

A STUDY OF EMPLOYEE PROVIDENT FUND REFUND SCHEME OF G.I. SECURITY PVT. LTD

Prof. Saroda Chatterjee

Dept. of Business Administration The Bhawanipur Education Society College (India)

ABSTRACT

Business Management is a unique conundrum, where human resources are regarded as the assets of any organization. The employees become happier, their loyalty and cooperation increase, quantity and quality of output improve only when their wage and salary administration will become sound. The pay structure, investment options and other fringe benefits should be subjectively integrated into the management process; only that it would be an effective vehicle for the achievement of organizational goals. Provident Fund is a fund where the workers contribute a portion of their salaries and employers must contribute on behalf of their workers. The present study is concentrated on G.I. Security Pvt. Ltd. where the primary focus is on the eligibility of the employees to get a refund of 10% of the administrative charges towards PF from EPFO. The company should consider a flexible benefits strategy and the kind of structure that would be most appropriate in the context of employee satisfaction, expense control and revenue growth.

Keywords: *Human Resource, Provident Fund, Wage and Salary Administration.*

“Human, not financial, capital must be the starting point and ongoing foundation of a successful strategy.” -

C. A. Bartlett & Sumantra Ghoshal

I. INTRODUCTION

A provident fund is a form of social safety net into which workers must contribute a portion of their salaries and employers must contribute on behalf of their workers. The money in the fund is then paid out to retirees or in some cases to the disabled who cannot work. 12 % of the basic salary (up to 15,000/-) of an employee is deducted as the employee's contribution towards PF; the same amount i.e. 12 % of the basic salary is contributed by the employers, out of which 3.67% is contributed to the EPF account, and rest 6.72% is contributed to the EPS (pension) account. Contribution made by the employer also is 12% of the basic salary of the employee. However, this 12% is further subdivided into the following five components –

- Employee's Provident Fund (EPF) – 3.67%
- Employee's Pension Scheme (EPS) – 6.72%
- Employee's Deposit Link Insurance Scheme (EDLIS) – 0.50%
- EPF Admin Charges – 1.10%
- EDLIS Admin Charges – 0.01%

However an EPF subscriber can contribute more than 12 % (in fact, your whole salary) in **Voluntary Provident Fund (VPF)**. **Interest:** The interest rate towards EPF account was 8.75% for the FY 2015-16 which has been changed to 8.65 % for the FY 2016-17. **Calculation of interest on EPF balance:** Let us take an example of Amit who has just joined a new organization in the month of June, at a monthly salary of Rs.10,000 (Basic + DA). Let us depict with the help of a table, his monthly deductions and the applicable rate of interest. For the first month his total contribution including both employees (12% of basic 10,000/-) and employers share is (3.67% of basic 10,000/-) is Rs. 1567/-, in which he will not get any interest for the first month, as interest starts from the second month, here it is July. From the next month, that is from July (in this case) the interest will be calculated on the total PF contribution that has been carried forward. The total interest that Amit received for his EPF contributions from June to February comes out to be Rs.410.03.

UAN is a 12 digit single account number which will be linked to your provident fund money. A PF subscriber having UAN, don't need to worry for different EPF accounts and then transfer them, when he joins a new job. Now each employer will just give you a member id, and all those member ids will be linked with the same UAN. This is the new system and will be applicable now for your current and future employment. Things have changed now quite a bit after UAN has been introduced and most of the pain points have been addressed.

II. BENEFITS OF SEEDING BANK ACCOUNT AND AADHAR AGAINST UAN

- He / She has to wait for employer's attestation before the claim is being submitted to the EPFO.
- Lot of formalities needs to be adhered while filling up the PF claim forms.
- Lot of documentation work needs to be done while processing the claim.

These resulting in delay in submission of PF claim forms.

- There is no other tool to identify whether the PF amount is timely submitted to the EPF account by the employer.

III. EMPLOYERS HAVE TO ACTIVATE THE UAN

Advantage: Employee will get his UAN ID and password to his mobile number, using which they can view their PF passbook, where they can monitor whether the employer has fairly contributed to his PF account. Also the employee can get monthly SMS of "how much amount is contributed to the PF a/c" to their mobile number, once the UAN gets activated.

B. Employers have to seed the bank account number to UAN number

Advantage: If the bank account is seeded against UAN and digitally approved by the employer then while withdrawing PF – the employee does not need the employer's attestation or even they do not have to submit the claim to the employer.

