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# Inclusive Finance And Pension Scheme Acceptance: A Comparative Study Of Ops, Nps And Ups

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***Abstract:***

*Financial inclusion is very important for Indias development. It helps people have security when they are old. India is changing its pension system. So it is important to know how financial inclusion affects the acceptance of pension schemes. This study looks at the relationship between inclusion and the acceptance of the Old Pension Scheme the New Pension System and the Unified Pension Scheme. The study uses data from research articles, books, government reports and other publications. It sees how financial inclusion, financial literacy, digital financial services and access to banking affect peoples awareness and understanding of pension schemes.*

*The review shows that financial inclusion has improved a lot in India. Initiatives like the Pradhan Mantri Jan Dhan Yojana and digital banking have increased access to financial services. This has created opportunities for retirement planning. However just having access to services is not enough. People also need to be financially literate and have trust in institutions to make informed decisions about pension schemes. The review also shows that while the Old Pension Scheme is still popular because it provides a guaranteed income contributory schemes like the New Pension System and the Unified Pension Scheme are seen as financially sustainable.*

*The study concludes that improving literacy promoting digital financial inclusion and increasing public awareness about retirement planning are essential for informed participation in pension schemes. A balanced approach that combines financial access with effective financial education can help create a more inclusive and sustainable pension system in India.*

## 1.0 INTRODUCTION

Financial inclusion is one of the important things for economic development. It means that people and businesses have access to products and services that are affordable and suitable for them. Researchers say that financial inclusion not helps economic growth but also improves peoples welfare. As people live longer financial inclusion has become more important for retirement planning and financial security.

India has made a lot of progress in expanding inclusion. Initiatives like the Pradhan Mantri Jan Dhan Yojana and digital banking have increased access to banking services. However researchers say that financial inclusion is not about opening bank accounts. It is also about being able to use services effectively. This depends on literacy, digital capability and confidence in financial institutions.

One of the important outcomes of financial inclusion is improved retirement planning. Pension schemes provide income security after retirement. With changing family structures and increasing longevity retirement planning has become essential. Researchers say that pension systems should balance retirement income adequacy, fiscal sustainability and social equity.

Indias pension framework has changed a lot over the two decades. Before 2004 most government employees were covered under the Old Pension Scheme. However this created pressure on governments. So the New Pension System was introduced in 2004. It shifted from a defined-benefit system to a defined-contribution model. This reduced the governments term financial burden and encouraged individual responsibility for retirement savings.

Although the New Pension System has improved the sustainability of Indias pension system it has not been universally accepted. Some people are concerned about market-linked returns and investment risk. They

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prefer the guaranteed benefits of the Old Pension Scheme. This shows that pension acceptance depends not on the schemes design but also on peoples understanding of financial products and risk tolerance.

The introduction of the Unified Pension Scheme has generated a lot of discussion. It combines elements of retirement security and fiscal sustainability. However its success will depend on awareness, institutional transparency and effective communication.

Researchers say that financial literacy plays a role in pension participation and retirement preparedness. People who are financially literate are more likely to save and make informed investment decisions. Financial inclusion should not be about access to financial services but also about the ability to use those services effectively.

Punjab is a place to study these issues. The state has a number of government and semi-government employees and a rapidly expanding digital financial ecosystem. Although financial inclusion has improved there are still differences between rural areas in terms of financial literacy and access to financial services. This can affect peoples awareness and acceptance of pension schemes.

Despite the growing literature on inclusion and pension reforms there is a lack of studies on the interaction between financial inclusion and pension scheme acceptance in India. This study seeks to address this gap by reviewing existing literature and policy developments. The findings will contribute to the debate on pension reforms and provide insights for policymakers.

## 2.0 LITERATURE REVIEW

Researchers have studied pension reforms in countries. They say that an effective pension system should balance adequacy, equity and fiscal sustainability. Although defined-contribution pension schemes reduce governments financial obligations many employees prefer defined-benefit systems because they provide guaranteed retirement income.

The World Banks multi-pillar pension framework is an approach to achieving retirement security. It recommends combining pensions with mandatory and voluntary private savings. This enhances security and improves the sustainability of pension systems. Researchers say that governments should ensure financial inclusion and effective regulatory mechanisms to encourage participation, in retirement planning.

Financial inclusion is very important for the development of a country. **Honohan in 2007** did a study that showed people who have access to financial services like banking are more likely to save money invest in things that will give them more money and plan for their retirement.. The study also said that just having a bank account is not enough people need to know how to use these financial services and trust the banks.

