

The National Pension System (Nps): Awareness, Challenges and Investment Behavior with Special Reference to Mumbai

Ms. Preeti Matharu Anand

Assistant Professor, Ptva's Institute of Management Research Scholar, Mahatma Education Society's Pillai College of Arts, Commerce & Science (Autonomous)

Dr. Farhat Fatma Mumtaz Hussain Shaikh

Ph.D Guide, Mahatma Education Society's Pillai College of Arts, Commerce & Science (Autonomous)

Dr. Kanwalpreet Kaur Puri

Assistant Professor, Vivekanand Education Society's College of Arts, Science and Commerce (Autonomous)

Mr. Talvir Singh

Ceo, Commerce Net Achievers

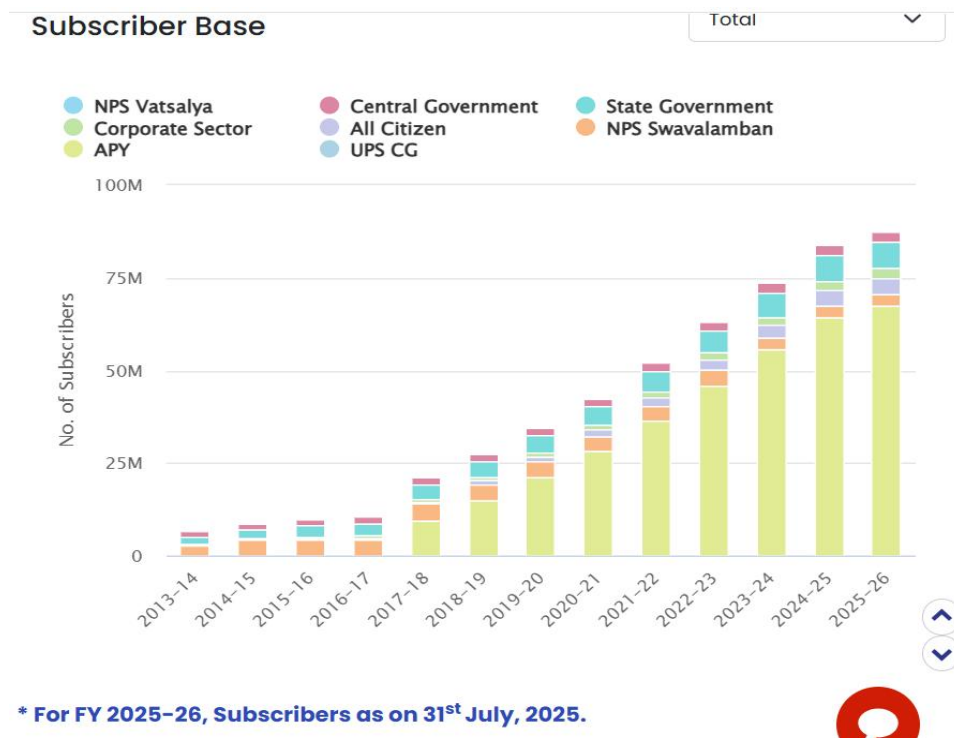
Abstract:

A government-backed retirement savings plan, the National Pension System (NPS) aims to give people financial stability once they retire. This study examines how Mumbai's working professionals view and understand NPS, evaluating the variables that affect their participation and investment choices. The study looks at important factors such as adoption hurdles, system trust, predicted benefits, and NPS understanding using a systematic survey and analysis. Data collected from 119 respondents was analysed through Percentages and Chi-Square tests. The results provide light on how professionals behave when it comes to adopting NPS as a retirement planning tool. This study advances our knowledge of attitudes toward financial planning and can help financial institutions and policymakers better promote NPS.

Keywords: National Pension System, Retirement Planning, Financial Awareness.

1. Introduction:

India's government-sponsored National Pension System (NPS) was established to give its inhabitants access to retirement income. It is contribution based; during working years, members make regular contributions to their pension fund, and upon retirement, they get either a lump amount or recurring payments. To incentivize participation, NPS provides tax benefits and offers a range of investment possibilities, from fixed income instruments to equities. In India, the National Pension System (NPS), which is overseen by the Pension Fund Regulatory and Development Authority (PFRDA), has grown in favor among both salaried workers and independent contractors. Its goal is to offer financial security for retirees.



Source - <https://npstrust.org.in/>

Although the number of people who are aware about NPS are increasing and so are the subscribers of NPS, still it is only around 8.77 crore subscribers of all pension schemes out of which around 2.01 crore subscribers are of NPS as of July 2025. These subscribers include central and state Government employees, private sector employees and even self-employed individuals. More awareness should be created about NPS so that more people can take benefit of the same.

2. Review Of Literature:

The National Pension Scheme and the Mutual Funds Pension Scheme were evaluated by Shallu Saini and Deepika Shimar (2017). When compared to a new pension plan, the analysis showed that the mutual fund pension scheme was more affordable for individual shareholders in terms of cost per account.

T. Poongothai and M. Jayanthi (2020) studied the NPS structure and analysed the importance of NPS in retirement planning. The paper discussed how the increasing cost of living, inflation and longevity has made retirement planning and NPS very important.

V. Pooja and Malaimagal (2021) reviewed applicability and effectiveness of NPS. It discussed the working of the NPS and the changes it had over time. The paper highlighted that the pared down commission framework to investment advisory has resulted in avoidance of this instrument to a certain extent by the financial experts.

The majority of the population, the research by Pushpa B.V. (2021) claims, do not plan for retirement. It is essential to inform individuals on the features of current pension schemes and to assist them in making long-term pension savings decisions. Financial education initiatives need to be expanded for greater reach and managed more effectively. Salary workers who want to keep their quality of living during their working years must be aware of their post-retirement financial demands. Planning to maintain the expected standard of living in years when you are not working or generating money is just as vital as living.