C. Employers have to seed the AADHAR number to UAN number

Advantage: To determine that whether the claimant who is applying for PF withdrawal is a genuine person or the correct person who wants to withdraw his PF, his AADHAR number needs to be seeded against the UAN by the employer. Doing the same, the employee's biometric and demographic information gets recorded against the UAN account, thus help in preventing transfer of PF amount to wrong person / account.

Benefits of seeding bank account and AADHAR against UAN : Benefits have been discussed in section B and C.

Benefits of UAN activation: Benefits have been discussed in section A.

PF Admin Charges: Apart from providing 12% towards EPF and EPS account, the employers also have to pay an amount that is 0.85% of PF wages.

i. Process to Get Refund of Admin Charges: To promote the KYC seeding and UAN activation process, EPF o has decided to refund a certain percentage of admin changes to employers.

Incentive Refund Scheme A:

To claim 10% refund of administrative charges paid during the quarters, the eligible establishment has to achieve the following criteria relating to UAN in respect of its contributing members in each of the month falling in the quarter:-

- (i) providing member's details as required under Form No. 11 (New) (80% or above);
- (ii) seeding of all the three i.e. AADHAR (at least 80% of (i) above) and Bank A/c { 100 % of (i) above }
- (iii) UAN activation { 100% of (i) above }.

Incentive Refund Scheme B:

To claim 5% refund of administrative charges paid during the quarter, the eligible establishment has to achieve the following criteria relating to UAN in respect of its contributing members in each of the month falling in the quarter:

- (a) providing member's details as required in Form No. 11 (New) { 60 % or above };
- (b) seeding of AADHAR { 70 % of (a) above } and Bank A/c { 80 % of (a) above };
- (c) UAN activation { 60 % of (a) above }.

The incentive by way of refund shall be payable at the end of every quarter starting from quarter ending March, 2016, as per procedure prescribed by the Central Provident Fund Commissioner and only such establishments shall be considered eligible for the scheme of refund which have in each month of the quarter achieved the criteria for qualification either in Incentive Refund Scheme 'A' or Incentive Refund Scheme 'B'.

The Incentive Refund Scheme shall be in operation for one year, i.e. 1 Jan 2016 ~ 31 Dec 2016 (for the quarters beginning January, 2016, April, 2016, July, 2016 and October, 2016).

j. Provident Fund Acts:

THE EMPLOYEES' PROVIDENT FUNDS AND MISCELLANEOUS PROVISIONS ACT, 1952

(Act No. 19 of 1952)

4th March, 1952

An Act to provide for the institution of provident funds, pension fund and deposit-linked insurance fund for employees in factories and other establishments.

To avail pension benefit, the member

- Should have completed 10 years of continuous service (or) attained age of 50 years or more.
- Doesn't receive any EPF pension.
- Will receive pension amount on a monthly basis after attaining the age of 58.

Administrative Charges: The administrative charges in the Employee provident fund act include

- Employer has to pay administrative charges at 1.10% of emoluments towards the provident fund charges and 0.01% towards ELDI Scheme
- Employee need not contribute anything towards these charges.

Annual Account Statement: After end of each period of contribution, annual statements of accounts will be sent by PF department to each member last employed. The statement of accounts in fund will show

IV. CONCLUSION

- Grant of impunity from operation of the schemes framed under the Act to an establishment or a class of employees and to an individual, on given conditions.
- Penalties to employers/trustees of exempted Provident Fund who contravenes the provision of the Act and the Scheme.
- Appointment of inspector to secure compliance under the Act and the Schemes framed there under.
- Mode of recovery of money which is right from the employers.

V. OBJECTIVES OF THE STUDY

The Primary Objective was to study whether G.I. Security Pvt Ltd is eligible to get a refund of 10% of the administrative charges towards PF from EPFO as per the notification published by EPFO on Incentive Return Scheme.

The Secondary Objectives of this study were to identify:

- Whether 80% of the employee's AADHAR is seeded against their UAN number
- Whether 80% of the employee's bank a/c is seeded against their UAN number
- Whether G.I. Security has completed the UAN activation of its 80% contributory members

VI. RESEARCH METHODOLOGY

6. SAMPLING METHODOLOGY

Sample Size — 70 respondents

Sample Unit- Currently working employees across various states have been taken as sample unit.

