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"Comparative Study of Old and New Pension Scheme and Its Impact on Socio- Economic Status of Government Employees in Mumbai Region"

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Abstract:
A Social Security System (SSS) is one whereby the state bids various assistances to those who are unable to deliver the same for themselves. Such a scheme is usually meant to aid the socially miserable conditions, such as unemployment, poverty, old age and disability. The Old Pension Scheme defends that a retired government employee grabs ingress to life-long steady income after retirement. Under the old pension system the retired government employees obtain 50 per cent of their last drawn salary plus dearness allowance as pension every month. Moreover, they also acquire the benefits of alteration in dearness allowance (DA) twice every year. The pay-out under OPS doesn't need a deduction from salary during service years.
The National Pension System, which was announced in 2004, is exposed to both government and private sector employees. The scheme was originally only available for government employees but in 2009 it was extended to include any citizen in the age groups of 18 years to 60 years. Objectives of the Study:. 1. To compare between Old Pension Scheme and New Pension Scheme. 2. To study the employees perception towards Old Pension Scheme and New Pension Scheme. Hypotheses of the Study: 1. Old Pension Scheme is providing more social security to employees than New Pension Scheme. 2. Employees prefer Old Pension Scheme than New Pension Scheme. Limitations of the study were time and money. Research Methodology: Data was collected from 60 respondents. Convenience sampling method was used. Data was collected through Google form. Conclusion: Both the NPS and OPS come with their set of welfares, however, the last has one major problem that it bargains aids to only government employees. On the other hand, NPS delivers paybacks to all citizens.

Keywords: OPS, NPS, PFRDA, Pension and Pension Funds.

1. Introduction:

If an emerging economy like India wants to foster "sustainable and inclusive growth", fight poverty, and reduce inequalities (Planning Commission 2008), its government needs to provide a social safety net for its population. Otherwise, people will fall back into poverty again and again because of substantial income reductions due to social risks, including sickness, employment injury, and old age (Krishna 2010).
The Old Pension Scheme confirms that a retired government employee catches entrance to life-long steady income after retirement. Under the old pension system the retired government employees obtain 50 per cent of their last drawn pay plus dearness allowance as pension every month. Moreover, they also acquire the paybacks of revision in dearness allowance (DA) twofold every year. The pay out under OPS doesn't need a subtraction from salary during service years.

The National Pension System, which was introduced in 2004, is open to both government and private sector employees. The scheme was originally only offered to government employees but in 2009 it was extended to embrace any citizen in the age groups of 18 years to 60 years.

The Pension Fund Regulatory and Development Authority (PFRDA) has been implementing and regulating the NPS. The National Pension System is divided into Tier I and Tier II accounts. Investments in Tier I account can't be drawn till the retirement age while Tier II account lets early withdrawal. NPS is a voluntary defined contribution (DC) scheme ,i.e. people have to support NPS investments over other investments. Both market forces – demand and supply – need to be analysed to understand where and how policy choices should be beset to address the current low enrolment rate resulting in these massive numbers of persons who will be without pension exposure in old age.

2. Review of Literature:

On several states revisiting back to OPS, the Finance Minister Nirmala Sitharaman spoken "We should look at a reasonable balance and what we are leaving for generations to come. Yes, you need to borrow for the economy to run, but unless we have a complete understanding of the fiscal health of the state, for not just today but future decades, the rush to a conclusion may not be good'.

Raghuram Rajan, former RBI Governor in an interview at the World Economic Forum (WEF), Davos, warned that colossal liabilities will build up in future if OPS is accepted. Later he recommended states to look for "less costly ways" to offer benefits for its retirees.

For a long time pension provision targeted only central and state government employees and formal sector workers based on financing through employer and employee participation (Swarup 2008: 2).

H. Sadhak, (2009) studied pension reform modules that take care of the changing demographic profile of a population. A big objective of the welfare state is a defined benefit pension plan, the author also observed in the paper that a fund having 100% investment in equity is expected to provide comparatively much greater. Fund value and retirement income to an investor is not advisable to invest in it completely. On the other hand "investing entire saving into debt instrument would generate insufficient walk to comfortably take care of retirement needs."

3. Objectives:

1. To compare between Old Pension Scheme and New Pension Scheme.
2. To study the employees perception towards Old Pension Scheme and New Pension Scheme.

4. Hypotheses:

1. Old Pension Scheme is providing more social security to employees than New Pension Scheme.
2. Employees prefer Old Pension Scheme than New Pension Scheme.

