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A STUDY ON EMPLOYEES PROVIDENT FUND TO EMPLOYEES IN INDIA

KEY WORDS: EPF, INVESTMENT

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ABSTRACT

Pension funds today play a huge role in growth of the economy and a vigorous role in the Indian EPF markets. A change in both investment approaches and supervisory climate encourages them to increase their investment levels in EPF and would have a massive impact on the economy. The present study is an attempt to understand the investment pattern and distribution of EPF among the Central & State Government.

INTRODUCTION

Social security is becoming a distinct part of social policy of our country and the time has come to give serious thought to ever-increasing social security needs of the population. There are diversified views on extension of social security coverage. Some say it should be limited to only working population and to their families and while others say that the entire population should be covered under social security programmes.

MEANING AND DEFINITION OF SOCIAL SECURITY

Traditionally family provided support and we also see such support by social groups and other institutes, markets and ultimately by the state. Thus, failure in support or inadequate support by one institute makes other institute responsible for the welfare of the individual. This provisions made by the society for trouble free living of these persons may be understood as social security.

ILO further defines Social Security as - "the security furnished through appropriate organization against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means cannot effectively provide for by his own ability or foresight alone or even in private combination with fellows" (ILO, 1984, P.83).

SOCIAL SECURITY IN INDIA

In India, the first National Commission on Labour has endorsed the ILO's definition of Social Security and observes: “Social security envisages that the members of a community shall be protected by collective action against social risks causing undue hardships and deprivation to individuals whose prime resources can seldom be adequate to meet them” (Report on National Commission on Labour 1969) ILO Social Security (minimum standard) Convention 1952 defines Social Security to mean : “The result achieved by a comprehensive and successful series of measures for protecting the public (or a large sector of it) from the economic distress that, in the absence of such measures, would be caused by stoppage of earnings in sickness, unemployment or old age and after death; for making available to that same public medical care as needed; for subsidizing families, bringing up young children.”

A new era has begun in the history of Social Security in India with the enactment of Employee's Provident Funds and Miscellaneous Provisions Act, 1952, during the very First Five Years Plan period. The institutionalized protective approach to social security has also begun with this act for the people who, in majority, were in private sector. The income security in event of fall in wage due to old age, retirement and other types of cessation of employment was the prime motto of this legislation. Provident Fund is a form of retirement benefit other than gratuity. In the provident fund scheme both the employees and employers share the burden of security or protection.

Employees Provident Fund (EPF)

The Employees Provident Fund Organization (EPFO) is a statutory body under the Ministry of Labour and Employment that administers social security regulations. The EPFO covers pensions, invalidity and survivors benefits in the event of an employee's death. It is compulsory for all workers employed by companies with more than 20 staff to implement it. It covered organized sector. It has a three – tier set up that includes the headquarters, regional offices and primary unit local offices.

With a view to provide better services to subscribers and employers, the organization has launched the Project Re-Inventing Employees Provident Fund, India since June, 2001. The prime objectives of this Project are to provide the subscribers better and efficient services, to help the employers by reducing the cost of compliance and to benefit the organization to register numerical growth in all fields

Review of Literature

"For the last decade or so and more particularly during the last three or four years the Social Security system all over the world was under great strain. The ILO was consulting the World Bank and the I.M.F about the future of Social Security. The message from these international organizations that whatever schemes were introduced, they should be affordable and sustainable with reference to the capacity of the national economy. Many countries were passing through recession and the pace of Social Security funding had slowed down with the result that some countries were thinking in terms of dismantling Social Security; others were thinking in terms of reducing the level of benefits to the minimum, and leave higher protection to private efforts. Thus, a situation had arisen where the entire concept of Social Security as well as the programmes called for a serious review. It was paradoxical that in this situation one should be discussing the question of extending Social Security to whole population". (B.N.Som, 1994). In the organized private sector employment, formal social security schemes suffer from shortcomings in coverage, access, and efficient delivery. They also largely leave out casual or contract employees who fall outside the purview of the organized private sector and who are nearly three times the number of the employees within this sector.

Srinivas (2003), in his report submitted to the World Bank has stated that funds had been set at 12 per cent per annum. This rate was largely independent of market rates. Since provident funds finance a significant portion of the government's budget deficits, such an administratively determined rate was a convenient way for the government to obtain low-cost financing in an environment of high market interest rates. In an environment of low market interest rates however, such administratively set rate created an unacceptably high floor on the government cost of funds.

METHODOLOGY:

The present study is a Descriptive study which is quantitative in nature. The main objective is to study the investment pattern in different categories. The present study is based on secondary data. The data were analyzed using simple inferential statistics and presented as below.

ANALYSIS OF DATA:

Table No. 1 Contributory Chart

Sl.	Particulars	EPF	EPS	EDLI
1	Employer	3.67	8.33	0.50
2	Employee	12.00	0.00	0.00
3	Government	0.00	1.16	0.00
Total	15.67	9.49	0.50	

From the above Table it is clear that the major contributor in case of EPF is employer and Employee the Government's contribution towards the welfare of employee is nil it is the employee a major contributor for is welfare for his/her future. .It is true that there is a need for increase in social expenditure for a poor country like India. Nevertheless, merely increasing funds is not enough if our aim is to reach the poor effectively. Between allocation of funds and effective utilization of the existing funds, more weightage should be given to the latter (S. Mahendradev, 1995).