Sampling Technique - Random Sampling technique

b. RESEARCH DESIGN

Employees chosen at random are called up over phone and gathered information as per the questionnaire

The research design is probability research design and is descriptive research.

c. DATA COLLECTION

Primary data has been used by me in the form of Questionnaire & Observation, which are the two basic methods of collecting primary data, which suffices all research objectives.

Secondary data sources like data from EPFO dashboard of the company, company wage sheets, and various internet sites have been used.

COMPANY PROFILE AND HIERARCHICAL STRUCTURE:

Company profile and history:

G.I. SECURITY PVT LTD. is a comprehensive and multi-service facility management company. It help its clients increase profits and reduce risks by outsourcing their non – core business and focusing on their core business. G.I. SECURITY PVT LTD.'s approach to facility management is unique. They work in partnership with its clients to understand their business needs, thereby ensuring that we deliver a flexible and diverse solution, every time. Their flexibility allows its clients to respond to changing business conditions hence enhancing asset value and maximizing returns.

Mission:

We are in the business of providing trained manpower to fulfill our customer requirements. We will become one of the top three service providers in terms of turnover and profit in every city we work in. Target date 31.12.2020.

Vision:

People: Be a great place to work where people are inspired to be the best they can be.

Portfolio: Bring to the world a portfolio of quality manpower brands that anticipate and satisfy customers needs.

Productivity: Be a highly effective, lean and fast-moving organization.

Value Statement:

We believe in:

- Giving customers a good and fair deal.
- Offering a high customer service
- Eliminating bureaucracy in all facets of corporate life / Fast and simple operations
- Being a **legally, morally, ethically** correct company

QUALITY POLICY

As a leading manpower agency we are committed to determine, agree and conform to our customer's needs and expectations. We achieve this by:

- Conforming to re organized quality assurance standard **ISO 9001:2008** and prevalent laws
- Communicating our quality policy and working procedures to every employee to ensure they can perform their work to the highest possible standard
- Implementing employee training procedures, laid down by the customers and various institutes to ensure highest standards of work place practice
- Indemnify customers from all statutory and regulatory requirements
- Offer our customers a high quality service so they can focus on their core business and grow their profits
- Communicating regularly with our customers to ensure that quality and safety standards are being met

WORK CULTURE

Our culture has evolved as result of a constantly changing world we live and work in. Sitting still in this environment is simply not an opinion; that's why we are always looking how we can improve, focus and better serve all our customers. The result is a culture where everyone is encouraged to stretch themselves, take responsibility for their actions and challenge the status quo by coming up with fresh ideas.

4. DATA ANALYSIS AND INTERPRETATION

Q-1. Name of the employee?

Q-2. What is the age of the employee?

Q-3. Service period of the respondents

Service period interval	Less than 1 year	1-3 years	3-5 years	5-7 years	7-9 years	More than 9 years
Service period	34	31	10	1	14	9

Interpretation : Out of the 70 respondents 34 % have a service a period of less than 1 year, 31% of 1 to 3 years, 14% of 7 to 9 years, 10% of 3 to 5 years.

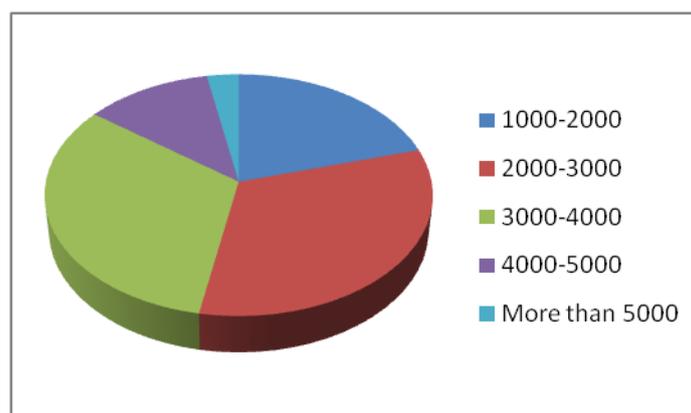
Q-4. Satisfaction level test on present wages

Satisfactory level	YES	NO
Frequency	36	34

Interpretation : Out of the 70 respondents 36 i.e. 51% are satisfied with the present wages and the rest 49% i.e. 34 employees are not satisfied with the present wages.

