

National Pension System and Its Role in Long-Term Wealth Creation: Evidence from a Survey-Based Study in Guwahati, India

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Abstract

This study investigates the National Pension System (NPS) of India and its role in long-term wealth creation, with a focus on subscriber awareness, investment behavior, perceptions, and the influence of demographic factors. Using a descriptive, quantitative research design, primary data were collected from 200 respondents through a structured, close-ended questionnaire employing convenience and snowball sampling. The findings reveal a high overall awareness rate (86%), with 82% of respondents actively investing in the NPS. Government employees constituted the majority of participants (67%), reflecting the institutional integration of NPS within the public sector. Long-term wealth creation (cited by 86.5% of investors) and retirement planning emerged as the dominant motivations for NPS participation. While knowledge of tax benefits under Section 80C was reasonably high, awareness and utilization of the additional deduction under Section 80CCD(1B) remained substantially low, with over 50% of investors not claiming any tax benefit. The Tier I account was perceived as suitable for retirement planning by 74% of respondents, whereas the Tier II account suffered from low awareness and adoption (15%). A Cronbach's Alpha coefficient of 0.747 confirmed acceptable internal reliability of the Likert-scale instrument. Demographic analysis indicated that age (36–45 years), educational attainment (graduate and postgraduate), and employment sector (government) were significant correlates of NPS participation. The study recommends targeted awareness campaigns for private-sector employees and younger demographics, improved communication around tax benefits, and policy-level measures to enhance the attractiveness of Tier II accounts.

Keywords: *National Pension System, NPS, long-term wealth creation, retirement planning, tax benefits, Tier I account, Tier II account, investor awareness, PFRDA, India*

1. Introduction

1.1 Overview of the State Bank of India

The State Bank of India (SBI) is India's largest public sector bank, headquartered in Mumbai. It traces its origins to the Bank of Calcutta, established in 1806, which later evolved into the Imperial Bank of India. In 1955, it was nationalized and renamed as the State Bank of India under the Reserve Bank of India. Over the decades, SBI has played a crucial role in developing India's banking infrastructure and promoting financial inclusion (State Bank of India, 2024).

SBI operates an extensive network comprising more than 22,000 branches and over 63,000 ATMs across India, with a significant international presence spanning more than 29 countries. The bank's total assets exceed ₹66 lakh crore, with a net profit of over ₹70,901 crore reported in FY 2024–25. Its digital platform, the YONO application, provides integrated banking, investment, and lifestyle services. In addition to core banking, SBI operates key subsidiaries—SBI Life Insurance, SBI Mutual Fund, SBI Cards, and SBI General Insurance—extending its footprint across insurance, mutual funds, and credit.

1.2 Vision, Mission, and Values

SBI's vision is to be the Bank of Choice for a Transforming India. Its mission is to remain committed to providing simple, responsive, and innovative financial solutions. The bank's core values—Service, Transparency, Ethics, Politeness, and Sustainability—guide its operations across all segments.

1.3 Services of SBI

SBI provides a comprehensive suite of banking services across six key segments: personal banking (including loans, NRI services, and wealth management), rural banking (Micro Credit and Agriculture Business), international banking (241 offices globally), SME banking (₹5 lakh crore in total advances), corporate banking (₹12.41 lakh crore in corporate advances), and government banking (e-governance solutions for Central and State Governments).

1.4 Introduction to the National Pension System

The National Pension System (NPS) is a voluntary, government-sponsored retirement savings scheme in India, launched on January 1, 2004, initially for new central government employees

(Pension Fund Regulatory and Development Authority [PFRDA], 2004). It was subsequently extended to all Indian citizens in May 2009. Managed by the PFRDA under the PFRDA Act of 2013, NPS offers tax benefits, flexible investment options, and a mix of equity and debt instruments designed to help subscribers build a retirement corpus over the long term.

1.5 Key Features of NPS

- **Voluntary Participation:** Open to all Indian citizens aged 18–70 years.
- **Regulated by PFRDA:** Ensures transparency, accountability, and investor protection.
- **Tiered Account Structure:** Tier I (mandatory, retirement-focused, restricted withdrawals) and Tier II (voluntary, flexible withdrawals).
- **Choice of Fund Managers:** Subscribers may select from PFRDA-approved pension fund managers and asset classes (equity, corporate debt, government securities, alternative assets).
- **Tax Benefits:** Deductions under Section 80C (up to ₹1.5 lakh) and an additional ₹50,000 under Section 80CCD(1B) of the Income Tax Act, 1961.
- **Low Cost:** Among the lowest fund management charges of any pension product in India.
- **Annuity on Maturity:** A mandatory minimum of 40% of the corpus must be used to purchase a life annuity from a PFRDA-empaneled insurer at retirement.
- **Portability:** Fully portable across jobs and geographical locations.

1.6 History and Transformation of NPS

The NPS has undergone significant evolution since its inception. The key milestones are as follows: its launch in 2004 for central government employees under a defined contribution framework; its extension to all citizens in 2009; the enactment of the PFRDA Act in 2013 providing a robust regulatory foundation; the introduction of the Tier II account for flexible savings; the enhancement of tax incentives in 2015–16 through Section 80CCD(1B); and the rollout of e-NPS, enabling online account opening, mobile access, and real-time portfolio tracking. Progressive adoption by state governments and autonomous public bodies has further expanded NPS coverage.

2. Literature Review

2.1 Review of Prior Research

Existing literature on the NPS spans fund performance evaluation, policy analysis, and subscriber behavior studies, though the latter remains comparatively underexplored.

Mithesh (2024) evaluated the performance of equity-based Tier I NPS schemes from 2018 to 2022, finding that all major fund managers—LIC, HDFC, Kotak, UTI, and ICICI—generated positive returns exceeding the risk-free rate. LIC outperformed on absolute returns, while Kotak demonstrated superior risk-adjusted returns as measured by the Treynor ratio. The study also found a weak correlation with the S&P 500, suggesting insulation from global market volatility.

Ananth and Babu (2016) reviewed NPS equity fund performance across Tier I and Tier II accounts over a three-year window. While all funds registered negative returns in the first year, performance improved markedly in the subsequent two years. HDFC yielded the highest cumulative return in Tier I, whereas UTI performed best in Tier II in the final year. However, Sharpe, Treynor, and Jensen's Alpha measures were negative for all funds in the initial year, reflecting limited risk-adjusted performance during that period.

Gupta and Kumar (2018) argued that NPS functions as an efficient and low-cost tool for retirement planning in India, combining tax advantages, portability, and simplicity. They noted, however, that public awareness of NPS remains insufficient, underscoring the need for targeted financial literacy campaigns.

An earlier policy study highlighted that only 12% of India's workforce had pension coverage at the time, identifying four structural barriers to broader NPS enrollment: inadequate investment security, unclear legal frameworks, weak distribution infrastructure, and poor marketing. It estimated a medium-term potential of 40 million enrollees and a long-run addressable market of up to 130 million (PFRDA, n.d.).

2.2 Research Gap

Despite a growing body of fund performance literature, relatively little empirical work examines how individual subscribers perceive, understand, and interact with the NPS—particularly regarding long-term wealth creation objectives. The role of demographic variables (age, income, education, employment sector), tax benefit utilization patterns, and comparative perceptions of Tier I versus Tier II accounts from the investor's perspective remains underexplored. This study addresses that gap by centering the analysis on investor awareness, preferences, and satisfaction.

2.3 Objectives of the Study

This study pursues four principal objectives:

- To assess the level of awareness and understanding of the NPS among individuals from various demographic and occupational backgrounds.
- To examine investor perceptions of, and satisfaction with, NPS features, benefits, and

performance as a tool for long-term wealth creation.