Table No. 2 Investment Year Wise (in Crore's)

Year	Provident Fund	Pension Fund	Insurance Fund	Total	Growth %
2013-14	81021.26	24280.24	1620.16	106921.66	24.22%
2014-15	103071.87	30846.24	2011.99	135930.10	27.33%
2015-16	127618.87	38545.36	2268.86	168433.09	23.91%

It is clear from the above Table that there is a steady growth in previous years i.e. during 2013-14 and 2014-15 respectively but, during the last financial year there is a decline in the growth it may due to the fluctuation in interest rate as well as changes in the policies of provident fund. According to Ong and Tengku-Aizan (2010), significant changes introduced in 2008 include the "Beyond Savings" initiative and the restructuring of members investment choice through the Basic Savings structure. Srinivas (2003), in his report submitted to the World Bank has stated in an environment of low market interest rates however, such administratively set rate created an unacceptably high floor on the government's cost of funds. He further states while speaking on the investment of funds by the Employees provident Fund organization. These examples mean that the current investment regulations of the EPF severely limit the ability of contributors to accumulate significant retirement savings.

Table No. 3 EMPLOYEE PROVIDENT FUND

CATEGORY	2011	2012	2013	2014	2015	2016
CG Securities	47554.01	58413.58	70933.82	86542.30	97775.37	173658.30
a) State Government	30904.75	39145.49	46441.95	57692.99	77937.36	164972.09
b) Government guaranteed Securities	2406.64	2683.50	7975.81	12761.19	13681.35	18869.94
Special deposit schemes	52628.82	52660.23	52730.09	52811.82	52845.36	54324.53
Public Sector Financial Institutions	67569.79	84420.83	99567.72	114896.35	137183.07	98485.91
Public Account	—	—	—	—	—	98485.91
Total	**201064.01**	**237323.63**	**277649.39**	**324704.65**	**379458.51**	**739009.61**

It is very clear from the Table that the EPF has a steady growth from year to year. The social security initiative as well as the security of future among the employee and employer is developed and which can be seen through the means of figures in the above table. B.N. Som (1994) the then Central Provident Fund Commissioner expressed the view that in discussing the question of extending Social Security, "For the last decade or so and more particularly during the last three or four years the Social Security system all over the world was under great strain."

Table No. 4 EMPLOYEE PENSION FUND

CATEGORY	2011	2012	2013	2014	2015	2016
CG Securities	34099.50	38388.19	43475.28	49112.59	53795.97	60124.73
a) State Government	16392.71	18720.15	21690.92	26331.16	33668.38	50248.43
b) Government guaranteed Securities	2617.40	2576.30	4723.60	6181.90	6525.20	5568.10
Special deposit schemes	1400.52	1400.52	1400.52	1400.52	1400.52	1400.52
Public Sector Financial Institutions	36355.28	43407.91	48521.60	53339.82	63102.78	69399.37
Public Account	51185.41	57087.01	63593.44	71319.61	80038.99	90336.05
Total	**142050.82**	**161780.08**	**183405.36**	**207685.60**	**238531.84**	**277077.20**

The above Table reveals that next to the provident fund the pension fund is also gradually increasing. The initiatives by the government for providing helping hand towards the life of retired employees have seen a high success. Pension funds are a unique situation where individuals invest over multi-decade horizons, in order to obtain consumption in old age. All pension investment works with the fundamental pension equation".

Table No. 5 EMPLOYEES DEPOSIT LINKED INSURANCE

CATEGORY	2011	2012	2013	2014	2015	2016
CG Securities	1296.87	1574.51	1893.51	1902.01	2501.02	2,851.30
a) State Government	813.99	949.02	1176.95	1356.62	1969.50	3,001.94
b) Government guaranteed Securities	109.10	108.30	213.10	285.21	322.80	824.60
Special deposit schemes	2.50	2.50	2.50	2.50	2.50	2.50
Public Sector Financial Institutions	1695.17	2142.53	2424.19	2789.23	3415.78	337.70
Public Account	5420.03	5880.73	6380.59	6952.20	7511.39	8,149.86
Total	**9337.66**	**10657.59**	**12090.84**	**13287.77**	**15722.99**	**17,992.05**

It is evident from the above Table that the programmes next the provident fund and pension fund it is EDLI which is helping a lot to the employees it is the point of the scheme to provide life insurance coverage to all employees. While executing such complexity it has three important policy implications (Barr and Diamond, 2008). First, an analysis of the effects of the pension system on growth, labour markets and equity should consider the pension system as a whole and not each component separately. Second, a "first-best" approach is not appropriate in designing pension policies or pension reform. Third, pension reform design recommendations must take into account a country's fiscal, institutional and capital market capacities, as also its financial literacy.

CONCLUSION:

Industrial work involves higher obsolescence of human body. This justifies a relatively higher package of compensation that was prevalent up to the 1990s. However, the subsequent years witnessed the industrial employees being brought on par or even placed below the Government employees, since the implementation of fifth and sixth pay commission recommendations. Later, the Government decided to do away with the pension for its employees in a major financial reform.

Since 2004, the Government employees have no pension benefit, unless they tie up with the insurance or financial Institutions offering pension scheme privately. The situation for the industrial workers is compounded by the fact that their compensation comes out of the earnings of the organization and all organizations do not revise the wages/salaries regularly, unlike Government employees. It may be noted that the Members of Parliament and the Members of State Legislatures draw hefty pension, who by the very nature of their office are supposed to public representatives and not the employees of the Government, and this pension is payable to the honorable members even if they serve for just term of five years, while industrial workers do not get the revision for their decades of service.

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