Desired increment in wages

Levels of increment	1000-2000	2000-3000	3000-4000	4000-5000	More than 5000
Frequency	7	11	11	4	1

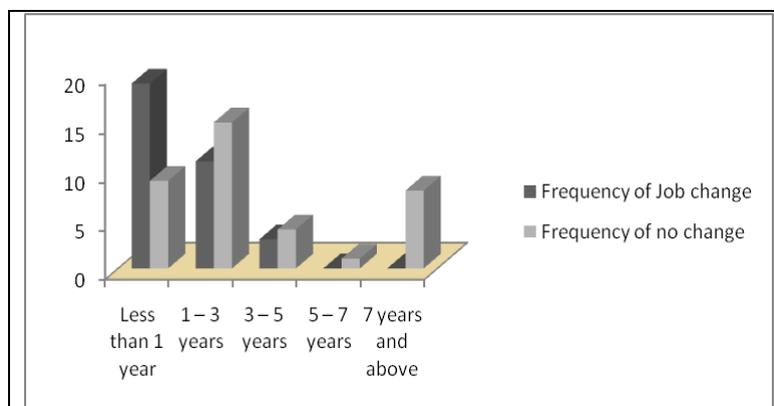


Interpretation : Out of the 40 respondents who are not satisfied with the present salary package 28% expects an increment of 2000-3000 Rs. and another 28% group of employees expects 3000-4000 Rs. increment. 17% expects an increment of 1000-2000 Rs.

Q-5: Effect of no increment for the next 1 year

Remarks on Job Change	Change job	Will not change job
Frequency	33	37

Job change behavior versus service period	Frequency of Job change	Frequency of no change
Less than 1 year	19	9
1 – 3 years	11	15
3 – 5 years	3	4
5 – 7 years	0	1
7 years and above	0	8



Interpretation : If there is no increment for the next 1 year then there is a chance of losing 47% employees from the present working strength. So it is recommended to have at least some increment every year to retain the employees.

Further it can be seen that there is an inclination of job change among the employees (58%) who have not yet completed 1 year in this company. The job change behavior having a lower effect as the service period is increasing.

Q-6: Employees take in case of a hike of Rs. 2000

Remarks on Rs. 2000 hike per year	Employees will stay	Employees will change job	
Frequency	55	15	
Service period of employees who will change job	Less than 1 year	1-2 years	More than 2 years
Frequency	10	2	3

Interpretation: It can be seen that if there is an increment of 2000 Rs. per year then 79% of the employees are willing to stay with the present company and 21% will not stay as they may have higher expectations.

With further study of those 15 employees it has been found that most of those who have higher expectations towards having an increment every year - 67% have a service period of less than 1 year.

Q-7: Awareness about PF deductions

PF deductions	Aware	Not aware
Frequency	54	12

Service period versus PF deductions awareness	Aware	Not aware
Less than 1 year	16	12
1 – 3 years	26	0
3 – 5 years	7	0
5 – 7 years	1	0
7 years and above	4	0

Interpretation: 83% of the employees are well-aware about the deductions of PF and the rest 17% do not have any awareness towards the PF deductions.

Further study has revealed that employees who have not yet rendered a service of at least 1 year, the awareness regarding PF deductions are lower at their side. It is recommended to carry out proper training programmes to spread awareness regarding the PF deductions among the new entrants.

Q-8: UAN activation status

UAN activated	UAN not activated
68	2

Interpretation: 97% employees UAN is activated.

Q-9: Bank a/c seeding status against UAN

Bank a/c seeded	Bank a/c not seeded
68	2

Interpretation: 97% employees AADHAR is seeded to their EP a/c.

Q-10: AADHAR seeding status against UAN

AADHAR seeded	AADHAR not seeded
50	20

Interpretation: 71% employees AADHAR is seeded to their EP a/c.

Q-11: Awareness about the benefit of AADHAR and bank seeding against PF a/c

Aware	Not aware
16	54

Interpretation: It can be seen 77% employees are not aware of the future benefits of seeding AADHAR and bank a/cs against their PF number. It is recommended to carry out proper training programs amongst the employees regarding such benefits of PF.

5. ONE SAMPLE Z TEST FOR PROPORTIONS:

Z test in determining whether 80% of the AADHAR has been seeded against the UAN

To test:

$H_{0A} : p_{0A} = 0.8 = 80\%$ of the employee's AADHAR is seeded to their UAN a/c

$H_{1A} : p_{1A} < 0.8 =$ less than 80% employee's AADHAR is seeded to their UAN a/c

AADHAR seeded	AADHAR not seeded	Total sample size
50	20	70

In a sample of 70 employees $(50 \times 100) / 70 = 71\%$ employee's AADHAR is seeded to their UAN a/c.

$$np = 70 * (0.80) = 56$$

$$n(1 - p) = 70 * (1 - 0.80) = 14$$

Since both np and n(1-p) are at least 10, the normal approximation method has been used here.

