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पेंशन बुलेटिन

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Acknowledgment

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प्रमाणन

पेंशन बुलेटिन प्रत्येक महीने नीति अनुसंधान, मार्केट वॉच और सिस्टमिक रिस्क विभाग द्वारा, पेंशन बुलेटिन संपादकीय समिति के निर्देशन में जारी किया जाता है। समिति और पीएफआरडीए व्याख्याओं और प्रकट किए गए मतों के लिए उत्तरदायी नहीं हैं। लेखों के मामले में, जिम्मेदारी लेखक की होती है, न कि पीएफआरडीए की।

तिप्पणियाँ और अवलोकन कृपया विभाग को market.watch@pfrda.org.in पर अग्रेषित किए जा सकते हैं।

Glossary

AA	Account Aggregators
AIF	Alternate Investment Fund
DPDP Act	Digital Personal Data Protection Act, 2023
APY	Atal Pension Yojana
ASP	Annuity Service Provider
AUM	Asset Under Management
CAGR	Compounded Annual Growth Rate
CDD	Client Due Diligence
CFT	Combating the Financing of Terrorism
CIP	Customer Identification Procedures
CKYCR	Central KYC Records Registry
CRA	Central Recordkeeping Agency
CPI	Consumer Price Index
DC	Defined Contribution
Debt-VRR	Debt Voluntary Retention Route
E	Equity and Related Instruments
EPF	Employees Provident Fund
EPFO	Employees Provident Fund Organization
ETF	Exchange-Traded Fund
EU	European Union
FAR	Fully Accessible Route
FBIL	Financial Benchmark India Pvt. Ltd.
FII/FPI	Foreign Institutional Investors/Foreign Portfolio Investors
FIP	Financial Information Providers
FIU	Financial Information Users
FSDC	Financial Stability and Development Council
G	Government Bonds and Related Instruments
G-sec	Government securities
GBP	Pound Sterling
GDP	Gross Domestic Product
GST	Goods and Service Tax
GSTN	Goods and Services Tax Network
IGB	Indian Government Bonds
INR	Indian Rupee
IIP	Industrial Production Index
IRDAI	Insurance Regulatory and Development Authority of India
IT Act	Information Technology Act, 2011
KYC	Know Your Customer
LTCG	Long Term Capital Gain
NBFC	Non-Banking Financial Company
NPS	National Pension System
OECD	Organization for Economic Cooperation and Development
PIPE	Private Investment in Public Equity
PoP	Points of Presence
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SBI	SBI Pension Funds Private Limited
STCG	Short Term Capital Gain
TATA	Tata Pension Management Limited
USD	United States Dollar
UTI	UTI Retirement Solutions Limited
VCF	Venture Capital Fund
WPI	Wholesale Price Index

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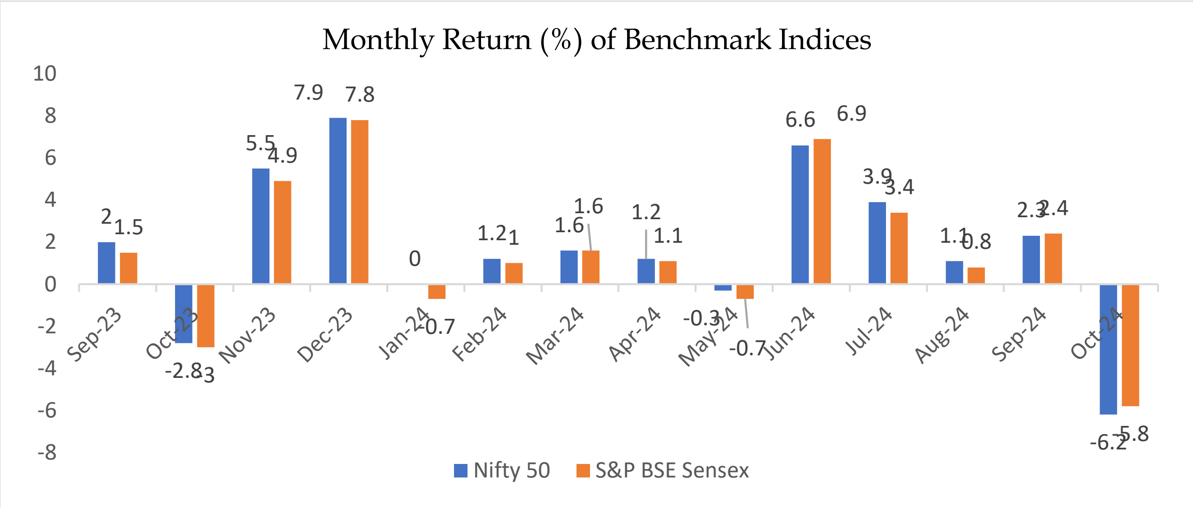
Section 1/खंड 1

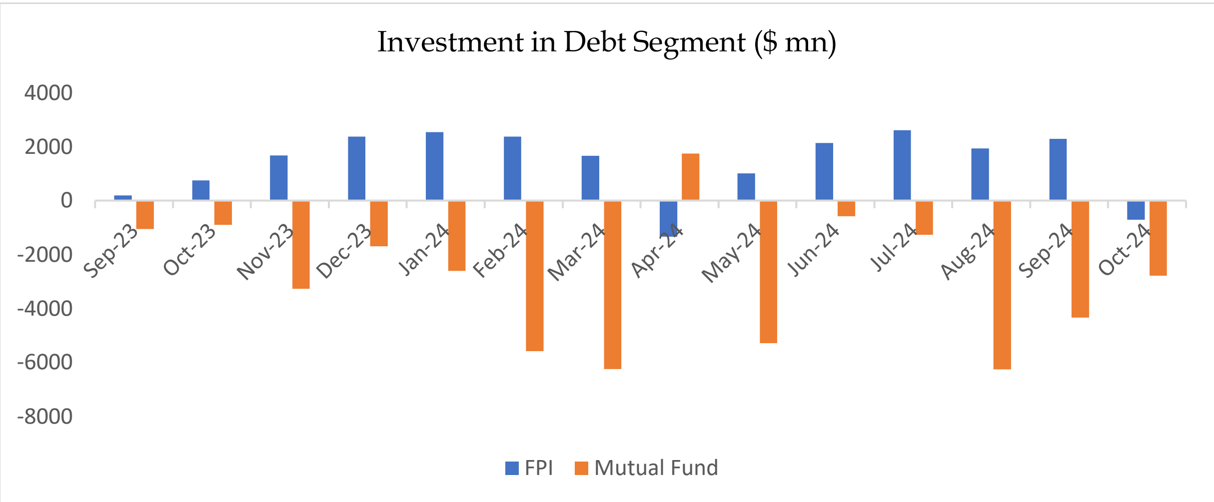
Economy/ अर्थव्यवस्था

Indian Economy[1]

In October 2024, benchmark indices Nifty 50 and BSE Sensex saw a sharp decline. The Nifty 50 index registered a decline of 1600-point. It closed at its lowest level in four months, below 24,205. The Nifty 50's returns experienced their largest monthly decline since April 2020, falling 6.2%. The BSE Sensex ended its four-month streak of positive returns with a similar 5.8% monthly decline.

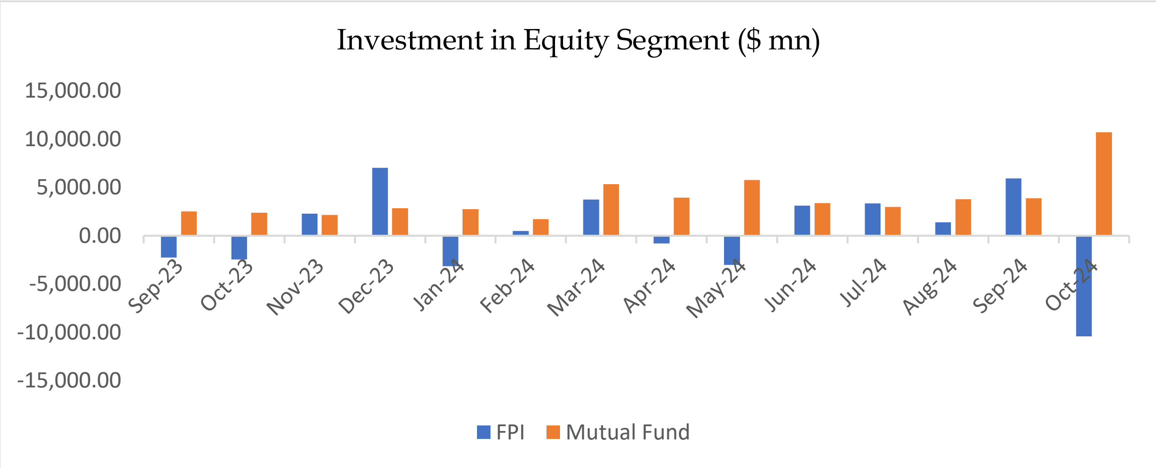


In October, net foreign portfolio investment saw withdrawals of USD 10.9 billion, largest monthly outflow since March 2020. After four consecutive months of average monthly investments of USD 6.1 billion in the Indian stock markets, there was withdrawal by FPI. After inflows of USD 9.6 billion in September, which reached a 46-month high, October saw the largest amount of net outflows. FPIs recorded significant outflows in equity, debt and mutual fund segments.



[1] The data used in this section has been taken from CMIE's Economic Outlook and MOSPI.

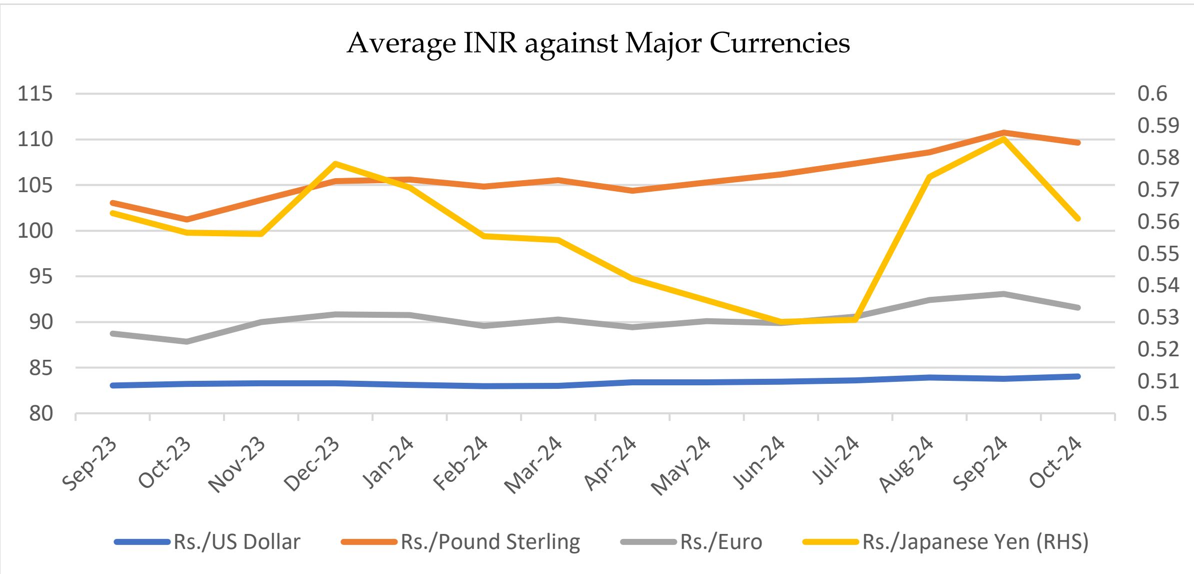
The equity segment witnessed a withdrawal of USD 10.4bn, against net investment of USD 5.9 bn in Sept 2024. In the debt segment, there was withdrawal of USD 0.7 bn in the month over USD 2.3 bn inflow in the proceeding month. Domestic Institutional Investor made record high investment of USD 12.1 bn in October against investment of USD 4 bn in the previous month.



