

A STUDY ON AWARENESS AND ADOPTION INTENT OF MICRO PENSION SCHEMES AMONG EMPLOYEES OF SELECTED MICRO AND SMALL MANUFACTURING ENTERPRISES

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Aging is a natural phenomenon and every person has a right to enjoy the beautiful moments associated with age. The progressing age is a symbol of maturity, stability and experience. But this is not same with age of retirement. Not every person has right to retire with dignity. As a person retires, he / she have to depend on their children or others for their living. They have to compromise on self dignity with which they have carried on life till then. This situation arises when they have not properly planned for their retirement when they were earning.

Generally planning for retirement is last priority for people especially for unorganized sector as age of retirement is not mandatorily fixed and other needs like saving for children's education and marriage, for property and ill health and even saving for celebration takes priority over saving for retirement.

According to NCEUS (National commission for Enterprises in the Unorganised Sectors), the term "Unorganised Sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale or production of goods and services operated on a proprietary or partnership basis and with less than ten total workers" The unorganised sector refers to "those enterprises whose activities or collection of data is not regulated under any legal provision or do not maintain any regular accounts. For instance, the units not registered under the Factories Act, 1948 form the unorganised composition of the manufacturing sector" (Arjun Sengupta, 2007).

NCEUS defined informal employment as follows: "Unorganized workers consist of those working in the unorganized sector or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment and social security benefits provided by the employers" (GoI, 2007).

A worker is considered as Informal, if he/she does not get standard social protection (Gratuity, Employees State Insurance (ESI), Employees Provident Fund (EPF), Pension under (EPF) and Medical benefits/ insurance

Even though the People working in these unorganized sectors contribute significantly for the economic growth of the country, this sector is characterized by irregular and insecure employment, lack of access to any amenities such as access to proper health care and retirement benefits. They have to depend on their family or old age social security schemes for their financial needs after they are unable to work. They do not have acquaintances with any of the formal financial schemes

The workers in the unorganised sector are generally considered the poorest workers in India and most exposed to shocks and stresses threatening their livelihood (Bremann, 1996). To support their life there is a need for financial inclusion and thereby providing them with security for old age. (Achim Kemmerling^a Michael Neugart^b, 2009)

In Indian context, there are mandatory, quasi mandatory and voluntary pension plans available for employees of the manufacturing sectors other than government owned. The

pension scheme covered under Employee Provident Fund Act, Employee Pension scheme is mandatory for all the manufacturing sectors that are eligible for Employee provident fund i.e. any establishment, which is a factory, engaged in any industry and employs more than 20 persons. There is also a quasi-mandatory pension fund known as Super Annuation Fund (SAF), which is an employer sponsored voluntary pension plan. But this fund is not so popular in India.

Though there are two pension schemes most of the artisan units which come under the informal employment does not get either ESI or EPF.

The only option available for these sectors are voluntary contribution funds such as Public Provident Fund (PPF) and National Pension Scheme (NPS). Atal Pension Yojana is a Micropension scheme under NPS for any citizen of India within the age group of 18 to 60 years. Atal Pension Yojana (earlier NPS Lite) is a defined contribution Micro pension Scheme offered by government of India for the informal sector workers. Though the programme is initiated, the number of people willing to participate in the scheme is yet to be assessed. The scheme when launched had a target of covering 2.2 crore people by December 2015. But the reports received on January of 2016 displayed that only 13.64 lakh people that is around 6.2%, enrolled in the scheme (sujatha, 2016).

The reasons that are attributed for such a failure can be numerous. Generally retirement schemes are not considered by people because they are skeptical about regular investment for a longer duration of time and dependence on children. So generally retirement schemes are adopted only when it is mandatory.

With above background present paper aims at understanding the level of awareness about Micro pension Schemes and the willingness to participate in Micro Pension Schemes by employees of selected manufacturing units in Mysuru.

LITERATURE REVIEW:

The National Pension scheme introduced during 2009, is a constructive step towards Micro Pensions in India as it aims at providing a sound financial policy and proper regulation to sustain long run retirement savings schemes in India (Savita Shankar & Mukul G Asher, 2011). Till many days Pensions for senior citizens in unorganised sector was generally considered to be the responsibility of social security schemes which are basically designed to ensure that citizens of a country will have access to all basic need and to protect them from any sort of contingencies and also to enable them to maintain adequate standard of living as accepted by the social norms (Punith Shaw). These social security schemes are not able to meet the targets specified as they lack awareness among rural and poor elderly and needs a holistic approach towards the problem which is multidimensional covering individual, family, community, government and non-government levels. (Ashok Kumar Srivastava, S D Kandpal, 2014). The social security schemes though designed with lot of social ambition fails to meet certain sectors of population and aims at only the poor without any financial security. More than 80% of the total working population is not entitled to any type of pension scheme To reach out to these sectors and to ensure security at the old age there is a need for universal pension schemes (Ayendu Sanyal, Charan Singh, 2013).