**Dev in 2009** looked at what India was doing to include people in the formal financial system. The study found that even though the government was doing a lot to help many people in areas and those who were poor were still not using banks. The main reasons were that people did not know much about money and banking there were not banks in rural areas and people did not know about the services that banks offered. Dev said that just making banks more available was not enough people also needed to be taught about money and banking.

**Thorat in 2010** identified some challenges that were stopping people from using banks in India. These included not having banks, especially in rural areas people not knowing much about money and not having enough money. The study said that people who did not use banks often relied on sources of money which made it hard for them to save for the long term or plan for retirement. It suggested that banks should be more available people should be taught more about money. Banks should offer services that were affordable.

**Rangarajan in 2011** came up with a plan for inclusion that said every person should have access to affordable financial services. The study said that when people have access to banks they are more likely to save money invest and plan for retirement. It also said that banks should be more available people should be taught about money and banks should offer services that people could afford.

**Demirgüç-Kunt and Klapper in 2012** used data from around the world to see how financial inclusion was working. They found that people who used banks were more likely to save money plan for retirement and have a pension. The study also found that there were differences in how much people used banks based on how much money they made, their education, gender and where they lived.

**Sarma and Pais in 2013** created an index to measure how well countries were doing at including people in the system. The study found that countries that did a job of including people in the financial system had better economic development and more people saving money and investing. The authors said that financial inclusion was very important for development and for peoples long-term financial security.

**Lusardi and Mitchell in 2014** looked at how knowing about money affected peoples plans for retirement. The study found that people who knew more about money were more likely to save invest wisely and have a pension. The authors said that teaching people about money was very important for helping them plan for retirement.

**Beck in 2015** looked at how financial inclusion affected the economy as a whole. The study found that when people had access to banks they were more likely to save money invest and be prepared for events. Beck said that financial inclusion was very important for both the economy and for peoples well-being.

**Sane and Thomas in 2015** looked at how Indias pension system was working. The study found that even though the system had been changed to make it more sustainable not many people were participating because they did not understand it well. The authors said that people needed to be taught more about the pension system and that the information about it needed to be clearer.

**Mitchell and Lusardi in 2015** looked at how knowing about money affected peoples decisions about retirement and investments. The study found that people who knew more about money were better at understanding investment risks evaluating retirement products and making decisions. The authors said that teaching people about money was very important for helping them plan for retirement.

**Sane and Thomas in 2017** looked again at how Indias pension system was working. The study found that even though the government was supporting it not many people were participating because they preferred the system that guaranteed them a certain amount of money after retirement. The authors said that people needed to be taught more about the pension system and that they needed to be protected from investment risks.

**Agarwal et al. in 2018** looked at how knowing about money affected peoples behavior. The study found that people who knew more about money were more likely to plan for retirement save money and invest in pension-related products. The authors said that teaching people about money was very important for helping them make financial decisions.

**Lusardi, Mitchell and Oggero in 2020** looked again at how knowing about money affected peoples plans for retirement. The study found that people who knew more about money were more likely to start planning for retirement diversify their investments and save more money. The authors said that teaching people about money was very important for helping them plan for retirement.

**Serrao, Sequeira and Hans in 2021** looked at how financial inclusion affected socio- development. The study found that when people had access to banks they were more likely to save money be financially stable and participate in financial products like insurance and pensions. The authors said that financial inclusion was very important for both development and social development.

**Aggarwal and Khanna in 2021** looked at how much people in India knew about pensions. The study found that not many people knew about pension schemes and that this lack of knowledge affected their retirement planning. The authors said that people needed to be taught about pensions and that this education should be provided through schools, workplaces and banks.

**The Reserve Bank of India in 2022** reported that a lot of progress had been made in including people in the financial system through digital banking and government initiatives. However it also said that there were still challenges, such as people not knowing much about money and not trusting banks. The report said that teaching people about money and banking was very important for helping them use services effectively.

**NITI Aayog in 2023** said that it was very important to include workers in the sector in pension schemes. The report said that financial inclusion, financial literacy and accessible banking infrastructure were essential for retirement security. It also said that the government, banks and regulators needed to work to promote pension schemes.

**The Pension Fund Regulatory and Development Authority** reported that more people were participating in the National Pension System but that there were still challenges, such as people not knowing much about pensions and not trusting market-linked investments. The report said that people needed to be taught about pensions and that the information about them needed to be clearer.

