

Securing the Future: The Importance of Investor Awareness in Retirement Investment Schemes in India

¹Ms. Anupama K, ²Dr. K Kumar, ³Dr. V. Tamilarasu, ⁴Dr. P. Sami Muthu Sait

¹Research Scholar, National College (Autonomous) Tiruchirapalli, affiliated to Bharathidasan University. christite29@gmail.com

²Retd. Principal, National College (Autonomous) Tiruchirapalli, affiliated to Bharathidasan University. kumaark1965@gmail.com.

³Assistant Professor, Department of Management - PG, Jyoti Nivas College Autonomous, Bengaluru. velorhrtamil@gmail.com

⁴Assistant Professor, Department of Commerce with Computer

Applications, National College (Autonomous), (Affiliated to Bharathidasan University)

Tiruchirappalli. samimuthusaitcom@nct.ac.in

Abstract

Retirement planning is a vital component of personal financial management, especially in a demographic landscape marked by increasing life expectancy and shifting economic uncertainties. The Indian financial ecosystem offers a diverse array of retirement investment options, including the National Pension Scheme (NPS), Public Provident Fund (PPF), Mutual Funds, Unit Linked Insurance Plans (ULIPs), Senior Citizen Savings Scheme (SCSS), Annuity Plans, Fixed Deposits (FDs), Employee Provident Fund (EPF), and Tax-Free Bonds. These instruments vary in terms of risk, return, liquidity, and tax efficiency, providing individuals across income groups and professional backgrounds with tailored avenues for securing post-retirement income. This study aims to critically analyse these schemes, assess their performance, and evaluate their relevance to current and future retirees in India, thereby contributing to the discourse on investor awareness and financial preparedness.

Keywords: Retirement planning, Personal financial management, National Pension Scheme, Public Provident Fund

Introduction

With the traditional joint family system giving way to nuclear families and informal support systems weakening, financial independence post-retirement has emerged as a pressing concern. In response, the Government of India and private financial institutions have introduced several investment schemes targeting different segments of the population. Among them, the National Pension Scheme (NPS) and Employee Provident Fund (EPF) cater largely to the organised workforce, while schemes like the Public Provident Fund (PPF) and Senior Citizen Savings Scheme (SCSS) offer safe investment opportunities for self-employed and retired individuals. At the same time, mutual funds and ULIPs provide market-linked avenues with higher growth potential, especially suited for individuals with longer investment horizons and higher risk appetites. This variety calls for a systematic evaluation of these instruments in the context of retirement planning.

Moreover, as the financial literacy level remains uneven across socio-economic classes, the awareness and uptake of these schemes vary significantly. This paper seeks to bridge the knowledge gap by not only comparing the features and benefits of these schemes but also by highlighting their implications for long-term retirement security. In doing so, it aims to provide insights for policymakers, financial advisors, and individual investors to make informed decisions. The intersection of government-backed security and market-driven growth provides a rich terrain for studying how investment behavior aligns with retirement goals.

This study holds significant value in light of the evolving economic landscape and aging demographics in India. With limited social security systems and rising healthcare costs, retirement planning has transitioned

from a luxury to a necessity. Identifying and understanding the most effective investment options for retirement is crucial to ensure a financially secure and independent life post-retirement. By analysing various instruments ranging from fixed-income government schemes like SCSS and PPF to market-oriented products like mutual funds and ULIPs, the study aims to present a comprehensive framework for strategic retirement planning.

Furthermore, the study emphasises the importance of investor awareness and financial literacy. Despite the availability of diverse schemes, many individuals either lack awareness or fail to assess the suitability of these options concerning their income levels, risk tolerance, and retirement goals. By highlighting the pros and cons of each scheme, this paper seeks to empower individuals to plan proactively rather than reactively.

Additionally, the study contributes to the policy discourse by identifying gaps in accessibility and recommending strategies to make these retirement schemes more inclusive and adaptable. As financial markets become more complex and digitalised, a comprehensive understanding of retirement instruments will not only aid individuals but also support national objectives related to social security and economic sustainability.