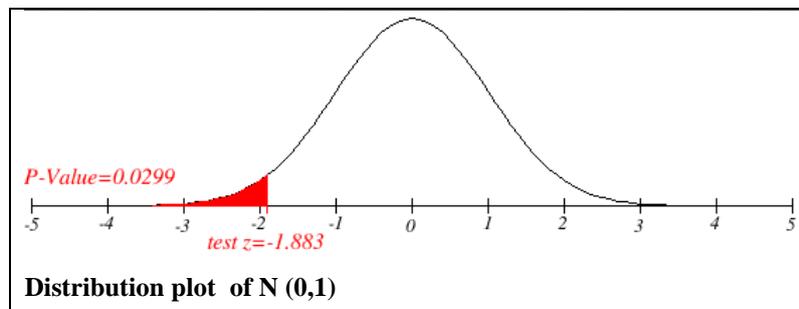
The test $H_{0A} : p_{0A} = 0.8$ against $H_{1A} : p_{1A} < 0.8$ is a left tailed test.

Therefore the appropriate test statistic would be,

	$z = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1 - p_0)}{n}}}$
Where, \hat{p} is the sample mean, p_0 is the hypothesized population proportion and n is the sample size	
Here, $\hat{p} = 0.71$, $p_0 = 0.80$, $n = 70$	
$z = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1 - p_0)}{n}}}$	$= - 0.09 / 0.0478 = - 1.883$

Given that the population proportion is 0.80, a sample of $n = 70$ translates to a z score of -1.883.

Therefore the p value is, $p = P [z < -1.883] = 0.02985$ assuming the level of significance α at 0.05



Since $p = 0.02985$ is less than 0.05, the chosen level of significance, hence we should reject the null hypothesis and accept the alternative hypothesis.

Conclusion : There is sufficient evidence that G.I. Security Pvt. Ltd. has not been able to complete the AADHAR seeding process of 80% of its employees.

Z test in determining whether 80% of the bank a/cs has been seeded against the UAN

To test:

$H_{0B} : p_{0B} = 0.8 = 80\%$ of the employee's bank a/c is seeded to their UAN a/c

$H_{1B} : p_{1B} < 0.8 =$ less than 80% employee's bank a/c is seeded to their UAN a/c

Bank a/c seeded	Bank a/c not seeded	Total sample size
68	2	70

In a sample of 70 employees $(68 \times 100) / 70 = 97\%$ employee's bank a/c is seeded to their UAN a/c.

$$np = 70 * (0.80) = 56$$

$$n(1 - p) = 70 * (1 - 0.80) = 14$$

Since both np and n(1-p) are at least 10, the normal approximation method has been used here.

The test $H_{0B} : p_{0B} = 0.8$ against $H_{1B} : p_{1B} < 0.8$ is a left tailed test.

Therefore the appropriate test statistic would be,

	$z = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1 - p_0)}{n}}}$
--	---

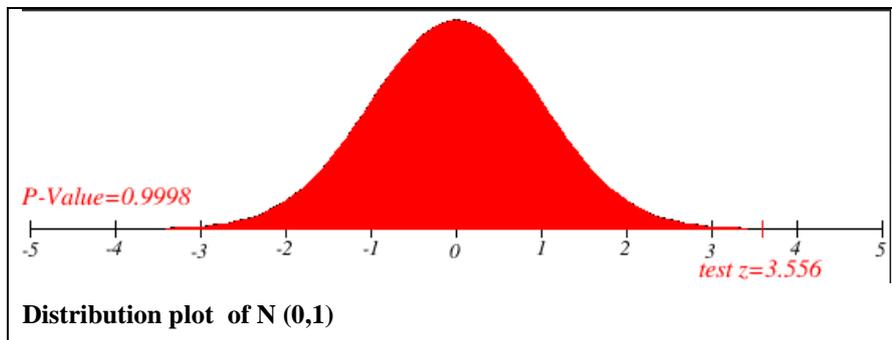
Where, \hat{p} is the sample mean, p_0 is the hypothesized population proportion and n is the sample size

Here, $\hat{p} = 0.97$, $p_0 = 0.80$, $n = 70$

$z = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1 - p_0)}{n}}}$	$= 0.17 / 0.0478 =$	3.556
---	---------------------	---------

Given that the population proportion is 0.80, a sample of n = 70 translates to a z score of 3.556

Therefore the p value is , $p = P [z < 3.556] = 0.9998$ assuming the level of significance α at 0.05



Since $p = 0.9998$ is greater than 0.05, the chosen level of significance, hence we should accept the null hypothesis and reject the alternative hypothesis.