Currency Market

Following small appreciation in September, the Indian Rupee (INR) reverted to its declining trend versus the US Dollar (USD) in October due to outflow of FPI. During the month, it averaged Rs. 84.03 per USD against the average of Rs. 83.70 per USD in September, depreciating by 0.3%. On October 31, INR hit a low of Rs. 84.09 to end the month.

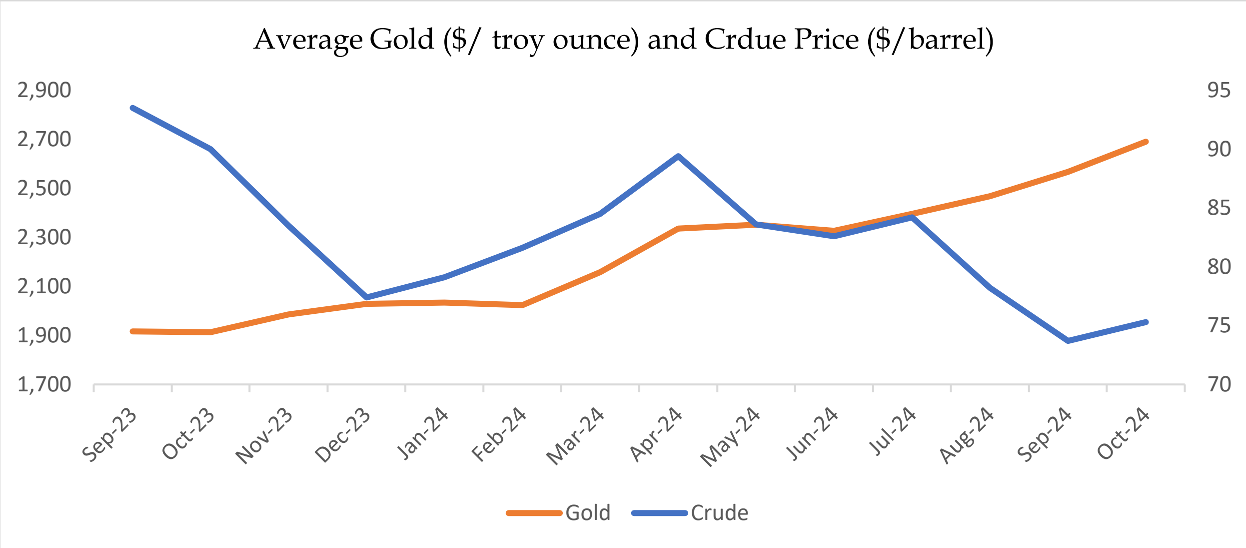
The INR appreciated versus other major currencies like the Euro, the Japanese Yen, and the Pound Sterling in the month of October. The INR appreciated against these currencies in October following three months of decline. The INR increased by 1% against the GBP, averaging Rs. 109.65 per GBP for the month. It increased by 1.6% against the EUR to Rs. 91.57. The INR experienced its largest increase since September 2022, rising 4.4% versus the JPY and averaged Rs. 0.5609 per JPY.



Commodity Price

The price of the Indian basket of crude oil increased by 2.1 % and averaged to USD 75.3 per barrel in October. Before this, crude prices fell by 7.1 % in August and 5.7 % in September. For the third consecutive month, the price of crude oil in October remained below the USD 80 per barrel threshold. In October, the price fluctuated between a broad range of USD 70.9 per barrel and USD 78.9 per barrel.

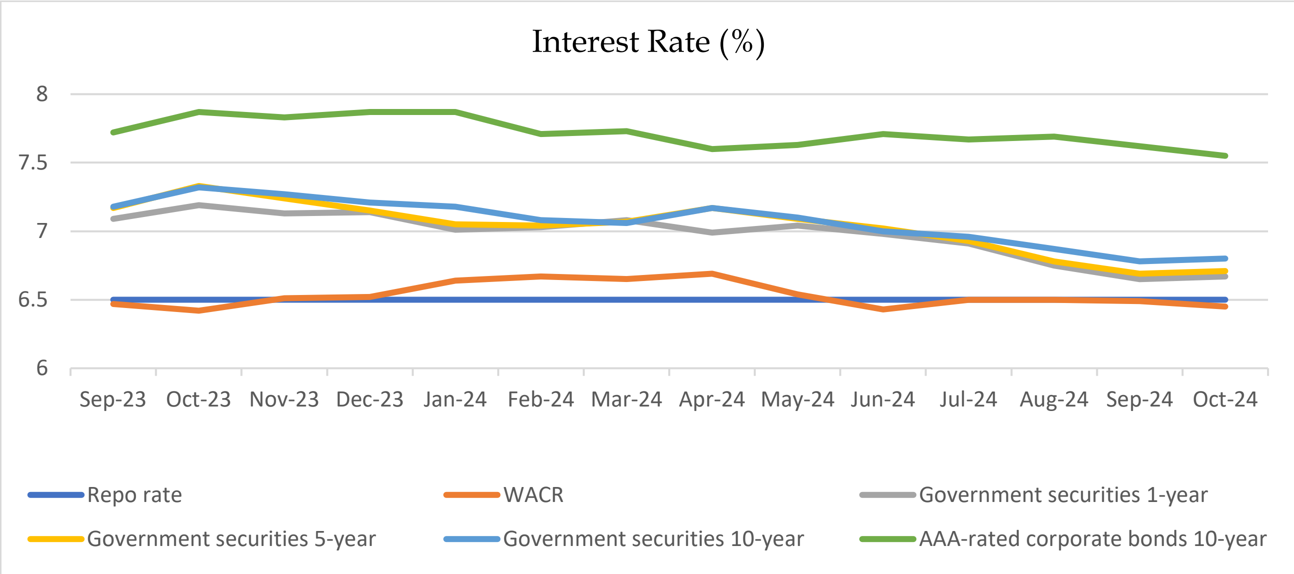
In October, the price of gold in the London Bullion jumped to a new high, averaging USD 2,690.1 per troy ounce. The month saw the largest monthly price increase since April 2024, with a 4.8% increase. This followed a four percent increase in the previous month. With the exception of June 2024, the price of gold has been increasing since March 2024. On October 30, the price of gold hit a record high of USD 2,777.8 per troy ounce. Increased geopolitical tensions have been a major factor in the spike this month.
On the domestic front, gold price averaged at Rs.76,698.1 per 10 grams.



Bond Market

After witnessing a declining trend in previous five months, Government security (G-sec) yields started to rise again in October 2024. Throughout the month, yields increased or were constant across the majority of maturities. The average one-year G-sec yield increased by 2 basis points (bps) to 6.67 percent. Three-year G-sec yields remained steady at 6.69 percent. The yields on the five-year securities increased by 2 basis points to 6.71%. The benchmark 10-year G-sec yield, meanwhile, increased by 2 basis points as well, averaging 6.80% for the month. Longer-term rates, including those of the twelve-year and fifteen-year G-secs, increased by one basis point in October and settled at an average monthly yield of 6.85 and 6.84 percent, respectively.
In October, there was a mixed trend in the yields on both short- and long-term AAA-rated corporate bonds. The yields on one-year and three-year corporate bonds dropped fourteen and seventeen basis points, respectively, to average 7.69 and 7.55%. Five-year AAA-rated bond yields increased by 9 basis points, settling at a weighted average of 7.62%. The yield on the longer-term 10-year corporate bond decreased six basis points, averaging 7.54 percent for the month.
In October, risk premiums decreased for one, three, and ten years maturity period. Five-year bonds saw an increase in premium from 84 basis points to 91 basis points, while one-year bond spread decreased from 118 basis points to 102

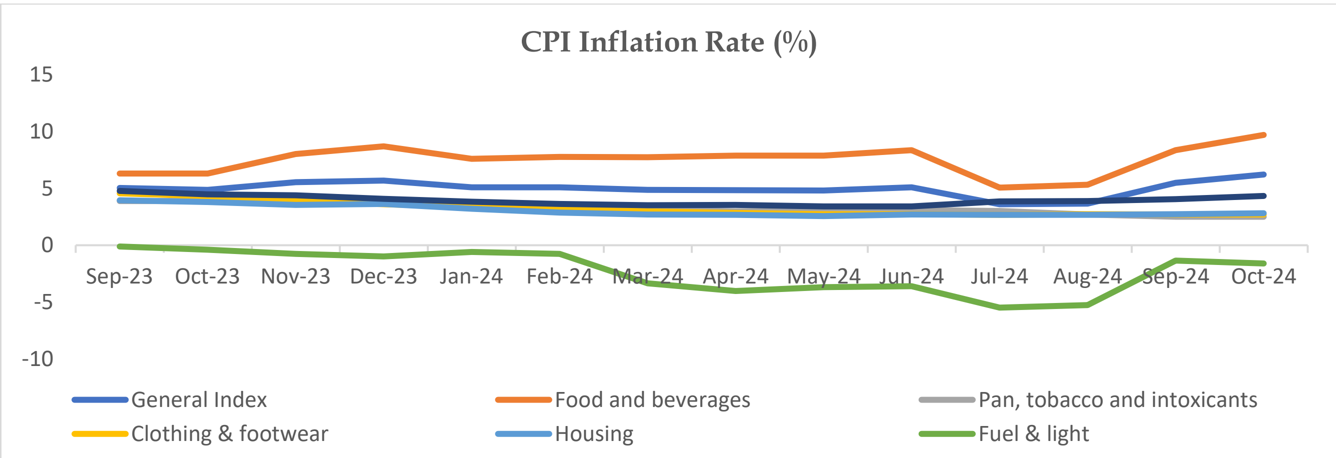
basis points, and the three-year bond spread decreased from 104 basis points to 86 basis points. The risk premium for 10 year bond decreased from 83 basis points to 74 basis points in October due to a decrease in corporate bond yields for the 10-year maturity term and an increase in G-sec yields.



CPI – Inflation

Year-on-year inflation rate based on All India Consumer Price Index (CPI) rose from 5.5% in September to 6.2% in October. The strong food inflation kept headline inflation high. Year-on-year inflation rate based on All India Consumer Food Price Index (CFPI) number is 10.87% (Provisional) for the month of October, 2024. In October, core inflation increased slightly by 20 basis points to 3.7%.