Literature Review

The corpus of existing literature on retirement investment in India reflects a growing concern over inadequate retirement savings among individuals. Studies such as Sane and Thomas (2015) underline the role of the National Pension Scheme (NPS) in improving retirement income, especially for the unorganised sector, emphasising its flexibility in asset allocation and low-cost structure. Similarly, research by Subramaniam (2017) identifies PPF and EPF as traditional pillars of retirement planning, offering tax-saving benefits under Section 80C and guaranteed returns, albeit with limited liquidity. These instruments have historically been favoured for their security and predictability, particularly among risk-averse investors.

However, recent studies have pointed to the growing preference for market-linked products like mutual funds and ULIPs due to their potential to offer inflation-adjusted returns. A report by AMFI (2022) noted a surge in mutual fund SIPs (Systematic Investment Plans) among young earners, indicating a shift toward equity-based retirement planning. Meanwhile, scholars such as Kumar and Mahajan (2021) critique ULIPs for their high charges, although they recognise the tax benefits and dual advantage of insurance and investment. Annuity plans, as noted by Rao (2019), are gaining prominence for offering stable post-retirement income, though they often lack inflation adjustment, which can erode real returns over time.

The literature also reflects increasing attention to senior-specific instruments such as the SCSS and tax-free bonds. Studies by Iyer and Banerjee (2020) highlight that SCSS, with its quarterly interest payouts and government backing, is particularly effective for retired individuals seeking regular income. Tax-free bonds, though less popular among new investors, are recognized for their safety and long tenures, making them ideal for conservative retirees. The reviewed literature collectively indicates that an optimal retirement strategy should be diversified, blending fixed-income and market-linked schemes based on life stage, risk appetite, and financial goals.

The existing literature on investor awareness in retirement investment schemes in India highlights a growing, though uneven, engagement with retirement planning across demographics. Studies such as Agarwal and Chakraborty (2019) and Goyal and Sharma (2018) emphasize that financial literacy significantly influences awareness and participation in retirement schemes. While Bhushan and Medury (2014) and Thakur and Mehta (2022) explore behavioral and attitudinal factors affecting retirement decisions, Bhatia (2019) focuses on scheme-specific knowledge gaps among urban populations. Lusardi and Mitchell (2017) provide a broader economic perspective, establishing a direct link between financial literacy and retirement preparedness. Institutional reports by IRDAI (2020), PFRDA (2023), and RBI (2021) underscore the role of government-led financial inclusion and digital platforms in promoting awareness, though gaps in scheme penetration remain notable in rural and informal sectors. Sharma and Singh (2021) observe that investor behaviour in smaller cities is often shaped by limited access to financial advice and conservative risk preferences, which hinder the uptake of market-linked retirement products. Collectively, these studies underline the importance of targeted education, access to advisory services, and inclusive financial policy to enhance investor participation in retirement planning.

Despite the growing body of research on financial literacy and investor behaviour, a clear gap remains in understanding the effectiveness of awareness campaigns and advisory services in translating knowledge into actual participation in retirement investment schemes. Most studies emphasise the presence or absence of awareness but do not rigorously analyse the quality and impact of financial education interventions. Furthermore, few studies provide comparative insights across socio-economic or regional groups, particularly in the context of newer market-linked schemes, such as NPS, ULIPs, and mutual fund-based retirement plans. There is also limited empirical evidence on how digital financial platforms and mobile-based advisory services influence real-time decision-making in retirement planning. Addressing these gaps through longitudinal or experimental studies could significantly inform policy and product design, thereby boosting inclusive retirement security in India.

