

EMPLOYEE VIEWS TOWARDS RETIREMENT SCHEME IN DEVELOPMENT BANK OF NEPAL

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Abstract

The main objective of the study is to assess the employee view toward the Employee Provident Fund (EPF) scheme, as a retirement scheme, with various factors that influence the attitude in development banks of Nepal. The study is based on a descriptive and explanatory research design. A quantitative research design was applied. Out of 18 development banks in Nepal, Jyoti Bikas Bank, Shangrila Development Bank, Muktinath Bikas Bank, and Garima Bikas was selected as sample unit for the study. The study is based on the primary data collected from Employees or contributors as respondents. Pearson's multiple correlations and linear regression analysis were used for data analysis. Correlation analysis shows a significant linear, positive, and moderate relationship between independent variables namely, saving and investment, benefits scheme, and work environment, and dependent variable namely, employee view toward EPF scheme. The regression analysis reveals that there is a positive view of employees toward EPF in terms of saving and investment. Also, there is a positive view of employees toward EPF in terms of the working environment. However, there is a negative view of employees toward EPF in respect of the benefits scheme.

Keywords: views, retirement scheme, EPF, employee

Introduction

This chapter includes the background of the study, the statement of the problem, and the objective of the study.

Background of The Study

The organizational objectives can be achieved through effective and coordinated utilization of human, physical, financial, and other resources. Organizational efficiency and effectiveness rely on the performance of human resources. Human resources are the most important, vital, and foremost resources for accomplishing organizational goals (Agrawal, 2015). Thus, the organization should make the human resources or employees feel financially secured both during employment and retirement days through compensation management which is one of the major components/functions of Human Resource Management (HRM). A retirement scheme, also known as the Employee Provident Fund (EPF), is an important type of compensation management (Acharya, 2019, p. 225). Acharya (2078 BS) says that HRM is the practice of recruitment to retirement. Or HRM incorporates recruitment to the retirement scheme of human resources. EPF scheme is an appropriate way to attract, motivate and retain the employee in an organization. Employees' Provident Fund (EPF) is a

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social security institution that provides retirement benefits for contributors through the management of their savings (Saidi et. al., 2017). The employer's share of corporate social responsibility is the amount of money contributed by the employer to match the employee's share of contribution for the employee's retirement benefit (Muhamat et. al., 2012).

In Nepal, the employee and employer contribute 10% of each employee's basic salary. Hence, 20% of the basic salary is credited to the employees' Provident Fund (PF) account as a monthly contribution (<https://site.epfnepal.com.np/page/>). EPF is a matching fund from both the employer and employee and to be kept in a separate bank and paid out to employees on retirement or in some cases when requires such as pre-retirement withdrawals, on working time like housing loan, emergency financial needs of employees, or incapacitated position (www.investopedia.com). To contribute to EPF employees' the amount of PF is reduced from the concerned employees' pay. Many elements may be included on the "benefits" side.' a lump sum amount of the accumulated balance of the matching fund at the time of retirement, profit earned by the contributor's balance with the EPF, and interest (Government of Nepal, 1962). It is a crucial investment for the future life of employees.

Employee Provident Fund (EPF) of Nepal, also known as Karmachari Sanchaya Kosh, was established in 1934 AD targeting to afford social security to public and private employees. The EPF is the sole organization owned and managed by the government of Nepal to manage the provident fund as a matching fund. Government employees and employees from State-Owned Enterprises (SOEs) attain automatic membership in EPF in Nepal. These include employees from the civil servants, army, police, state-owned corporations, and government schools/colleges/universities. These types of contributions by the employee and private employees earn a fixed level of interest from the Employees' Provident Fund. The rate of interest to be provided by PF in Nepal to employees or contributors is 6.5% (<https://site.epfnepal.com.np/>). The benefit scheme, as interest, to be received by employees is tax-free (<https://www.creditmantri.com/article-what-is-epf/>). Savings, in this context, mean to be used for post-retirement time and cannot be fully withdrawn during employment days. For instance, Tribhuvan University teachers and employees have to complete the age of 63. Similarly, government employees and school teachers have to expire at the age of 58 except for pre-retirement withdrawals.