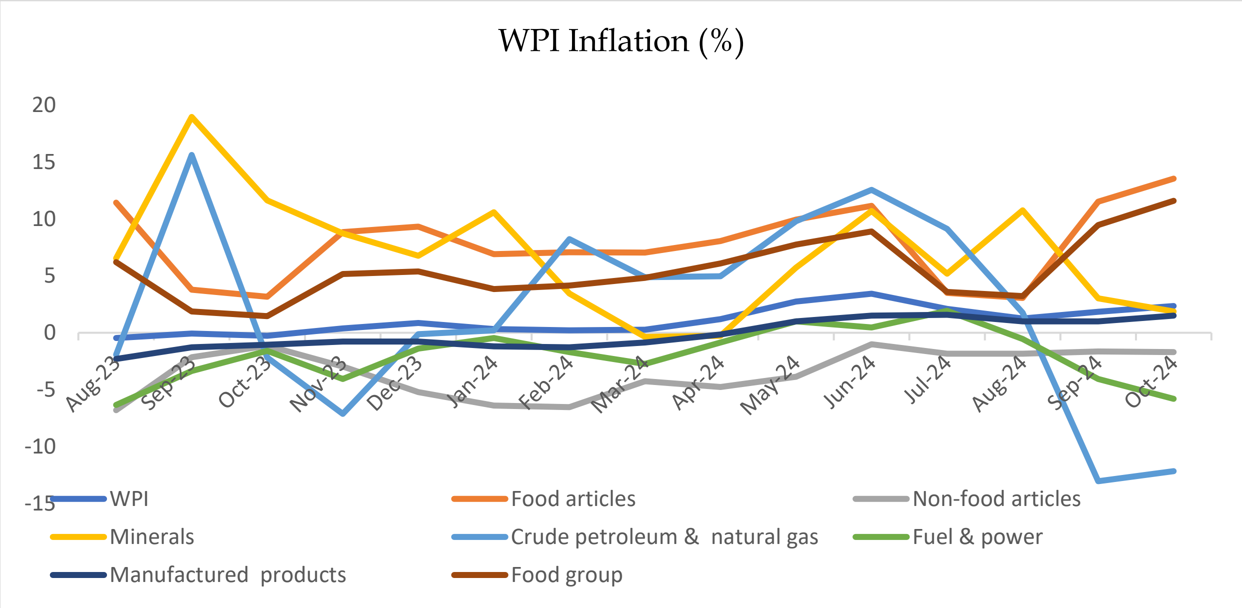
Over the past month, food prices experienced a broad-based increase, primarily driven by higher costs for vegetables and edible oils. Inflation continues to remain high in vegetables (42% Y-o-Y), edible oil (9.5% Y-o-Y), fruits (8.4% Y-o-Y), pulses (7.4% Y-o-Y) and cereals (6.9% Yo-Y). The rise in global edible oil prices and the recent hike in the basic customs duty of various edible oil has resulted in higher inflation in the basket given their import dependence.



WPI Inflation

The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 2.36% for the month of October, 2024 over October, 2023. Inflation in October, 2024 is primarily due to increase in prices of food articles, manufacture of food products, other manufacturing, manufacture of machinery & equipment, manufacture of motor vehicles, trailers & semi-trailers, etc.

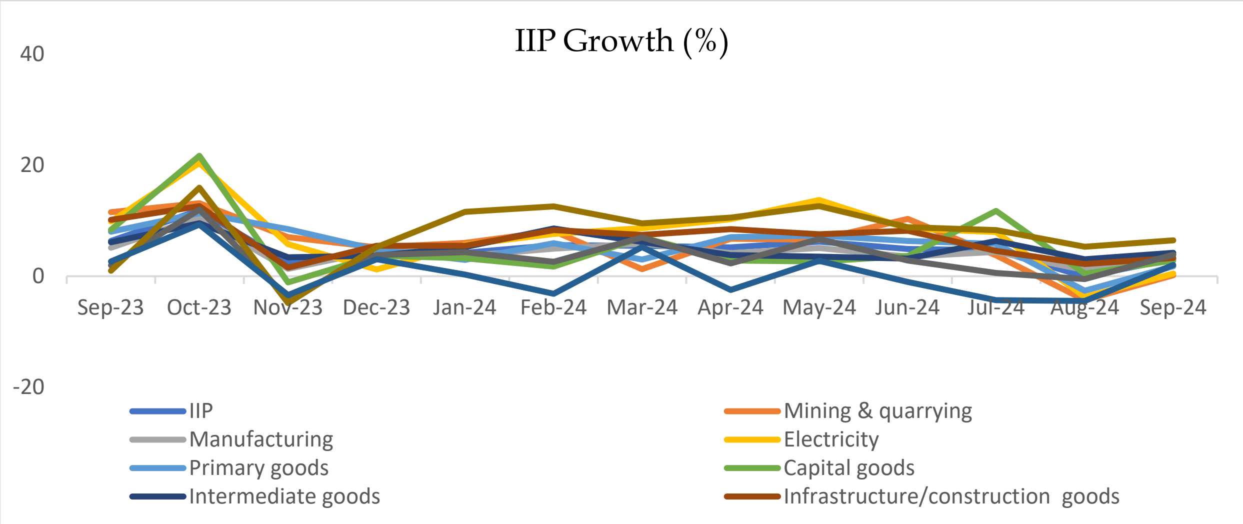
The food inflation, grew at double digit pace of 11.6% from 9.5% in Sept'24. The vegetable inflation continued to remain high at 63% in Oct'24 driven by upward momentum in tomato prices. Moreover, potato prices inched up marginally to 78.7% against 78.1% in Sep'24. However, there is moderation in onion prices which increased at 39.3% against 78.8 % in Sept 2024.



IIP Growth

IIP growth increased 3.1% in September 24 after declining (-) 0.1% in August 24. All the three components of the IIP increased during the month. Manufacturing sector increased 3.9% in September 24 compared to 1.1% in August 24. Electricity production increased by 0.5% (from -3.7% in August 24) due the festive demand, and mining activities also started to pick up as a result of the monsoon's withdrawal (0.2% in Sept compared to -4.3% in August).

The IIP as per Use-based classification in September 2024 over September 2023 are 1.8 percent in Primary goods, 2.8 percent in Capital goods, 4.2 percent in Intermediate goods, 3.3 percent in Infrastructure/ Construction Goods, 6.5 percent in Consumer durables and 2.0 percent in Consumer non-durables.


IIP Growth (%)
40
20
0
-20
Sep-23
Oct-23
Nov-23
Dec-23
Jan-24
Feb-24
Mar-24
Apr-24
May-24
Jun-24
Jul-24
Aug-24
Sep-24
IIP
Mining & quarrying
Manufacturing
Electricity
Primary goods
Capital goods
Intermediate goods
Infrastructure/construction goods

Data Table

Economic Indicators

Indicators	Oct-23	Sep-24	Oct-24	YoY change (% / bps)
FPI Equity Investments (USD billion)	-2.34	5.94	-10.42	-345.30
Rupees per dollar	83.23	83.79	84.03	0.96
Rupees per Pound Sterling*	101.22	110.74	109.65	8.33
Rupees per Euro*	87.84	93.07	91.57	4.25
Rupees per Japanese Yen*	0.5565	0.5858	0.5609	0.79
Gold (USD/troy ounce)*	1913	2567.1	2690.1	40.62
Crude Oil (USD/Barrel)*	90	73.7	75.3	-16.33
Weighted Average Call rate (%)	6.42	6.49	6.45	3
Market repo rate (%)	6.50	6.50	6.50	0
G sec 1-year (%)	7.19	6.65	6.67	-52
G sec 10-year (%)	7.32	6.78	6.80	-52
AAA rated corporate bond 10-year (%)	7.87	7.62	7.55	-32
CPI Inflation (%)	4.87	5.49	6.21	134
WPI Inflation (%)	-0.26	1.84	2.36	262
IIP# (%)	6.4	-0.1	3.1	-330

 # IIP data as on Sep 2023, Aug 2024 and Sep 2024 respectively.
** Average Monthly Exchange Rate*

Section 2/खंड 2

Management Speaks/ प्रबंधन का वक्तव्य

Pension for Old-age Income Security[2]

Dignitaries on the dais: Dr. V. K. Paul, Member, NITI Aayog, Dr. V. Anantha Nageswaran, Chief Economic Advisor to the Government, my colleague whole-time members Prof. Manoj Anand and Ms Mamta Shankar- and distinguished invitees. I extend a heartily welcome to you to this conference in celebration of NPS Diwas, a significant day dedicated to National Pension System (NPS)—an inclusive retirement saving scheme.

The theme of the conference covering demography and digital enablement assumes importance at the current juncture of our development. We are the most populous and young country on the face of the planet. Currently, every tenth person is over 60 years of age, by the middle of the century by when we are aspiring to be a high income country, every fifth person will be over 60 years of age. Unless we make provision for our retirement security now, it is going to be increasingly challenging. Digital enablement besides making pension schemes accessible to all, eases onboarding and significantly reduces the cost.

We understand the importance of financial security, especially when we look ahead to our retirement years. NPS was launched by the Government, first for the government employees and then extended to the all, with the vision of providing every Indian citizen an opportunity to build a financial foundation for their future. It is not just a pension scheme but a promise of financial independence, offering a reliable platform to ensure our golden years are truly golden.

Pension plays a crucial role in ensuring financial security during retirement, and the structure of pension systems varies across countries depending on their economic development, demographic structure, and social safety nets.

Developed countries have well-established pension systems that typically have three pillars i.e. Public Pension: A universal basic pension funded by mandatory contributions; Occupational Pension: Employer-sponsored pension, often a defined contribution (DC) scheme; Private Pension: Individual personal retirement accounts. Even with three sources of pension, retirement income does not seem adequate underscoring the need for substantial savings for retirement.

In advanced countries majority of citizens, including those in lower-income brackets, have access to public pensions or employer-provided pensions. India's pension system faces significant challenges in achieving comprehensive coverage, particularly for workers in the informal sector.

Formal pension schemes in India predominantly cover employees in the organized sector, such as government workers and those in large private enterprises.This leaves a vast majority of the workforce, especially those in the informal sector, without pension benefits.

Unlike the formal sector, where employees contribute to schemes like the Employees' Provident Fund (EPF) or the National Pension System (NPS), informal sector workers typically don't have a structured pension savings mechanism.

The fiscal stress of the defined benefit (DB) pension system was the major consideration driving pension reforms for government

[2]Inaugural address by Dr. Deepak Mohanty, Chairperson, Pension Fund Regulatory and Development Authority (PFRDA) at NPS Diwas Conference on 'Securing Retirement: Transforming India's Pension Landscape' at New Delhi, October 01, 2024.

employees and the introduction of NPS for Government employees which is now transitioning into Unified Pension Scheme (UPS). It is important to underscore that both NPS and UPS are fully funded and contributory schemes. Owing to the financial and practical difficulties of extending coverage to the unorganized sector through mandatory schemes like EPF, voluntary retirement savings are seen as an important policy tool to extend the coverage of pension provision in India.

An important policy measure to achieve higher coverage of the unorganized sector workers is the extension of the NPS to all citizens on a voluntary basis. The introduction of the NPS in India marked a paradigm shift in transition from a defined benefit to a defined contribution system. NPS provides a robust platform to provide pension product for all the strata of our society.

Subsequently, Atal Pension Yojana (APY) was launched in May 2015 with a focus on the unorganized sector and low-income households. The Subscribers under APY get a government guaranteed pension in the range of Rs. 1,000 to Rs. 5,000 depending upon the contribution level opted by them.

As on end of September, 2024 a total of over 7.8 crore active subscribers are in NPS and APY with assets under management (AUM) of Rs. 13.4 lakh crore. However, considering the vast uncovered population of the country, a lot more needs to be done. A major challenge in extending the NPS to all citizens is increasing awareness and financial literacy among potential subscribers. PFRDA has taken several steps to increase awareness through different mass media and capacity-building programmes. We have engaged a dedicated agency for imparting training and capacity building for our service providers, such as banks.

What makes the NPS special is its transparency, cost-effectiveness, and flexibility. It encourages long-term savings, empowering individuals to take control of their retirement planning. With tax efficiency, low management costs, and the option to choose between equity and debt investment or a mix thereof, it stands as one of the most progressive retirement schemes globally.

The NPS offers a high degree of flexibility to its subscribers, allowing them to tailor their retirement savings and investment choices according to their risk appetite, financial goals, and needs. Any citizen of India from new born up to age of 70 years can open NPS account. The just introduced NPS Vatsalya scheme, is a pension program designed for minors, aimed at fostering long-term financial security from an early age. Under this scheme, parents or guardians can contribute on behalf of their children, making it an effective tool for building a significant corpus by the time the child reaches adulthood. Once the child turns 18, the account seamlessly transitions into a regular NPS account.