- To evaluate the influence of tax benefits and account type (Tier I vs. Tier II) on investment decisions and preferences.
- To analyze the relationship between demographic factors—age, income, education, employment sector—and NPS participation.

3. Research Methodology

3.1 Research Design

The study employs a descriptive research design, suited to capturing the current state of NPS awareness, participation, and perceptions without variable manipulation. Participant selection was guided by demographic parameters—age, income, education, and employment sector—to ensure a representative sample of the working population.

3.2 Research Nature and Approach

A quantitative approach was adopted, utilizing a structured, close-ended questionnaire to collect measurable, statistically analyzable data. This method facilitates cross-group comparison, pattern identification, and data-driven conclusions regarding NPS investor behavior and perceptions.

3.3 Sampling Design

A non-probability sampling methodology combining convenience sampling and snowball sampling was employed. Convenience sampling allowed for initial access to working professionals and self-employed individuals, while snowball sampling extended reach to NPS-affiliated respondents through participant referrals—a particularly appropriate method given the difficulty of identifying NPS subscribers in general population settings.

3.4 Sample Size

A sample of 200 respondents was determined to be adequate for generating meaningful insights across demographic subgroups. Respondents were selected from diverse age, income, occupational, and educational categories. The questionnaire was administered both digitally and in person, primarily targeting individuals currently enrolled in or knowledgeable about the NPS.

3.5 Data Sources

The study draws on both primary and secondary data. Primary data were collected via the structured questionnaire administered to 200 respondents. Secondary data were sourced from PFRDA annual reports, government publications, peer-reviewed academic journals, and reputable financial databases. This dual-source approach ensures that empirical findings are

grounded in both primary field evidence and established literature.

3.6 Instrument Design

The primary data collection instrument is a structured questionnaire organized into four sections:

- Section A: Demographic Information (gender, age group, educational qualification, employment sector, monthly income).
- Section B: NPS Participation (awareness status, current investment, source of awareness, duration of investment).
- Section C: Investment Perception and Preferences (tax benefit awareness and utilization, reasons for investing, Tier I and II perceptions, annuity perception, Tier II investment behavior).
- Section D: Opinion-Based Items (six-item Likert scale assessing safety, return satisfaction, platform usability, tax motivation, annuity endorsement, and long-term wealth creation).

3.7 Analytical Tools

Data analysis employed the following techniques: (a) descriptive statistics (frequency distributions, percentage analysis, mean, and standard deviation); (b) reliability testing via Cronbach's Alpha for Likert-scale items; (c) cross-tabulation and comparative analysis to examine relationships between demographic variables and NPS-related outcomes; and (d) graphical representation through bar charts and pie charts for enhanced interpretability. Microsoft Excel was used for data organization and analysis.

3.8 Expected Outcomes

The study anticipated generating actionable insights into NPS adoption trends, the influence of demographic factors on participation, motivations and barriers to investment, and comparative evaluations of Tier I and Tier II accounts. These findings were expected to inform policymakers, financial advisors, and institutional stakeholders in improving NPS outreach, accessibility, and overall effectiveness as a retirement and wealth creation instrument.

4. Data Analysis and Interpretation

This chapter presents the systematic analysis of primary data collected from 200 respondents. Both quantitative (close-ended) and ordinal (Likert-scale) responses are examined to generate insights into NPS awareness, participation, tax benefit utilization, account perceptions, and the influence of demographic characteristics on investment behavior.

4.1 Sociodemographic Profile of Respondents

4.1.1 Gender Distribution

Gender	Number of Respondents	Percentage (%)
Male	157	78.5%
Female	43	21.5%
Total	200	100%

Table 4.1: Distribution of respondents by gender

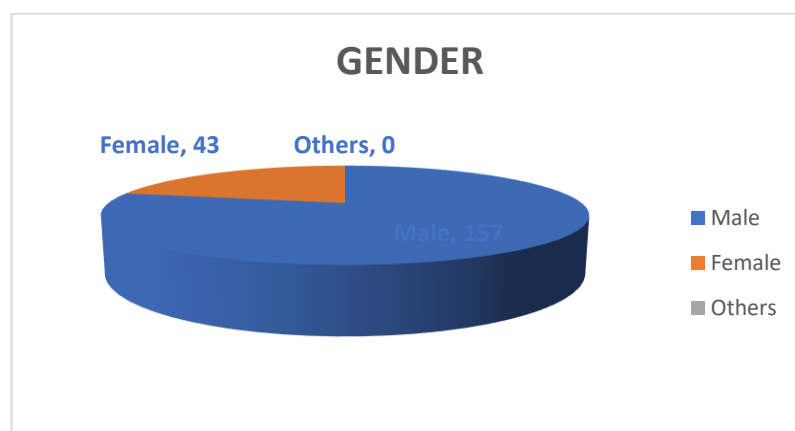


Figure 4.1: Gender distribution of respondents (n = 200)

The sample is predominantly male (78.5%), suggesting that men are more actively engaged with, or aware of, the NPS in the surveyed area. This disparity may reflect higher rates of formal employment and financial planning activity among men in the study population, though it also highlights the need to investigate potential gender gaps in NPS participation.

4.1.2 Age Group Distribution

Age Group	Number of Respondents	Percentage (%)
18–25	12	6.0%
26–35	53	26.5%
36–45	98	49.0%
46–55	34	17.0%

Age Group	Number of Respondents	Percentage (%)
56 and above	3	1.5%
Total	200	100%

Table 4.2: Distribution of respondents by age group

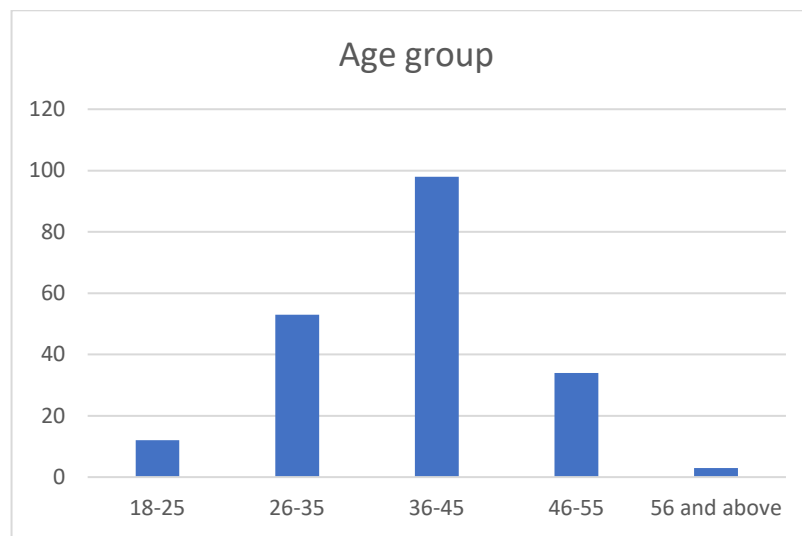


Figure 4.2: Age group distribution of respondents ($n = 200$)

The 36–45 age cohort constitutes the largest group (49%), reflecting that mid-career professionals are the primary NPS participants—a pattern consistent with peak earning years and heightened retirement planning awareness. The relative underrepresentation of respondents aged 18–25 (6%) and 56 and above (1.5%) suggests that younger and near-retirement populations are less engaged with the scheme.