Memekiya Woldegerima (2013) defines social security and point out its relation to human right:

Social security is the protection of people and households to ensure the approach to health care and to guarantee income security, particularly in case of old age, unemployment, sickness, invalidity, work injury, maternity, or loss of the breadwinner. EPF scheme in Nepal, at least to some extent, certainly provides income and life security in old age.

Statement of the Problem

EPF scheme has both pros and cons. If the scheme is fully collapsed an employee will be paid with only 60% of total contributions to the fund on retirement (Narayanan, 2002). Provident fund provides financial security as interest and dividends for the employees even their working time and lumpsum amount of money upon retirement. It is a clear indication of life and income security. It is also an investment of contributors. This makes the employee perceive independence and self-respect in his/her life. Despite its merits, it has also demerits. ILO Facts on Social Security (2001) broadly defines social security as a system of contribution-based facilities that has become a universal challenge. The study i. e. ILO Facts state that only 20 percent of the world's population has been covered by adequate social security, while more than half of them are deprived of them at all. They are generally not protected in old age such as employee provident fund by social security and they are unable to treat their health due to lack of money (Mekonnen, 2015 p. 8-9).

Employees' perspective towards the EPF scheme in Nepal is mainly and currently affected by a lack of adequate information and explanation of interest benefit on the deposit amount of depositors. The interest rate provided by EPF to its contributors seems to be minimum as compared to commercial banks to be given to its depositors. Different reactions and opinions are observed from employees on this matter, some are silent about it and some are disappointed with it. The study attempts to answer the following research issue:

What are the employee views towards the employee provident fund scheme, which is a very crucial part of the retirement scheme in development banks of Nepal?

The Objective of the Study

The main objective of the study is to assess the employee views towards the employee provident fund scheme, which is a very crucial part of the retirement scheme in development banks of Nepal.

Review of Literature

Saving will be necessary for employees themselves for miserable retirement time and their children also. The EPF program is a defined and fully funded contribution. The total balance accumulated at the end of employment consists of contributions to the Fund made during the working years, less pre-retirement withdrawals, plus interest and dividends credited to the individual's account (Narayanan, 2002, p. 121). The Provident Fund is an institution that provides old-age protection, education, and housing loans. In addition, the Provident Fund provides a Funeral Grant (1991), accidental Compensation (1995), medical assistance program (Employees Provident Fund, 2015, p. 8).

A study conducted by Muhamat et. al., (2012) concluded that all variables show a statistically significant and meaningful correlation and regression analysis shows the perceived convenience of the scheme. The scheme helps depositors to perform hajj. A study by Hussan et. al., (2018) showed that nearly half of the total respondents perceive that their total EPF savings are relatively small to support their retirement expenses. Likewise, 38 percent of the respondents view that they have adequate EPF savings to cover their post-retirement expenses. The remaining 14 percent of the respondents are not still sure whether or not the amount saved in the fund is sufficient for retired life. 72 percent of the respondents considered EPF as a safe investment.

A study performed by Narayanan (2002) concluded that the EPF is unable to provide sufficient income security to most of its contributors. To solve the issue retirement age should be extended from the present 56 to, say 65 which shortens the post-retirement period and extends the period to accumulate savings. A study conducted by Ong et. al., (2008) showed that people may have the opportunities to gain information on retirement saving decisions. Sawalqa & Badainah (2020) concluded that there is a significant difference in the view of the informant to the current status of EPF investment due to monthly salary. Taye's (2019) study found a positive perception of equitable contribution, existing work environment, and existing compensation and benefits scheme. However, many contributors perceive negatively to all the benefit schemes.

Conceptual Framework

Based on the above literature review theoretical framework is presented below. This part identifies the dependent and independent variables. The theoretical framework represents the relationship between variables in the study and shows the relationship graphically. It is a hypothesized representation identifying the ideas under the study and their relationship. The theoretical framework is developed so that it creates a foundation for the entire research. The proposed model is based on the report prepared by Atsede Taye (2019), "Assessment of Employee's Perception towards Compensation and Benefit Schemes and Practices: A case study of Bank of Abyssinia". The theoretical framework that is followed here is as follows:

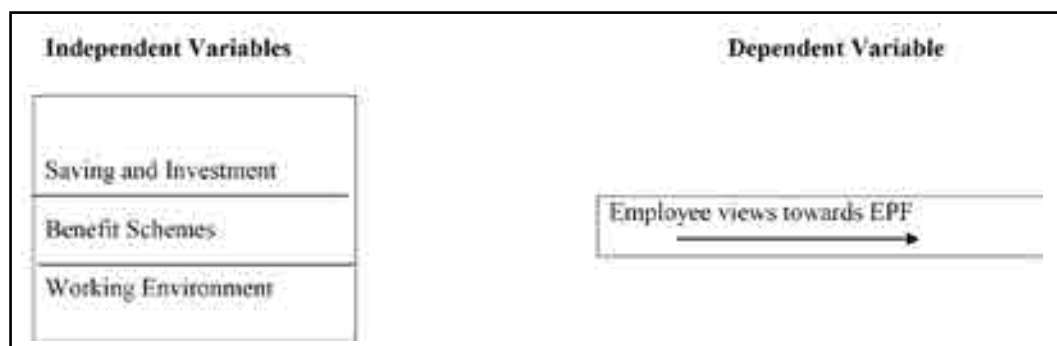


Figure 1: Conceptual framework

Research Gap

Variables	Reliability	Remarks
Saving & Investment	0.727	Reliable
Benefit Schemes	0.655	Reliable
Working Environment	0.903	Reliable
Employee views towards EPF in Nepal	0.897	Reliable

The researcher found that there is almost a lack of studies on such phenomena and dimensions in the Nepalese context. Hence the study, to great extent, will be crucial to satisfy the research gap.

Methodology

The study is based on a descriptive and explanatory research design. A quantitative research design was applied. Out of 18 development banks in Nepal. Among them, Jyoti Bikas Bank, Shangrila Development Bank, Muktinath Bikas Bank, and Garima Bikas Bank were selected as sample units for the study. The study is based on the primary data collected from contributors of the Employee Provident Fund. Structured questionnaires were used as an instrument. Out of 678 employees at the head office of the sample banks, 122 respondents were selected as a sample size using the purposive sampling technique. The population of the study area was limited to Kathmandu valley. Pearson's multiple correlations and linear regression analysis were used for data analysis.

Results and discussion

This chapter includes an analysis of data, findings, summary, interpretation, and conclusion of the study.

Results

Reliability Test

Table 1: Reliability of data

Variables	Reliability	Remarks
Saving & Investment	0.727	Reliable
Benefit Schemes	0.655	Reliable
Working Environment	0.903	Reliable
Employee views towards EPF in Nepal	0.897	Reliable

Table 1 shows that Cronbach's Alpha of all constructs except benefit schemes which is slightly lesser than the standard value has more than 70 percent.

Correlation Analysis

To the relationship between employee views and a set of independent variables, saving and investment benefits scheme, and work environment, both correlation and regression analysis were performed. The result is as follows:

Table 2: Pearson Correlation across four variables

		Saving and Investment	Benefit Schemes	Work Environment	Employee Views to EPF
Saving and Investment	Pearson Correlation		.504**	.309**	.533**
	Sig. (2-tailed)		.000	.001	.000
	N		122	122	122
Benefits Scheme	Pearson Correlation			.511**	.413**
	Sig. (2-tailed)			.000	.000
	N			122	122
Work Environment	Pearson Correlation				.569**
	Sig. (2-tailed)				.000
	N				122
Employee Views to EPF	Pearson Correlation				
	Sig. (2-tailed)				
	N				

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2 exhibits a positive correlation between saving and investment and employee view toward EPF (0.532), benefits scheme and employee view toward EPF (0.413), and work environment and employee view toward EPF (0.413).

Since, the P-value is less than alpha i.e. $0.000 < 0.01$, the correlation is significant between variables at a 1% level of significance.

Regression Analysis

Regression analysis is a statistical procedure used for estimating the strength of the relationship between the independent and dependent variables. In this study, a linear regression model was used to assess the significance level of influence of independent variables like saving and investment, benefit schemes, and working environment on dependent variable i. e. employee views towards EPF of Nepal.