Under NPS, subscribers can actively decide how their contributions are allocated across main asset classes i.e. Equity, Corporate Bond, Government Securities and Alternate Investment Fund. The subscribers can construct their own portfolio keeping the mix of various asset class according to their risk appetite. For those who are not comfortable managing their own investments, NPS offers an Auto Choice option, where asset allocation is automatically managed based on the subscriber's age, in Aggressive fund, Moderate Fund and Conservative fund, and now in just to launched a Balanced Life Cycle Fund. In this new Balance Life Cycle Fund tapering of equity starts at the age of 45 unlike the auto choice option where it is at the age of 35.

Additionally, subscribers can choose from a range of Pension Fund Managers (PFMs) who manage their NPS investments. Subscribers have the flexibility to switch between different investment options (Active and Auto choice) and asset allocation percentages. They can also change their PFM once in a financial year.

Further, NPS allows for flexibility in terms of the amount and frequency of contributions. For Tier-I accounts (the mandatory retirement account), the minimum annual contribution is ₹1,000. For Tier-II accounts (optional, offering liquidity), there is no fixed annual contribution requirement. Subscribers can contribute as per their convenience— monthly, quarterly, or even in lump sums. There is no fixed upper limit on the contribution amount, allowing individuals to increase their savings based on their financial situation. This makes the NPS suitable for individuals with irregular income streams, such as self-employed or those in the informal sector.

Additionally, NPS gives flexibility during withdrawal, as well. NPS allows partial withdrawals from the Tier-I account under specific conditions, even before retirement. Subscribers can withdraw up to 25 percent of their own contributions (not including returns) after completing 3 years of subscription, and this can be done for specific reasons.

At the time of retirement, NPS subscribers get flexibility in annuity purchase. Subscribers have to use minimum 40 percent of their corpus to purchase an annuity (regular pension income), the remaining maximum 60 percent can be withdrawn as a lump sum (taxfree) or periodically in form of Systematic Lumpsum Withdrawal (SLW). Subscribers have flexibility in choosing the type of annuity and the provider. They can choose from annuity options like lifetime pension, joint pension with spouse, annuity with return of purchase price. This allows individuals to customize their post-retirement income flow based on their needs.

NPS provides flexibility in the timing of withdrawals after retirement. Subscribers can defer lump-sum withdrawals for up to 10 years after reaching the age of 60. This allows individuals to keep their corpus invested and benefit from market returns if they do not need immediate access to the funds. Additionally, subscribers can defer annuity purchase until they reach the age of 75, which may help in securing higher annuity rates.

NPS, now in its 20th year, has stood the test of time. It has generated competitive returns of around 9.6 percent compound annual growth rate (CAGR) since inception for the government sector. In the non-government sector, the permitted asset classes viz. 'Equity',

'Corporate Debt' and 'Government Securities' have delivered CAGR of 14.4 percent, 9.1 percent and 8.9 percent respectively since inception. Also, NPS is a low-cost product as compared to similar pension products across the globe. While saving for a long-term goal such as retirement, the cost matters a lot as the charges can trim off a significant amount from the corpus over 35-40 years of investment horizon.

To enhance accessibility, convenience, and transparency for subscribers of the National Pension System and making the process easier to navigate for millions of users, the NPS has embraced technology to make the process seamless and efficient. With the introduction of eNPS, NPS mobile app, and other digital initiatives, it has become easier than ever to open accounts, contribute, track investments, and plan for retirement—all at the touch of a button.

This is a clear demonstration of how we are moving towards a more digital, efficient, and userfriendly pension system.

The eNPS portal allows individuals to open an NPS account online using their Aadhaar, PAN, or bank details, making the process fast, paperless, and secure. Digital KYC (Know Your Customer) is integrated into the account-opening process, allowing for Aadhaar-based e-KYC verification. This reduces paperwork and speeds up the onboarding process for new subscribers.

The entire exit and withdrawal process have been digitized, making it convenient for retirees to withdraw funds, choose annuity plans, and manage their accounts online, reducing manual processing time. NPS has integrated online services from Annuity Service Providers, allowing subscribers to choose annuity plans and complete the pension withdrawal process digitally at retirement.

For better security and user authentication, NPS uses OTP-based verification for transactions like withdrawals, contributions, and changes in account details. A Centralized Grievance Management System (CGMS) enables NPS subscribers to raise and track grievances online. The system helps address complaints related to contributions, withdrawals, and other services.

On this NPS Diwas, the aim is to spread awareness and encourage people to take charge of their future by investing in this simple and reliable pension system. The earlier we begin, the better the benefits we can reap. Planning for the future is not just about accumulating wealth — it's about ensuring that we can live our post-retirement life with dignity and financial independence.

As we celebrate NPS Diwas today, let us encourage everyone around us — friends, family, colleagues — to take retirement planning seriously. Financial discipline, even in small steps, can go a long way in securing a brighter future. By creating awareness about NPS, we contribute to the larger goal of building a financially secure nation.

Thank you.

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NPS: A Flexible Pension Scheme for All[3]

I thank the Outlook Money for inviting me to speak on 'Pension' which is of importance to all of us. I propose to focus on the National Pension System (NPS) in the context of today's theme.

Forty years of age is an important stage of life wherein one looks back while looking into the future, both professionally and financially. Prudent financial planning, particularly retirement planning, early in one's career becomes important for financial wellbeing.

Dictates of Demography

Why should retirement planning take a center stage while approaching the age of 40 ? To appreciate this, it is useful to reflect on our demographic trend. The average expected life at the age of forty is about 35 years[4]. Going forward, it is projected to improve and in coming years may touch 40 years. So, at this stage (age 40), the person gets to reflects on where does one stand in terms of attaining his important financial goals, particularly retirement planning, that is essential to live a dignified retirement life post superannuation.

India currently is the fastest growing large economy in the world. At the same time, it also is projected to age rapidly. The share of population over the age of 60 years is projected to increase from 10.5 percent in 2022 to 20.8 percent by 2050[5]. This Aging is likely to accentuate as every fifth Indian is expected to be over 60 years of age by the middle of this century. Further, the oldage dependency ratio is expected to increase from 18 percent in 2020 to 30 percent in 2050 exerting pressure not only on our younger generation but also on our overall financial resources[6].

Longevity of present and future generations of Indian would be much higher. Living longer implies that one needs money for a longer period to take care of oneself when one is not able to work to earn for themselves. The retirement phase becomes more challenging because of the increase in medical expenses, increasing nuclear family structure, and limited access to formal credit facilities. Thus, with every passing year after superannuation, one gets exposed to financial risks unless adequate provision has been made to take care of retirement.

I may underscore that women are more exposed to longevity risk as compared to men: world over women live 2-3 years more than their male counterparts. In India, the expectation of life at age 60 was estimated as 19.2 years for women as against 17.5 years for men[7]. Therefore, as we navigate through the complexities of our evolving socio-economic landscape, the role of pension in securing the future for our elderly citizens is very crucial.

In the past, pension was perceived to be the privilege of government employment. It is no longer so with the introduction of the National Pension System (NPS) in 2004, first for the government employees, and then extended to private corporates including the common person, and now to children with the scheme of NPS Vatsalya, which was recently launched by the Government.

[3] Keynote speech by Dr. Deepak Mohanty, Chairperson, Pension Fund Regulatory and Development Authority (PFRDA) at Outlook Money-'40 AFTER 40', New Delhi, October 04, 2024.
[4] SRS based abridged life tables 2016-20, Census of India.
[5] UNFPA India Ageing Report 2023.
[6] Aging Well in Asia: Asian Development Policy Report 2024.
[7] UNFPA India Ageing Report 2023.

NPS Vatsalya can be seamlessly ported to workplace pension on the child coming of age and joining the workforce, thereby providing continuity to one's retirement savings account. Thus, now any member of the family from infancy to 70-years old can join NPS. As the vesting period is enlarged, one could harness the power of compounding to accumulate substantial corpus providing adequate pension on one's retirement. The concept of compounding is not easily understood. For instance, with an annual return of say 8 percent, Rs. 100 could grow 10 times in 30 years but 101 times in 60 years.

NPS offers Flexibility

The introduction of the NPS in India marked a paradigm shift in transition from a defined benefit (DB) to a defined contribution (DC) system enhancing the stability of out pension system. The growth of NPS resulted in a notable 7.82 crores subscriber enrolments (NPS and APY combined) and asset under management (AUM) growing to over Rs 13.4 lakh crore. At present, NPS has subscriber base of 1.54 crore, 94 lakh from government and 60 lakh from private sector including the common person. NPS provides a robust platform to provide pension product for all the strata of our society. The uniqueness of NPS not only lies in its low-cost structure but also the flexibility it offers.

First, digitisation played a crucial role in our NPS. It offers flexibility in onboarding, one can subscribe NPS through offline or online mode. For offline one can visit any nearest branch of registered Point of Presence (PoP) such as banks available across the nation. Thus, enabling a convenient and faster onboarding process. Under online mode, there are various options available such as onboarding using net banking, mobile apps or eNPS.

Second, NPS offers flexibility in terms of making contributions to the scheme. One can invest any amount without any ceiling. Under NPS – Corporate model, there is flexibility of contribution either by employer or by employee or by both. The NPS account remains active, only with an annual contribution of Rs. 1000. It is not necessary to contribute every month. Thus, NPS is suitable for people or small businesses with irregular income.

Third, NPS offers flexibility of selecting Pension Funds. One can select any of the currently 11 Pension Funds registered with PFRDA and can also change it once in a year, if the performance of fund managers doesn't meet expectation.

Fourth, NPS provides ample flexibility in terms of asset allocation. It offers auto choice and active choice as major types of asset allocation. In auto choice, one gets to select any one of the life cycle funds out of four viz. LC25, LC 50, LC 75 and recently launched balance life cycle fund (BLC). In active choice one can make asset mix among asset classes viz. equity, corporate bond and government securities with appropriate proportion depending upon one's risk appetite; one can invest upto 75 percent in equity. In BLC, the equity allocation upto 50 percent is maintained until the age of 45 and tapering of equity starts thereafter, instead at the age of 35, in the other life cycle funds.

Fifth, the change in asset allocation is allowed once in a quarter which is effectively four times in a financial year. This provides an opportunity to an active investor to realign her portfolio with the economic cycles to earn optimal returns.

Sixth, at the time of exit, minimum 40 percent of the corpus is annuitized, the balance maximum of 60 percent could be withdrawn as lumpsum; both tax free. Annuity can be purchased from any of the 15 empanelled annuity service providers, i.e. insurance companies. Additionally, the option of selecting the annuity variant is also available for subscribers. We have allowed the deferment of annuity and lumpsum amount on superannuation age. Subscriber can defer his/her exit and stay invested in NPS upto 75 years of age. Additionally, the subscriber has an option to withdraw the lumpsum amount in the form of Systematic Lumpsum withdrawal (SLW) in a phased manner upto the age of 75 years or withdraw anytime the entire amount.

Competitive Returns and Tax Efficiency

Besides being low cost and flexible, what make NPS attractive is its competitive returns. For instance, as of September 2024, the equity scheme of NPS has given a compound annual growth rate (CAGR) of 14.5 percent return since inception, Corporate bond 9.1 percent and government securities 8.9 percent. Similarly, the scheme for Central government employees, which is a mix of both debt and equity, has given a CAGR of 9.6 percent return since inception.