4.1.3 Educational Qualification

Educational Qualification	Number of Respondents	Percentage (%)
Undergraduate	8	4.0%
Graduate	122	61.0%
Post Graduate	70	35.0%
Doctorate	0	0.0%

Educational Qualification	Number of Respondents	Percentage (%)
Total	200	100%

Table 4.3: Distribution of respondents by educational qualification

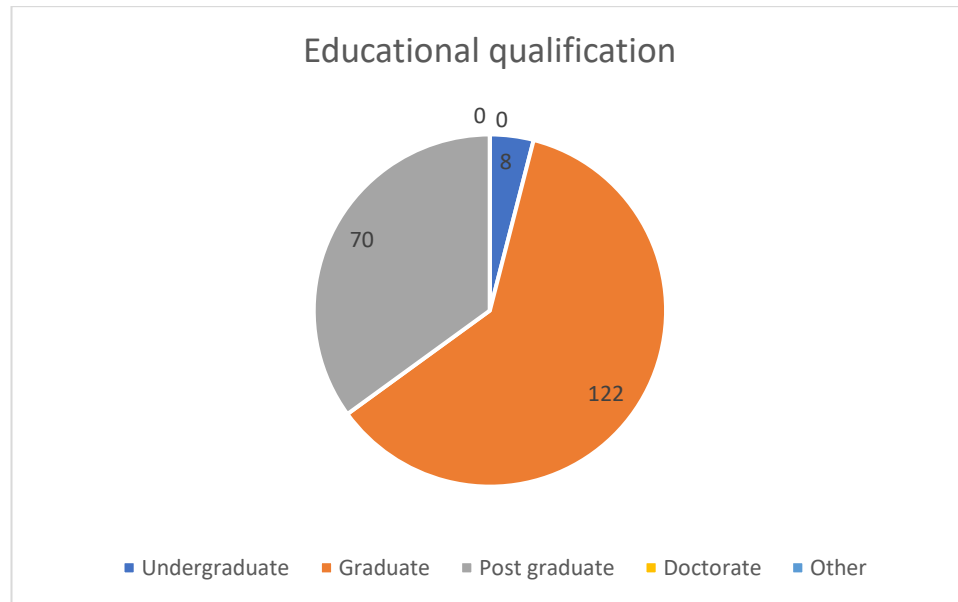


Figure 4.3: Educational qualification of respondents (n = 200)

Graduate-level respondents account for 61% of the sample, followed by postgraduates at 35%. This concentration of higher-educated participants likely contributes to elevated NPS awareness, as greater financial literacy is associated with engagement in structured long-term savings instruments.

4.1.4 Employment Sector

Employment Sector	Number of Respondents	Percentage (%)
Government	134	67.0%
Private	59	29.5%
Self-Employed / Business	2	1.0%
Student	5	2.5%
Total	200	100%

Table 4.4: Distribution of respondents by employment sector

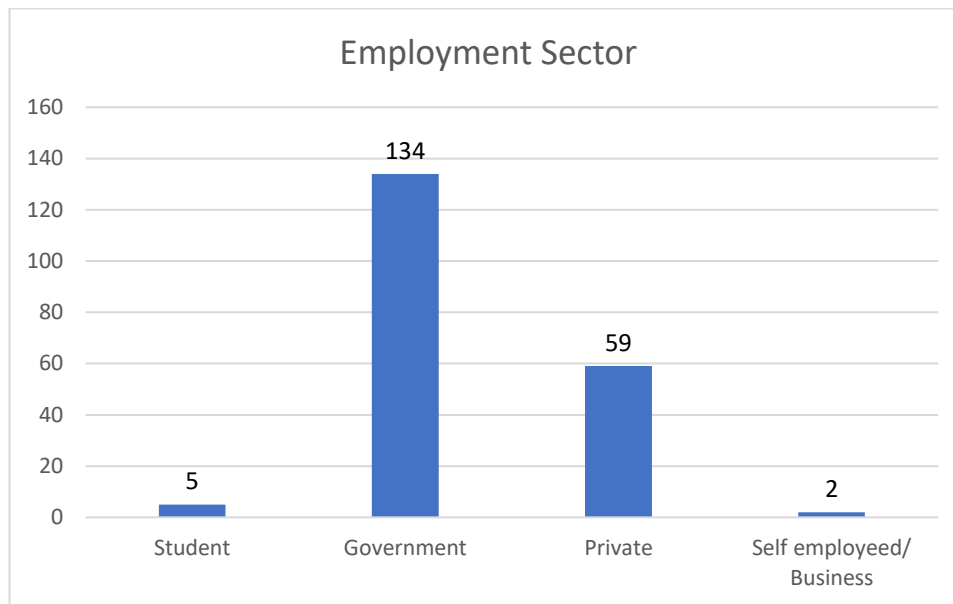


Figure 4.4: Employment sector distribution of respondents (n = 200)

Government employees constitute 67% of the sample, reflecting the institutional integration of NPS within public sector employment. The comparatively lower representation of private-sector employees (29.5%) and self-employed individuals (1%) suggests a persistent gap in voluntary NPS adoption beyond mandated government enrollment.

4.1.5 Monthly Income

Monthly Income (INR)	Number of Respondents	Percentage (%)
Less than ₹20,000	5	2.5%
₹20,001–₹50,000	37	18.5%
₹50,001–₹1,00,000	122	61.0%
Above ₹1,00,000	36	18.0%
Total	200	100%

Table 4.5: Distribution of respondents by monthly income

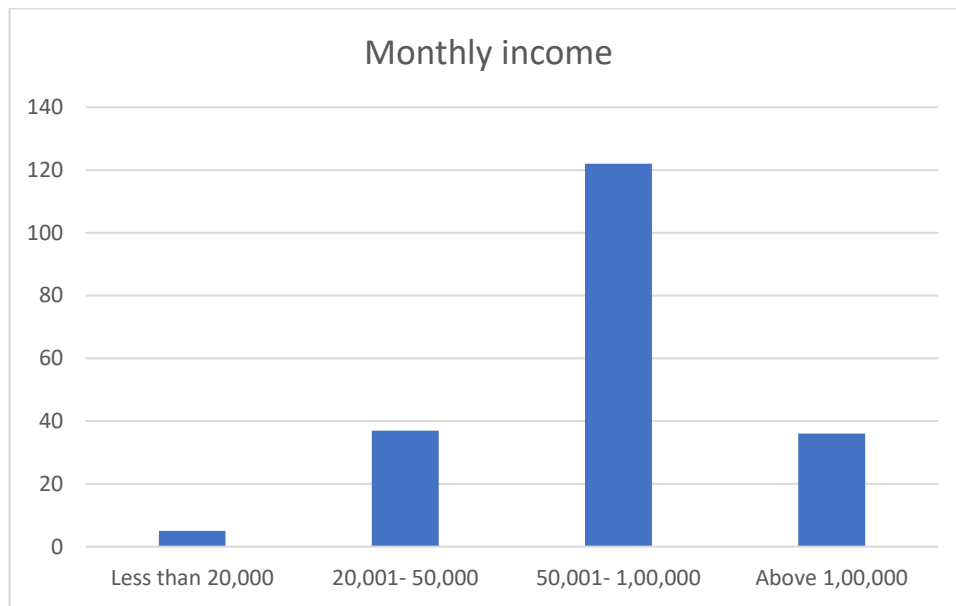


Figure 4.5: Monthly income distribution of respondents (n = 200)

The majority of respondents (61%) fall in the ₹50,001–₹1,00,000 monthly income bracket, indicating that moderate-to-high earners are the primary NPS participants. This pattern aligns with the expectation that individuals with greater disposable income are more likely to allocate funds toward long-term retirement planning instruments.