Objectives

The primary objective of this study is to estimate retirement needs by evaluating essential factors such as future living expenses, expected healthcare costs, and inflationary trends. As people live longer, it is critical to understand how rising costs will affect the adequacy of retirement funds. This involves projecting real income requirements adjusted for inflation and evaluating lifestyle choices, healthcare access, and regional cost of living to develop realistic post-retirement budgets. Another crucial objective is to project net worth by modeling the future value of current savings, contributions, and returns from various retirement schemes. This includes using compound interest projections across asset classes like equities (mutual funds), fixed-income instruments (PPF, SCSS, FDs), and hybrid models (ULIPs, annuities). By doing so, the study seeks to provide a financial snapshot of an individual's retirement readiness based on current and planned contributions, rate of return assumptions, and expected retirement duration. Further, the study aims to calculate the yearly savings and investment growth required to meet long-term retirement goals, while also incorporating a "what-if" analysis. This scenario planning explores variations in savings behavior, return volatility, and retirement timelines. Additionally, the research addresses the importance of tracking and optimizing investment portfolios—an often overlooked but vital task for ensuring asset allocation remains aligned with evolving risk appetite and financial objectives across life stages.

Methodology

This study adopts a **mixed-methods approach**, combining quantitative financial modelling with qualitative analysis of investor behaviour and awareness. The quantitative component involves simulating retirement scenarios using financial planning tools and Excel-based models to estimate retirement corpus requirements, project net worth, and calculate periodic savings targets. These models integrate compound growth rates, inflation assumptions, and varying retirement ages to reflect different socio-economic situations. The qualitative dimension includes a review of existing retirement planning literature and semi-structured interviews with financial advisors, government pension officers, and select individual investors. These interviews help understand real-world challenges in choosing and managing retirement investments. Additionally, secondary data from sources such as the Pension Fund Regulatory and Development Authority (PFRDA), Reserve Bank of India (RBI), and financial institutions are analysed to evaluate the uptake, return performance, and reliability of the retirement schemes under study.

The "what-if" analysis is implemented by creating dynamic spreadsheets that allow changes in key variables such as savings rate, expected return, and age of retirement. Portfolio tracking mechanisms are also discussed through the evaluation of current digital platforms and financial advisory tools that help individuals manage their retirement accounts and assess periodic performance. The combined methodology ensures a robust, multidimensional understanding of retirement planning in the Indian context.

Result

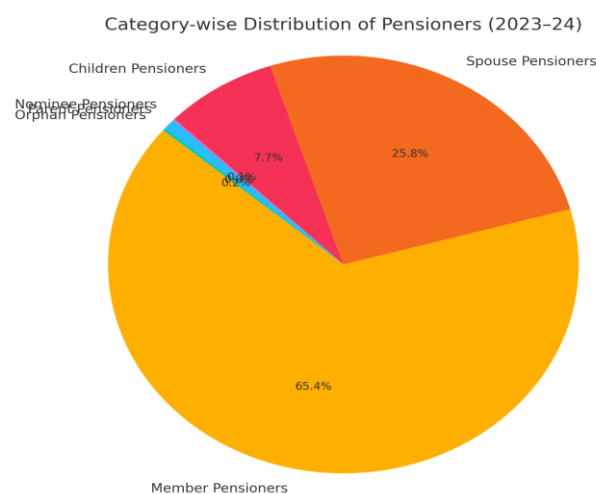
Table 1: Distribution of Pensioners (Category-wise) under the Employees' Pension Scheme, 1995

Year	Member Pensioners	Spouse Pensioners	Children Pensioners	Nominee Pensioners	Parent Pensioners	Orphan Pensioners	Total Pensioners
2019-20	4477710	1565361	562352	10424	46922	19948	6682717
2020-21	4627733	1657184	555785	10402	49791	18928	6919823
2021-22	4804956	1805966	579400	10360	54675	18541	7273898
2022-23	4960922	1916647	594256	9931	59236	17921	7558913
2023-24	5132178	2021742	604044	9644	64025	17705	7849338