The tax advantage that NPS offers makes NPS a desirable product in one's retirement planning. Contribution to NPS is tax efficient both for the employer and employee. The Union Budget 2024-25 raised deduction of expenditure by employers (Section 36 of Income Tax Act) towards NPS contribution from 10 percent to 14 percent of the employee salary. Similarly, deduction of this amount upto 14 percent of salary from income of employees (Section 80CCD (2) of Income Tax Act) is allowed under the new tax regime. Both the corporate and employees benefit from this provision by subscribing to NPS. Under the old tax regime, for individuals, NPS has an additional tax benefit for investment upto Rs. 50,000 under section 80CCD (1B) on top of Rs. 1.5 lakh under 80 CCD (1), deductible from income.

Regulatory Initiatives

Over the period, PFRDA has undertaken several key initiatives for orderly growth of the pension sector while promoting old-age income security. Emphasis is on simplifying processes and strengthening security within the NPS ecosystem. This includes providing flexibility to choose among Central Record Keeping Agencies (CRAs), enabling contributions through various modes including Bharat Bill Pay, expanding investment universe, increasing usage of technology and ensuring cybersecurity. These initiatives align with the broader objective of financial inclusion and thus striving towards old age income security of a diverse demography.

Other notable initiatives include the introduction of same-day investment of contributions (T+0), choice of multi-pension schemes, mandatory penny drop verification to prevent fraud, and the Anti-Money Laundering (AML) declaration on e-NPS platforms. Overall, these initiatives by PFRDA underscore its proactive approach in managing and safeguarding the NPS, ensuring that it remains a robust and secure investment vehicle for the subscribers. Further, I may share that as was envisaged in the Union Budget: 2023-24, PFRDA has undertaken comprehensive review of all the extant 11 market-facing regulations to simplify, ease, and reduce the cost of compliance.

Conclusion

Let me conclude, NPS is a low-cost flexible pension scheme for all. Notwithstanding its user friendly features, sustained efforts are warranted to enthuse that employees in private corporate sector, small businesses, professionals, women and parents for their children to join NPS for achieving "pension saturation". It is important to mention that our current Pension Assets to GDP ratio is around 16.5 percent while the same ratio of developed countries like the UK, the US and Australia is over 100 percent of their GDP, the same ratio of OECD Countries was 82 percent in 2023. NPS assets are about 4.5 percent of our GDP.

This suggest that the Indian Pension industry is still evolving and there is a long way to go.

We at PFRDA are committed to protecting the interests of its subscribers and fostering trust in the pension ecosystem through continuous improvements in security, transparency, and operational efficiency.

Once again, I thank Outlook Money for inviting me to interact with you.

Thank you.

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Section 3/खंड 3

Article/लेख

Unveiling Gender Dynamics in Financial Literacy: A Specialized Analysis of the Pension Sector[8]

Abstract

This article investigates the gender dynamics in financial literacy and its impact on participation in pension schemes in India. Using a survey dataset of 79 respondents, comprising 31 females and 48 males, the research explores three main questions: (1) Is there a major difference in the financial literacy levels of males and females? (2) Does gender significantly affect participation in pension schemes? (3) Do financial literacy levels significantly influence participation in pension schemes? The findings from independent t- tests, Mann-Whitney U tests, chi-square tests, and logistic regression analyses provide comprehensive insights into these questions. The independent t-test results show a statistically significant difference in financial literacy levels, with males having a higher mean composite score (3.58) compared to females (2.26), confirmed by a t-statistic of -4.05 and a p-value of 0.0001. The Mann-Whitney U test supports these findings with a U statistic of 372.0 and a p-value of 0.0001. For pension scheme participation, the chi-square test indicates a significant relation between gender and participation, with males being more likely to participate (Chi-Square Statistic: 16.93, p-value: 3.88e-05). The logistic regression analysis further reveals that higher financial literacy scores are significantly associated with higher odds of participating in pension schemes, with a financial literacy score coefficient of 0.54 (p- value: 0.0021) and a 95% confidence interval of [0.19, 0.88]. These results highlight the critical role of financial literacy in influencing pension scheme participation and underscore the significant gender disparities that exist. The study concludes with recommendations for targeted financial education programs and policy interventions to bridge the gender gap in financial literacy and enhance women's participation in pension schemes, contributing to broader economic development goals.

1. Introduction

Financial literacy is a significant factor in determining an individual's financial health. It helps and shapes his/her decisions on savings, investment, and retirement planning. A sound understanding of financial concepts and principles helps influence personal financial stability and security. Historically, the difference between the financial literacy levels of male and female has been considerable, which creates differences in their financial behaviors and outcomes. Research shows that women have lower levels of financial literacy compared to men, driven by factors such as segregation in education and careers, traditional gender roles, income disparities, and restricted access to financial resources. Further, women have long been underrepresented in fields like economics and finance which then limits their opportunities to acquire financial skills and knowledge. Also, culturally, financial decisions of a family are often taken by male, leaving women with less hands-on experience and confidence in managing finance. Also, female typically

[8] *The author of the article is Sh. Shubham Khandelwal, Assistant Manager, PFRDA. The article has been written based on research study for implementation of learnings imparted through induction training program. The views expressed in the article are personal and do not necessarily represent that of the Authority.*

earn less than male and are more likely to have career interruptions due to familial responsibilities, diminishing their ability to save, invest, and build financial knowledge. These gaps in financial literacy lead to lower participation of females in pension schemes, posing a serious threat to their long-term financial security. Bridging this gender gap in financial literacy is crucial for India's goal of becoming a developed nation by 2047. Several studies have been done internationally to find out the relationship between gender, financial literacy, and participation in pension schemes. However, there is limited research done on this aspect in India. This article through a limited survey aims to find the relationship gender, financial literacy, and pension scheme participation for India.

The article aims to:

1. Determine if there is a significant difference in financial literacy levels between males and females.
2. Assess whether gender significantly affects participation in pension schemes.
3. Analyze the influence of financial literacy on participation in pension schemes.

2. Literature Review

Work Already Done in the said area are attached as Annexure B.

Many studies have examined the gender gap in financial literacy, highlighting consistent findings across different countries and contexts. These studies provide a comprehensive understanding of the disparities in financial literacy between men and women and their implications for financial behaviors and outcomes.

The extensive body of research on gender disparities in financial literacy highlights the persistent and widespread nature of this issue. Studies from various countries, including India, consistently show that women tend to have lower financial literacy levels than men. This gap is influenced by factors such as educational attainment, cultural norms, and access to financial resources. The current study builds on this existing research by exploring the specific dynamics of financial literacy and pension participation in India, providing valuable insights for policymakers and educators.

Research Gap/Research Questions

Despite extensive research on financial literacy, there remains a significant gap in understanding the combined effect of gender and financial literacy on pension scheme participation, particularly in the Indian context. Much of the existing literature has focused on financial literacy or gender disparities separately, without exploring how these factors intersect to influence participation in retirement planning and pension schemes. This study aims to bridge this gap by addressing the following research questions:

1. Is there a significant difference between the financial literacy levels of males and females?

This question seeks to determine whether there is a measurable difference in financial literacy levels between men and women in India. Key considerations include:

- **Comparative Analysis**: Conducting a detailed comparative analysis of financial literacy scores between males and females using validated survey instruments. This involves assessing understanding of basic financial concepts such as budgeting, saving, investing, interest rates, inflation, and risk diversification.

- **Demographic Factors**: Examining how demographic factors such as age, education level, occupation, and income influence financial literacy within each gender group. This will help identify specific subgroups that may be more vulnerable to low financial literacy.

- **Educational Background and Exposure**: Investigating the role of educational background and exposure to financial education in shaping financial literacy levels among men and women. This includes analyzing whether differences in formal education or access to financial literacy programs contribute to observed disparities.

2. Does gender significantly affect participation in pension schemes?

This question aims to explore the extent to which gender influences the likelihood of participating in pension schemes. Key considerations include:

- **Participation Rates**: Analyzing participation rates in various pension schemes (e.g., public pension systems, employer-sponsored plans, private retirement savings accounts) and comparing these rates between men and women.
- **Barriers to Participation**: Identifying gender-specific barriers to pension scheme participation, such as income disparities, career interruptions due to caregiving responsibilities, lack of financial knowledge, and societal norms that may discourage women from actively engaging in retirement planning.

- **Policy and Institutional Factors**: Evaluating the impact of policy and institutional factors on gender differences in pension participation. This includes assessing the effectiveness of existing pension policies in promoting gender equity and identifying potential areas for policy improvement.

3. Do financial literacy levels significantly influence participation in pension schemes?

This question seeks to understand the relationship between financial literacy and pension scheme participation, and whether financial literacy levels are a significant predictor of participation. Key considerations include:

- **Correlation and Causation**: Investigating the correlation between financial literacy scores and pension scheme participation rates, while also exploring causal relationships through regression analysis. This will help determine whether higher financial literacy directly leads to increased participation in pension schemes.
- **Impact of Financial Education**: Assessing the effectiveness of financial education programs in enhancing pension participation. This includes examining whether individuals who have received financial education are more likely to participate in pension schemes compared to those who have not.

- **Behavioral Insights**: Analyzing how financial literacy influences financial behaviors related to retirement planning, such as regular saving, investment choices, and long-term financial planning. This will provide insights into how improving financial literacy can lead to more proactive and informed participation in pension schemes.

3. Methodology Adopted

Defining the Universe

The universe of this study consists of individuals eligible for pension schemes in India, encompassing both working-age adults and retirees. This broad population includes diverse demographic groups to ensure comprehensive coverage and capture the wide-ranging experiences and perspectives of different segments of society. The target population includes:

- **Working-age adults**: Individuals currently employed or self-employed, who are potential contributors to pension schemes.
- **Retirees**: People who are retired and are either receiving pension benefits or relying on personal savings for retirement income.
- **Diverse demographic groups**: To ensure the study reflects the heterogeneity of the Indian population, the sample includes individuals from various age groups, income levels, educational backgrounds, and geographic regions. This diversity helps in understanding the different factors that influence financial literacy and pension participation across different sections of society.

Sample Selection

For the purpose of collecting data for this study, a survey was conducted with a total of 79 respondents, comprising 31 females and 48 males. The sample selection aimed to achieve a balanced representation of genders to facilitate a comparative analysis of financial literacy and pension scheme participation. The survey included questions designed to assess financial literacy and gather data on participation in pension schemes. The questions for the survey were adapted from the S&P Global FinLit Survey (2014), which is recognized for its reliability and validity in measuring financial literacy across different populations.

Survey Questions: Attached as Annexure A

Data Analysis

- **Scoring**: Each correct answer was assigned a score of 1. The total composite score for each respondent was calculated by summing the scores of the individual questions. Maximum possible score was 5.
- **Comparative Analysis**: The composite scores were used to compare financial literacy levels of males and females. Statistical tests such as t-tests or ANOVA were conducted to determine if the differences in scores were statistically significant.
- **Regression Analysis**: Regression analysis was performed to examine the relationship between financial literacy levels, gender, and participation in pension schemes. This analysis controlled for other variables such as age, income, and education to isolate the effects of financial literacy and gender.

By defining a broad and diverse universe, selecting a balanced sample, and employing validated survey questions, this study aims to provide a comprehensive understanding of the gender dynamics in financial literacy and their impact on pension scheme participation in India. The findings from this survey will offer valuable insights into the current state of financial literacy among different demographic groups and inform policy interventions to promote financial inclusion and equity.

Analytical Tools Used

This study deployed various statistical methods to analyze the data and draw meaningful conclusions about the gender differences in financial literacy and their impact on pension scheme participation. These analytical tools include the Independent T-Test, Mann-Whitney U Test, Chi-Square Test of Independence, and Logistic Regression.

