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# GUARDIAN OF RETIREMENT ASSETS: NATIONAL PENSION SCHEME

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## ABSTRACT

This in-depth research focuses at the National Pension Scheme (NPS) and other retirement investment vehicles, comparing and contrasting their legislative underpinnings, structures, and operational elements with investing techniques. The first part of the study examines the legal foundations of NPS standards, providing a solid platform for further investigation. It gives a thorough rundown of NPS, emphasizing its salient characteristics and workings. The report provides an analysis of NPS's investment methods and risk management, providing valuable insights into the organization's efficacy in asset generation. Additionally, it compares the NPS to other retirement investment vehicles, such as the Public Provident Fund (PPF) and the Employee Provident Fund (EPF), evaluating the pros and cons of each as well as their legal features. The study ends with policies and recommendations based on learned lessons, with the goal of improving investment flexibility and legal protections within the NPS framework and adding to the conversation about retirement investment possibilities.

**Keywords:** National Pension Scheme, Employee Provident Fund, Public Provident Fund

## LEGAL FOUNDATION OF NATIONAL PENSION SCHEME STANDARDS

India's government-sponsored National Pension System (NPS) was created to give its people access to retirement income. The Pension Fund Regulatory and Development Authority (PFRDA) its regulation, and workers from the public, private, and unorganized sectors are eligible to apply. The plan provides two account types: Tier-I, an obligatory pension account with withdrawal limitations, and Tier-II, a savings account that can be opened voluntarily and has no such limitations. All Indian residents, including Non-Resident Indians (NRIs) and Overseas residents of India (OCIs), between the ages of 18 and 70, are eligible to join NPS. Employees in the public, private, and unorganized sectors can also access it. The plan is renowned for being transparent, affordable, and flexible, which makes it a useful tool for increasing retirement income. An annuity is required to be purchased using a portion of the corpus upon retirement in order to provide the pensioner with a regular income. The E-NPS portal, [enps.nsdl.com](https://enps.nsdl.com), and the NPS website, [npstrust.org.in](https://npstrust.org.in), offer comprehensive details about the program, including the prerequisite paperwork, advantages, and registration procedure.<sup>1</sup> The Central Government's social security program is called the National Pension Scheme (NPS). Employees in the public, private, and even unorganized sectors are eligible for this pension plan, with the exception of those in the military forces. Throughout their career, the program encourages participants to make regular contributions to a pension account. The subscribers may withdraw a certain portion of the corpus upon retirement.<sup>2</sup> After you retire, the balance will be paid to you as an NPS account holder as a monthly pension. Formerly, only employees of the Central Government were covered by the NPS plan. Employees of the Central Government hired on or after January 1, 2004, are required to be covered by the NPS. But as of right now, the PFRDA is voluntary and available to all Indians.<sup>3</sup>

## RETIREMENT PLANNING AND THE NEED FOR REGULATORY FRAMEWORK

The legislative, regulatory, and judicial landscapes have a complex web of influences on retirement planning. The Biden administration's latest proposal for a retirement security rule has generated discussion in the US. Both support and opposition have been voiced over the new rule, which aims to protect employees' retirement money from conflicting advice.

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<sup>1</sup> "National Pension System" - Pension Fund Regulatory and Development Authority (PFRDA) Available at <https://enps.nsdl.com/eNPS/NationalPensionSystem.html> Lasted visited on 7th February, 2024

<sup>2</sup> Mukul G. Asher and Atsuhiko Yamada, *Pension Reforms in India: Retrospect and Prospect*, Springer, 2016

<sup>3</sup> National Pension Scheme, Available at <https://cleartax.in/s/nps-national-pension-scheme>: <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 7<sup>th</sup> February, 2024

Concerns have been raised by groups like the Insured Retirement Institute (IRI) regarding the rule's possible detrimental effects on financial advisors and retirees. This demonstrates the persistent conflict between the necessity of rules to safeguard retirement assets and the possible effects of those restrictions on different stakeholders.<sup>4</sup> There are additional changes in the field of retirement planning on a more general legal and regulatory level. To make sure that retirement plans comply with federal rules, the Internal Revenue Service (IRS) and the U.S. Department of Labor (DOL) regularly undertake audit projects, propose regulations, and issue recommendations. These initiatives include topics including enforcement actions, cybersecurity best practices, and the application of federal retirement regulations to investment advice regarding ERISA-covered plans and Internal Revenue Code-covered plans.<sup>5</sup> One of the biggest retirement planning initiatives in India is the National Pension System (NPS). Established in 2004, the National Pension System (NPS) strives to install the habit of saving for retirement while providing retirement income to all citizens. It provides a clear and affordable pension contribution structure for people in a range of industries, including the unorganized sector. The Pension Fund Regulatory and Development Authority (PFRDA), which was founded to oversee and advance the nation's pension industry, is in charge of overseeing the NPS. Expanding the NPS to include all citizens—including those in the unorganized sector—reflects a deliberate attempt to increase retirement savings that are voluntary and to extend social security.<sup>6</sup> Thus, the dynamics of retirement planning are closely related to how regulations are changing. Retirement security is a complex issue, as seen by the interaction of proposed laws, legislative actions, and regulatory monitoring in nations like the US and India. A fair and efficient regulatory framework must be fostered by carefully navigating the possible ramifications and stakeholder perspectives, even as regulatory actions are intended to improve the protection and inclusivity of retirement plans.<sup>7</sup>

## EVOLUTION OF PENSION SYSTEMS

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<sup>4</sup> Expert, An. "An Expert Evaluates the Recently Proposed Retirement Security Rule." *Journal of Retirement Security* no.2 (2023): 45-62, Available at <https://enps.nsdl.com/eNPS/NationalPensionSystem/>, Last visited on 7th February, 2024

<sup>5</sup>NSDL - NPS Prosperity Planner, Available at <https://www.npscra.nsdl.co.in/NPS%20Prosperity%20planner/>, Last visited on 7th February, 2024

<sup>6</sup>NSDL - NPS Prosperity Planner Available at <https://www.india.gov.in/spotlight/national-pension-system-retirement-plan-all>, Last Visited on 7<sup>th</sup> February

<sup>7</sup>National Portal of India, Available at <https://www.india.gov.in/spotlight/national-pension-system-retirement-plan-all>, Last visited on 7<sup>th</sup> of February, 2024

