

NPS PERFORMANCE AND SOCIAL SECURITY SUSTAINABILITY

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Abstract:

This research paper is an attempt to analyze the performance of National Pension S based on the number of subscribers, total contribution, and Asset Under Management (AUM) by contributing sectors. The examination of performance is for the period of five years based on data released by PFRDA for the years 2017 to 2022. Percentage, Ranking, and year-on-year comparison methods are used for analysis. The result suggests that Central (CG) and State (ST) Governments are prominent contributors but their subscriber rate is declining, Unorganised sector has shown steepen decline in the number of subscribers, NPS Swavalamban has negative performance during the study period. The Corporate sector has performed exceptionally for the parameters to examine. The overall declining trend in pension products shows lost ground in reality to attract subscribers, and contributors, however, the AUM has surpassed \$95 billion.

Keywords: NPS, Social security, Sustainability

Introduction:

With rising per capita income and improved medical services, life expectancy is gradually rising, and as a result, both the share and size of the elderly population is growing over time. According to the 2011 Population Census, the elderly population accounted for approximately 8.6 percent of the total population in 2011. In fact, the elderly population, expected 60 years and above old, is growing at a faster rate than the general population. The growth rate of the elderly population is higher than that of the general population. As a result, the proportion of the elderly in the general population has been increasing. As per data from Population Projections for India and States 2011-2036, a report published by the National Commission on Population in July 2020, the general population has grown by 18 per cent in 2001-11 and 12.4 per cent in 2011-21, the elderly population has grown by 36 per cent each in the two decades. According to the report on Ageing in the Twenty-First Century, published in 2012 by the United Nations Population Fund (UNFPA) and Help Age International, the number of elders over the age of 60 will increase by 360% between 2000 and 2050. Up until 2012, India had around 100 million elderly people, and that number is expected to rise to 323 million by 2050, accounting for 20% of the total population.

Being a developing and high-population country like India, it becomes a challenge to secure the elderly through pension income. In reality, India does not have a social security system hence dependent on good annuity products and reforms. National Pension Scheme (NPS), a social security scheme that was launched in 2004 for Government employees and became open for contribution to all citizens of India. The scheme is regulated by the Pension Fund Regulatory and Development Authority (PFRDA) and has emerged as a popular investment scheme for retirement savings. As of 30 June 2022, the assets under management (AUM) under the NPS architecture had surpassed INR 7 Lakh Crores or \$95 billion, with over 16 million subscribers. Given the scheme's short history, this is quite an accomplishment; however, it should be noted that the majority of the funds and subscriber base are from the government sector, where membership is required for most establishments. The PFRDA is committed to increasing NPS penetration in the private sector, as the current participation of 1.6 million appears to be extremely low. Therefore, the researcher is trying to examine the performance of the NPS for the last five years i.e., from 2017-2022 in this research article.

Background:

The Indian income security system is divided into

- a) Civil Service Plans

- b) Employee Provident Fund Organization Plans (EPFO)
- c) Occupational Pension Plans

It has been based on employment conditions and funded through employer and employee participation. According to Labour Ministry, 31.8 million people are employed in the formal sector. The majority of the working population is employed in the unorganized sector and has no access to any formal system of old-age income security.

Objectives of the study:

The main objective of the present study is to examine the performance of the NPS during the year 2017-2022. Secondly, to analyze the trends in NPS.

Research methodology:

The study is descriptive and analytical in nature. The secondary data collected from PFRDA reports, press releases, and the website is used for further analysis. To accomplish the first objective, the NPS performance is examined on the basis of Asset Under Management (AUM), Number of subscribers enrolled, and Total contribution made during the particular year. The performance is examined from the year 2017 to 2022 only.

Data Analysis and Interpretation

1. Performance by Rank

Table 1.1 refers to the year-wise data for the Asset Under Management (AUM), Number of subscribers enrolled, and Total contribution made. The percentage share of the respective sector is calculated based on the number of subscribers, total contribution, and Asset Under Management (AUM) and has been ranked according to the highest percentage shared.