5. Research Methodology:

Research scholar had designed questionnaire. Primary data was collected through google forms from different respondents of Mumbai, Thane, Kalyan and Navi Mumbai. Data was collected from 60 respondents. Convenience sampling method was used to collect the data.

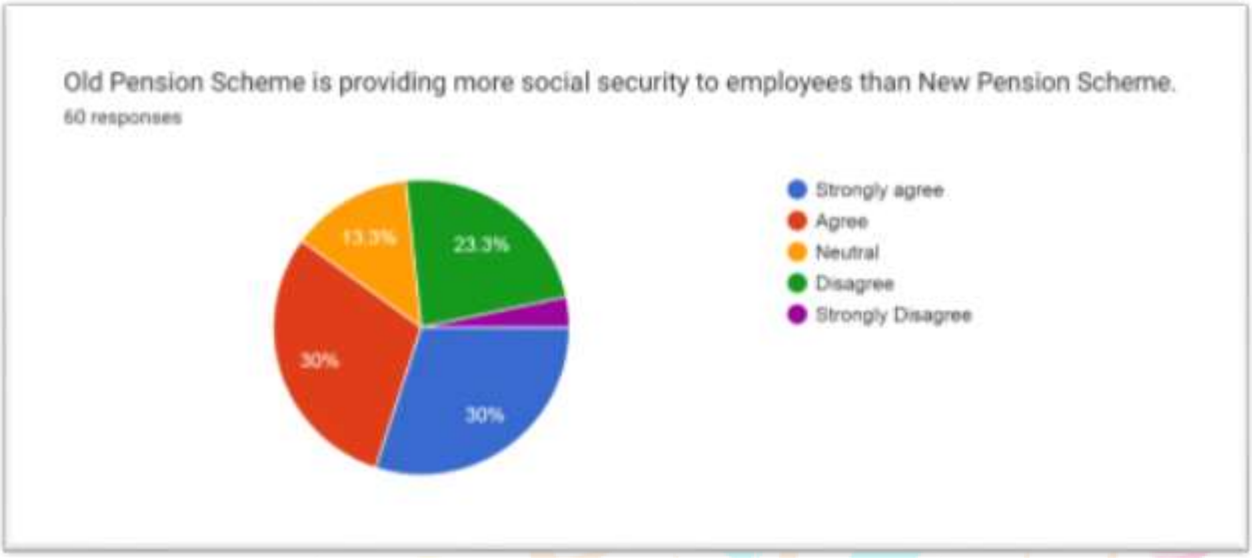
Secondary data was collected from books, publications and research articles.

Diagrams, charts and Anova (Single Factor) or F- Test were used to analysis data.

6. Data Analysis and Interpretation:

Hypothesis 1:

1. Old Pension Scheme is providing more social security to employees than New Pension Scheme.



H0: There is no significant difference between the mean of 4 groups.

H1: there is significant difference between the mean of 4 groups.

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Mumbai	15	35	2.33	2.38
Thane	15	33	2.20	1.89
Kalyan	15	25	1.67	1.38
Navi Mumbai	15	33	2.20	2.46

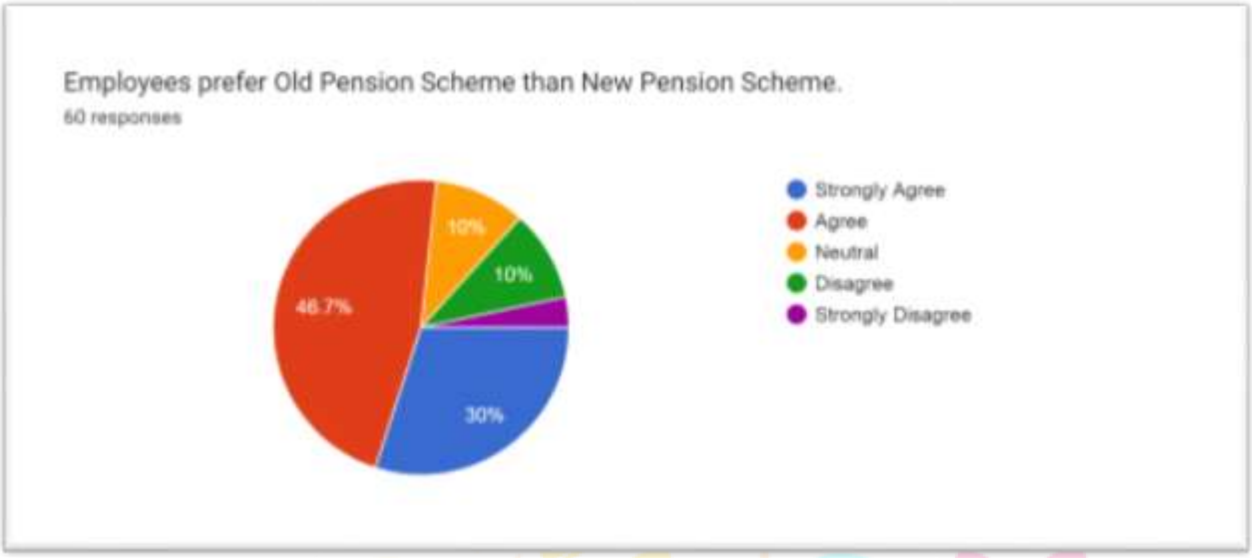
ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	3.93	3	1.31	0.65	0.59	2.77
Within Groups	113.47	56	2.03			
Total	117.4	59				