A country like India needs micro-pension plans that cover the majority of people from the informal workers sectors. A Meager amount of money as low as Rs 50 collected from each member would generate a fund that can be used for capital base of the country leading to economic development. (Prakash Bhattacharya, 2008)

Pension scheme may be in the form of Defined Benefit or defined contribution. Micro pension schemes are generally designed as Defined Contribution where the voluntary contributions collected are systematically invested in the market with the help of a fund manager (Mukul G Asher, Savita Shankar, 2007). India is considered to be the most suitable for Micro Pension schemes not only it has a well developed financial sector and a stable economy but also administrative capacities and reduced fiscal constraints of the state (R Arunachalam, 2007). If the MPS is consciously implemented and properly managed, will pave way for reduction in poverty alleviation. If the same model is adopted and managed by NGOs, SHGs and Micro finance Institutions then the people of India may see a peaceful and dignified old age (Uthira.D and Hansa Lysander Manohar, 2009). But there are some lacunae found in making these Micro Pension schemes sustainable because of which the dropout rates from Pension schemes are huge. The reasons that can be attributed may be high costs involved in training and administration, irregularity in monthly pension statements, so clients lack trust in fund administrators; the information is given in English instead of the local language. (Caroline E. van Dullemen & Jeanne G. M. de Bruijn, 2014)

In fact, India is not the only country planning Micro Pension Schemes. Many countries have already implemented voluntary and mandatory pension schemes and become successful. The Pension scheme in Netherland is one of the fore runner in the mandatory pension coverage. The Dutch pension system provides good protection against poverty and with a high replacement rate helps older people to maintain their living standards after retirement.(Joyce van der Smitte, 2013). In Peru, the public and private pension schemes coexist and it has recently allowed the beneficiaries to withdraw to an extent of 95.5% as lump sum when they reach retirement (Noelia Bernal, et al 2008)

Objectives:

1. To assess the level of awareness about Micro Pension schemes among employees under different age groups of selected manufacturing units
2. To find out the willingness to join Micro Pension Scheme amongst employees of selected manufacturing units

Hypothesis- 1

Ho- Level of awareness about pension scheme is independent of Age of respondent

H1 - Level of awareness about pension scheme depends on age of respondent

Hypothesis- 2

Ho- Willingness to invest in Pension Scheme is independent of age of respondent

H1 - Willingness to invest in Pension Scheme depends on age of respondent

METHODOLOGY:

For the sake of study, the data has been drawn from the employees of Micro & Small Enterprises and Artisan Units in Mysore who are not eligible to enroll for mandatory pension schemes. The respondents are not members of any retirement planning schemes and vary within the age group of 21 to 60 years.

Table no 1

**DETAILS OF EXISTING MICRO & SMALL ENTERPRISES AND ARTISAN UNITS
 IN MYSORE DISTRICT**

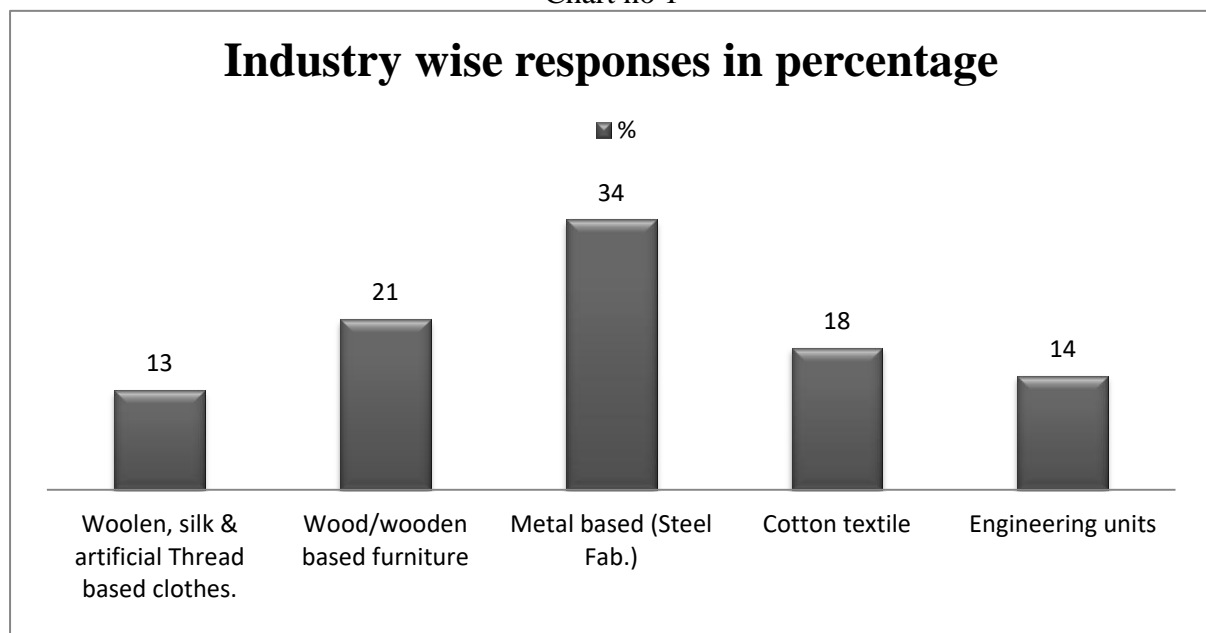
TYPE OF INDUSTRY	NUMBER OF UNITS	INVESTMENT (Lakh Rs.)	EMPLOYMENT
Woollen, silk & artificial Thread based clothes.	42	228	435
Wood/wooden based furniture	174	1210	732
Metal based (Steel Fab.)	66	712	238
Cotton textile	8	180	140
Engineering units	17	116	42