Table 1.1 Year-wise subscribers, Contributions made, AUM and Ranking

Sector (at the end of FY 2017-18)	No. of Subscribers	Total Contribution M&B (Rs in Crs)	AUM (Rs in Crs)	Total	%	Rank
Central Government	1921673	62350.74	84954.39	2068978.13	17.26	3
State Government	3867544	92808.52	115679.08	4076031.6	34.01	2
Corporate Sector	695831	17704.07	21378.09	734913.16	6.13	4
Unorganized Sector	691570	5823.66	5743.64	703137.3	5.87	5
NPS Swavalamban	4395323	2378.48	3005.82	4400707.3	36.72	1
Total	11571941	181065.47	230761.02	11983767.49	100.00	

Sector (at the end of FY 2018-19)	No. of Subscribers	Total Contribution M&B (Rs in Crs)	AUM (Rs in Crs)	Total	%	Rank
Central Government	1984564	78379.2	109009.55	2171952.75	16.77	3
State Government	4321325	124190.66	158491.37	4604007.03	35.55	1
Corporate Sector	803015	24436.77	30874.79	858326.56	6.63	5
Unorganized Sector	929931	9685.54	9568.5	949185.04	7.33	4
NPS Swavalamban	4362538	2555.18	3409.23	4368502.41	33.73	2
Total	12401373	239247.35	311353.44	12951973.79	100.00	

Sector (at the end of FY 2019-20)	No. of Subscribers	Total Contribution M&B (Rs in Crs)	AUM (Rs in Crs)	Total	%	Rank
Central Government	2101972	99739.87	138046.28	2339758.15	16.55	3
State Government	4753870	165189.88	211022.52	5130082.4	36.29	1
Corporate Sector	973560	32828.57	41231.12	1047619.69	7.41	5
Unorganized Sector	1251574	15,011.86	12924.3	1264498.3	8.95	4
NPS Swavalamban	4331664	2700.51	3728.4	4338092.91	30.69	2
Total	13412640	315470.69	406952.6	14135063.29	100.00	

Sector (at the end of FY 2020-21)	No. of Subscribers	Total Contribution M&B (Rs in Crs)	AUM (Rs in Crs)	Total	%	Rank
Central Government	2175846	123123.93	181788.3	2480758.23	16.15	3

State Government	5140504	214710.48	291381.41	5646595.89	36.76	1
Corporate Sector	1125163	44710.52	62608.74	1232482.26	8.02	5
Unorganized Sector	1646773	22510.19	22205.5	1691488.69	11.01	4
NPS Swavalamban	4302258	2858.41	4354.38	4309470.79	28.05	2
Total	14390544	407913.53	562338.33	15360795.86	100.00	

Sector (at the end of FY 2021-22)	No. of Subscribers	Total Contribution M&B (Rs in Crs)	AUM (Rs in Crs)	Total	%	Rank
Central Government	2283671	150491	218577	2652739	15.62	3
State Government	5576986	274950	369427	6221363	36.62	1
Corporate Sector	1404569	66089	90634	1561292	9.19	5
Unorganized Sector	2292014	33348	32346	2357708	13.88	4
NPS Swavalamban	4186943	3017	4687	4194647	24.69	2
Total	15744183	527895	715670	16987748	100.00	

Source: www.npstrust.org

From Table 1.1, it is observed that the Ranks are constant for all four years for the sector-wise distribution of the NPS except the year 2017-18. State Government ranked first followed by NPS Swavalamban, Central Government, unorganized sector, and Corporate Sector.

2. Sector-wise performance & Trends

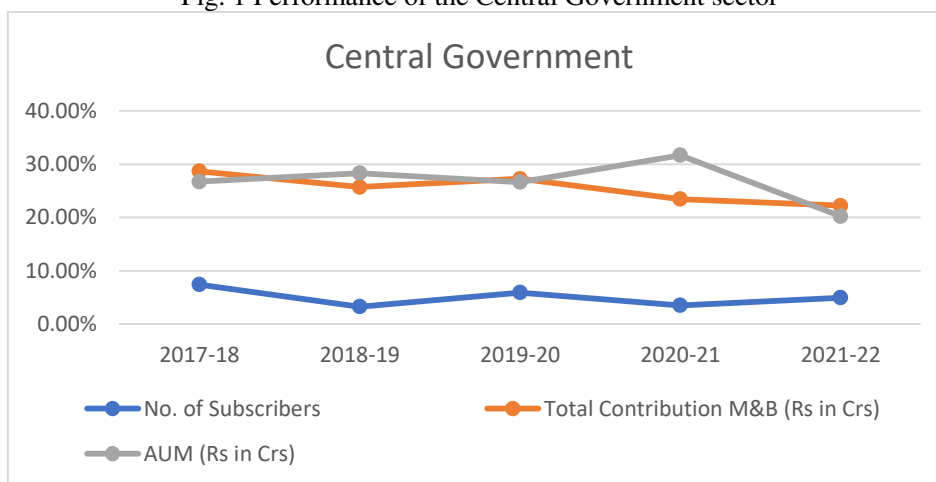
The sector-wise performance of the NPS scheme will help to identify the growth on a year-on-year basis for the past five years and to get momentum in the form of a trend. It is calculated on the basis of the number of subscribers, total contribution, and Asset Under Management (AUM) under each sector.