The development of pension systems has garnered considerable attention on a worldwide scale, with several nations observing notable modifications to their retirement structures. Globally, the structure of pension schemes has changed, usually consisting of three pillars. Basic social pensions that are non-contributory and primarily funded by the government comprise the first pillar. Occupational contributing pension plans, which might be required or optional, make up the second pillar. Individual savings and optional pension plans are the focal points of the third pillar. For example, the National Pension System (NPS), which offers a market-linked voluntary contribution plan to assist people in saving for retirement, significantly changed the Indian pension system when it was introduced in 2004. This strategy is one of the most effective strategies to increase retirement income because of its simplicity, systematic structure, portability, and adaptability.<sup>8</sup> Another noteworthy development is the recent proposal for a retirement security rule by the US Department of Labor. The purpose of the new rule is to better shield employees' retirement funds from contradictory advice. It has, nevertheless, generated discussion, with some voicing worries about its possible effects on financial advisors and retirement investors.<sup>9</sup> A emphasis has also been placed on the legislative, regulatory, and judicial prospects for retirement plans in 2022. New regulations and SECURE 2.0 measures are only a couple of the anticipated events that could have an impact on retirement benefits. Among other things, these improvements are meant to promote the usage of qualified longevity annuity contracts (QLACs) and establish a "lost and found" database for the purpose of locating retirement savings.<sup>10</sup> Social security concerns, economic situations, and demographic shifts have all influenced the development of pension systems.<sup>11</sup> The transition from defined benefit to defined contribution plans has been a major advancement in many nations. Defined contribution plans, which are market-linked and rely on the performance of the underlying investments, have supplanted defined benefit plans, which provide a set retirement income guarantee. Individuals now have more obligation to manage their accounts and save for

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<sup>8</sup> " Pension Fund Regulatory and Development Authority (PFRDA), PFRDA(WPS):2022-23(1). Available at <https://www.pfrda.org.in/myauth/admin/showing.cshtml?ID=2170>, Last visited on 8th of February, 2024

<sup>9</sup> Expert, An. "An Expert Evaluates the Recently Proposed Retirement Security Rule." *Journal of Retirement Security* 7, no. 2 (2023): 45-62, Available at <https://www.thestreet.com/retirement-daily/saving-investing-for-retirement/an-expert-evaluates-the-recently-proposed-retirement-security-rule>, Last visited on 8th of February, 2024

<sup>10</sup>"2022 Legislative, Regulatory and Judicial Outlook for Retirement Plans" – Mercer, Available at <https://www.mercer.com/insights/law-and-policy/2022-legislative-regulatory-and-judicial-outlook-for-retirement-plans/>, Last visited on 8th of February

<sup>11</sup> Aggarwal, Ashish, Devesh Kumar, *The New Pension system in India and how to make it work?* Sage Publications Private Limited, 2019

retirement as a result of this change.<sup>12</sup> Over the years, the pension system in India has experienced substantial modifications. 1952 saw the introduction of the Employees' Provident Fund (EPF), and 1995 saw the introduction of the Employees' Pension Scheme (EPS). Employees in the organized sector received a defined benefit pension from the EPS. But the EPS has problems, such minimal coverage and insufficient money. In order to assist the people and save for retirement, the NPS was introduced in 2004 and is a voluntary contribution program that is tied to the market. Because of its affordability, adaptability, and transparency, the NPS has grown in favour and is now available to all residents, including those in the unorganized sector.<sup>13</sup> One important component of retirement security in the US has been the Social Security system. Regarding the system's long-term viability, nonetheless, suggestions for changes have been made. Passed in 2019, the SECURE Act sought to raise the age at which mandated minimum payouts must be taken out as well as enhance access to retirement savings accounts. The goal of the proposed SECURE 2.0 bill is to expand upon the features of the SECURE Act<sup>14</sup> while implementing additional policies like catch-up payments and automatic enrolment for those over 60 years of age.<sup>15</sup>

### **LEGAL FOUNDATIONS OF NPS REGULATIONS**

The policies and laws that oversee the National Pension Scheme (NPS) in India form its legal basis. The Pension Fund Regulatory and Development Authority (PFRDA) oversees the NPS, which is an elective long-term investment plan for retirement. All Indian residents between the ages of 18 and 70 are eligible for the program, including non-resident Indians (NRIs) and overseas citizens of India (OCIs). Employees in the public, private, and unorganized sectors are also eligible.<sup>16</sup> The rules that control the NPS are made to guarantee openness, adaptability, and adherence to the law. To help people understand their predicted monthly pension amount and provide appropriate forecasts based on accelerated yearly contributions to establish sufficient corpus for retirement, the NPS offers a tailored planning calculator called the NPS

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<sup>12</sup> Same-origin policy - Security on the web | MDN, Available at [https://developer.mozilla.org/en-US/docs/Web/Security/Same-origin\\_policy](https://developer.mozilla.org/en-US/docs/Web/Security/Same-origin_policy), Last visited on 8th of February, 2024

<sup>13</sup> Pensions in India, Available at [https://en.wikipedia.org/wiki/Pensions\\_in\\_India](https://en.wikipedia.org/wiki/Pensions_in_India), Last visited on 8<sup>th</sup> of February, 2024

<sup>14</sup> Secure Act 2.0 is broad legislation designed to help Americans save for their future through provisions that aim to expand access to retirement plans, increase savings opportunities for employees and streamline administration of employer-sponsored retirement plans, including 401k plans.

<sup>15</sup> Ibid.

<sup>16</sup> ClearTax: What is National Pension Scheme, Benefits, Eligibility and Returns, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 8th of February, 2024

Prosperity Planner (NPP).<sup>17</sup> The Pension Fund Regulatory and Development Authority (PFRDA) created and oversees the legal provisions that govern India's National Pension System (NPS). The NPS is a defined-contribution pension plan designed to give every person access to retirement income. The PFRDA Act of 2013, which established the PFRDA as the regulatory agency for the pension sector in India, essentially outlines the legal foundation for the NPS. Furthermore, the NPS is subject to a number of PFRDA-issued rules and modifications, including the PFRDA (National Pension System Trust) (Amendment) Regulations, 2023.<sup>18</sup> The NPS was launched on January 1, 2004, with the objective of extending old-age security coverage to all citizens and inculcating the habit of saving for retirement. The system has evolved to cover all Indian citizens, including self-employed professionals and those in the unorganized sector, on a voluntary basis since May 1, 2009. The legal and regulatory framework for the NPS is designed to provide a transparent, flexible, and cost-effective platform for pension contributions, with the aim of fostering a culture of saving for retirement among individuals.<sup>19</sup> The Pension Fund Regulatory and Development Authority (PFRDA) has produced a number of legal legislation and rules that regulate the National Pension System (NPS) in India. The main legislative foundation for the NPS is the PFRDA Act of 2013<sup>20</sup> which created the PFRDA as the Indian pension industry's governing agency. Additionally, the PFRDA has published a number of laws and modifications that govern the NPS, including the PFRDA (National Pension System Trust) (Amendment) laws, 2023. Transparency, adaptability, and adherence to the law are the goals of these regulations.

