

## Research Paper



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## RETIREMENT SECURITY AND EMPLOYEE PROVIDENT FUND: A STUDY ON SATISFACTION AND IMPACT OF EMPLOYEE PROVIDENT FUND AMONG TEXTILE WORKERS IN KERALA

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### ABSTRACT

**E**mployee provident fund one of the most important social security measures, a compulsory, government-managed retirement savings scheme used in India. The concept of 'Social security' is gaining much importance in the globalized economy. Social security has evolved out of man kinds quest for protection from the hazards arising out of vagaries of nature and from arising out of life and work in modern societies. Social Security is an instrument for social transformation and progress must be preserved, supported and developed as such. India being a welfare state has taken upon itself the responsibilities of granting various benefits of social security and assistance to employees. Social security provides protection to the working class against contingencies like retirement, illness, maternity, aging, death, disablement and similar conditions. We are ensuring social security through different social security legislations like Employee Compensation Act 1923, Employees State Insurance Act 1948, Employees Provident Funds and Miscellaneous Provisions Act 1952, Maternity Benefit Act 1961, and Payment of Gratuity Act 1972. The current paper attempts to find out satisfaction of benefits under Provident fund scheme among textile workers in Kerala. Provident fund specifics vary widely by country, but in general their purpose is to provide financial support for those who meet the plan's defined retirement age. The Act is enacted to make some provision for the industrial worker for the future so that he may utilize this after retirement and his dependants may not suffer on account of his retirement or premature death.

**KEYWORDS:** Employee Provident Fund, Employee Pension Scheme, Employee deposit Linked Insurance, Social Security.

### 1. INTRODUCTION

In India, measures for the protection of workers against loss of income due to old age and invalidity were initially confined to the efforts of private employers. Later some government undertakings attempted to solve the problem by providing schemes of provident fund,

gratuity and pension on an adhoc basis. The first legislation relating to provident fund was the Provident Fund Act 1925 enacted by the central government. The Act applies to government departments, railway administration, local authorities and certain other



services, provides for the creation of provident funds and lays down rules for the protection of compulsory deposits. The Act does not deal with provident funds in private industries. It was in 1952 that the PF Act was enacted to provide for the institution of compulsory provident fund for the employees working in factories and other establishments.

## **2. AN OVERVIEW OF EMPLOYEES' PROVIDENT FUND AND MISCELLANEOUS PROVISIONS ACT, 1952**

The Employees' Provident Fund and Miscellaneous Provisions Act was constituted to safeguard the future of workers after the retirement, to help the dependents in case of his early death and to cultivate the spirit of saving among the workers. For the first time in 1925, government enacted the Provident Fund Act but it was only for government employees. In 1931, Royal Commission stressed on old age benefits and the Third Labour Ministers Conference (1942) prepared a model for Provident Fund rules. The model was placed before the Standing Labour Committee in 1944. Further, Labour Conference in 1948 and in 1950 the Standing Labour Committee recommended for instituting of a provident fund scheme for all workers. Later Government of India approved the Employees' Provident Funds Ordinance on 15 November, 1951 that provided a compulsory provident funds scheme for the employees of various factories and other establishments. This ordinance was replaced by the Act in 1952.

The Employees Provident Fund Act was further amended in May, 1958 to extend the benefits of provident fund to establishments belonging to government or local authority. The EPF Act has amended a lot of time to make it more beneficial and practical. On a review of working of the scheme over the year it was found that provident fund is undoubtedly an effective old age benefit but if bread winner dies during and after the job this money cannot be sufficient for long term protection of the family so this led to the constitution of Employees' Family Pension Scheme with effect of March 1, 1971. Further, in 1976 the Act was amended to link the scheme to insurance and the Employees' Deposit Linked Insurance was framed which worked from August 1, 1976. But in 1995, government made some changes in Employees' Family Pension scheme and replaced it with the Employees' Pension Scheme, 1995 (EPS, )

## **Schemes under Employee Provident Fund**

The Employees' Provident Fund and Miscellaneous Provisions Act have three scheme under it.

1. Employees' Provident Fund Scheme
2. The Employees' Deposit Linked Insurance Scheme, 1976
3. The Employees' Pension Scheme, 1995

## **3. OBJECTIVES OF THE STUDY**

1. To understand whether employees are satisfied with the different schemes under employee provident fund
2. To analyze whether provident fund schemes has a positive impact to provide retirement security to employees

## **4. HYPOTHESIS OF THE STUDY**

1. H<sub>0</sub>: There is no significant difference between the satisfaction of EPF and textile sector of employees.
2. H<sub>0</sub>: There is no significant difference between the satisfaction of EPS and textile sector of employees.
3. H<sub>0</sub>: There is no significant difference between the satisfaction of EDLI and textile sector of employees.