4.2 Awareness and Participation

4.2.1 Awareness of NPS

Awareness	Number of Respondents	Percentage (%)
Yes	172	86.0%
No	28	14.0%
Total	200	100%

Table 4.6: Distribution of respondents by awareness of NPS

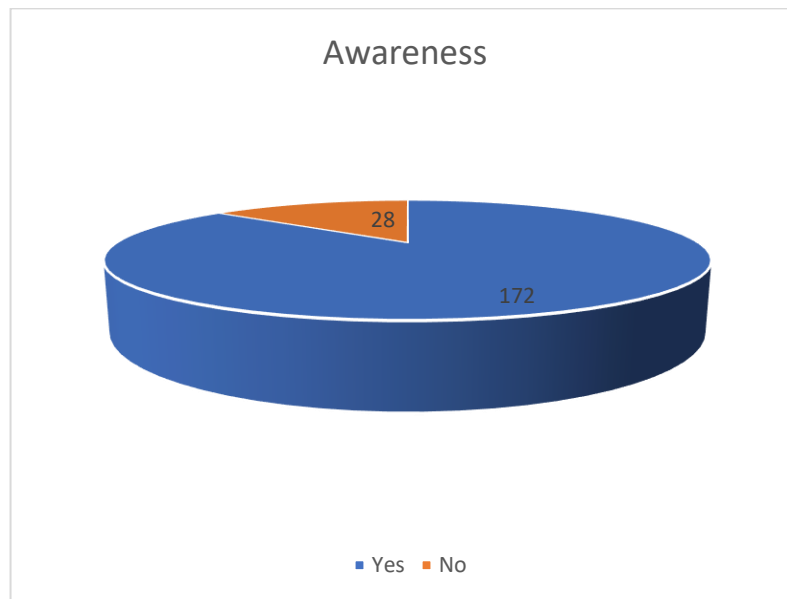


Figure 4.6: Awareness of NPS among respondents (n = 200)

A substantial majority (86%) of respondents reported awareness of the NPS, indicating effective reach of the scheme—particularly among the formally employed population surveyed. The 14% who remain unaware represent a meaningful outreach opportunity.

4.2.2 Current Investment in NPS

Currently Investing	Number of Respondents	Percentage (%)
Yes	164	82.0%
No	36	18.0%
Total	200	100%

Table 4.7: Distribution of respondents by NPS investment status

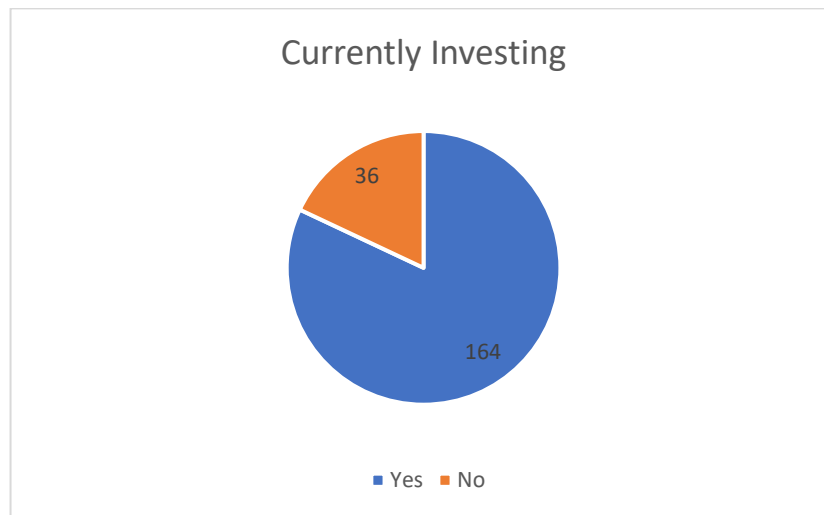


Figure 4.7: Proportion of respondents currently investing in NPS (n = 200)

Of 200 respondents, 164 (82%) are currently investing in the NPS, indicating strong engagement with the scheme among those who are aware of it. The high participation rate reflects a positive orientation toward structured retirement planning, particularly among formal-sector employees.

4.2.3 Source of Awareness

Source of Awareness	Number of Respondents	Percentage (%)
Government Campaigns	53	32.3%
Friends / Family	44	26.8%
Internet	36	22.0%
Financial Advisors	24	14.6%
Newspaper / TV	7	4.3%
Others	0	0.0%
Total	164	100%

Table 4.8: Distribution of respondents by source of NPS awareness

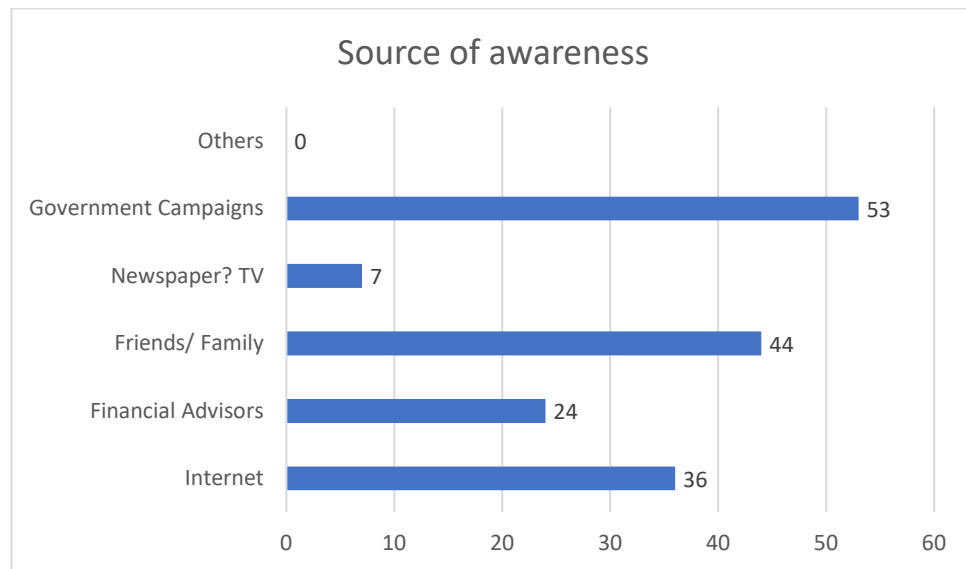


Figure 4.8: Primary sources of NPS awareness among investors (n = 164)

Government campaigns (32.3%) and personal networks such as friends and family (26.8%) are the two dominant awareness channels, collectively accounting for nearly 60% of sources. The internet constitutes a significant supplementary channel (22%). Traditional media—newspapers and television—had the least impact (4.3%), suggesting the need to shift outreach resources toward digital platforms and peer-driven communication.