Conclusion: Null hypothesis is fail to reject as F value = 0.65 is less than F critical value i.e 2.77 and P-value (0.59) is also more than 0.05. Hence, Research Scholar concluded that Old Pension Scheme is providing more social security to employees than New Pension Scheme.

Hypothesis 2:

2. Employees prefer Old Pension Scheme than New Pension Scheme.



H0: There is no significant difference between the mean of 4 groups.

H1: there is significant difference between the mean of 4 groups.

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Mumbai	15	35	2.33	1.10
Thane	15	39	2.60	1.69
Kalyan	15	24	1.60	0.40
Navi Mumbai	15	28	1.87	0.84

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	9.13	3	3.04	3.03	0.04	2.77
Within Groups	56.27	56	1.00			
Total	65.4	59				

Conclusion: Alternative hypothesis is accepted as F value = 3.03 is more than F critical value i.e 2.77 and P-value (0.04) is also less than 0.05. Hence, Research Scholar concluded Employees don't prefer Old Pension Scheme than New Pension Scheme.

Comparison of Old Pension Scheme and New Pension Scheme

Sr. No	**Question**	**Old Pension Scheme (Agreed/Strongly Agreed)**	**New Pension Scheme Agreed/Strongly Agreed)**
1.	Employee get long and stable income	88%	38%
2.	Retired government employees receive 50 per cent of their last drawn salary plus dearness allowance as pension every month.	79%	38%
3.	Employees get the benefits of revision in dearness allowance (DA) twice every year.	83%	24%
4.	The pay-out doesn't require a deduction from salary during service years.	72%	27%
5.	Pension income under doesn't attract any tax.	62%	18%

6.	Pension received after retirement is tax-free.	55%	17%

7. Utility of the study: The research paper will be beneficial to Government, Society, Central Employees, State Employees, Private Employees and teachers. It will be valuable to research scholar to do further research.

8. Scope of the Study: The purpose of study is to evaluate Old Pension Scheme and New Pension Scheme and to study the employees' perception towards Old Pension Scheme and New Pension Scheme. The area of the research topic was Mumbai, Thane, Kalyan and Navi Mumbai.

9. Limitation of the Study:

Limitations of the study were time, money and secondary research data was collected from limited books and research papers due to shortage of time. Primary data was gathered only from 60 respondents of Mumbai, Thane, Kalyan and Navi Mumbai only.

10. Findings:

i. 65% respondents will get pension or are getting pension.

ii. 54% respondents answered their jobs come under New Pension Scheme whereas 46% respondents jobs come under Old Pension Scheme.

iii. 62% respondents agreed with statement that "Old Pension Scheme is better than New Pension Scheme".

iv. 60% respondents replied that "Old Pension Scheme is providing more social security to employees than New Pension Scheme".

v. "Old Pension Scheme is providing more economic security to employees than New Pension Scheme" , 64% respondents approved with the statement.

vi. 77% respondents responded that "Employees prefer Old Pension Scheme than New Pension Scheme".

11. Suggestions:

Guaranteed Pension Scheme should be introduced instead of New Pension Scheme which, has benefits of both Old Pension Scheme and New Pension Scheme.

12. Conclusion: Both the NPS and OPS come with their set of welfares, however, the last has one major problem that it bargains aids to only government employees. On the other hand, NPS delivers paybacks to all citizens. Old Pension Scheme provides more social security to employees as they get long and stable income. In OPS, retired government employees receive 50 per cent of their last drawn salary plus dearness allowance as pension every month. They also get the benefits of revision in dearness allowance (DA) twice every year. The pay-out doesn't require a deduction from salary during service years. Pension received after retirement is tax-free. Employees don't prefer Old Pension Scheme than New Pension Scheme.

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