Goyal V and Yadav N (2024) studied the investors' attitude to NPS and found that investors

prefer NPS due to its tax benefits and returns. Less risk is another factor that influences investors to invest in NPS. The paper also highlighted the rise in subscribers of NPS. It also suggested that campaigns for awareness of NPS should be conducted by the Government to increase awareness and subscription.

3. Objectives:

- i. To study the awareness levels of the National Pension System (NPS).
- ii. To study the preferred features of NPS.
- iii. To understand the factors affecting investment in NPS.

4. Hypothesis:

Hypothesis 1:

Null hypothesis - The respondents are not significantly aware of the National Pension System.

Alternate hypothesis - The respondents are significantly aware of the National Pension System.

Hypothesis 2:

Null hypothesis - The respondents are not significantly aware of the additional tax benefit of the National Pension System.

Alternate hypothesis - The respondents are significantly aware of the additional tax benefit of the National Pension System.

5. Research Methodology:

Both primary and secondary methods of data collection were adopted for acquiring the data. Primary data was acquired through questionnaire using the service of Google form through random and convenient sampling methods. The data is collected from Mumbai. 123 responses were received through the Questionnaire out of which 119 were complete and used for data analysis. Various online sources were utilised to collect the secondary data.

6. Data Interpretation And Analysis:

6.1 Descriptive analysis:

Major respondents consider retirement and tax saving as a major motive for any investment. 71% believe that NPS is a good retirement planning option. 76% are aware of the additional tax benefit of ₹50,000 over the standard ₹1.5 lakh deduction under Section 80C. However, 24% remain unaware, showing a gap in knowledge dissemination. Tax savings (80%) is the strongest motivator for NPS investment. Security (63%) is also a key concern, indicating that people value the long-term stability of NPS. Lock-in period (68%) is the biggest deterrent, as people prefer liquidity in their investments. Lack of knowledge (61%) is a major challenge, reinforcing the need for better investor education. Complexity (39%) and unclear terms (27%) also act as barriers, suggesting that simplification and transparency could improve adoption.

6.2 Hypothesis Testing:

6.2.1. Hypothesis 1:

Null Hypothesis- The respondents are not significantly aware of the National Pension System.

Alternate Hypothesis - The respondents are significantly aware of the National Pension System.

Statistical Test applied: Chi-Square Test

Test Statistics	
	Awareness (1=yes,0=No)

Chi-Square	23.605
df	1
Asymp. Sig.	.000

As the $p < 0.05$, we **failed to accept the null hypothesis**. Hence, there is **significant awareness** among the respondents about the National Pension System (NPS).

6.2.2. Hypothesis 2:

Null Hypothesis - The respondents are not significantly aware of the additional tax benefit of the National Pension System (NPS).

Alternate Hypothesis - The respondents are significantly aware of the additional tax benefit of the National Pension System.

Statistical Test applied: Chi-Square Test

	Awareness (1= Yes, 0 = No)
Chi-Square	29.252
df	1
Asymp. Sig.	.000

As the $p < 0.05$, we **failed to accept the null hypothesis**. Hence, there is **significant awareness** among the respondents about the additional tax benefit of the National Pension System.

7. Conclusion:

Expenditure and savings normally form the total income of a person. But it is not only savings but investment that an income should be divided into apart from expenses. National Pension Scheme (NPS) is basically a retirement plan or scheme that provides an opportunity for investment to the individuals. There is sufficient awareness about NPS and the additional tax benefit offered by NPS. Lock in period and lack of knowledge are the major reasons for lack of penetration of NPS. To overcome these challenges, awareness campaign about NPS should be increased. The terms and conditions of NPS should be simplified to reduce its complexity. The knowledge gaps could also be addressed by educational resources through various means. The long term wealth creation benefit of NPS should be highlighted to increase its penetration.

8. LIMITATIONS OF THE STUDY:

- The study covers primary data collected from respondents only in Mumbai.
- Only 119 samples are selected for the study.
- Under pension schemes, only NPS is considered for the study.

9. Scope For Further Research:

- Similar research can be conducted in other areas of the country to understand the awareness in that area.
- Studies can be conducted on other Pension Schemes like Atal Pension Yojana.
- A comparative study about different Pension and retirement schemes can be conducted.

10. References:

- T.Poongothai and .M.Jayanthi (2020), 'National Pension System For Retirement Planning', Journal of Emerging Technologies and Innovative Research, ISSN: 2349-5162, Vol-7, Issue - 8, pp 766-768.
- V. Pooja and Malaimagal (2021), 'A Critical Study on National Pension Scheme and Its Applicabilities', Arabian Journal of Business and Management Review, ISSN: 2223-5833, Vol-11, Issue-2, pp 1-3.

3. S Saini. & D. Shimar (2017), 'Comparative study of Mutual Fund Scheme and New Pension System', International Journal of Academic Research and Development, ISSN: 2455-4197, Vol 2, Issue - 5, pp 258-262.
4. Pushpa B.V. (2021), "Awareness on pension plans-a study of investors' in Bengaluru city", IT in Industry, ISSN(Online):22031731, Vol. 9, Issue - 2, 2021, pp 1017 to 1021.
5. Goyal V and Yadav N (2024), 'A study on investors attitude towards National pension scheme', International Journal of Research Publication and Reviews, ISSN 2582-7421, Vol (5), Issue (4), Page – 2597-2603.
6. <https://npstrust.org.in/faqs>
7. <https://npscra.nsdl.co.in/all-citizens-faq.php>
8. <https://npstrust.org.in/>