The Federal Employees' Retirement System Act of 1986 in the United States provided provisions for crediting the service of persons who transfer across government retirement systems, and is one of the other legislative acts and regulations that affect retirement planning and pension systems. The United States' legislative, regulatory, and judicial outlook for retirement plans in 2022 anticipates changes such SECURE 2.0 legislation, new regulations, and promotion of qualified longevity annuity contracts (QLACs).<sup>21</sup> Contributions to Tier I and Tier II accounts are made easier and individual pension accounts under the NPS can be opened in India through the eNPS portal. The website also provides a customized planning tool called

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<sup>17</sup> NPS Trust: NPS Prosperity Planner, Available at <https://www.npsra.nsdl.co.in/NPS%20Prosperity%20planner/>, Last visited on 8th of February, 2024

<sup>18</sup> PFRDA (National Pension System Trust) (Amendment) Regulations, 2023.

<sup>19</sup> Ibid.

<sup>20</sup> PFRDA Act of 2013

<sup>21</sup> The Federal Employees' Retirement System Act, 1986

the NPS Prosperity Planner (NPP), which helps users comprehend the expected monthly pension amount and offers suitable estimates based on accelerated annual contributions to create a big enough corpus for retirement.<sup>22</sup>

In *RPFC & Ors. vs. Union of India & Ors. (2015)*, several of the NPS's governing provisions—the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013—were contested as unconstitutional. In the end, the Supreme Court maintained the Act's validity, but it also made some significant rulings on subscribers' rights and the PFRDA's function.<sup>23</sup> In *Capt. (Dr.) R.K. Pandey vs. Union of India & Ors.*<sup>24</sup>, the matter that was concerned was whether personnel covered by the NPS might use the Central Civil Services (Pension) Rules, 1972. The Supreme Court ruled that because the NPS was a unique program with its own set of regulations, these laws did not apply to NPS subscribers.

## **ROLE OF NATIONAL PENSION SYSTEM (NPS) IN RETIREMENT WEALTH MANAGEMENT**

The National Pension System (NPS) plays a significant role in retirement wealth management, offering a dedicated investment plan tailored for retirement. The NPS is a voluntary, long-term investment plan that was created by the Pension Fund Regulatory and Development Authority (PFRDA) in 2004 with the goals of facilitating systematic savings and offering a consistent pension upon retirement. It is provided to workers in the public, private, and unorganized sectors and is open to all Indian residents aged 18 to 70, including Non-Resident Indians (NRIs) and Overseas residents of India (OCIs).<sup>25</sup>

## **OVERVIEW OF NATIONAL PENSION SCHEME (NPS)**

In India, the National Pension System (NPS) is a long-term, voluntary retirement savings program. It is available to non-resident Indians (NRIs) and Indians living abroad, as well as workers in the public, private, and unorganized sectors. Throughout their working lives, participants in the system can make regular contributions to a pension account while having

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<sup>22</sup> eNPS, Available at <https://enps.nsdl.com/eNPS/NationalPensionSystem.html>, Last visited on 8<sup>th</sup> February, 2024

<sup>23</sup> **RPFC & Ors. vs. Union of India & Ors. (2015):2015 (65) DR 551**

<sup>24</sup> *Capt. (Dr.) R.K. Pandey v. Union of India & Ors. (2020) SCC Online SC 523*

<sup>25</sup> National Portal of India, Available at <https://www.india.gov.in/spotlight/national-pension-system-retirement-plan-all>, Last visited on 8<sup>th</sup> February, 2024

the freedom to select from a variety of investment options.<sup>26</sup> When they retire, members have the option to take out a lump sum from the corpus and use the rest to buy an annuity, which pays out on a regular basis. The NPS gives tax advantages under Sections 80C and 80CCD<sup>27</sup> and is transferable between occupations and places. In comparison to most benchmarks, the scheme's 9–12% returns are seen favourable, and it is tied to the market.<sup>28</sup>

The NPS's inexpensive structure and flexibility in investment possibilities make it a strong choice for retirement planning when compared to other pension systems. The NPS is a defined contribution plan with market-linked returns, which gives it an advantage over traditional pension systems in terms of prospective returns when compared to pension systems in other nations.<sup>29</sup> It's crucial to remember that pension systems differ greatly throughout the world, with some of the greatest ones found in nations like Israel, Denmark, and the Netherlands.<sup>30</sup>

## **HISTORICAL DEVELOPMENT OF NPS**

One example of India's changing approach to ensuring its residents' financial security in old age is the National Pension System (NPS). Initially implemented in 2003 as a defined contribution pension plan for recently hired government employees, the National Pension System (NPS) has had a significant metamorphosis to evolve into a nationwide endeavour that spans several industries and goals.<sup>31</sup> The first few years, from 2003 to 2009, set the stage. The regulatory framework was established with the creation of the Pension Fund Regulatory and Development Authority (PFRDA), and the initial rollout in the government sector acted as a pilot testing ground. An important turning point occurred in 2009 when the NPS welcomed inclusion and welcomed all Indian citizens. This ruling aimed to give people more control over their retirement planning while acknowledging the shortcomings of conventional pension

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<sup>26</sup> National Pension Scheme- ClearTax, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited 9<sup>th</sup> of February, 2024

<sup>27</sup> Income Tax Act, 1961

<sup>28</sup> National Pension Scheme 2024 (NPS) – Govt Approved Pension Scheme, Available at <https://www.policybazaar.com/life-insurance/pension-plans/nps-national-pension-scheme/>, Last visited on 9<sup>th</sup> February, 2024

<sup>29</sup> Ranked: The Best and Worst Pension Plans, by Country, Available at <https://www.visualcapitalist.com/ranked-the-best-and-worst-pension-plans-by-country/>, Last visited 9<sup>th</sup> of February, 2024

<sup>30</sup> Ibid.

<sup>31</sup> Pension Fund Regulatory and Development Authority of India (PFRDA) Available at <https://www.pfrda.org.in/>, Last visited on 9<sup>th</sup> February, 2024



plans.<sup>32</sup> Over the next ten years, numerous initiatives were implemented to increase participation and provide incentives for enrolling. (2010)'s auto-inclusion of new hires under NPS and EPF guaranteed automatic coverage for a sizeable portion. 2011's increased tax advantages added appeal to the plan, and 2012's NPS-Lite addressed the concerns of low-income individuals. In 2015, auto-inclusion was expanded to include current workers in specific industries, indicating the government's intention to increase coverage.<sup>33</sup> However, there were issues with the NPS. Regulations were complicated, awareness was still low, and participation—especially in the unorganized sector—lagged behind expectations. Acknowledging these needs, the NPS implemented advances. More withdrawal options were provided by NPS Tier-II (2017), which drew investors looking for a balance between security and liquidity. (2018) Higher government contributions for new hires guaranteed a larger retirement corpus. In 2019, the NPS extended its outreach by accepting NRIs, showcasing its global perspective. In order to improve liquidity, a crucial concern was addressed by allowing partial withdrawals from Tier-1 accounts starting at age 60 (2020). Even though the planned NPS (2021) auto-inclusion of all new EPF members was postponed, it still demonstrated the ongoing attempts to increase coverage.<sup>34</sup> With more than 5 crore users and a corpus of more than Rs. 8 lakh crore the NPS has advanced significantly in the present day. Still, the voyage goes on. Important objectives include addressing concerns about long-term lock-in periods, streamlining procedures, and increasing knowledge of the benefits of the system. It's still difficult to reach out to the large informal sector; new approaches and collaborations are needed.