Source: DIC, Mysore

In Mysore district, there are around 300 medium, small-scale & artisan industries. 56 employees are chosen from 12 artisan industries for the sake of survey. Data is collected through simple random sampling from unorganized sector workers of Medium, small scale & artisans industries, dominated by male workers especially in industries such as wood based furniture, steel fabricators industries, cotton textile and engineering units.

34% of responses are received from the Metal based or steel fabrication industries while 21 per cent are from the wooden based furniture industries and remaining came from other industries such as cotton textile, artificial thread based cloth industries. The industry-wise responses are depicted in the diagram below

Chart no 1



Source: Field Survey

Data collection

A structured questionnaire in local language was prepared and administered through interview method. Majority of the respondents are not well educated and researcher for their understanding explains the questions. The researcher records responses and classifies to support the analysis of the data.

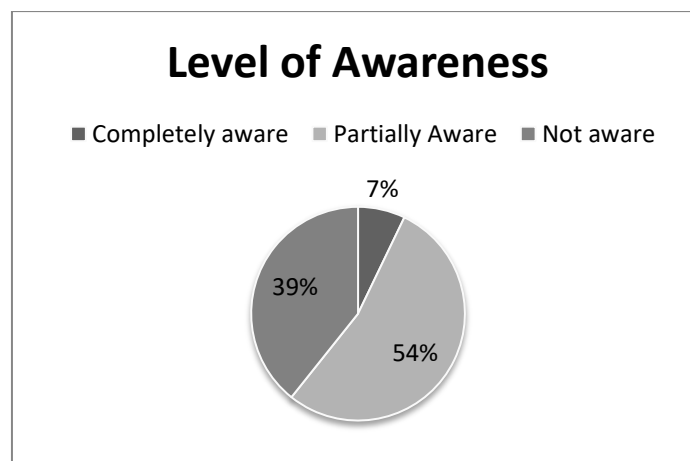
A series of 6 questions about micro pension schemes were asked to the respondents. If the respondents have not given positive responses to even one question, then it is considered as completely not aware. If they have given positive response for at least 5 questions out of 6, then it is considered to be complete awareness. Any respondent gives positive response to questions ranging from 1 to 4, is considered to be partially aware.

Chi square tests were conducted to understand whether there is a statistically significant relationship between age of the respondents when it comes to level of awareness and willingness to invest in pension schemes.

Survey results

Relationship between age of the respondents and Level of awareness about pension schemes:

Chart No 2



Out of 56 respondents, only 4 i.e. 7.1 % are aware, 54% are partially aware and 39% are not at all aware about Micro Pension Scheme. Many factors contribute for Awareness and willingness towards investment in Micro Pension Schemes. One factor that has a considerable influence is age of the respondents.

The Source of information also contributes for level of awareness. During survey, it was found that word of mouth i.e.. The information provided by a relative or friend or well-wisher about pension scheme is considered to be reliable and contributes to an extent of 44% whereas displays in Bank such as posters, hoardings contribute 29% of total awareness. The other sources like newspaper ads, investment advisors etc. contribute altogether 25% of total awareness. The peer group influence is maximum in case of savings and because of this, they are partially aware of Pension schemes. Around 3 respondents are completely aware of pension schemes. They have sourced their information from investment agents, one amongst them has a friend who is a bank employee, and he has gathered information from them.

Table no 2

Level of awareness about Pension Schemes

Options	Partial awareness		Complete awareness		Not aware	
		%		%		%
21- 30	6	11	0	0	0	0
31- 40	17	30	1	2	10	18
41- 50	5	9	1	2	9	16
51- 60	2	4	0	0	4	7
Above 60	0	0	0	0	1	2

Source: field survey

All the respondents in the age group of 21-30 are having awareness about Pension schemes. The respondents in the age group to an extent of 32% are aware and around 18% people are completely not aware. Whereas in the age of 41-50 years, 11% are aware and 16% are not aware about pension schemes available.