## **5. METHODOLOGY**

The present study has been designed as a descriptive one based on both primary and secondary data. The universe of the study consists of employees of the 21 cotton textile mills in Kerala. The cotton textile mills for the study were selected using stratified random sampling method. Since it is a comparative study textile mills existing in Kerala were classified into three stratum i.e. Private, public and cooperative textile units. Many textile mills were under lock out and there were only five mills in the private sector nine mills in the public sector and seven mills in the co operative sector are satisfactorily functioning now. Further each sector groups were sorted out in descending order on basis of the number of employees. From each sub group 5 unit of maximum employee strength was selected. Following this methodology, 15 textile mills were selected out of the 21 textile mills in Kerala. Stratified Random Sampling is used to select textile mills and for selecting the respondents' random sampling is used. The population consists of 9519 employees and 570 workers are selected for the study using sample size calculation formula.

## 6. ANALYSIS OF DATA AND INTERPRETATION

**TABLE 1: Schemes Under Provident Fund**

|                                   |             | Private Sector | Public Sector | Co-operative Sector | Total |
|-----------------------------------|-------------|----------------|---------------|---------------------|-------|
| Employee provident Fund           | Availed     | 172            | 208           | 133                 | 513   |
|                                   | Not Availed | 28             | 12            | 17                  | 57    |
|                                   | Total       | 200            | 220           | 150                 | 570   |
| Employee Pension Scheme           | Availed     | 156            | 99            | 94                  | 349   |
|                                   | Not Availed | 44             | 121           | 56                  | 221   |
|                                   | Total       | 200            | 220           | 150                 | 570   |
| Employee Deposit Linked Insurance | Availed     | 86             | 23            | 39                  | 148   |
|                                   | Not Availed | 114            | 197           | 111                 | 422   |
|                                   | Total       | 200            | 220           | 150                 | 570   |

Source: Primary data

It reveals that Employee Provident Fund is the most popular benefit. 90 percent of the employees are enjoying this benefit. It is said that 61.2 percent of

employees are opted Employee Pension Scheme. Regarding employee deposit linked insurance 26 percent of the employees said that they are getting the benefit.

### Employee Provident Fund

**TABLE 2 : Mean score on Satisfaction of Employee Provident Fund**

| Measuring items                            | Private |     | Public |     | Co-operative |     |
|--|---------|-----|--------|-----|--------------|-----|
|  | M       | SD  | M      | SD  | M            | SD  |
| EPF helps to wealth accumulation           | 2.19    | .94 | 1.67   | .89 | 1.85         | .95 |
| Rate of interest is sufficient             | 1.66    | .90 | 1.30   | .71 | 1.38         | .77 |
| Interim relief helps to meet emergencies   | 1.65    | .78 | 1.33   | .86 | 1.76         | .91 |
| Benefits are at par with contribution      | 1.69    | .80 | 1.53   | .83 | 1.68         | .82 |
| Formalities for getting EPF is hassle free | 2.14    | .76 | 1.39   | .79 | 1.84         | .89 |
| Mean score                                 | 1.86    | .83 | 1.44   | .81 | 1.70         | .86 |

Source: Primary data

The overall mean score of Employee provident Fund shows that majority of respondents working in the private, public and co operative textile sector are

not satisfied with the benefit. The mean score 1.86 in the private sector, 1.44 in the public sector and 1.70 in the co operative sector proves the fact.

### Satisfaction of employee provident fund (EPF) across the textile sector

*H0: There is no significant difference between the satisfaction of EPF across the textile sector of employees.*

**TABLE 3: Difference in the Satisfaction of Employee Provident Fund (EPF) Across the Textile Sector**

| Variable                             | Sum of squares | Df | Mean square | F      | Sig  |
|--------------------------------------|----------------|----|-------------|--------|------|
| Textile sector & Satisfaction of EPF | 468.506        | 2  | 234.253     | 27.562 | .000 |

Source: Primary data

In the output table of ANOVA test in the last column titled the asymmetric significance is found to be .000, which is lower than the cut off value of .05. This shows that at a confidence level of 95%, ANOVA test

proves that the hypothesis is significant. So our null hypothesis is rejected. Therefore we conclude that there is significant difference among mean ratings given by textile sector (Private, Public and Cooperative) of employees with regard to the satisfaction of EPF.