4.2.4 Duration of Investment

Investment Duration	Number of Respondents	Percentage (%)
Less than 1 year	8	4.9%
1–3 years	40	24.4%
3–5 years	56	34.1%
More than 5 years	60	36.6%
Total	164	100%

Table 4.9: Distribution of respondents by duration of NPS investment

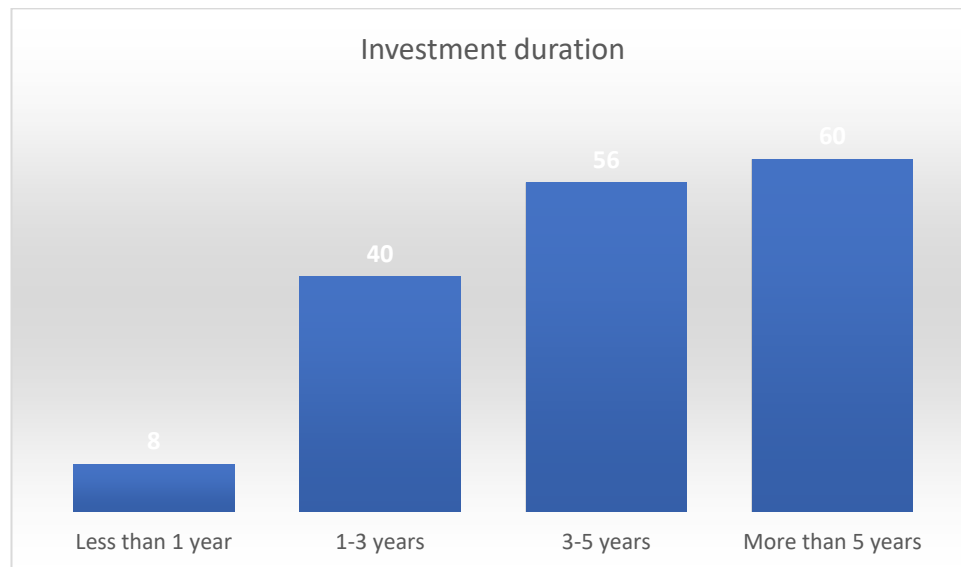


Figure 4.9: Investment duration of NPS subscribers (n = 164)

Over 70% of investors have maintained NPS contributions for more than three years, with 36.6% investing for more than five years. This long-term commitment profile reinforces the perception of NPS as a sustained retirement planning instrument rather than a short-term savings vehicle.

4.3 Tax Benefits Awareness and Utilization

4.3.1 Awareness of Tax Benefits

Awareness of Tax Benefits	Number of Respondents	Percentage (%)
Yes	120	73.2%
No	44	26.8%
Total	164	100%

Table 4.10: Distribution of NPS investors by awareness of tax benefits

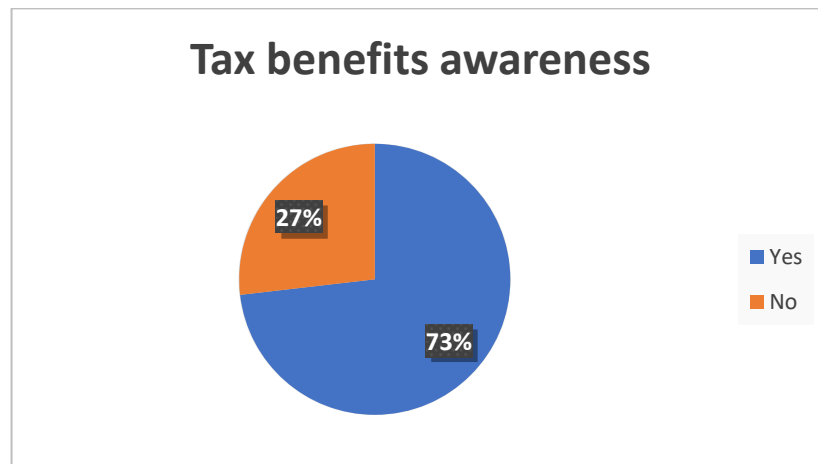


Figure 4.10: Tax benefit awareness among NPS investors (n = 164)

Among active NPS investors, 73.2% report awareness of the scheme's tax benefits. However, the 26.8% who remain unaware of available fiscal incentives represent a significant knowledge gap—particularly notable given that investors who are already enrolled in the scheme may be missing out on deductions to which they are entitled.

4.3.2 Tax Benefit Claim Behavior

Tax Benefit Claimed	Number of Respondents	Percentage (%)
Section 80C (up to ₹1.5 lakh)	55	33.5%
Section 80CCD(1B) (additional ₹50,000)	0	0.0%
Both Sections	26	15.9%
No tax benefits claimed	83	50.6%
Total	164	100%

Table 4.11: Distribution of NPS investors by tax benefit claimed

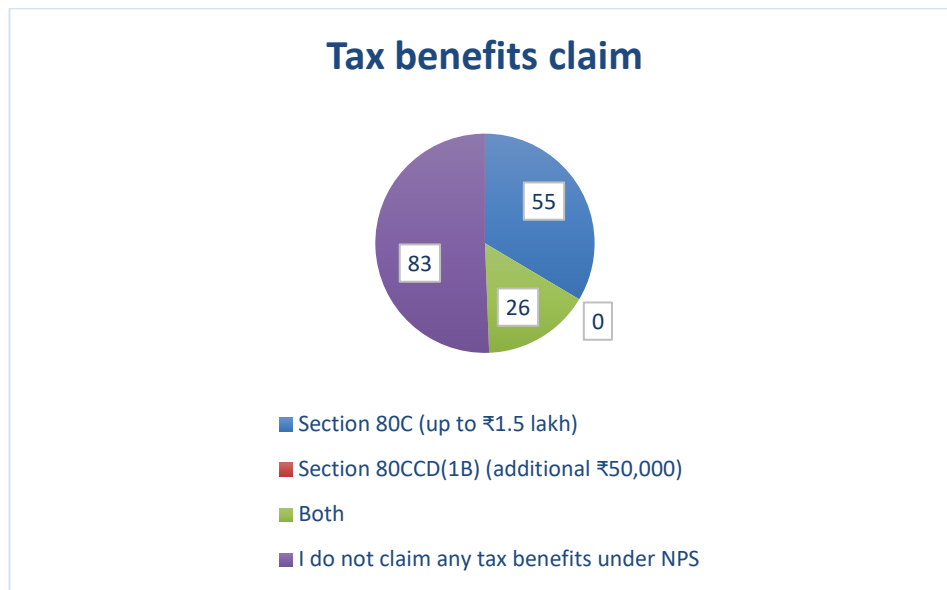


Figure 4.11: Tax benefit claiming behavior among NPS investors (n = 164)

Strikingly, 50.6% of NPS investors do not claim any tax benefit associated with the scheme—a finding with significant policy implications. Among those who do claim, Section 80C is the most commonly utilized deduction (33.5%), while only 15.9% leverage both sections. Notably, no respondent reported using Section 80CCD(1B) exclusively, suggesting widespread unfamiliarity with this additional deduction. These data indicate a substantial gap between awareness of tax benefits and their practical utilization.

4.4 Investment Motivations and Wealth Creation Perceptions

4.4.1 Primary Reasons for Investing in NPS

Note: Respondents could select multiple reasons; total responses (n = 514) exceed the number of investors (n = 164).

Primary Reason	Number of Respondents	Percentage of Responses (%)
Long-term wealth creation	142	27.6%
Retirement planning	111	21.6%
Safe investment option	102	19.8%
Government backing	101	19.6%

Primary Reason	Number of Respondents	Percentage of Responses (%)
Tax benefits	58	11.3%
Total responses	514	100%

Table 4.12: Primary reasons for investing in NPS (multiple responses permitted)