Table 3: Regression results of employee views toward EPF

Factor	B Value	T-Value	Sig	VIF
(Constant)	-0.120	-0.304	0.761	
Saving & Investment	0.561	5.169	0.000	1.348

Benefit Schemes	-0.025	-0.271	0.787	1.650
Working Environment	0.446	5.800	0.000	1.360
R Square	0.465			
F Value	34.155			
P Value	0.000			

Table 3 shows the overall regression analysis of the study. All the VIF (Variance Inflation Factor) values are less than 10. The table depicts that the multiple regression model ($F=34.155$, $P\text{-value}<0.01$) of employee views is significantly well fitted to the given dataset. It is a good correlation between independent variables and dependent variables. R squared is the square of the multiple correlations. It is 0.465. Table 3 shows that saving and investment have a positive and statistically significant coefficient of 0.561 ($t=5.169$, $p\text{-value}<0.01$). The benefit scheme has a negative and insignificant coefficient (0.025 ($t=0.271$ greater than 0.01)). The working environment has a significant coefficient of 0.446 ($t=5.8$, $p\text{-value}<0.01$).

Discussion

Provident fund provides financial security as interest and dividends for the employees even their working time and lumpsum amount of money upon retirement. It is a clear indication of life and income security. The organization should make the employees feel financially secured both during employment and retirement days through compensation management which is one of the main functions of HRM. The main objective of the study is to assess the employee views towards the employee provident fund scheme, which is a very significant part of the retirement scheme for employees.

Cronbach's Alpha's value has more than a cut-off point i.e. 70 percent. It means that each has stronger consistency (DeVellis, 2003). Saving and investment, benefitschemes, and working environment show a positive, moderate, and significant correlation with employee views toward employee provident funds. Since the P-value is less than alpha i.e., $0.000 < 0.01$, the correlation is significant between variables at a 1% level of significance. From this, it can be understood that the independent variables namely, saving and investment, benefit schemes and working environment influence the employee views positively towards the Employee Provident Fund of Nepal. Since all the VIF (Variance Inflation Factor) values are less than 10, there is no multi-collinearity between independent variables (Pallant, 2005). Also, we can say the three independent variables did not show the same thing. The regression model is well fitted. R squared shows that there is a 46.5% variation explained jointly in the variation of employee views by three independent variables. The remaining 53.5% is explained by other variables.

In the regression analysis, saving and investment have a positive and statistically significant coefficient of 0.561 ($t=5.169$, $p\text{-value}<0.01$). It denotes that employee views can increase by 0.561 when the saving and investment score increase by 1 score on average keeping the effect of the benefits scheme and working environment constant. This finding is in line with Bailey (2003) and Hussan et. al., (2008), however, contradicts Narayanan (2002). The benefit scheme has a negative and insignificant coefficient (0.025 ($t=0.271$, $p\text{-value}$ greater than 0.01)). It indicates that the benefits scheme negatively affects the employees' views. The working environment has a positive and significant coefficient of 0.446 ($t=5.8$, $p\text{-value}<0.01$). It denotes that employee views towards EPF can increase by 0.446 when the working environment score increase by 1 score on average keeping the effect of saving and investment and benefits scheme constant. This finding is in line with Muhanat et. al., (2012).

Conclusion

The purpose of the study is to assess the employee views towards the employee provident fund scheme. Correlation analysis shows that significant linear, positive, and moderate correlation between saving and investment and employee view toward EPF, benefits scheme and employee view toward EPF, and work environment and employee view toward EPF. Further, saving and investment, benefits schemes, and working environment also shows a significant and linear positive correlation between them. Saving and investment have a significant coefficient. The working environment has also a significant coefficient. Hence, it can be concluded that employee views are positive toward the EPF of Nepal. However, the benefit scheme has a negative and insignificant coefficient. It means employee views are negative towards EPF.

Recommendation

The finding of this research may serve as a foundation on which further research can be performed. The results of the study will help policymakers, learners, and agencies concerned. The researcher would like to recommend that future research could be conducted on the constructs like pension, pension fund, and gratuity. This study is limited to the development banks only in Nepal. The research can be conducted in government sectors such as civil, police, military, and teaching. It is further recommended that future research could be conducted in Public Enterprises of Nepal.

Limitation of the Study

The study has the following limitations:

1. The retirement scheme in this study signifies the amount of money being provided by the Employee Provident Fund of Nepal upon the retirement of employees.
2. The study covers only a few development banks within Kathmandu valley.

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