Conclusion : There is sufficient evidence that G.I. Security Pvt. Ltd. has been able to complete the bank a/c seeding process of 80% of its employees.

Z test in determining whether 80% UAN activation is complete or not

To test:

$H_{0A} : p_{0U} = 0.8 = 80\%$ of the employee’s UAN is activated

$H_{1A} : p_{1U} < 0.8 =$ less than 80% employee’s UAN is activated

UAN activated	UAN not activated	Total sample size
68	2	70

In a sample of 70 employees $(68*100)/70 = 97\%$ employee’s AADHAR is seeded to their UAN a/c.

$$np = 70 * (0.80) = 56$$

$$n(1 - p) = 70 * (1 - 0.80) = 14$$

Since both np and n(1-p) are at least 10, the normal approximation method has been used here.

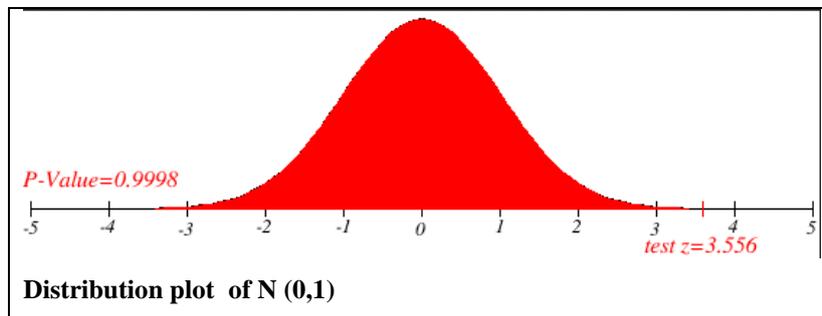
The test $H_{0U} : p_{0U} = 0.8$ against $H_{1U} : p_{1U} < 0.8$ is a left tailed test.

Therefore the appropriate test statistic would be,

$z = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1 - p_0)}{n}}}$	
Where, \hat{p} is the sample mean, p_0 is the hypothesized population proportion and n is the sample size	
Here, $\hat{p} = 0.97$, $p_0 = 0.80$, $n = 70$	
$z = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1 - p_0)}{n}}}$	$= 0.17 / 0.0478 = 3.556$

Given that the population proportion is 0.80, a sample of n = 70 translates to a z score of 3.556

Therefore the p value is, $p = P [z < 3.556] = 0.9998$ assuming the level of significance α at 0.05



Since $p = 0.9998$ is greater than 0.05, the chosen level of significance, hence we should accept the null hypothesis and reject the alternative hypothesis.

Conclusion : There is sufficient evidence that G.I. Security Pvt. Ltd. has been able to complete the UAN activation of 80% of their contributory members.

FINDINGS AND RECOMMENDATIONS:

- a. As the company G.I. Security Pvt. Ltd. has not been able to complete the AADHAR seeding of 80% of its employees against their UAN, though its bank seeding and UAN activation well-exceeds 80%, it is not eligible to get a refund of 10% of its administrative charges at this juncture. However they are in a position to get a refund of 5% of admin charges as 60% of their AADHAR seeding is completed along with more than 80% figure for bank seeding and UAN activation.
- b. To ensure employee satisfaction, the company needs to give a substantial amount of hike in wages of its workers so as to help to improve its employees standard of living as also increase its motivation.

LIMITATIONS:

- a. Time period is short and resource constraints.
- b. This study is based on prevailing employee's opinion. But the employee's strength as also their opinion changes from time to time.

BIBLIOGRAPHY:

Books:

- **Fundamentals of Statistics: Goon Gupta, Dasgupta**
- **Fundamentals of Applied Statistics: Gupta and Kapoor**

Web-Resources:

- www.epfindia.com
- www.google.com
- www.wikipedia.org
- www.investopedia.com
- www.bankbazaar.com
- www.thehindu.com
- economictimes.indiatimes.com
- www.portal.wabag.in
- www.epfochennai.tn.nic.in
- www.epfkendra.org.in