**TABLE 4: Multiple Comparisons Employee Provident Fund & Textile Sector**

| Textile sector |             | Mean difference | SE     | Lower bound | Upper bound | Sig  |
|----------------|-------------|-----------------|--------|-------------|-------------|------|
| Private sector | Public      | 2.09455*        | .28483 | 1.3955      | 2.7936      | .000 |
|                | Cooperative | .81333*         | .31489 | .0405       | 1.5861      | .036 |
| Public sector  | Private     | -2.09455*       | .28483 | -2.7936     | -1.3955     | .000 |
|                | Cooperative | -1.28121*       | .30870 | -2.0388     | -.5236      | .000 |
| Co operative   | Private     | -.81333*        | .31489 | -1.5861     | -.0405      | .036 |
|                | Public      | 1.28121*        | .30870 | .5236       | 2.0388      | .000 |

Source: Primary data

From the result of scheffes multiple comparison it can be seen that the comparison between all the three textile sectors such as private sector, public sector and co-operative sector, the significance levels are .000. Since

this value is lesser than the .05 level required for statistical significance, the overall satisfaction of employees regarding EPF across these sectors are significantly different.

### Employee Pension Scheme

**TABLE 5: Mean Score on satisfaction of Employee Pension Scheme (EPS)**

| Measuring items                                | Private |     | Public |     | Co-operative |     |
|--|---------|-----|--------|-----|--------------|-----|
|  | M       | SD  | M      | SD  | M            | SD  |
| EPS helps to meet expenses after retirement    | 1.28    | .90 | 1.19   | .67 | 1.50         | .89 |
| EPS provide steady income after retirement     | 1.40    | .82 | 1.94   | .87 | 1.22         | .91 |
| Benefits under EPS is at par with contribution | 1.29    | .78 | 1.25   | .72 | 1.39         | .79 |
| Formalities for getting EPS is hassle free     | 1.95    | .86 | 1.42   | .85 | 1.60         | .80 |
| Mean score                                     | 1.48    | .84 | 1.20   | .77 | 1.42         | .84 |

Source: Primary data

Overall mean score of employee pension scheme revealed that employees are not satisfied with the scheme. The mean score of 1.48 in the private sector,

1.20 in the public sector and 1.42 in the co operative sector proves that fact.

### Satisfaction of EPS across the Textile sector

*H0: There is no significant difference between the satisfaction of EPS and textile sector of employees.*

**TABLE 6: Difference in the Satisfaction of EPS Across the Textile Sector**

| Variable                     | Sum of squares | Df | Mean square | F     | Sig  |
|------------------------------|----------------|----|-------------|-------|------|
| Satisfaction of EPS & Sector | 144.418        | 2  | 72.209      | 7.147 | .001 |

Source: Primary data

In the output table of ANOVA test in the last column titled the asymmetric significance is found to be .001, which is lower than the cut off value of .05. This shows that at a confidence level of 95%, ANOVA test proves that the hypothesis is significant. So our null

hypothesis is rejected. Therefore we conclude that there is significant difference among mean ratings given by textile sector (Private, Public and Cooperative) of employees with regard to the overall satisfaction of EPS.

### Employee Deposit Linked Insurance

**TABLE 7 : Mean Score on Satisfaction Of EDLI**

| Measuring items   | Private |     | Public |     | Co-operative |     |
|---|---------|-----|--------|-----|--------------|-----|
|   | M       | SD  | M      | SD  | M            | SD  |
| EDLI serves an alternate to life insurance                | 3.37    | .86 | 3.15   | .96 | 2.44         | .89 |
| Removes my fear of insecurity after my death              | 2.11    | .78 | 1.51   | .86 | 1.69         | .76 |
| I am happy that I need not contribute to get the benefits | 3.30    | .90 | 3.00   | .85 | 2.30         | .92 |
| Overall Mean Score  | 2.92    | .84 | 2.55   | .89 | 2.14         | .85 |

Source: Primary data

The overall mean score 2.92 in the private sector indicates that the employees in these sectors are satisfied with EDLI scheme. The overall mean score 2.55 in the public sector and 2.81 in the cooperative sector.

### Satisfaction of EDLI across the textile sector

*H0: There is no significant difference between the satisfaction of EDLI and textile sector of employees.*

**TABLE 8 : Satisfaction of EDLI across the Textile Sector**

| Variable                            | Sum of squares | Df | Mean square | F     | Sig  |
|-------------------------------------|----------------|----|-------------|-------|------|
| Textile sector Satisfaction of EDLI | 144.418        | 2  | 72.209      | 7.147 | .001 |

Source: Primary data

In the output table of ANOVA test in the last column titled the asymmetric significance is found to be .001, which is lower than the cut off value of .05. This shows that at a confidence level of 95%, ANOVA test proves that the hypothesis is significant. So our null

hypothesis is rejected. Therefore we conclude that there is significant difference among mean ratings given by textile sector (Private, Public and Cooperative) of employees with regard to the satisfaction of EDLI.