The usage of these analytical tools enables a holistic analysis of the data, allowing the study to rigorously test the research hypotheses and draw meaningful conclusions. The Independent T-Test and Mann-Whitney U Test provide insights into the differences in financial literacy levels between males and females. The Chi-Square Test of Independence examines the association between gender and pension participation, while Logistic Regression assesses the impact of financial literacy and gender on the likelihood of participating in pension schemes. Together, these methods offer a robust framework for understanding the gender dynamics in financial literacy and their implications for retirement planning in India.

4. Results/Findings of the Study

The study presents detailed findings on financial literacy levels, participation in pension schemes, and the influence of financial literacy on pension participation. These findings are derived from statistical analyses using independent t-tests, Mann-Whitney U tests, chi-square tests, and logistic regression:

Financial Literacy Levels Independent T-Test Results:

- **Female Mean Composite Score**: 2.26
- **Male Mean Composite Score**: 3.58
- **Female Standard Deviation**: 1.44
- **Male Standard Deviation**: 1.40
- **t-statistic**: -4.05
- **p-value**: 0.0001

The independent t-test results show a statistically significant difference in financial literacy levels between males and females. The mean composite score for males (3.58) is considerably greater than that for females (2.26), indicating that males have higher financial literacy levels. The t-statistic of -4.05 with a p-value of 0.0001 confirms this difference is highly significant.

Mann-Whitney U Test Results:

- **U statistic**: 372.0
- **p-value**: 0.0001

The Mann-Whitney U test further validates the findings from the t-test. The U statistic of 372.0 with a p-value of 0.0001 confirms a significant difference in financial literacy levels between males and females, supporting the conclusion that males exhibit higher financial literacy levels.

Participation in Pension Schemes Chi-Square Test Results:

- **Chi-Square Statistic**: 16.93
- **p-value**: 3.88e-05
- **Degrees of Freedom**: 1
- **Contingency Table**:

Gender	No	Yes
Female	27	4
Male	18	30

- **Expected Frequencies**:

Gender	No	Yes
Female	17.66	13.34
Male	27.34	20.66

The chi-square test indicates a significant association between gender and participation in pension schemes. The chi-square statistic of 16.93 with a p-value of 3.88e-05 shows that there is higher probability for males to participate in pension schemes compared to females. The contingency table and expected frequencies reveal that the observed participation rates deviate substantially from what would be expected if gender did not influence pension participation.

Influence of Financial Literacy on Pension Participation Logistic Regression Results:

- **Intercept (const)**: -1.98 (p-value: 0.0015)
- **Financial Literacy Score Coefficient**: 0.54 (p-value: 0.0021)
- **95% Confidence Interval for Financial Literacy Score**: [0.19, 0.88]

The results from the logistic regression analysis show that scores of higher financial literacy are associated with higher odds of participating in pension schemes. The coefficient for the financial literacy score is 0.54, with a p-value of 0.0021, indicating a statistically significant positive relationship. The confidence interval [0.19, 0.88] confirms the robustness of this association. The intercept of -1.98, significant at p = 0.0015, suggests that even at low levels of financial literacy, there is a baseline propensity towards non-participation.

5. Discussion & Analysis Thereof

The study's findings reveal significant gender disparities in both financial literacy and participation in pension schemes. Males demonstrate higher financial literacy levels, which correlates with higher participation rates in pension schemes. This disparity highlights the critical role financial literacy plays in retirement planning and underscores the requirement of targeted interventions.

To address the identified disparities and enhance financial security for women, several policy interventions are recommended:

1. Targeted Financial Literacy Programs:
   - Women centric financial literacy education programs can be designed covering financial concepts, importance of retirement planning etc. Multiple delivery methods can be used such as workshops, online courses, and community outreach to ensure broad accessibility.
2. Incentivize Pension Participation:
   - Incentives in terms of matching contributions, tax benefits, flexible contribution options to accommodate women's career interruptions etc. can be provided to women for participating in pension schemes.
3. Policy Reforms:
   - Structural reforms such as equal pay, supporting work-life balance, affordable childcare options etc should be undertaken to address gender disparities in financial literacy and pension participation.
4. Awareness Campaigns:
   - Partnership with women's organizations and advocacy groups can be done to spreads awareness and disseminate

information and resources related to financial literacy and pension participation amongst women.

6. Limitation of the Study

While this study delves int0 valuable insights related to gender dynamics of financial literacy and pension scheme participation in India, it is important to acknowledge its limitations. Understanding these limitations can guide the interpretation of the findings and highlight areas for future research.

Sample Size

The sample size for this study is relatively small, with a total of 79 respondents comprising 31 females and 48 males. This limited sample size poses several challenges:

- **Generalizability**: The findings may not be representative of the entire population of India. A larger sample size would enhance the reliability and generalizability of the results, allowing for more robust conclusions.
- **Statistical Power**: With a small sample size, the statistical power of the study is reduced, meaning there is a higher chance of Type II errors (failing to detect a significant effect when one exists). Larger samples provide more accurate estimates of population parameters and increase the likelihood of detecting true differences or associations.

Representativeness

The sample may not be fully representative of the diverse demographic groups within India. Factors such as geographic location, socioeconomic status, education level, and occupational background can significantly influence financial literacy and pension participation. The study's sample may not capture the full spectrum of these variables, potentially limiting the applicability of the findings to the broader population.

Self-Reported Data

The study relies on self-reported data, which can introduce several types of bias:

- **Response Bias**: Respondents may provide socially desirable answers rather than truthful ones, particularly on topics related to financial knowledge and behaviors. This can lead to overestimation or underestimation of financial literacy levels.
- **Recall Bias**: Respondents may not accurately remember past financial decisions or behaviors, leading to inaccuracies in the data collected.
- **Sampling Bias**: The method of selecting respondents may inadvertently favor certain groups over others, affecting the overall representativeness of the sample.

Survey Design

While the survey questions were adapted from the validated S&P Global FinLit Survey (2014), there are still potential limitations:

- **Question Interpretation**: Respondents may interpret survey questions differently, leading to variability in responses. Clear and unambiguous question design is crucial to minimize this risk.
- **Cultural Relevance**: Some financial literacy concepts may be interpreted differently across cultures. The survey's applicability to the Indian context, with

its unique financial practices and norms, should be carefully considered.

External Validity

The study's findings are based on the specific context of India, and their applicability to other countries or regions may be limited. Financial literacy and pension participation are influenced by country-specific factors such as economic conditions, regulatory environments, and cultural norms. Comparative studies across different countries would be valuable to understand the universality of the observed patterns.

Recommendations for Future Research

From the point of view of addressing these limitations, future researches should consider the following:

- **Larger Sample Sizes**: Conduct studies with larger and more diverse samples to enhance the generalizability and statistical power of the findings.
- **Longitudinal Studies**: Implement longitudinal designs to track changes in financial literacy and pension participation over time, providing insights into causal relationships and long-term trends.
- **Mixed Methods**: Combine quantitative surveys with qualitative methods such as interviews and focus groups to gain deeper insights into the factors influencing financial literacy and pension participation.
- **Cross-Cultural Comparisons**: Conduct cross-cultural studies to compare financial literacy and pension behaviors across different countries and regions, identifying universal and context-specific factors.
- **Policy Evaluation**: Evaluate the impact of financial literacy programs and policy interventions on improving financial literacy and pension participation, particularly among women and other underrepresented groups.

Acknowledging the limitations of this study is essential for accurately interpreting its findings and guiding future research. While this study gives important insights into the gender dynamics of financial literacy and pension participation in India, addressing these limitations through larger, more diverse, and methodologically rigorous research will enhance our understanding and inform more effective policy and educational interventions.

7. Summary and Conclusion

This study investigates the significant gender disparities in financial literacy and pension scheme participation in India. By examining these disparities, the study aims to provide insights into the underlying factors contributing to these differences and offer recommendations to address them. The key findings indicate that males have higher financial literacy levels compared to females and are more likely to participate in pension schemes. Improving financial literacy, particularly among women, can enhance their participation in pension schemes, thereby contributing to their long-term financial security and supporting broader economic development goals. Policymakers and educators should prioritize targeted financial education programs and policy interventions to promote financial inclusion and equity. By empowering women with the knowledge and tools needed for effective financial planning, India can make significant strides towards achieving its vision of becoming a developed nation by 2047.

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Annexure A : Survey Questions:

The survey included a series of questions that tested respondents' understanding of basic financial concepts and gathered information on their participation in pension schemes. The questions were selected to cover key areas of financial literacy, including interest rates, inflation, risk diversification, and retirement planning. Each correct answer was assigned a score of 1, and the total composite score for each respondent was calculated by summing the scores of the individual questions. The survey questions were as follows:

1. Suppose you have Rs 100 in a savings account with a 2% interest rate per year. After 5 years, how much do you think you will have in the account if you leave the money to grow?
   - **Purpose**: This question assesses understanding of compound interest, a fundamental concept in financial literacy.
   - **Correct Answer**: Approximately Rs 110.41 (calculated as Rs 100 * (1 + 0.02)^5).

2. Imagine that the interest rate on your savings account is 1% per year and inflation is 2% per year. After 1 year, how much would you be able to buy with the money in this account?
   - **Purpose**: This question evaluates knowledge of the real value of money and the impact of inflation.
   - **Correct Answer**: Less than today (the purchasing power decreases due to inflation exceeding the interest rate).

3. Do you think that buying a single company's stock usually provides a safer return **than a stock mutual fund?**
   - **Purpose**: This question tests understanding of risk diversification.
   - **Correct Answer**: No (mutual funds typically provide a safer return due to diversified risk).

4. If bank interest rates rise, what will typically happen to loan payments?
   - **Purpose**: This question assesses knowledge of the relationship between interest rates and loan repayments.
   - **Correct Answer**: Loan payments will rise (higher interest rates increase the cost of borrowing).

5. At what age is it ideal to start saving for retirement?
   - **Purpose**: This question evaluates understanding of the importance of early retirement planning.
   - **Correct Answer**: As early as possible (starting early maximizes the benefits of compound interest and long-term savings growth).

Annexure B : Work Already Done in This Area:

International Studies on Gender and Financial Literacy

Lusardi and Mitchell (2008)

- **Findings**: Women consistently scored lower than men on financial literacy assessments across various countries. This gap was evident in both developed and developing nations.
- **Contributors to the Gap**: Differences in education, socialization, and access to financial information was identified as key factors contributing to the gender gap in financial literacy.
- **Implications**: The lower financial literacy among women has significant implications for their financial decision-making, savings, and investment behaviors.

Bucher-Koenen et al. (2017)

- **Findings**: Similar to Lusardi and Mitchell, this study found that women exhibit lower financial literacy levels compared to men. The study also highlighted that woman tend to have lower confidence in their financial decision-making abilities.
- **Impact of Confidence**: The lack of confidence among women can lead to a lower likelihood of engaging in financial planning and investing, further

exacerbating the gender gap in financial outcomes.

Fonseca et al. (2012)

- **Findings**: This study reinforced the findings of earlier research, showing that women are less financially literate than men. It emphasized the role of cognitive and psychological factors in financial decision-making.
- **Role of Education**: The study found that improving educational attainment and providing targeted financial education could help bridge the gender gap in financial literacy.

Studies Focused on India

Agarwalla, Barua, Jacob, and Varma (2015)

- **Study**: Conducted a comprehensive study on financial literacy among working adults in India.
- **Findings**: Financial literacy levels were found to be generally low among Indian adults, with significant gender differences. Men scored higher on financial knowledge and numeracy tests compared to women.
- **Financial Behaviors**: The disparity in financial literacy was also reflected in financial behaviors, with men being more likely to participate in formal financial products, including pension schemes.
- **Barriers for Women**: The study identified barriers such as lower levels of education, limited access to financial information, and societal norms that restrict women's financial decision-making autonomy.