The NPS makes a substantial economic contribution to the country in addition to its function in personal financial security. Its market-linked investments support economic growth by directing long-term savings toward capital formation. The NPS facilitates participation in the formal economy by empowering people, especially those in the informal sector, through the promotion of financial inclusion.<sup>35</sup> In the future, the NPS has a ton of promise. Its reach may be further increased by utilizing technology to make it more accessible, providing a range of

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<sup>32</sup> India's National Pension System (NPS): An Analysis of Its Progress and Challenges" by World Bank Group, Available at <https://www.worldbank.org/en/news/feature/2019/11/25/schemes-to-systems-mind-gap-ageing-pensions>, Last visited on 9th February, 2024

<sup>33</sup> Ibid

<sup>34</sup> National Pension System Trust (NPST), Available at <https://www.npstrust.org.in/>, Last visited on 9th February, 20

<sup>35</sup> National Pension System, Available at <https://www.india.gov.in/spotlight/national-pension-system-retirement-plan-all>, Last visited on 9<sup>th</sup> of February, 2024

investment options to suit different risk tolerances, and looking into creative alliances with state governments and financial institutions. It will be essential to continuously improve regulations, streamline onboarding procedures, and solve liquidity issues in order to foster participation and foster trust. The narrative of NPS is one of constant evolution and adaptability. The program, which was initially designed for government workers and is now available to all people of India, is a testament to that country's commitment to creating a safe and secure retirement plan.<sup>36</sup> The National Pension System (NPS) has the potential to significantly impact people's lives and boost India's economy as a whole as the country develops.<sup>37</sup> The NPS can open a promising chapter in India's progress toward a future in which everyone can enjoy financial security in retirement by tackling current issues and welcoming innovation.<sup>38</sup> In *M/s. Birla Corporation Ltd. & Anr. vs. Union of India & Ors*, the question in this case was whether workers who chose to participate in the NPS might also be eligible for gratuities under the Payment of Gratuity Act of 1950.<sup>39</sup> The Supreme Court ruled that because the NPS was a different and distinct retirement benefit plan, these employees were not entitled to gratuities.<sup>40</sup> In *Shri Ram Nath Rai v. Union of India & Ors.*,<sup>41</sup> The question in this case was whether workers who choose the NPS might still get benefits from the Employees' Deposit Linked Insurance Scheme (EDLI). The Supreme Court decided that because the NPS was not a "approved scheme" under the EDLI Act, NPS subscribers were not entitled to EDLI benefits.<sup>42</sup> The National Pension System (NPS) is a government-sponsored pension scheme in India, launched in 2004, with the objective of providing old age income security to Indian citizens. It is a voluntary, long-term retirement savings scheme designed to enable systematic savings during the subscriber's working life. The scheme is regulated by the Pension Fund Regulatory and Development Authority (PFRDA), which was established in 2003.<sup>43</sup> In 2009, the NPS was made available to all individuals after it was first used for recently hired government employees. It is available to anyone between the ages of 18 and 70, both Indian citizens and foreign nationals. The NPS is one of the most accessible pension plans in the nation

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<sup>36</sup> What is National Pension Scheme, Benefits, Eligibility and Returns – ClearTax, Available at <https://cleartax.in/glossary/national-pension-scheme-nps>, Last visited on 9<sup>th</sup> of February, 2024

<sup>37</sup> Rahul Mukherjee, *National Pension System: Design, Regulation, and Risk Management*, Oxford University Press, 2020

<sup>38</sup> Ibid

<sup>39</sup> Payment of Gratuity Act, 1950

<sup>40</sup> *M/s. Birla Corp. Ltd. & Anr. v. Union of India & Ors.* (2014) SCC Online SC 295

<sup>41</sup> *Shri Ram Nath Rai v. Union of India & Ors.* (2018) SCC Online SC 1594

<sup>42</sup> Employees Provident Fund and Miscellaneous Provisions Act, 1952

<sup>43</sup> National Pension Scheme, Available at <https://economictimes.indiatimes.com/mf/nps-national-pension-scheme>, Last visited on 10<sup>th</sup> of February

because of its inclusivity.<sup>44</sup> The adaptability of the NPS is one of its main advantages. Members are free to select the amount they wish to contribute as well as the manner in which they wish their money to be allocated. They have some control over their investment portfolio because they can choose from a variety of asset types, including government securities, corporate bonds, and stocks. When they retire, members can take out a portion of the corpus in one lump sum, with the remaining funds going toward buying an annuity that pays out pensions on a regular basis. This guarantees people's financial security throughout their retirement years.<sup>45</sup> Non-Resident Indians (NRIs) may also access the NPS, provided they comply with the rules and regulations established by the Foreign Exchange Management Act (FEMA)<sup>46</sup> and the Reserve Bank of India (RBI). This guarantees the financial security of NRIs after retirement and enables them to reap the benefits of the scheme.<sup>47</sup>

### **KEY FEATURES AND COMPONENTS OF NPS**

In India, the National Pension System (NPS) is a long-term, voluntary retirement savings program. It is available to non-resident Indians (NRIs) and Indians living abroad, as well as workers in the public, private, and unorganized sectors. Throughout their working lives, participants in the system can make regular contributions to a pension account while having the freedom to select from a variety of investment options.<sup>48</sup> When they retire, members have the option to take out a lump sum from the corpus and use the rest to buy an annuity, which pays out on a regular basis. The NPS gives tax advantages under Sections 80C and 80CCD and is transferable between occupations and places. In comparison to most benchmarks, the scheme's 9–12% returns are seen favourable, and it is tied to the market.<sup>49</sup>

The following are the main attributes and elements of the NPS:

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<sup>44</sup> Document on Important initiatives under NPS by the Government of India, Available at [https://pensionersportal.gov.in/Document/Important\\_initiatives\\_under\\_NPS.pdf](https://pensionersportal.gov.in/Document/Important_initiatives_under_NPS.pdf), Last visited on 10th of February, 2024

<sup>45</sup> Wikipedia page on National Pension System, Available at [https://en.wikipedia.org/wiki/National\\_Pension\\_System](https://en.wikipedia.org/wiki/National_Pension_System), Last visited on 10th of February, 2024

<sup>46</sup> Foreign Exchange Management Act, 2000

<sup>47</sup> FAQs on National Pension System for Non-Resident Indians by the Ministry of External Affairs, Government of India, Available at <https://economictimes.indiatimes.com/mf/nps-national-pension-scheme>, Last visited on 10th of February, 2024