**TABLE 9: Impact of Employee Provident Fund**

| Variables   | Opinion                 | Private | Public | Co operative | Total |
|---|-------------------------|---------|--------|--------------|-------|
| Amount withdrawn during emergencies                             | Yes                     | 116     | 147    | 75           | 338   |
|   | No                      | 84      | 73     | 75           | 232   |
|   | Total                   | 200     | 220    | 150          | 570   |
| Purpose of PF withdrawal  | Marriage purpose        | 12      | 15     | 8            | 35    |
|   | Housing purpose         | 65      | 80     | 47           | 192   |
|   | Starting Business       | 24      | 38     | 9            | 71    |
|   | Repaying Loans          | 15      | 14     | 11           | 40    |
|   | Total                   | 116     | 147    | 75           | 338   |
| Sufficiency of withdrawal                                       | Sufficient              | 37      | 22     | 19           | 78    |
|   | Not sufficient          | 79      | 125    | 56           | 260   |
|   | Total                   | 116     | 147    | 75           | 338   |
| Additional benefits by organization towards retirement security | Yes                     | 121     | 0      | 0            | 121   |
|   | No                      | 79      | 220    | 150          | 449   |
|   | Total                   | 200     | 220    | 150          | 570   |
| Future utilization of PF Amount                                 | Marriage Purpose        | 16      | 18     | 7            | 41    |
|   | Housing                 | 36      | 70     | 34           | 140   |
|   | Starting Business       | 42      | 62     | 39           | 143   |
|   | Repaying Loans          | 34      | 64     | 30           | 128   |
|   | Education of dependants | 14      | 0      | 5            | 19    |
|   | Not decided             | 58      | 6      | 35           | 99    |
|   | Total                   | 200     | 220    | 150          | 570   |

Source: Primary data

The above given table shows the purpose of withdrawal from Provident Fund. Out of 338 employees withdrawn amount from their Provident Fund, 56.8 percent of them taken this amount mainly for housing purpose, 21.0 percent used this amount for starting business 11.8 percent of them for repaying loans and 10.4 percent of the respondents used it for marriage expenses of dependants. It is clear that majority of employee's in all the sectors withdrawn provident fund for housing purpose followed by starting business and repaying loans. The above table shows the sufficiency of withdrawal benefit to meet the emergency. Almost 76.9 percent of the employees are of the opinion

that the withdrawal benefit is not sufficient to meet the emergency. Only 23.1 percent of the employees opined that withdrawal benefit is sufficient to meet the emergency

The above table reveals that 78.8 percent of the employees said that they are not getting any other benefits other than Provident Fund as their retirement security and 21.2 percent of them have other benefits for their retirement security other than Provident Fund. From the above table it is clear that only Private sector textile companies are providing any other additional health maintaining benefits to their employees.

## 7. RECOMMENDATIONS ON THE BASIS OF FINDINGS

### ➤ **Enhance the Awareness regarding various schemes under provident fund**

Steps should be taken to enhance the level of awareness of textile workers on EDLI scheme under Employee provident because majority textile workers are unaware of this scheme. Similarly employees are completely ignorant about the amount they are contributing to PF fund. A person who is aware of his rights can only enjoy the same in its full extent

### ➤ **Make the Formalities hassle free**

Formalities for getting the social security benefits must be made hassle free and simple. Relax the eligibility conditions and simplify the formalities for claiming the provident fund so as to bring maximum employees within coverage.

### ➤ **Enhancement of pension**

The pension calculation under employee pension scheme had to be revised as the pension is quite inadequate. An employee who had made lifelong contribution to the pension fund and retired after long service will receive only a nominal pension which is miserably very low in the present living condition. Now the government is providing various types of non contributory pension schemes to people as a part of welfare and security. Since the textile employees are covered under EPS they are not eligible to get these noncontributory pensions offered by the government. In this situation an employee cannot support his family after retirement.

### ➤ **To raise the Interest Rate of Provident Fund**

For the past so many years the interest rate applicable to the Provident fund were in the range of 8.00% to 8.50%. It has to be raised to a decent level to a minimum of 10%. Day to day expenses are

booming so interest rate on provident fund must be increased which is considerably low which is not enough to yield good return in the future.

### ➤ **Timely Payment of Benefits**

Take the necessary steps to avoid the delay in payment of benefits. Proper guidance should be given to the employees about the formalities for claiming the benefits.

## 8. CONCLUSION

Employee provident fund Act constitute an important step towards the goal of a welfare state, by improving the living and working conditions and guarding people against the uncertainties of the future. These measures are also important for every industrialization plan, because not only do they enable workers to become more efficient, but they also reduce wastages arising from industrial disputes.

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