2.1 Central Government (CG)

Table 1.2 Performance of the Central Government (CG) sector

	2017-18	2018-19	2019-20	2020-21	2021-22
No. of Subscribers	7.43%	3.27%	5.92%	3.51%	4.96%
Total Contribution M&B (Rs in Crs)	28.69%	25.71%	27.25%	23.45%	22.23%
AUM (Rs in Crs)	26.72%	28.32%	26.64%	31.69%	20.24%

Fig. 1 Performance of the Central Government sector



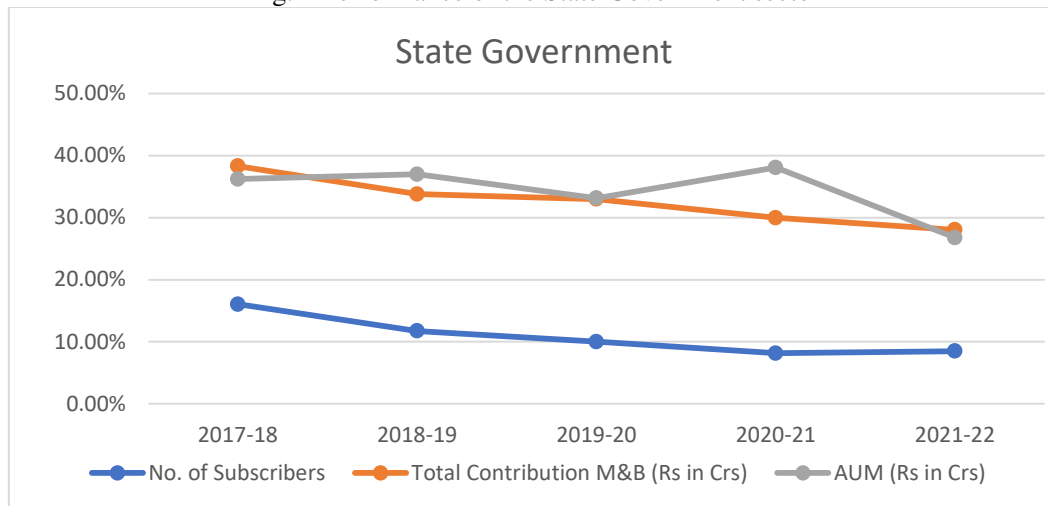
The CG sector has shown an average growth of 5% from 2017-2022 in the number of subscribers, 25.46% in total contribution M&B, and 26.72% in AUM. The year 2017-18 shows the highest number of subscribers, 2019-20 contributed the highest through total contribution M&B and the year 2021-21 has the highest AUM. Specifically, the Year 2020-21 shows the least number of subscribers and the highest AUM to manage.

2.2 State Government

Table 1.3 Performance of the State Government (SG) sector

	2017-18	2018-19	2019-20	2020-21	2021-22
No. of Subscribers	16.05%	11.73%	10.01%	8.13%	8.49%
Total Contribution M&B (Rs in Crs)	38.32%	33.81%	33.01%	29.98%	28.06%
AUM (Rs in Crs)	36.23%	37.01%	33.14%	38.08%	26.78%