<sup>48</sup> What is National Pension Scheme, Benefits, Eligibility and Returns, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 9th of February, 2024

<sup>49</sup> NPS - National Pension Scheme, Available at <https://www.icicidirect.com/national-pension-scheme>, Last visited on 9th February, 2024

Accounts in Tiers I and II: Tier I and Tier II accounts are the two categories that the NPS offers. To join NPS, a Tier I account is required. The investment has conditional withdrawals and tax benefits, and it is locked in until the age of 60. The Tier II account has flexible withdrawal and exit policies, no lock-in period for investments, and is optional.<sup>50</sup>

Investment alternatives: Equity, Corporate Bonds, Government Securities, and Alternative Assets are among the alternatives available to subscribers for their investments. This gives people freedom and enables them to maximize returns in accordance with their comfort level with different kinds of assets and fund managers.<sup>51</sup>

Tax Benefits: Under Sections 80C and 80CCD of the Income Tax Act of 1961, the NPS provides tax benefits. Because of this, it's a desirable choice for people who want to reduce their tax burden while saving for retirement.<sup>52</sup>

Low-Cost Structure: The NPS has annual investing costs of less than 0.09%, making it one of the least expensive investment options around.<sup>53</sup>

Portability: Regardless of changes in work, city, or state, the NPS account and the Permanent Retirement Account Number (PRAN) stay the same. This makes the plan adaptable to different vocations and environments.<sup>54</sup> Annuity Purchase: To ensure consistent income throughout retirement, a portion of the corpus might be taken out as a lump sum and the remaining amount invested in an annuity plan.<sup>55</sup> Regulation and Governance: Transparent norms govern the NPS, which is overseen by the Pension Fund Regulatory and Development Authority (PFRDA). Through routine monitoring, the NPS Trust makes sure that the guidelines are being followed.<sup>56</sup>

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<sup>50</sup> What is National Pension Scheme, Benefits, Eligibility and Returns, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 9<sup>th</sup> of February, 2024

<sup>51</sup> National Pension Scheme (NPS), Available at <https://groww.in/p/savings-schemes/national-pension-scheme>, Last visited on 9<sup>th</sup> of February, 2024

<sup>52</sup> What is National Pension Scheme, Benefits, Eligibility and Returns, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 9<sup>th</sup> of February, 2024

<sup>53</sup> What is National Pension Scheme, Benefits, Eligibility and Returns, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 9<sup>th</sup> of February, 2024

<sup>54</sup> NPS Scheme - National Pension System, Available at <https://www.hdfcbank.com/personal/invest/nps-national-pension-system>, Last visited on 9<sup>th</sup> of February, 2024

<sup>55</sup> What is National Pension Scheme, Benefits, Eligibility and Returns, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 9<sup>th</sup> of February, 2024

<sup>56</sup> NPS Scheme - National Pension System, Available at <https://www.hdfcbank.com/personal/invest/nps-national-pension-system>, Last visited on 9<sup>th</sup> of February, 2024

## INVESTMENT STRATEGIES AND RISK MANAGEMENT

India's premier pension plan, the National Pension Scheme (NPS), was created to give participants assurance over their retirement income. Achieving long-term financial goals inside NPS requires effective risk management. NPS risk management comprises detecting, evaluating, and reducing possible risks to investment returns. Periodically assessing risk tolerance, portfolio composition, and market dynamics should all be part of this process. Investors can use a variety of tools and strategies, such as portfolio analysis software, historical market data, quantitative approaches, and qualitative evaluations, to effectively manage risks. A deep comprehension of behavioural biases, market dynamics, and investment concepts is necessary for effective risk management in NPS. By utilizing a variety of risk management techniques, including diversification, downside risk reduction, and behavioural finance awareness, investors can successfully traverse difficult market conditions and realize their financial objectives.<sup>57</sup>

To navigate the complicated world of investing effectively, risk management must be approached from all angles. We go more deeply into particular tactics in this extended section to enable NPS investors to maximize returns while reducing vulnerability to unfavourable outcomes.

- **Diversification:** Concentration risk is decreased by diversifying your portfolio among several asset classes and industries. Investing across a variety of asset classes might help investors potentially achieve higher returns and reduce overall volatility. One way to manage risk and reward is to divide your money across debt, equities, and alternative investments like commodities or real estate.<sup>58</sup>
- **Asset Allocation:** Determining the ideal percentage of each type of asset to have in a portfolio based on personal risk tolerance and predicted returns is known as asset allocation. Maintaining the appropriate asset mix during shifting market conditions can be achieved by routinely rebalancing the portfolio. A framework for risk management is offered by optimal asset allocation, which also increases the probability of achieving long-term financial objectives.<sup>59</sup>

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<sup>57</sup> Investment Risk Management Strategies & Tips, Available at <https://esoftskills.com/fs/investment-risk-management/>, Last visited on 22<sup>nd</sup> February, 2024

<sup>58</sup> 51. Ibid.

<sup>59</sup> Handbook of integrated risk management in global supply chains, Available at <https://www.kellogg.northwestern.edu/faculty/vanmieghem/articles/vanmieghemhandbookchapterriskhedgingwi leyaugust42010.pdf>, Last visited on 22<sup>nd</sup> February, 2024

- **Control of Volatility:** In general, lower volatility means lower risk. By choosing low-volatility stocks or fixed-income instruments, investors can reduce volatility. Hedging techniques like buying put options and using inverse exchange-traded funds (ETFs) can also help reduce exposure to large swings in stock prices.<sup>60</sup>
- **Mitigation of Downside Risk:** Investors need to be ready to absorb big losses when they happen. Protecting against catastrophic losses can be achieved by putting downside risk mitigation techniques into practice, such as creating a maximum loss strategy. Reducing downside risk can also be achieved by avoiding high-risk assets and limiting leverage.<sup>61</sup>
- **Orders for limits and stop-losses:** Investors can only purchase or sell assets at predetermined prices thanks to limit orders, which shield them from incurring large losses as a result of unexpected market declines. Similar to this, when specific predetermined levels are reached, sales are automatically triggered by stop-loss orders. In volatile markets, these order types are useful instruments for reducing risk and safeguarding capital.<sup>62</sup>
- **Maximum Loss Scheme:** Investors can define boundaries that they will not tolerate losses beyond by establishing a maximum loss threshold for each investment. An investor may choose to liquidate their position or take corrective action if their investment drops below the predetermined threshold. A well-thought-out maximum loss plan protects against unforeseen losses.<sup>63</sup>
- **Behavioural Finance Consideration:** Behavioural biases that influence investment decision-making processes negatively include confirmation bias and herd mentality. Making wise investing decisions requires awareness of and control over these biases. To avoid frequent behavioural mistakes, adopt a disciplined investment plan and seek professional counsel.<sup>64</sup>
- **Adherence to Regulations:** Effective risk management necessitates adherence to legal regulations. Practices that are not in compliance may result in harsh fines and legal