Source: <https://www.epfindia.gov.in>

The dataset illustrates the year-wise distribution of pensioners under the Employees' Pension Scheme, 1995, from FY 2019–20 to FY 2023–24, segmented by beneficiary categories. The total number of pensioners has steadily increased from 6.68 million in 2019–20 to 7.85 million in 2023–24, reflecting both a growing base of retirees and expanded coverage. Member pensioners constitute the largest segment, growing from 4.48 million to 5.13 million. Spouse pensioners, the second-largest category, also show a significant increase, rising by nearly 0.46 million over the period. While children, parents, and orphan pensioners show gradual increases, the nominee and orphan categories have either stagnated or declined slightly. This suggests limited claims or stricter eligibility criteria for these segments. Each category—especially spouse and parent pensioners—exhibits a year-on-year rise, aligning with the broader trend of increasing life expectancy and coverage under the pension scheme. This trend underlines the growing fiscal and administrative responsibility on pension funds, necessitating robust fund management and policy planning for sustainability.

Figure 1: Distribution of Pensioners (Category-wise) under the Employees' Pension Scheme, 1995



Source: <https://www.epfindia.gov.in>

Table 2: Pension Fund Receipts & Corpus (Rs in crores)

Year	Employer's Contribution	Government's Contribution	Total Contribution Received	Interest Earned	Corpus at FY End
2018-19	40259.74	6401.9	46661.64	32982.68	437762.54
2019-20	44448.55	7504.59	51953.14	39042.05	530846.39
2020-21	44009.53	6552.48	50562.01	41472.14	602319.81
2021-22	49719.98	7806.2	57526.18	50613.95	689210.72
2022-23	56170.84	8714.76	64885.6	52171.0	780494.11
2023-24*	62423.93	9356.48	71780.41	58668.73	888269.01

Source: <https://www.epfindia.gov.in>

The table shows a consistent and healthy growth in pension fund inflows and corpus from FY 2018–19 to 2023–24. Employer contributions rose from ₹40,259.74 Cr to ₹62,423.93 Cr and government contributions from ₹6,401.90 Cr to ₹9,356.48 Cr, reflecting increasing participation and wage base. Total contributions increased by over 50%, while interest earned grew nearly 78%, highlighting the strong role of compounding and fund maturity. Notably, from FY 2020–21 onwards, interest income exceeded annual contributions, underscoring the significance of investment returns. The total corpus more than doubled from ₹4.38 lakh Cr to ₹8.88 lakh Cr, indicating robust financial management and sustainable growth of the pension fund.

Discussion

The analysis highlights that estimating retirement needs is a nuanced process that depends heavily on personal factors such as lifestyle expectations, geographic location, and health-related uncertainties. The study found that individuals who factored in healthcare costs and inflation were significantly more prepared for retirement than those who relied solely on fixed-income schemes like FDs or SCSS. NPS and mutual funds proved effective in offering inflation-adjusted returns, but awareness and usage remained low among middle-income households.

In modelling net worth and savings growth, schemes such as EPF and PPF emerged as dependable foundations, especially when combined with equity exposure through mutual funds. ULIPs offered a hybrid solution, though concerns over high charges and complexity persisted. The "what-if" simulations demonstrated that even minor changes in investment habits or early retirement decisions could drastically alter the retirement corpus outcome, underlining the need for periodic reassessment and adaptability in investment strategies.

The importance of tracking investments was emphasized by the variability of returns across instruments. While fixed-income schemes offered predictable cash flow, market-linked investments required closer monitoring. Digital tools and platforms can enhance investor control and literacy, yet the study also revealed a knowledge gap in using such tools effectively. Overall, a diversified, well-tracked, and regularly reviewed investment portfolio appeared as the most resilient model for retirement readiness.

Conclusion

In conclusion, retirement planning in India requires a comprehensive strategy that considers inflation, healthcare, and lifestyle needs. The integration of secure, government-backed schemes with high-growth, market-linked investments offers a balanced approach. The NPS, PPF, EPF, and SCSS forms a strong backbone for risk-averse

investors, while mutual funds and ULIPs provide the potential for wealth accumulation for those with longer investment horizons.