Fig. 2 Performance of the State Government sector



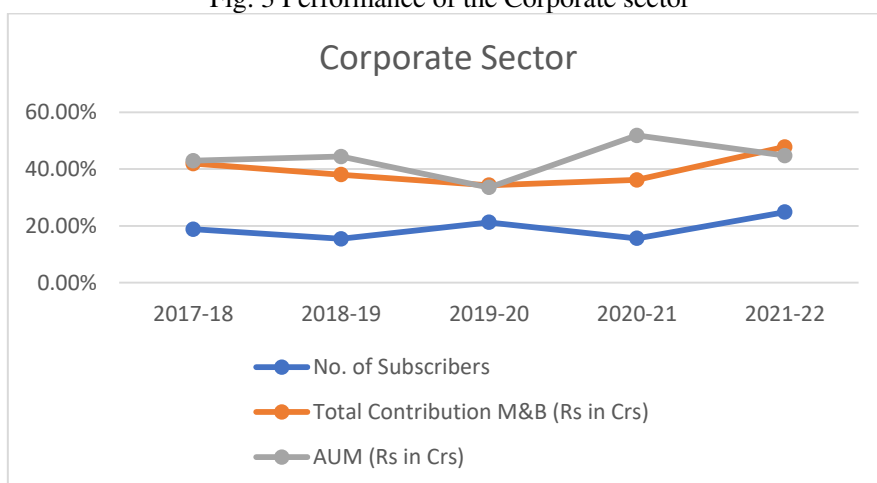
The SG sector has shown an average growth of 10.88% from 2017-2022 in the number of subscribers, 32.64% in total contribution M&B, and 34.25% in AUM. The year 2017-18 shows the highest number of subscribers, and highest total contribution M&B and the year 2020-21 has the highest AUM. The number of subscribers is declining from 2017-18 to 2021-22 by 47.12%, the Total contribution in M&B by 26.78%, and AUM declined by 26.07%.

3. Corporate sector

Table 1.4 Performance of the Corporate (C) sector

	2017-18	2018-19	2019-20	2020-21	2021-22
No. of Subscribers	18.82%	15.40%	21.24%	15.57%	
Total Contribution M&B (Rs in Crs)	41.94%	38.03%	34.34%	36.19%	
AUM (Rs in Crs)	42.97%	44.42%	33.54%	51.85%	

Fig. 3 Performance of the Corporate sector



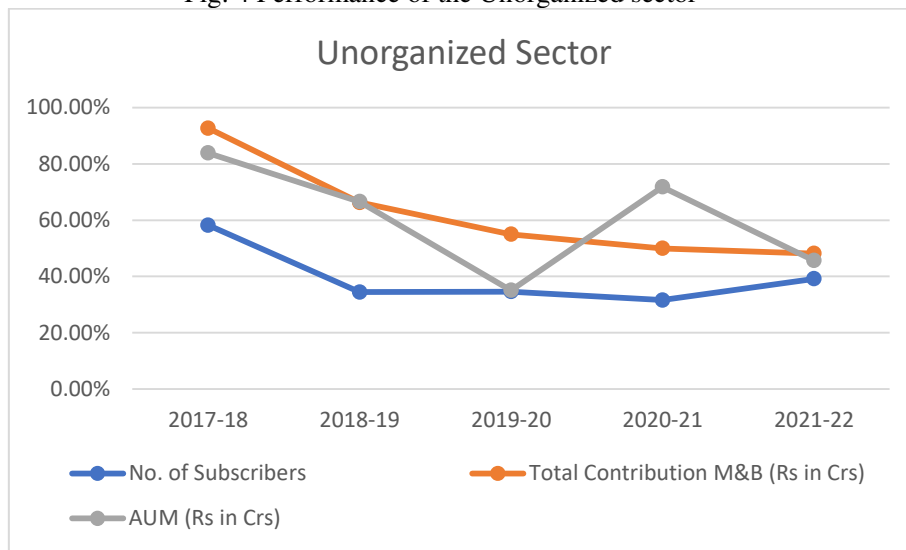
The Corporate sector has shown an average growth of 19.17% from 2017-2022 in the number of subscribers, 39.66% in total contribution M&B, and 43.51% in AUM. The year 2021-22 shows the highest number of subscribers with the highest total contribution M&B and the year 2020-21 has the highest AUM. The number of subscribers is increased from 2017-18 to 2021-22 by 75.80%, the Total contribution in M&B by 87.71%, and AUM increased by 95.98%.