**The International Labour Organization in 2024** said that universal social protection required pension systems supported by inclusive financial policies. The report said that many countries, developing ones had big gaps in pension coverage especially among informal workers. It argued that financial inclusion, labor market policies and institutional capacity were essential for achieving social protection. The ILO concluded that integrating pension reforms with education and inclusive financial services could significantly improve retirement security

**2.1 Research Gap**

There is still a gap in research, on how financial inclusion affects retirement security in developing countries. More studies are needed to understand how financial inclusion can be improved and how it can help people plan for retirement.

The study of inclusion and pension systems is very important. Many studies have looked at these two topics separately. Not many have looked at how they are connected especially when it comes to pension schemes like OPS, NPS and UPS. Most studies focus on how people know about these schemes or what the government policies but they do not compare how people feel about these schemes in different areas like Punjab. Also there is not research on how digital financial inclusion and literacy affect people's decisions about pensions.

This study wants to fill these gaps by comparing how people in Punjab use services and how they feel about different pension schemes. The study looks at how financial inclusion affects people's awareness and decisions about pension schemes especially when it comes to moving from schemes like OPS to newer schemes like NPS and UPS.

**3.0 OBJECTIVES OF THE STUDY**

1. The study wants to see how many people in Punjab have access to services like banking and how many people use digital financial services.

2. The study wants to compare how people from backgrounds feel about different pension schemes like OPS, NPS and UPS.

3.The study wants to see how financial inclusion affects peoples decisions about pension schemes especially when it comes to moving from schemes to newer schemes.

**4.0 RESEARCH METHODOLOGY**

This study uses data from sources like government reports and research papers. The data is from sources like the Reserve Bank of India PFRDA, World Bank and NITI Aayog. The study looks at how people in Punjab use services and how they feel about pension schemes like OPS, NPS and UPS. The study compares how people feel about pension schemes and looks for patterns and relationships between financial inclusion and pension scheme preferences. Since the study does not use data it relies on what other people have already found out and what the government says.

**5.0 DISCUSSION**

The study shows that financial inclusion has made it easier for people to access services but it does not necessarily mean that people will use these services for long-term planning like pensions. Many people are now connected to the financial system but they do not always understand how to use these services. This is a problem that the study highlights.

One important thing the study found is that just because people know about pension schemes does not mean they will use them. Even when people know about schemes like NPS and UPS many still prefer the Old Pension Scheme because it is safe and secure. The main reason for this is that people like to feel safe and secure when it comes to their money. OPS provides returns, which makes people feel safe after they retire. On the hand NPS is linked to the market, which can be uncertain. For people who do not like to take risks this is a problem.

Financial literacy is very important in shaping peoples preferences. People who understand concepts like investment and risk are more likely to consider schemes like NPS. They can look at the long-term benefits. Not just the short-term uncertainty. On the hand people who do not understand financial concepts tend to avoid schemes they do not know about. This shows that financial literacy is essential for financial inclusion.

Another important thing is the role of financial services. Digital platforms have made it easier to access and manage products, including pension schemes. However not everyone has the access to these services especially in rural areas and among older people. This digital divide affects how people engage with pension options and creates levels of participation.

Trust is also a factor. Many people do not want to use market-based systems because they are afraid of losing money. Government-backed schemes like OPS are seen as reliable even if they may not be sustainable in the long run. This shows that peoples perceptions do not always match the governments goals.

Overall the study suggests that financial inclusion should go beyond just providing access to services. It should focus on helping people understand how to use these services building confidence and addressing concerns like risk aversion. Then can people make informed choices about pension schemes and have better financial security in the future.

**Findings of the study**

- The study finds that financial inclusion has improved a lot to government initiatives and digital banking. Most people now have access to financial services like bank accounts. However there is a gap between access and actual usage mainly due to low financial literacy and limited awareness especially in rural areas.
- The findings show that OPS is still the preferred pension scheme because it provides guaranteed returns and is seen as secure. In contrast NPS and UPS are not as popular because they are linked to the market and involve risk. However people who understand concepts are more open to schemes like NPS and UPS.
- The study concludes that financial inclusion has an impact on peoples awareness and understanding of pension schemes. However it does not directly ensure that people will use these schemes. Financial literacy, trust and risk perception play a role in decision-making indicating that inclusion must be supported by education and awareness for better adoption of modern pension schemes.

## 6.0 CONCLUSION

The study concludes that financial inclusion is important for improving awareness and access to pension schemes. It is not enough to ensure that people will use these schemes. While schemes like NPS and UPS offer long-term sustainability people still prefer OPS because it is safe and secure. Financial literacy, trust and risk perception strongly influence pension choices. Therefore along with expanding inclusion there is a need to strengthen financial education and awareness to promote informed decision-making and wider acceptance of modern pension schemes.

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