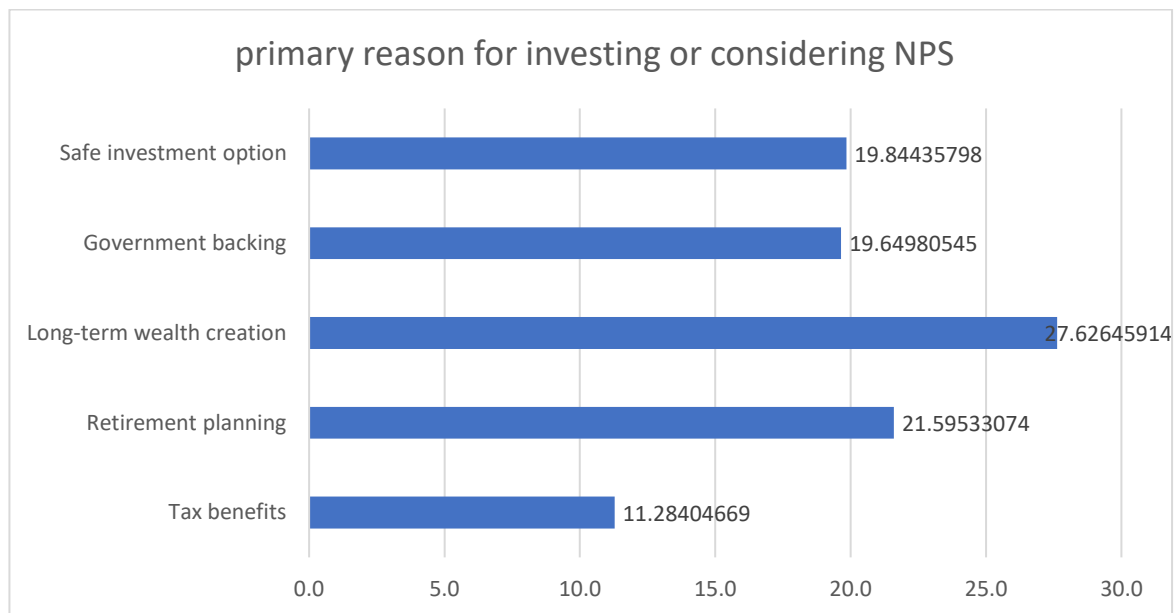


Figure 4.12: Primary reasons for NPS investment among subscribers (n = 164, multiple selections)

Long-term wealth creation is the most frequently cited motivation (27.6%), followed by retirement planning (21.6%), safety of investment (19.8%), and government backing (19.6%). Tax benefits, while cited by 11.3% of responses, rank lowest—suggesting that investors are primarily driven by long-term financial security considerations rather than immediate tax savings.

4.4.2 Importance of Long-Term Wealth Creation

Importance Rating	Number of Respondents	Percentage (%)
Extremely Important	40	24.4%
Very Important	98	59.8%
Neutral	9	5.5%

Importance Rating	Number of Respondents	Percentage (%)
Slightly Important	13	7.9%
Not Important	4	2.4%
Total	164	100%

Table 4.13: Importance of long-term wealth creation in NPS investment decisions

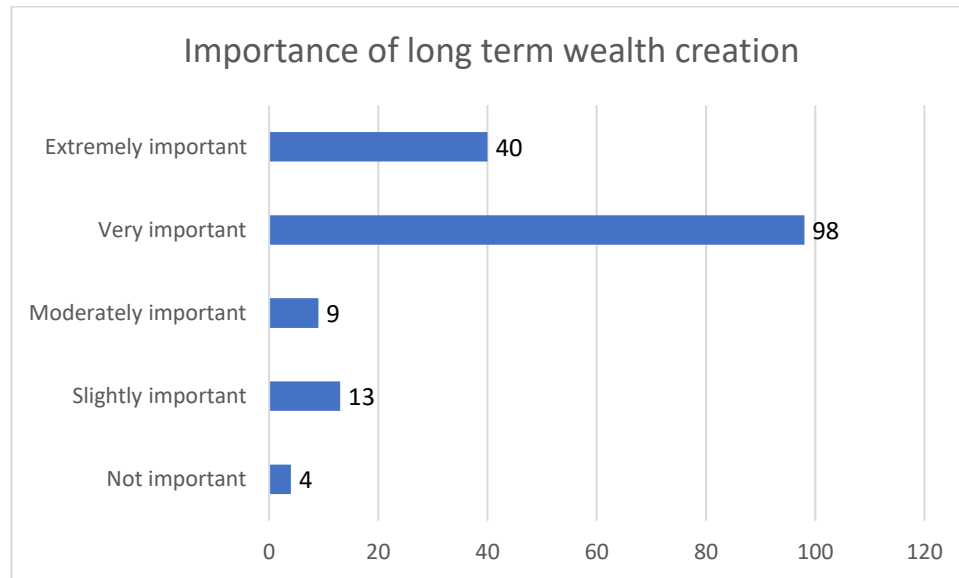


Figure 4.13: Perceived importance of long-term wealth creation among NPS investors (n = 164)

A combined 84.2% of investors rate long-term wealth creation through NPS as “very important” or “extremely important,” affirming strong alignment with the scheme's core objective. Only 2.4% regard it as unimportant.

4.5 Account Perceptions

4.5.1 Perception of Tier I Account Features

Perception	Number of Respondents	Percentage (%)
Very Suitable	44	26.8%
Somewhat Suitable	77	47.0%
Neutral	28	17.1%

Perception	Number of Respondents	Percentage (%)
Not Very Suitable	15	9.1%
Not Suitable at All	0	0.0%
Total	164	100%

Table 4.14: Respondent perceptions of NPS Tier I account features

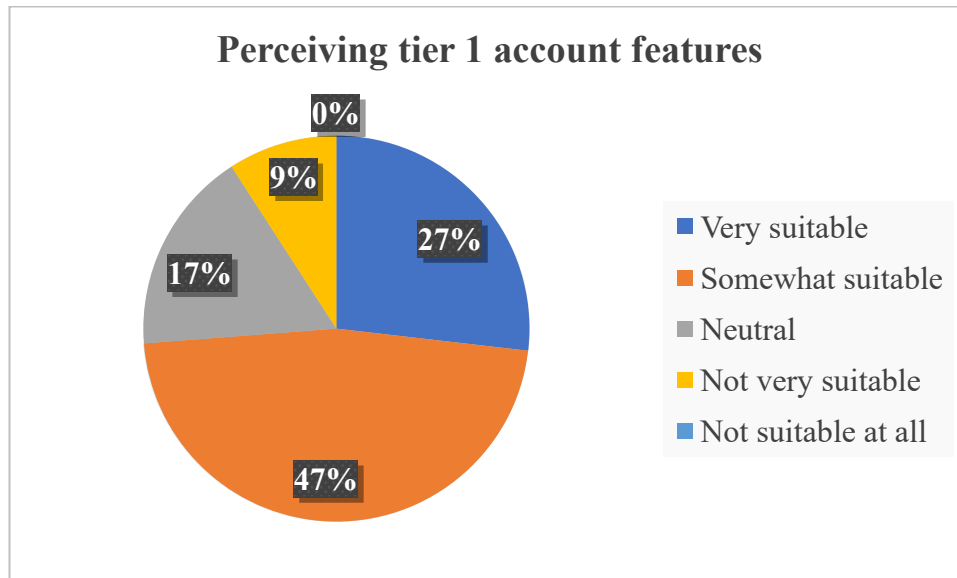


Figure 4.14: Perception of NPS Tier I account features among investors (n = 164)

Nearly three-quarters of respondents (73.8%) find the Tier I account features—including the long lock-in period, restricted withdrawals, and mandatory annuity purchase—to be “very suitable” or “somewhat suitable” for long-term retirement planning. Only 9.1% find the features unsuitable, and no respondent rated them as entirely unsuitable, indicating broad acceptance of the Tier I structure as a disciplined retirement savings vehicle.