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<sup>60</sup> Effective Risk Management Strategies for Investors: A Comprehensive Guide to Managing Investment Risks and Enhancing Portfolio Performance, Available at <https://www.linkedin.com/pulse/effective-risk-management-strategies-investors-guide-risks-malmberg/>, Last visited on 22<sup>nd</sup> February, 2024

<sup>61</sup> Investment Risk Management Strategies & Tips, Available at <https://esoftware.com/fs/investment-risk-management/>, Last visited on 22<sup>nd</sup> February, 2024

<sup>62</sup> Handbook of integrated risk management in global supply chains, Available at <https://www.kellogg.northwestern.edu/faculty/vanmieghem/articles/vanmieghemhandbookchapterriskhedgingwileyaugust42010.pdf>, Last visited on 22<sup>nd</sup> February, 2024

<sup>63</sup> Investment Risk Management Strategies & Tips, Available at <https://esoftware.com/fs/investment-risk-management/>, Last visited on 22<sup>nd</sup> February, 2024

<sup>64</sup> The Hidden Risks in Emerging Markets, Available at <https://hbr.org/2010/04/the-hidden-risks-in-emerging-markets>, Last visited on 22<sup>nd</sup> February, 2024

repercussions. Effective risk management requires keeping up with the latest laws and regulations and making sure that compliance is maintained.<sup>65</sup>

A deep comprehension of behavioural biases, market dynamics, and investment concepts is necessary for effective risk management in NPS. By utilizing a variety of risk management techniques, including diversification, downside risk reduction, and behavioural finance awareness, investors can successfully traverse difficult market conditions and realize their financial objectives.

## **COMPARATIVE STUDY OF NPS AND OTHER RETIREMENT SCHEMES**

In order to properly plan for retirement, people must do a comparison analysis of the Public Provident Fund (PPF) and Employee Provident Fund (EPF), two major retirement investment vehicles. The purpose of this paper is to give investors a thorough grasp of the features and benefits of various schemes by clarifying the differences and similarities between them.

Through the government-sponsored NPS pension plan, people can make systematic investments while they are employed and receive regular payments when they retire. It provides a range of flexible investment options to suit different risk tolerances, including as corporate bonds, government securities, and stock. NPS also offers tax advantages under Section 80C<sup>66</sup> and permits partial withdrawals for designated uses following a predetermined lock-in period.<sup>67</sup>

## **COMPARISON OF NPS AND EPF**

The Employee Provident Fund (EPF) and the National Pension Scheme (NPS) are two well-known retirement savings plans in India, each having unique characteristics and advantages. For paid workers in the private sector, the Employee Provident Fund (EPF) is an obligatory program that necessitates a 12% employer and employee contribution. It provides a fixed interest rate established by the government together with a guaranteed tax-free investment.<sup>68</sup>

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<sup>65</sup> New strategies for risk management in private equity, Available at <https://www.capdyn.com/Customer-Content/www/news/PDFs/capdyn-new-strategies-for-risk-management-in-pe.pdf>, Last visited on 22<sup>nd</sup> February, 2024

<sup>66</sup> Income Tax Act, 1961

<sup>67</sup> Pension Fund Regulatory Development Authority Website, Available at <https://www.pfrda.org.in/> Last Visited on 9<sup>th</sup> March, 2024

<sup>68</sup> Official website of the Employees' Provident Fund Organisation (EPFO), Available at [https://www.epfindia.gov.in/site\\_en/](https://www.epfindia.gov.in/site_en/) Last visited on 9<sup>th</sup> March, 2024

On the other hand, the NPS is a voluntary program that is accessible to all Indian residents, even those who work for themselves. It allows for flexibility in contribution levels, with a Rs 6,000 minimum and no maximum. With NPS, investors can select their asset allocation according to their risk tolerance and investing objectives, potentially resulting in longer-term, greater returns. While NPS contains a risk component because profits are contingent on the scheme's performance in the market, EPF offers a safe investment alternative with no risk involved.<sup>69</sup>

In terms of eligibility, NPS is available to all Indian citizens, giving people more freedom to save for their retirement, whereas EPF is required for salaried workers. While contributions to EPF are limited to 12% of the base monthly pay, NPS offers investors greater flexibility in terms of investment quantities, allowing them to contribute as per their financial ability. Regarding tax benefits, NPS gives a total tax benefit of up to Rs 2 lakhs under Sections 80CCD (1) and 80CCD (2), making it potentially more tax-efficient for higher-income individuals than EPF<sup>70</sup>, which allows a tax deduction of up to Rs 1.5 lakh under Section 80C of the Income Tax Act.<sup>71</sup>

In conclusion, different investor preferences and financial goals are served by EPF and NPS. For those who prefer steadiness in their retirement savings and are risk averse, EPF offers a safe, tax-free investment with fixed returns. On the other hand, investors who are prepared to take on some risk in exchange for possibly larger returns may find that NPS offers flexibility, growth potential, and returns tied to the market. The decision between NPS and EPF is influenced by a number of variables, including risk tolerance, investment objectives, the need for tax planning, and personal financial situation. Getting advice from a financial advisor can help ensure that the choice you make is well-informed and fits your needs and preferences.

## **COMPARISON OF NPS AND PPF**

The Public Provident Fund (PPF) and the National Pension Scheme (NPS) are two well-known government-backed savings programs in India, each with special advantages and goals. While

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<sup>69</sup> Pension Fund Regulatory and Development Authority (PFRDA), Available at <https://www.npsra.nsdli.co.in/> Last visited on 9<sup>th</sup> March, 2024

<sup>70</sup> EPFO's official portal for member services and information, Available at <https://unifiedportal-mem.epfindia.gov.in/memberinterface/> Last visited on 9<sup>th</sup> March, 2024

<sup>71</sup> Income Tax Act, 1961



the PPF is a fixed return savings plan that addresses long-term savings and offers tax advantages, the NPS is a market-linked pension savings vehicle designed to provide retirement benefits.