Survey Framework and Methodology

Global Financial Literacy Survey by S&P Global FinLit Survey (2014)

Design: This survey includes questions designed to measure basic financial literacy related to interest rates, inflation, risk diversification, and retirement planning.

- **Validation**: It has been widely used and validated in various international contexts, providing a robust framework for assessing financial literacy.
- **Application**: The questions used in the current study's survey were inspired by this global survey, ensuring that the assessment of financial literacy is comprehensive and comparable across different populations.

Additional Relevant Studies Hung, Parker, and Yoong (2009)

- **Focus**: Examined financial literacy and education programs in the United States.
- **Findings**: Highlighted the importance of targeted financial education programs, particularly for women and other underrepresented groups, to improve financial literacy and confidence.

OECD/INFE International Survey of Adult Financial Literacy Competencies (2016)

- **Findings**: Confirmed that financial literacy is generally low worldwide, with significant gender differences. Women scored lower than men on average across all countries surveyed.
- **Policy Recommendations**: Suggested that improving financial education, particularly for women, is crucial for enhancing financial inclusion and economic stability.

Van Rooij, Lusardi, and Alessie (2011)

- **Study**: Investigated financial literacy and retirement planning in the Netherlands.

- **Findings**: Found that individuals with higher financial literacy are more likely to plan for retirement, with men generally exhibiting higher financial literacy levels than women.

OECD/INFE Financial Literacy and Inclusion (2013)

- **Focus**: Analyzed financial literacy and inclusion among women in OECD countries.
- **Findings**: Reinforced the gender gap in financial literacy and its impact on financial inclusion. The report recommended specific strategies to improve women's financial literacy, such as targeted education programs and policies promoting financial independence.

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Section 4/खंड 4

International Section/ अंतर्राष्ट्रीय खंड

Pension System in Czech Republic

The Czech pension system has **two pillars**: the main pillar is a mandatory state Pay-As-You-Go (**PAYG**) system and the supplementary pillar is a voluntary private fully funded system. There is no occupational pension scheme. The mandatory basic pension scheme covers all economically active individuals.

The Czech Social Security Administration manages the mandatory basic pension scheme. Armed forces (e.g. soldiers, policemen, fire fighters) have their pension insurance administered by their respective ministries in charge but eligibility conditions are the same as in the "main" scheme.

The state PAYG pension system covers three main benefits – old-age pensions, disability pensions and survivors' pensions. The two main eligibility conditions to qualify for an old-age pension are the insurance period and the statutory retirement age. The insurance period includes contributory periods and covered non-contributory periods such as maternity leaves, insured unemployment periods and some non-insured unemployment periods, and education periods for some generations. In addition to reaching the statutory retirement age, the required insurance period for a pension is at least 35 years or 30 years of contributed period; or at least 15 to 20 years of insurance period and be 5 years older than the statutory retirement age. In 2020, the statutory retirement age is 63.5 years for men and 63 years and 2 months for women without children. The statutory retirement age is increasing gradually to 65 years in 2030 for both men and women (until 2037 for women with children).

The old-age pension consists of an earnings-related component and a basic, flat-rate component.

Persons eligible for the earnings-related component receive the basic pension, which is equal to 10% of the average wage. It is the same for all pensioners regardless of insured periods or individual earnings.

The mandatory Czech pension system consists of an earnings-related component and a basic, flat-rate Component.

Disability pensions are the second component of the state PAYG pension scheme. Individuals losing 35% or more of their ability to work can receive a disability pension if they have at least 5 years of insurance period. There are three degrees of disability with a pension rate associated to each degree of disability.

Survivor pensions are the last component of the state PAYG pension scheme. Survivor pensions are paid out to a widow/widower or an orphan (dependent child) if a deceased person has met eligibility conditions for the old-age or disability pension or has died due to a job-relating injury.

In comparison to other OECD countries, the Czech Republic is an outlier with the longest period to be eligible for earnings-related pensions at the statutory retirement age. The minimum years of required coverage (work and non-work validated periods) to be eligible to an oldage pension at retirement age is 35 years, or 30 years without non-work validated periods.

Workers and self-employed individuals have access to an **optional supplementary pension** system. It is a voluntary, fully-funded and state-subsidised defined contribution (DC) pension scheme. It also includes life insurance as a product of commercial insurance companies. Employers can complement employees' contributions with additional contributions to employees' funds. Both, employer and employee contributions are subject to additional tax allowances.

The voluntary supplementary pension scheme is run by pension companies, which offer exclusively DC plans. The pension companies are joint stock companies, incorporated in the Czech Republic under the provisions of the

Commercial Code. The purpose of pension companies is limited to the provision of supplementary pension insurance. Pension companies must be licensed by the Ministry of Finance, in agreement with the Ministry of Labour and Social Affairs and the Securities Commission. Members are allowed to choose between the state asset manager and private administrators.

Pension companies are not authorized to offer more than one pension plan. If participants have joined the system, they can switch pension funds as often as they like; there are no switching fees.

Pension contribution rates

In the Czech Republic, pension contribution rates are 28%, split between employers (21.5%) and employees (6.5%). These contributions are meant to finance old-age (both earnings-related and basic), survivor and disability pensions.

Pension contribution rates are part of social security contributions in the Czech Republic. In addition to pension contributions, employees and employers pay 4.5% and 9.0% contributions for health insurance, respectively. Employers pay 2.1% for sickness and 1.2% for unemployment insurance.

Self-employed persons have their own income assessment base amounting to 50% of the difference between incomes and expenses (profits). The contributory rate for self-employed persons is 28%.

Reforms

Over the last decades, the main reforms of the Czech pension system took place in 1995, 2003, 2008, 2011 and 2016.

In a major overhaul of the Czech pension system, the 1995 Pension Insurance Act established a two-tier contributory benefit structure: a flat-rate part (contribution-based basic pension) and an earnings-related part. The retirement age was gradually increased, from 60 years for men and from 53-57 years for women, depending on the number of children, to 62 and 57-61 years in 2007, respectively.

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Section 5/ खंड 5

Did You Know?

क्या आप जानते हैं?

How institutions affect prosperity: Nobel Prize in Economics 2024

The Nobel Prize in Economic Sciences 2024 has been awarded to *Daron Acemoglu, Simon Johnson and James Robinson.*

Their research has demonstrated the importance of societal institutions for a country's prosperity.

Their work demonstrates that the historical choices around governance and institutions significantly impact a nation's long-term economic health and development.

Societies with a poor rule of law and institutions that exploit the population do not generate growth or change for the better.

During the period of European colonisation, Europeans changed the societies in two ways. In some places the aim was to exploit the indigenous population and extract resources for the colonisers' benefit. In others, the colonisers formed inclusive political and economic systems for the longterm benefit of European migrants.

The laureates have shown that one explanation for differences in countries' prosperity is the societal institutions that were introduced during colonisation.

Inclusive institutions were often introduced in countries that were poor when they were colonised, over time resulting in a generally prosperous population. This is an important reason for why former colonies that were once rich are now poor, and vice versa.

Some countries become trapped in a situation with extractive institutions and low economic growth.

The introduction of inclusive institutions would create long term benefits for everyone, but extractive institutions provide short-term gains for the people in power.

Their study also mention about the legacy of British land institutions in India that gave cultivators in certain regions proprietary rights, concluding that productivity was higher in these regions post-independence.

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Section 6/ खंड 6

Circulars/Regulations/Guidelines

परिपत्र/विनियम/दिशानिर्देश

Circular No: PFRDA/2024/17/PDES/02	
1 October 2024	Introduction of "Balanced Life Cycle Fund" (BLC) under National Pension System (NPS)

The Balanced Life Cycle Fund (BLC) is a new investment option for National Pension Scheme (NPS) subscribers.

The BLC is designed to automatically rebalance the asset mix based on the subscriber's age and risk profile.

The maximum Equity allocation under BLC shall be 50%, which shall taper down after age of 45 years as compared to 35 years under existing life cycle funds.

Tapering shall continue until the age of 55 years. The equity exposure shall be 35% from 55 years onwards.

The existing choices under NPS, viz. "Active" and "Auto" Choices, shall remain unchanged and the "Balanced Life Cycle Fund" (BLC) shall be an additional investment choice.

The existing "Moderate Life Cycle Fund (LC50)" shall continue to be the default choice

Circular No: PFRDA/2024/18/SUP-ASP/01	
24 October 2024	Compliance with Regulation 10(3) of the PFRDA (Exits and Withdrawals under the NPS) Regulations, 2015 for cancellation/surrender of annuity policies issued to NPS Subscribers by ASPs

Henceforth, no surrender/cancellation of the annuity shall be entertained or permitted by the ASP save and except during free look period to provide for cancellation of annuity at the option of the annuitant and issuance of another annuity to him/her with the same ASP or with another ASP, as per his/her choice.

In case of annuitant making choice for purchase of annuity with new ASP, the proceeds of such cancellation amount shall be transferred to the account of Trustee Bank (i.e. source account) only under intimation to the CRA, for issuance of a new policy.

Provided that, where the requirement of purchase of another annuity is obviated due to any legal requirements or any specific cause as specified by the Authority, the same shall be carried out in accordance with the operational instructions to be issued by PFRDA which shall provide for such causes.

Section 7/ खंड 7

Events at PFRDA

पीएफआरडीए में कार्यक्रम

PFRDA Organizes NPS Diwas Conference on Securing Retirement: Transforming India's Pension Landscape

1st October is observed as "National Pension System Diwas (NPS Diwas)" to highlight the importance of pension and retirement planning. This day aligns with the International Day of Older Persons, a day dedicated to honouring senior citizens globally. By celebrating NPS Diwas, PFRDA aims to foster a culture of financial self-sufficiency among Indian citizens, ensuring that they lead dignified and independent lives after retirement.

As one of the initiatives, the Pension Fund Regulatory & Development Authority (PFRDA) organized the NPS Diwas Conference on October 1, 2024, at Hotel The Ashok, Chanakyapuri, New Delhi. The conference, themed 'Securing Retirement: Transforming India's Pension Landscape,' brought together eminent policymakers, financial experts, and industry leaders to discuss the future of pensions in India, especially in the context of evolving labour market dynamics and digitalization.

The event commenced with a welcome address by Ms. Mamta Shankar, Whole Time Member (Economics), PFRDA, who set the tone for the conference by emphasizing the critical role that pensions play in securing the financial well-being of India's ageing population and various initiatives undertaken by the Authority recently. Dr. Deepak Mohanty, Chairperson, PFRDA, delivered the inaugural address, highlighting the ongoing transformation in India's pension system and the need to build more inclusive, resilient structures that can address the needs of all citizens, particularly in the context of labour market mobility and the gig economy. He also stressed upon the importance of integrating technological advancements into pension frameworks, making pension systems more accessible, efficient, and secure in the digital age.

A special address was delivered by Dr. V. Anantha Nageswaran, Chief Economic Advisor to the Government of India, who stressed the importance of saving for pension in the early years of life. Despite the impressive gains made by the pension sector, only about 5 per cent of the total population is covered under the NPS and Atal Pension Yojana (APY) combined. He further emphasized that any efficient pension system should be sustainable and scalable along with a balance Asset Liability framework.