4.5.2 Annuity Perception

Annuity Perception	Number of Respondents	Percentage (%)
Yes – Adequate	128	78.0%
No – Inadequate	19	11.6%
Not Sure	17	10.4%

Annuity Perception	Number of Respondents	Percentage (%)
Total	164	100%

Table 4.15: Respondent perception of annuity as post-retirement income security

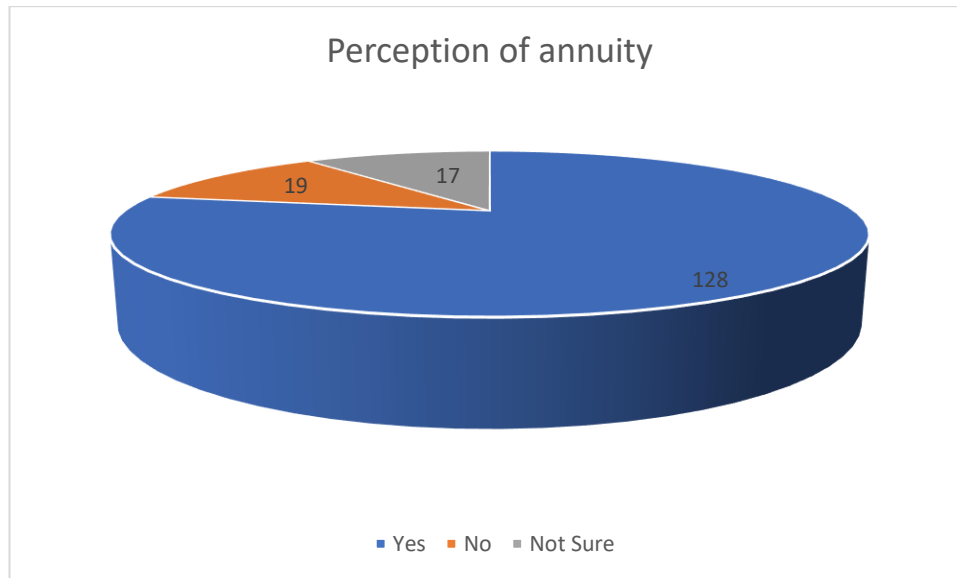


Figure 4.15: Annuity perception among NPS investors ($n = 164$)

A strong majority (78%) of investors believe the NPS annuity provides adequate post-retirement financial security, reflecting confidence in this income stream. The 22% expressing doubt or uncertainty represent a segment requiring improved financial literacy around annuity products and payout structures.

4.5.3 Perception of Tier II Account Flexibility

Tier II Flexibility Perception	Number of Respondents	Percentage (%)
Yes – Flexible	39	23.8%
No – Not Flexible	108	65.9%
Not Sure	17	10.4%
Total	164	100%

Table 4.16: Respondent perception of Tier II account as a flexible investment option

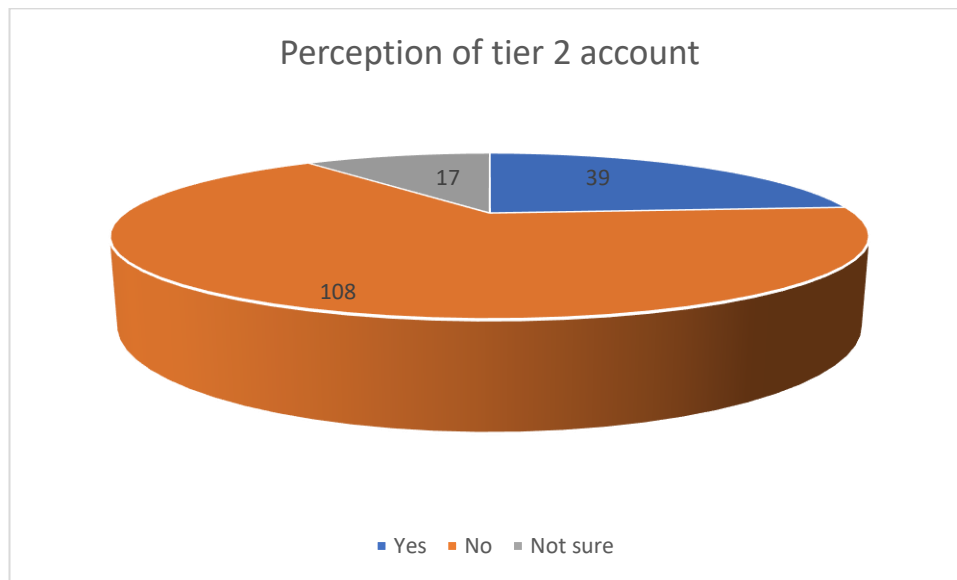


Figure 4.16: Perception of NPS Tier II account flexibility among investors (n = 164)

A significant majority (65.9%) do not perceive the Tier II account as a flexible investment option despite its lack of withdrawal restrictions—a counter-intuitive finding that may reflect the account's limited tax benefits, lower familiarity, and the absence of employer-matching contributions. The 10.4% expressing uncertainty further underscores a need for improved communication around Tier II features.

4.5.4 Investment in Tier II Account

Tier II Investment Status	Number of Respondents	Percentage (%)
Currently Invested	24	14.6%
Not Invested	124	75.6%
Planning to Invest	16	9.8%
Total	164	100%

Table 4.17: Tier II account investment status among NPS subscribers

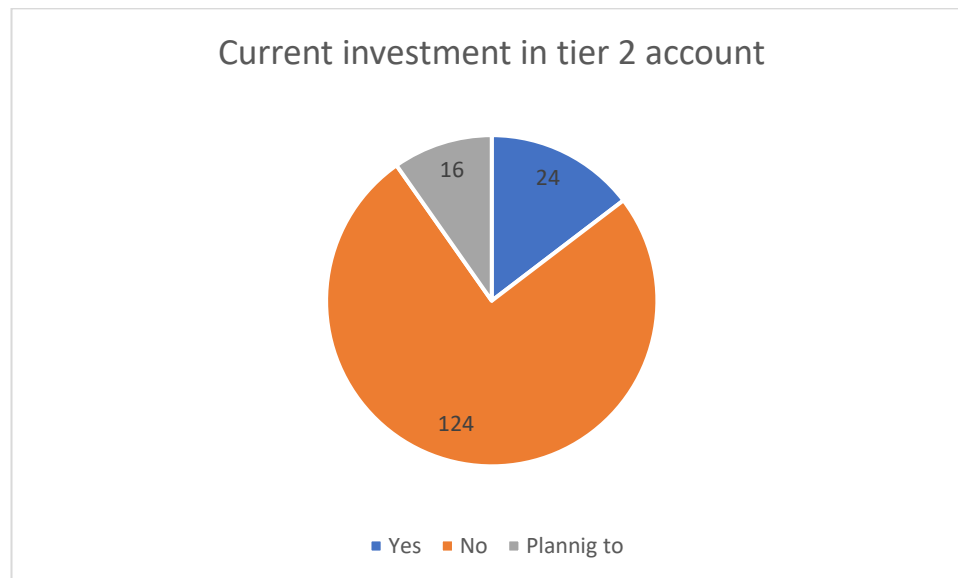


Figure 4.17: Tier II account investment behavior among NPS subscribers (n = 164)

Only 14.6% of NPS investors have utilized the Tier II account, with a further 9.8% planning to do so. The large majority (75.6%) have not invested in Tier II at all, consistent with the low-flexibility perception described above. Unless structural incentives or awareness initiatives are introduced, Tier II is likely to remain underutilized.

4.6 Likert-Scale Analysis and Reliability Testing

The survey included six Likert-scale statements (1 = Strongly Disagree to 5 = Strongly Agree) measuring attitudinal dimensions of NPS investment: (1) safety of NPS as a retirement instrument; (2) satisfaction with NPS returns; (3) platform usability; (4) influence of tax benefits on investment motivation; (5) the role of mandatory annuity in post-retirement security; and (6) NPS's contribution to long-term wealth creation.