Table no 3

Relationship between Awareness and age of the respondents

Age group	Aware	Not aware	Row Total
21- 30	2	4	6
31- 40	16	12	28
41- 50	13	2	15
51- 60	1	5	6
Above 60	0	1	1
Total	32	24	56

Chi square- 12.08, Critical value 9.49

As per table no 5, it was found that level of awareness is independent of age of respondent. Statistically chi square value is more than the critical value at a level of confidence of 0.05 and null hypothesis is accepted. Awareness can be acquired irrespective of the age. It depends on the source of information, level of financial literacy etc.

Hypothesis test results

Ho- Level of awareness about pension scheme is independent of Age of respondent

H1 - Level of awareness about pension scheme depends on age of respondent

According to chi square test conducted, it was arrived that null hypothesis stating that the level of awareness does not depend on the age was accepted and alternate hypothesis stating the dependence on the age was rejected.

Relationship between age and Willingness to invest in Pension Schemes

Next aspect to be ascertained is Willingness. Willingness is the “Quality or state of being prepared to do something or readiness” – oxford dictionary. In the present context, the willingness is the state of being prepared to invest in pension scheme. The readiness can be analysed from two perspectives, psychological and financial. Psychological preparedness discusses about accepting fact that they may reach an age where they will not be able to earn for the family and they have to save or invest during the working age for the financial comfort when they are aged.

Table no 4
Relationship between age and willingness

Age	Willingness	%
21- 30	5	12.50
31- 40	20	50.00
41- 50	14	35.00
51- 60	3	7.50
Above 60	0	0.00
	42	

Source: field survey

The financial preparedness can be measured by the amount of money they are ready to sacrifice now, in order to secure their future financially. From the survey, it was found that 71.42% of respondent (i.e. 40 out of 56) are willing to invest in a pension scheme. Some of the respondents who were not aware of pension schemes are also willing to invest in pension schemes, if any. The financial readiness also depends on type of pension scheme, security features of the scheme along with amount of money to be invested and lump sum or annuity assured during the retirement.

Out of these, 50 % respondents are in the age group of 31- 40 and 35 % are in the age group of 41-50. Though not significant around 7.5% of respondents in the age group of 51-60 are also willing to invest in pension schemes. These age group people start preparing themselves for retirement and generally will look out for financial security after retirement. They would have already made arrangements for other financial needs such as children education, housing, car etc..

Table no 5
Relationship between age and willingness

Age group	Willing	Not willing	Row total
21- 30	5	1	6
31- 40	20	8	28
41- 50	14	1	15
51- 60	3	3	6
Above 60	0	1	1
Total	42	14	56

Chi square- 8.10, Critical value 9.49

Hypothesis test results

Ho- Willingness to invest in Pension Scheme is independent of age of respondent

H1 - Willingness to invest in Pension Scheme depends on age of respondent

As per the statistical test, there is a significant relationship between age and willingness. The critical value is more than calculated chi square value of 8.10, the null hypothesis is rejected and alternate hypothesis is accepted.

CONCLUSION

The age is not a barrier to be aware of existing financial schemes. It was proved from the hypothesis testing that the awareness is independent of age. Irrespective of the age, if he gets right kind of information, from the right source then awareness can be created. In fact awareness depends on source of information from which they will be informed of pension schemes.

It is generally the peer group, which influence the financial decision of an individual. This study also proved that the respondents depend on suggestions of friends, relatives and coworkers. Generally in the employees of unorganised sector, an individual's experience with investment is considered more valuable than the printed matter or materials. Therefore before administering an awareness programme, it is important to gain the trust of the target group. But the peer group may not have correct information on pension scheme which may prove ineffective either by partial information or more dangerously false information. This also may attribute for the fact that pension schemes are not able to reach the target groups. It might prove effective, if financial institutions offer orientation sessions & financial workshops to create awareness, after developing a trust with the target groups.

Willingness towards investments in a pension scheme is very much dependent on the age as per the results of chi square test conducted to find out dependence of willingness on age. It is proven to be highest for the people within the age group of 31- 50 years. At this age an individual starts feeling that his earning capacity is gradually decreasing and he thinks of his old age financial security. This psychological readiness may motivate to invest in a pension scheme. One more component of willingness is financial readiness. At the age of 35 and above a person would have more or less financially settled and can set aside a small portion of his total earnings for old age financial security. A person. The amount of premium money,

the kind of pension scheme, institution offering the scheme, amount of benefit supposed to be received during retirement, annuity also play an important role in creating financial readiness for investment in a pension scheme.

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