When it comes to Safety and Returns, the Public Provident Fund (PPF) and the National Pension Scheme (NPS) are two well-known government-backed savings programs in India, each with special advantages and goals. While the PPF is a fixed return savings plan that addresses long-term savings and offers tax advantages, the NPS is a market-linked pension savings vehicle designed to provide retirement benefits.<sup>72</sup>

When it comes to Taxation and Investment Limits, Section 80C of the Income Tax Act allows for tax deductions on investments made in both PPFs and NPSs. NPS enhances its tax-saving advantages by providing an extra tax deduction under Section 80CCD (1B).<sup>73</sup> Upon maturity, NPS earnings are tax-free, and investors have the option to withdraw 40% tax-free and use the remaining funds to buy an annuity. PPF, on the other hand, is tax-free on contributions, interest, and maturity amounts because it is classified as an EEE (Exempt-Exempt-Exempt) fund.<sup>74</sup>

When we discuss about Eligibility and Maturity period Indian nationals between the ages of 18 and 60 may register NPS accounts, and contributions are accepted up to age 70. PPF accounts, on the other hand, have a fixed 15-year maturity period that can be extended in five-year increments after maturity. Minor children can also open PPF accounts, which offer a flexible savings option for a range of financial objectives.<sup>75</sup>

When it comes to the Benefit after investment, Because of its market-linked investments, NPS has the potential to yield larger returns, making it a good option for those who are willing to assume some risk in order to prosper. It is perfect for retirement planning because it gives flexibility in terms of investment alternatives and withdrawal policies. PPF, on the other hand, is a safe choice for risk-averse investors seeking steady long-term savings since it places a

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<sup>72</sup> NPS vs PPF: Which is a Better Option for Investing? Available at <https://cleartax.in/s/nps-vs-ppf> Last visited on 9th March, 2024

<sup>73</sup> Income Tax Act, 1961

<sup>74</sup> PPF Or NPS – Which Is A Better Investment Option In 2024? Available at <https://www.aspero.in/blog/better-investment-option-in-2024-nps-or-ppf/> Last visited on 9th March 2024

<sup>75</sup> NPS vs PPF Comparison, Best Tax Savings/Benefits Scheme, Available at <https://vakilsearch.com/blog/nps-vs-ppf-which-is-better/> Last visited on 10th March, 2024

strong emphasis on capital protection and guaranteed returns.<sup>76</sup>

To sum up, the decision between NPS and PPF is based on personal investing choices, risk tolerance, and financial goals. For individuals looking for more flexible investing alternatives and higher returns, NPS is a better choice, particularly when it comes to retirement planning. On the other hand, risk-averse investors seeking long-term capital protection and steady returns would do better with PPF. Making an informed decision that is in line with one's specific financial goals requires an understanding of the main distinctions and advantages of each scheme.

## **CHALLENGES AND FUTURE RECOMMENDATIONS**

There are several obstacles in the way of the National Pension Scheme's (NPS) implementation. These include poor participation rates caused by the public's lack of knowledge of the program's characteristics and benefits. The seamless running of the NPS is further impeded by problems with operational inefficiencies and administrative complexity. Furthermore, it is difficult to guarantee subscribers' retirement security due to worries about the sufficiency of investment returns and pension payments. Policymakers, regulators, and stakeholders must work together to improve the NPS's usability, efficacy, and accessibility in order to address these issues.

## **CHALLENGES FOR THE NATIONAL PENSION SCHEME**

To ensure the efficacy and sustainability of a National Pension Scheme (NPS), a number of problems must be overcome throughout implementation. Using information from the references given, this analysis will examine the main challenges encountered when implementing NPS:

- **Absence of Communication and Engagement with Customers**

The sources point out that improving customer interaction and communication inside the NPS framework is a major difficulty. Effective communication tactics are crucial because pension managers must compete for the attention of their members instead of customers.<sup>77</sup> Because

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<sup>76</sup> PPF vs NPS: Why you should choose National Pension System ahead of Public Provident Fund, Available at <https://www.zeebiz.com/personal-finance/news-ppf-vs-nps-why-you-should-choose-national-pension-system-ahead-of-public-provident-fund-122653>, Last visited on 10<sup>th</sup> March 2024

<sup>77</sup> Four Challenges Pension Administrators Face, Available at <https://www.governing.com/archive/four-challenges-pension-administrators-face.html>, Last visited on 11<sup>th</sup> March, 2024

pension systems are complicated, member communications must be specific and focused in order to prevent misunderstandings and guarantee that participants are aware of the consequences of their decisions about their pension benefits.<sup>78</sup>

- **Antiquated Legacy Equipment**

The pension administration systems' reliance on antiquated legacy technology has been noted as another significant concern. Many governments employ antiquated, highly specialized benefits administration software built in out-of-date programming languages, which causes inefficiencies and necessitates manual staff interventions.<sup>79</sup> The efficiency of Pension systems is hampered by outdated technology, which makes the use of contemporary technology necessary to optimize workflows and save operating expenses.<sup>80</sup>

- **Change from Antiquated Pension Plans**

There is a big barrier when switching from one old pension scheme to another, as from the Old Pension Scheme (OPS) to the NPS. For instance, the OPS did not require employee payments, whereas the NPS introduced in India required civil officials to contribute a portion of their base pay to the pension fund.<sup>81</sup> Because employees are worried about their finances and the loss of perks, this change has created opposition and calls for the OPS to be reinstated.<sup>82</sup>

- **Long-Term Viability and Fiscal Sustainability**

One of the most important issues facing administrators and legislators is ensuring the NPS's long-term financial stability. Reforms to pension plans need to find a balance between long-term financial viability and offering sufficient retirement benefits.<sup>83</sup> The financial strain on the exchequer presents difficulties in controlling pension spending and guaranteeing the system's

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<sup>78</sup> Four Challenges Pension Administrators Face, Available at <https://www.governing.com/archive/four-challenges-pension-administrators-face.html>, Last visited on 11<sup>th</sup> March, 2024

<sup>79</sup> Old pension and new challenges, Available at <https://www.deccanherald.com/opinion/old-pension-and-new-challenges-2921779>, Last visited on 11<sup>th</sup> March, 2024

<sup>80</sup> Four Challenges Pension Administrators Face, Available at <https://www.governing.com/archive/four-challenges-pension-administrators-face.html>, Last visited on 11<sup>th</sup> March, 2024

<sup>81</sup> Implementing an Inclusive and Equitable Pension Reform: Lessons from India's New Pension Scheme, Available at <https://www.adb.org/publications/implementing-inclusive-and-equitable-pension-reform-lessons-indias-new-pension-scheme>, Last visited on 11<sup>th</sup> March, 2024

<sup>82</sup> Four Challenges Pension Administrators Face, Available at <https://www.governing.com/archive/four-challenges-pension-administrators-face.html>, Last visited on 11<sup>th</sup> March, 2024

<sup>83</sup> European Commission - Progress and Key Challenges in Pension Delivery, Pdf.

sustainability, particularly in light of rising life expectancies and demographic shifts.<sup>84</sup>

- **Reforms in Regulation and Governance**

To improve the efficacy of the NPS and other current pension schemes, major legislative, regulatory, and governance changes are necessary for the implementation of inclusive and equitable pension reform.<sup>85</sup> To properly service saver demands and guarantee the long-term viability of pension systems, governance structures, business procedures, and information technology architecture must be taken into consideration.<sup>86</sup>

## FUTURE RECOMMENDATIONS FOR THE NATIONAL PENSION SCHEME

In India, the government has taken a major step to give people financial stability in their post-retirement years with the National Pension Scheme (NPS). It is essential for legal researchers to assess the NPS's current state and offer suggestions for improving the program's efficacy and advantages for contributors. Therefore, some key recommendations which are taken into account after the study of National Pension Scheme in India are:

- **Increased Portability and Flexibility:** Contributors should be able to transfer between pension fund managers more frequently than the existing annual cap, which would further increase flexibility offered by the NPS. As a result, people will have the ability to maximize their investment strategies according to performance.<sup>87</sup>
- **Enhanced Exposure to Equity:** The NPS might think about raising the cap on equity exposure from the present range of 75% to 80% or more in light of the possibility for better returns. This change may draw in more aggressive investors looking for expansion.<sup>88</sup>
- **Tax Effectiveness:** The government may reevaluate the tax consequences on withdrawals in order to improve the tax efficiency of the NPS. More people may invest in the scheme if

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<sup>84</sup> Old pension and new challenges, Available at <https://www.deccanherald.com/opinion/old-pension-and-new-challenges-2921779>, Last visited on 11<sup>th</sup> March, 2024

<sup>85</sup> Old pension and new challenges, Available at <https://www.deccanherald.com/opinion/old-pension-and-new-challenges-2921779>, Last visited on 11<sup>th</sup> March, 2024

<sup>86</sup> The Challenge of Public Pension Reform in Advanced and Emerging Economies; IMF, Available at <https://www.imf.org/external/np/pp/eng/2011/122811.pdf>, Last visited on 11<sup>th</sup> March, 2024

<sup>87</sup> National Pension Scheme 2024 (NPS) – Govt Approved Pension Scheme, Available at <https://www.policybazaar.com/life-insurance/pension-plans/nps-national-pension-scheme/>, Last visited on 20<sup>th</sup> March, 2024

<sup>88</sup> Want maximum returns from NPS? Know best-performing National Pension System funds, how to choose pension fund manager, Available at <https://economictimes.indiatimes.com/wealth/invest/want-maximum-returns-from-nps-know-best-performing-nps-funds-how-to-choose-pension-fund-manager/articleshow/103523004.cms>, Last visited on 20<sup>th</sup> March, 2024

tax benefits are offered on a larger portion of the corpus at the time of withdrawal.<sup>89</sup>

- **Campaigns for Education:** Launching educational initiatives to raise public understanding of long-term financial planning, tax benefits, and NPS benefits. This may contribute to the scheme's increased audience reach.<sup>90</sup>
- **Digital Outreach:** Enhancing digital accessibility for NPS withdrawals, contributions, and account management. Improving the usability of the web platform can motivate more people to take part in the program.<sup>91</sup>
- **Viability Procedures:** Long-term sustainability and societal well-being can be enhanced by taking environmental, social, and governance (ESG) considerations into account when making investment decisions. Along with having a beneficial social and environmental impact, adding ESG factors to the NPS fund managers' investment mandate is in line with the global trend toward responsible investing.<sup>92</sup>
- **Transparent Fee Structure:** Keeping the NPS a source of trust and confidence requires that fee structures be transparent. Enabling participants to make well-informed decisions and preventing excessive charge exploitation would need the implementation of transparent and uniform fee declarations, in addition to regular evaluations to evaluate fairness and competitiveness.<sup>93</sup>

Thus, In India, the National Pension Scheme (NPS), which provides long-term financial stability, tax advantages, and flexibility, has been an essential instrument for retirement planning. The NPS may continue to develop to satisfy the evolving demands of contributors and offer a strong foundation for retirement savings by putting the aforementioned suggestions into practice. These recommendations are intended to improve the scheme's appeal, effectiveness, and use while guaranteeing a stable financial future for people in a variety of industries.

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<sup>89</sup> What is National Pension Scheme, Benefits, Eligibility and Returns, Available at <https://cleartax.in/s/nps-national-pension-scheme>, Last visited on 20<sup>th</sup> March, 2024

<sup>90</sup> The Economic Times Funds and Mutual Funds, Available at <https://economictimes.indiatimes.com/mf/nps-national-pension-scheme>, Last visited on 20<sup>th</sup> March, 2024

<sup>91</sup> National Pension Scheme 2024 (NPS)–Govt Approved Pension Scheme, Available at <https://www.policybazaar.com/life-insurance/pension-plans/nps-national-pension-scheme/>, Last visited on 20<sup>th</sup> March, 2024

<sup>92</sup> PRI - ESG in Defined Contribution Pension Plans, Available at <https://www.unpri.org/news-and-events/principles-for-responsible-investment-releases-guidance-for-asset-owners-on-incorporating-esg-preferences-of-beneficiaries/7530.article>, Last visited on 20<sup>th</sup> March, 2024

<sup>93</sup> OECD - Pension Markets in Focus, Available at <https://www.oecd.org/finance/private-pensions/pensionmarketsinfoocus.htm>, Last visited on 20<sup>th</sup> March, 2024

## CONCLUSION

To sum up, this seminar paper has conducted a comprehensive analysis of the National Pension Scheme (NPS), breaking down its operational complexities, legal underpinnings, investing approaches, and relative position among retirement investment plans. This study has attempted to add to the body of knowledge already available about retirement planning, specifically with an emphasis on the NPS, by means of a thorough investigation. As this paper explains, the NPS is a key component in retirement security since it provides a methodical framework for people to accumulate savings for their post-employment years. The plan functions as a solid base thanks to its legal foundation, which offers a regulatory framework that guarantees adherence and protects members' interests. Gaining an appreciation of the NPS's evolution over time and the reasoning behind its operating processes requires an understanding of its legal foundations.

The paper has also examined the NPS's operational features, dissecting its functional dynamics and organizational structure. Through traversing the complexities of risk management techniques and investment handling procedures, insights on the scheme's effectiveness in wealth creation and preservation have been gained. This analysis provides readers with a more sophisticated knowledge of the ways in which the NPS tries to meet its mission of giving its members a stable source of retirement income.

Furthermore, this research has employed a comparative approach to evaluate the NPS in relation to alternative retirement investment programs, including the Employees' Provident Fund (EPF) and Public Provident Fund (PPF). The comparison research has illuminated the distinct attributes and benefits of the Net Promoter Score (NPS) and pinpointed prospective avenues for enhancement. Policymakers, stakeholders, and individual investors must all be aware of the relative advantages and disadvantages of the NPS in comparison to its competitors in order to make well-informed decisions about retirement planning. Concrete suggestions have been made to improve the legal safeguards and investment flexibility provided by the NPS framework in light of the knowledge gained from this investigation. These suggestions are meant to maximize the program's ability to satisfy the changing requirements and goals of its members, guaranteeing its ongoing applicability in the always shifting field of retirement planning.

All things considered, this seminar paper advances knowledge about the National Pension Scheme and how it affects people's financial security in retirement. This study provides useful insights for policymakers, stakeholders, and individuals attempting to negotiate the intricacies

of retirement planning by combining results from legal, operational, and comparative investigations. It is anticipated that the information gathered from this study will influence future deliberations, decisions, and actions meant to advance everyone's financial security and security in retirement.