Analysis of responses reveals a generally positive and consistent investor outlook. Statements affirming NPS's safety and its contribution to long-term wealth creation garnered the highest levels of agreement. The tax motivation item exhibited greater variance, consistent with the tax benefit utilization data presented in Section 4.3.2.

Cronbach's Alpha Metric	Value
Total Variance	4.458
Number of Items (K)	6
Sum of Item Variances	1.682

Cronbach's Alpha Metric	Value
Cronbach's Alpha (α)	0.747

Table 4.18: Cronbach's Alpha reliability statistics for Likert-scale items

The Cronbach's Alpha of 0.747 falls within the “acceptable to good” reliability range (Nunnally, 1978), confirming that the six items collectively measure a coherent underlying construct—investor attitudes and perceptions toward NPS as a long-term investment vehicle. This supports the validity of the scale design used in the study.

4.7 Chapter Summary

This chapter presented a systematic analysis of 200 survey responses across demographic, awareness, participation, tax utilization, and perception dimensions. Key observations include high NPS awareness (86%) and participation (82%) rates, concentrated predominantly among government employees, graduate-level respondents, and mid-career professionals. Tax benefit utilization remains strikingly low, with over half of investors not claiming any available deduction. Tier I accounts are broadly accepted as retirement planning tools, whereas Tier II accounts suffer from low awareness, negative flexibility perceptions, and minimal adoption. Likert-scale data reflect a generally positive investor sentiment toward NPS, with a Cronbach's Alpha of 0.747 confirming acceptable scale reliability.

5. Findings, Recommendations, and Conclusion

5.1 Introduction

This chapter synthesizes the key findings from the data analysis presented in Chapter 4, organized around the four research objectives. It proceeds to outline targeted, evidence-based recommendations for policymakers, financial planners, and NPS administrators, followed by a concluding discussion.

5.2 Major Findings

Objective 1: Awareness and Understanding of NPS

- High overall awareness (86%), particularly among government employees and higher-educated respondents.
- Government campaigns and personal networks (friends and family) are the most effective

awareness channels, accounting for approximately 59% of sources collectively.

- Tax benefit awareness among investors is moderate (73.2%), but practical utilization is substantially lower, with over 50% not claiming any deduction.
- Awareness and perceived flexibility of the Tier II account are low (24% perceive it as flexible; only 15% have invested in it).

Objective 2: Investor Perceptions and Satisfaction

- Long-term wealth creation is the dominant motivation for NPS investment (cited by 86.5% of investors), followed by retirement planning and investment safety.
- The Tier I account is perceived as suitable by 73.8% of investors, reflecting broad endorsement of its disciplined savings structure despite liquidity constraints.
- The majority (78%) believe annuity provides adequate post-retirement income, though a non-trivial minority (22%) express uncertainty or skepticism.
- Tier II account satisfaction and adoption are low, primarily attributable to limited tax incentives and insufficient awareness.

Objective 3: Influence of Tax Benefits and Account Type

- Tax benefits are cited by 11.3% of NPS investment responses, ranking last among five motivations—suggesting investors prioritize security and long-term growth over fiscal incentives.
- Despite tax awareness, underutilization of Section 80CCD(1B) is widespread, indicating a gap between knowledge and actionable understanding.
- Tier I's tax incentives and structural features make it the preferred vehicle for long-term retirement savings. Tier II, lacking exclusive tax benefits, suffers from low uptake (15%) and negative flexibility perceptions (66% do not consider it flexible).

Objective 4: Demographic Correlates of NPS Participation

- The 36–45 age group (49%) and 26–35 age group (26.5%) together comprise the vast majority of participants, indicating mid-career professionals are the core NPS investor base.
- Respondents in the ₹50,001–₹1,00,000 income bracket (61%) dominate the sample, confirming that moderate-to-high earners are more inclined toward long-term pension savings.
- Graduate (61%) and postgraduate (35%) respondents account for nearly all investors,

pointing to a positive association between educational attainment and NPS participation.

- Government employees (67%) constitute the dominant employment group, reflecting mandatory or institutionally promoted NPS enrollment, whereas private-sector and self-employed participation remains relatively low.

5.3 Recommendations

- Targeted Outreach for Private-Sector and Youth Segments: Given the low participation rates among private-sector employees, self-employed individuals, and the 18–25 age group, dedicated awareness campaigns should be developed in collaboration with corporate HR departments, industry associations, and educational institutions. NPS should be positioned as a flexible wealth-building tool, not merely a government retirement scheme.
- Improved Communication on Tax Benefits: A focused effort is needed to explain Section 80CCD(1B) to existing and prospective investors. This should be done through plain-language brochures, digital content (short-form videos, infographics), and tax planning consultations at the point of enrollment. Employers and point-of-presence (PoP) service providers should be incentivized to conduct annual tax planning sessions for NPS subscribers.
- Enhancing Tier II Account Attractiveness: Policy consideration should be given to extending tax benefits to Tier II contributions—at least for specific categories such as long-term holdings—to incentivize broader adoption. Additionally, simplified withdrawal procedures and employer-matching contributions for Tier II could substantially improve its appeal, particularly for private-sector employees who value liquidity.
- Leveraging Digital Platforms for Broader Reach: The internet is already a significant awareness channel (22%). This potential should be systematically harnessed through optimized e-NPS interfaces, retirement calculators, NPS tutorials on platforms such as YouTube and Instagram, and integration with e-governance portals such as MyGov and DigiLocker.
- Clarity on Annuity Structures: Approximately 22% of investors are either skeptical of or uncertain about annuity adequacy. PFRDA and NPS administrators should publish clear, comparative information on annuity providers, payout structures, and real-life retirement income illustrations to build confidence and enable informed decisions at the point of maturity.

- Policy Review of Tier I Withdrawal and Exit Norms: While 73.8% of investors find Tier I features suitable, the remaining 26.2%—who are neutral or dissatisfied—may represent a latent attrition risk. Moderate relaxation of withdrawal restrictions in cases of defined financial hardship could improve retention and subscriber satisfaction without undermining the scheme's retirement savings objective.

5.4 Conclusion

This study examined the National Pension System (NPS) from the perspective of 200 individual investors in Guwahati, India, focusing on awareness, participation patterns, investment motivations, tax benefit utilization, and perceptions of Tier I and Tier II accounts. The evidence affirms that NPS has achieved substantial penetration within the formal sector, particularly among government employees, graduates, and mid-career professionals. Awareness (86%) and active participation (82%) rates are encouraging indicators of the scheme's reach.

However, the study uncovers critical gaps that temper this optimism. Tax benefit underutilization—with over 50% of investors not claiming any deduction—represents a significant missed opportunity for investors and a policy communication failure. The Tier II account, despite its structural flexibility, suffers from negative perceptions and near-negligible adoption, indicating that flexibility alone is insufficient without commensurate tax incentives and targeted promotion. Annuity uncertainty, while affecting a minority of respondents, signals the need for improved financial literacy around retirement income planning.

Demographic segmentation reveals clear participation gradients along lines of employment sector, education, income, and age—with government employees, graduates, moderate-to-high earners, and 36–45-year-olds constituting the core investor base. Expanding NPS coverage to private-sector employees, the self-employed, and younger cohorts is both a policy imperative and a commercial opportunity for NPS service providers.

The Cronbach's Alpha of 0.747 confirmed acceptable reliability of the Likert-scale instrument, and the broadly positive attitudinal data reinforce NPS's reputation as a trusted, government-backed retirement savings vehicle. With targeted policy interventions, improved financial literacy, and enhanced digital outreach, the NPS has substantial potential to deepen its role as a cornerstone of retirement security and long-term wealth creation for a wider cross-section of the Indian population.

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