This was followed by a keynote address from Dr. V K Paul, Member, NITI Aayog, stated that status of elderly are not homogenous across states. The perspective of money – based on instant gratification in young needs to be changed. Further gender diversity of elderly is more inclined towards women and that widowed women are at 54%. In Viksit Bharat 2047 , life expectancy would increase to 85 years which will pose further challenges. He outlined the role of creating awareness of NPS and APY among the people, specially reaching out to people in rural areas and for this, the banks may play an important role. He emphasized that policy makers to consider the aspect of health, Socio Economic Welfare and Digital inclusion while framing the policy.

During the conference, Hindi edition of the Pension Bulletin was released. The bulletin contains a variety of insightful articles covering different aspects of pension planning and updates from the pension sector.

Additionally, as part of PFRDA's continuous efforts to expand investment options under the NPS, PFRDA introduced the Balanced Life Cycle Fund (BLC). This new life cycle fund focuses on growth assets, particularly equity investments, providing more flexibility and potential for higher returns for NPS subscribers. The tapering of equity allocation under BLC is similar to existing LC 50 the equity is capped at 50% but the equity tapering starts at the age of 45 instead of 35.

Following these speeches, two panel discussions were held. The first, on Reimagining Pensions in the Digital Era, explored how digital technologies are redefining pension systems and making them more adaptable to the needs of a diverse and mobile workforce. The second panel discussion focused on Evolving Labour Market Dynamics: Role of Pensions, examining how the rise of the gig economy and labor mobility are creating both opportunities and challenges for policymakers.

The conference concluded with a consensus on the need for policy initiatives that integrate digital innovation with inclusive growth strategies, ensuring that pension systems in India remain robust, efficient, and supportive of the financial security of an ageing workforce. Discussions emphasized the importance of creating gender-equitable policies and recognizing the rural sector's potential contribution to value addition.

The NPS Diwas Conference reaffirmed PFRDA's commitment to shaping a secure and equitable pension landscape that addresses the needs of all segments of the Indian population. The Conference was attended by more than 250 participants from the industry.

Section 8/ खंड 8

NPS/APY Statistics

एनपीएस/एपीवाई आँकड़े

I. Sector Wise Growth / क्षेत्रवार वृद्धि

The total number of subscribers, contributions, and assets under management for the NPS and APY as on 31st October 2024, are as under. The below data is a compilation of data from the three CRAs registered with PFRDA.

i.No. of Subscribers: The number of subscribers in various schemes under the NPS and APY rose to 790.47 Lakh by the end of October 2024 from 682.17 Lakh in October 2023 showing a year-on-year (Y-o-Y) growth of 15.88 %.

Table 1: NPS & APY growth in Subscribers base as on 31st October 2024/ 31 अक्टूबर 2024 तक एनपीएस और एपीवाई के अभिदाताओं की संख्या में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	No. of Subscribers (in lakh) / अभिदाताओं की संख्या (लाख में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		31-Oct-23	31-Mar-24	31-Oct-24		
i	CG	24.94	26.07	26.80	7.46	3.39
ii	SG	63.19	65.96	67.8	7.30	8.58
	Sub Total	88.13	92.03	94.60	7.34	11.97
iii	Corporate	18.57	19.48	21.71	16.91	2.75
iv	All Citizen	31.37	35.64	38.78	23.62	4.91
v	Vatsalya			0.61		0.08
	Sub Total	49.94	55.12	61.10	22.35	7.73
vi	NPS Lite	33.23	33.28	33.44	0.63	4.23
vii	APY	510.87	555.12	601.33	17.71	76.07
viii	**Grand Total**	**682.17**	**735.56**	**790.47**	15.88	100

Source: CRAs

ii. Contribution: As on 31st October 2024, total contribution for both NPS and APY stood at Rs. 9,55,091 crores showing a Y-o-Y growth of 22.99%.

iii. Assets under Management: As of 31st October 2024, the combined pension assets under management for both the NPS and the APY stood at Rs 13,38,775 crores showing a year-on-year growth of 30.61%.

Table 2: NPS & APY growth in Contribution as on 31st October 2024/ 31 अक्टूबर 2024 तक एनपीएस और एपीवाई के कॉन्ट्रिब्यूशन में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	Contribution (Rs. in crore) / योगदान (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		31-Oct-23	31-Mar-24	31-Oct-24		
(i)	CG	2,03,459	2,19,498	2,44,976	20.41	25.65
(ii)	SG	3,85,195	4,20,085	4,67,291	21.31	48.93
	Sub Total	**5,88,654**	**6,39,583**	**7,12,267**		74.58
(iii)	Corporate	1,03,526	1,16,097	1,35,600	30.98	14.20
(iv)	All Citizen	45,372	52,950	58,999	30.03	6.18
(v)	Vatsalya			28		0.00
(vi)	Tier-II	7,424	8,069	9,253	24.64	0.97
(vii)	TTS	13	16	18	38.46	0.00
	Sub Total	**1,56,335**	**1,77,132**	**2,03,898**		21.35
(viii)	NPS Lite	3,286	3,359	3,473	5.69	0.36
(ix)	APY*	28,281	31,098	35,453	25.36	3.71
	Grand Total	**7,76,556**	**8,51,172**	**9,55,091**	22.99	100.00

** Fig does not include APY Fund Scheme*
Source: CRAs

Table 3: NPS & APY growth in AUM as on 31st October 2024/ 31 अक्टूबर 2024 तक एनपीएस और एपीवाई के एयूएम में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	AUM (Rs. in crore) / एयूएम (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		31-Oct-23	31-Mar-24	31-Oct-24		
(i)	CG	2,88,800	3,22,215	3,61,216	25.07	26.98
(ii)	SG	5,11,682	5,82,673	6,63,429	29.66	49.55
	Sub Total	**8,00,482**	**9,04,888**	**10,24,645**	28.00	76.54
(iii)	Corporate	1,39,745	1,66,729	1,98,812	42.27	14.85
(iv)	All Citizen	43,990	54,396	61,516	39.84	4.59
(v)	Vatsalya			28		0.00
(vi)	Tier-II	4,567	5,413	6,517	42.70	0.49
(vii)	TTS	15	18	19	26.67	0.00
	Sub Total	**1,88,317**	**2,26,556**	**2,66,892**	41.72	19.94

(viii)	NPS Lite	5,169	5,560	5,932	14.76	0.44
(ix)	APY	31,044	35,647	41,306	33.06	3.09
	Grand Total	**10,25,012**	**11,72,651**	**13,38,775**	**30.61**	**100.00**

Source: CRAs

II. PFM-wise Assets under NPS schemes / पीएफएम के अनुसार एनपीएस योजनाओं के अंतर्गत संपत्तियाँ

Table 4: Pension Fund-wise Assets under Management (in crore) as on 31st October 2024/ 31 अक्टूबर 2024 को पेंशन अनुसार एयूएम (करोड़ में)

Pension Fund	AUM (Rs. In Crore)			YoY (%)	% share
	31-Oct-23	**31-Mar-24**	**31-Oct-24**		
SBI	3,82,922.26	4,33,086.70	4,82,578.65	26.03	36.05
LIC	2,86,135.76	3,21,850.61	3,58,070.16	25.14	26.75
UTI	2,70,092.22	3,02,401.63	3,36,076.13	24.43	25.10
ICICI	20,621.50	28,419.13	39,519.81	91.64	2.95
Kotak	3,559.04	4,705.99	5,796.43	62.86	0.43
HDFC	59,161.53	76,954.78	1,02,020.32	72.44	7.62
Aditya Birla	1,091.42	1,508.72	2,713.86	148.65	0.20
Tata	229.22	834.71	3,799.53	1557.59	0.28
Max Life	446.15	576.37	1,350.70	202.74	0.10
Axis	753.96	2,197.45	5,922.78	685.56	0.44
DSP	-	115.66	928.08	NA	0.07
Total	**10,25,013.06**	**11,72,651.75**	**13,38,776.45**	**30.61**	100.00

Source: NPS Trust

III. Scheme Wise AUM under NPS / एनपीएस के अंतर्गत योजनावार एयूएम

Table 5: Scheme-wise Assets under Management (in Crores) as of 31st October 2024/ 31 अक्टूबर 2024 को योजनावार एयूएम संपत्तियाँ (करोड़ में)

Scheme		AUM (Rs. In Crore)			Growth (%)		% shar
		31-Oct-23	31-Mar-24	31-Oct-24	YOY	Over Mar 24	
CG		2,77,439.78	3,03,144.53	3,24,702.14	17.04	7.11	24.25
SG		5,06,360.79	5,73,527.22	6,43,390.76	27.06	12.18	48.06
Corporate CG		67,438.68	77,174.94	88,637.10	31.43	14.85	6.62
TIER I	**A**	323.26	411.38	540.37	67.16	31.35	0.04
	E	56,009.11	76,999.16	1,00,294.91	79.07	30.25	7.49
	C	27,549.07	34,012.02	46,606.41	69.18	37.03	3.48
	G	49,098.02	60,750.99	80,834.49	64.64	33.06	6.04
NPS Lite		5,169.49	5,559.67	5,932.40	14.76	6.70	0.44
TIER II	**E**	2,023.06	2,573.34	3,121.17	54.28	21.29	0.23
	C	950.10	1,035.34	1,221.84	28.60	18.01	0.09
	G	1,592.96	1,797.97	2,167.40	36.06	20.55	0.16
	TTS	14.50	17.51	19.20	32.42	9.65	0.00
APY		31,044.26	35,647.67	41,306.63	33.06	15.87	3.09
Tier II Composite		-	-	1.62	-	-	0.00
Total Asset		**10,25,013.07**	**11,72,651.75**	**13,38,776.44**	**30.61**	**14.17**	**100.00**

Source: NPS Trust

Minor difference in AUM provided in Table 3 is due to difference in the methodology of calculation of PFs and CRA.

IV. PFM-wise Return on NPS Schemes / पीएफएम के अनुसार एनपीएस योजनाओं पर लाभ

Table 6: Returns since inception (in %) as on 31st October 2024/ आरंभ से लाभ (% में) 31 अक्टूबर 2024 तक

Pension Funds		SBI	LIC	UTI	ICICI	KOTAK	HDFC	Aditya Birla	TATA	Max Life	Axis	DSP
CG		9.68%	9.54%	9.51%								
SG		9.42%	9.51%	9.48%								
Corporate-CG		9.47%	9.58%									
TIER I	A	9.20%	7.64%	6.96%	7.53%	7.37%	8.76%	6.69%	9.96%	-0.38%	6.71%	5.48%
	E	11.69%	13.99%	13.52%	13.48%	12.85%	15.79%	14.65%	21.31%	17.69%	19.58%	23.50%
	C	9.57%	9.03%	8.74%	9.57%	9.27%	9.32%	8.44%	7.53%	7.70%	8.17%	7.92%
	G	9.12%	9.87%	8.37%	8.58%	8.58%	9.15%	8.14%	9.00%	9.43%	9.32%	10.69%
TIER II	E	11.79%	12.22%	12.29%	12.24%	12.41%	14.31%	14.80%	21.25%	20.63%	20.37%	20.54%
	C	9.17%	8.57%	8.75%	9.40%	8.63%	8.67%	7.94%	7.94%	8.31%	7.31%	8.99%
	G	9.13%	10.08%	8.86%	8.64%	8.35%	9.27%	7.55%	9.19%	8.10%	8.55%	7.94%
	TTS	6.51%	8.49%	7.10%	7.82%	8.49%	7.15%	8.88%	10.43%	7.55%	6.42%	4.90%
NPS Swavalamban		9.81%	9.85%	9.80%		9.72%						
APY		9.03%	9.34%	9.29%								
Tier II Composite		1.40%	2.44%	3.19%	3.70%							

Source: NPS Trust

Atal Pension Yojana	nps national pension system #Zaruri Hai	nps Vatsalya