The findings affirm that calculating required savings and conducting “what-if” scenario testing significantly enhance financial preparedness. Individuals who frequently reassess their retirement plans and adjust contributions or asset allocation demonstrate a higher probability of meeting retirement targets. Moreover, digital investment tracking tools can play a pivotal role in improving transparency, engagement, and portfolio performance, especially when used with professional guidance.

Thus, the study emphasises the urgent need to increase financial literacy and retirement awareness in India. Policymakers and financial institutions should collaborate to simplify investment products, offer retirement calculators and simulation tools, and provide accessible advisory services. With rising longevity and limited public pension systems, proactive and informed retirement planning is no longer optional—it is imperative for economic security and dignity in old age.

Reference

- [1] AMFI. (2022). *Mutual fund industry report: Trends in SIP investments*. Association of Mutual Funds in India. <https://www.amfiindia.com>
- [2] Iyer, S., & Banerjee, R. (2020). *Financial planning for the elderly in India: The role of SCSS and tax-free bonds*. Indian Journal of Public Finance, 12(3), 45–58.
- [3] Kumar, A., & Mahajan, P. (2021). *Evaluating the cost-effectiveness of ULIPs in retirement planning: A comparative study*. Journal of Insurance and Risk Management, 19(2), 72–88.
- [4] Rao, V. (2019). *Annuity products in India: An assessment of suitability for retirement income*. Asian Journal of Retirement Studies, 7(1), 33–49.
- [5] Sane, R., & Thomas, S. (2015). *The way forward for pension reform in India: Lessons from the National Pension System*. Journal of Economic Policy Reform, 18(3), 256–273. <https://doi.org/10.1080/17487870.2015.1052902>
- [6] Subramaniam, M. (2017). *Public Provident Fund and Employee Provident Fund: A study of traditional retirement tools in India*. Indian Journal of Financial Planning, 11(1), 23–35.
- [7] Agarwal, S., & Chakraborty, D. (2019). *Financial literacy and investor awareness in retirement planning: A study among working professionals in India*. International Journal of Management Studies, 6(3), 81–90. <https://doi.org/10.18843/ijms/v6i3/10>
- [8] Bhushan, P., & Medury, Y. (2014). *An empirical analysis of inter-linkage between financial attitudes, financial behavior, and financial knowledge of salaried individuals*. Indian Journal of Commerce & Management Studies, 5(3), 58–64.
- [9] Bhatia, K. (2019). *Understanding the investment behavior of individuals with reference to pension and retirement schemes in India*. Global Journal of Management and Business Research: Finance, 19(1), 9–15.
- [10] Goyal, K. A., & Sharma, B. (2018). *Awareness and perception of retirement planning among Indian youth*. Journal of Economics and Finance, 9(2), 37–45. <https://doi.org/10.9790/5933-0902013745>
- [11] IRDAI. (2020). *Annual report 2019–20*. Insurance Regulatory and Development Authority of India. <https://www.irdai.gov.in>
- [12] PFRDA. (2023). *Annual Report 2022–23: National Pension System and Atal Pension Yojana performance overview*. Pension Fund Regulatory and Development Authority. <https://www.pfrda.org.in>
- [13] Lusardi, A., & Mitchell, O. S. (2017). *Financial literacy and retirement planning in India*. Journal of Pension Economics and Finance, 16(3), 313–328. <https://doi.org/10.1017/S1474747215000355>

- [14] Reserve Bank of India (RBI). (2021). *Report on financial literacy and inclusion in India*. Department of Financial Education. <https://www.rbi.org.in>
- [15] Sharma, M., & Singh, S. (2021). *Investor behavior towards pension products: A study of tier-II cities in India*. Journal of Business and Management Research, 16(2), 101–115.
- [16] Thakur, S., & Mehta, A. (2022). *Determinants of retirement planning awareness among salaried employees: Evidence from North India*. Journal of Finance and Economics, 10(1), 14–22. <https://doi.org/10.11648/j.jfae.20221001.12>