10%
P= 10%

Critical Value= 1.333

\[ x' = 11.78 \]
\[ \mu = 5.00 \]
\[ x' - \mu = 6.78 \]
\[ n = 18.00 \]
\[ s = 4.16 \]
\[ \sqrt{n} = 4.24 \]
\[ s/\sqrt{n} = 0.98 \]

Observed value= 6.92

P-value= 0

Alpha= 10%

p-value<alpha we reject the null

to>tc we reject the null

Observation: We reject the null: The average family size of the respondent who are unaware of EPF have annual income less than 5 lakh
Hypothesis 3: Chi-squared Test

Ho: The Experience of the respondents towards EPF is independent of annual income.
Ha: The Experience of the respondents towards EPF is not independent of annual income.

N: Ho: The Experience of the respondents towards EPF is independent of annual income
A: Ha: The Experience of the respondents towards EPF is not independent of annual income
T: Right Tail
T: Chi-squared
A = 0.10
P = 0.10

Critical value = 6.25

Observed value = 16.40

P-value = 0.00

Alpha = 0.10

Z0>Zc Reject the null
P<alpha: Reject the null

Observation: We reject the null: the experience of the employee towards EPF is independent of annual income
CONCLUSION

This study was conducted in order to highlight the attitude of the employee’s towards EPF and Pension Scheme. We observed that attitude of the employees is independent of the annual income earned by the employee. The research also helps us in understanding that factors such as complexity of the withdrawal and transfer procedure plays an important role in affecting the attitude the employee’s towards it.

LIMITATION

As the study was conducted through e-questionnaire, only a few respondents were a part of the research and so offline users were not a part of the research. There was no personal interview conducted. Since we opted to survey a sample than the entire population, we had only limited responses. The research findings cannot be universally applied.

REFERENCES

https://www.planmoneytax.com