4. Unorganized Sector

Table 1.5 Performance of the Unorganised (U) sector

	2017-18	2018-19	2019-20	2020-21	2021-22
No. of Subscribers	58.23%	34.47%	34.59%	31.58%	39.18%
Total Contribution M&B (Rs in Crs)	92.70%	66.31%	54.99%	49.95%	48.15%
AUM (Rs in Crs)	83.91%	66.59%	35.07%	71.81%	45.67%

Fig. 4 Performance of the Unorganized sector



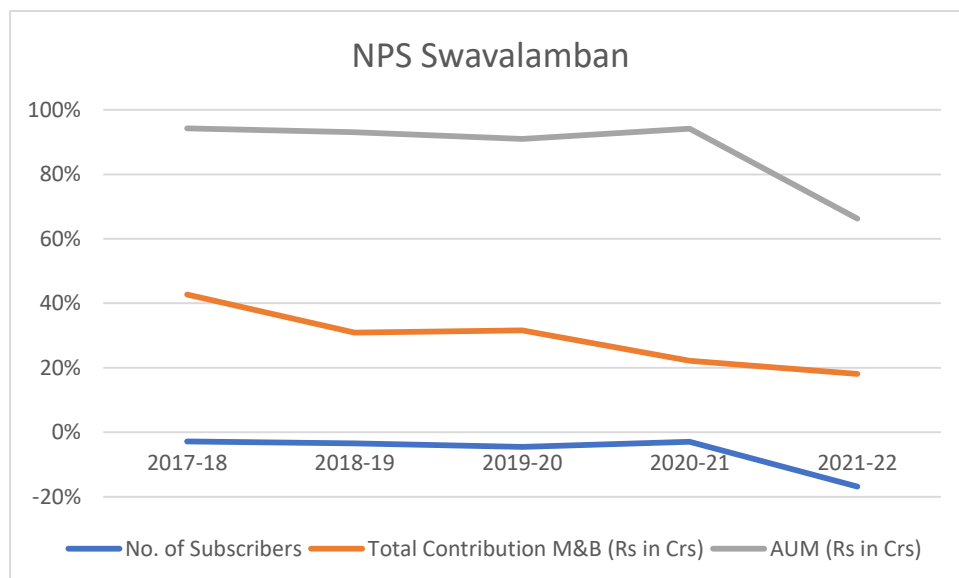
The Unorganised (U) sector has shown an average growth of 39.61% from 2017-2022 in the number of subscribers, an average 62.42% decline in total contribution M&B, and a 60.61% decline in AUM. The year 2019-20 shows the lowest AUM as compared to 2017-18. The changes in AUM for five years are volatile.

5. NPS Swavalamban

Table 1.6 Performance of the NPS Swavalamban (S) sector

	2017-18	2018-19	2019-20	2020-21	2021-22
No. of Subscribers	-0.77%	-0.75%	-0.71%	-0.68%	-2.68%
Total Contribution M&B (Rs in Crs)	12.27%	7.43%	5.69%	5.85%	5.55%
AUM (Rs in Crs)	13.89%	13.42%	9.36%	16.79%	7.64%

Fig. 5 Performance of the NPS Swavalamban sector



The NPS Swavalamban sector has shown an average decline of -1.12% from 2017-2022 in the number of subscribers, an average 7.36% decline in total contribution M&B, and a 12.22% decline in AUM. The year 2021-20 shows the lowest AUM as compared to 2017-18. The number of subscribers is declining for the past five years.

Discussion and Conclusion

After analyzing all sector contributors, the contribution from the Corporate sector subscribers rose at the highest pace among all other classes. Except for the Corporate sector, the rest sectors' contribution shows a declining trend from the past fiscals.

According to the results of "WTW's State of Retirement Benefits in India Survey 2021-22", while more than 60% of employers now offer Corporate NPS on a voluntary basis, employee participation in the programs remains around 11%. Furthermore, more than a quarter of corporate participants reported a take-up rate of less than 5%. Some of the main reasons why employees do not participate in these arrangements are that the plans are voluntary, which means that their take-home pay will be reduced if they opt-in and that long lock-in periods apply to a significant portion of the NPS corpus.

In the absence of a social security system in India, most people are forced to create their own retirement funds. To meet old-age security, we need a strong system that can provide reasonable returns. The government can take the right step in this direction by making NPS more flexible. Employees are likely to be encouraged to subscribe to NPS as a result of the steps outlined above, as well as the continued strong investment performance. With effect from February 2022, the PFRDA has made some changes and additions to the charges for other NPS-related services which could lead to subsequent sustainability in the pension product.

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