

A Study to Assess the Awareness and Benefits of Atal Pension Yojana (APY) in Mumbai

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Abstract:

India is one of the young and developing nations of the world where nearly 10.5% of the population is above 60 years and the number is expected to double by 2050 according to report of technical group on population projections for India and state 2011-2036. According to Periodic labour force survey nearly 71% of elderly population resides in rural areas and 29% in urban areas. With rapidly aging population the livelihood of such senior citizens is a big challenge especially for population engaged in unorganised and private sector where benefits of pension is not available to such people. There was a dire need to look for income security among the elderly retired people. The issue was addressed by the government of India by introducing Atal Pension Yojana (APY) in the year 2015. The Scheme aims to help the people engaged in unorganised sector, private sector and economically vulnerable class in meeting their pension requirements. The paper aims to check the awareness of APY among the people in Mumbai and also check its benefits which makes the scheme appealing to the citizens. The paper is based on both primary and secondary data. The conclusions drawn would be helping in judging whether people in capital city of Mumbai are aware and are willing to open APY considering the benefits.

Key words: Pension Scheme, Retirement, Atal Pension Yojana (APY) and PFRDA

Introduction

With rapidly aging population of India many people will fall in the category of senior citizen. During old age people feel helpless as there is no means of income after retirement. The feeling of powerlessness crops in senior citizens as they are not contributing and dependent on children for their routine expenses. Due to nuclear family system elderly parents have to live in loneliness as children are busy with their jobs and sometimes they are ignored. To support themselves in their retired life having some source of inflows through pension would help them sustain in their old age.

The APY is flagship pension scheme of government of India introduced on 9th May 2015 under the able guidance of our Prime Minister Shri Narendra Modi to provide income security to people when they become senior citizens especially the weaker sections living in the rural areas and people working for unorganised sections of the society. The basic requirement to opt for the scheme is the person must be between the age of 18 to 40 and must not be paying income tax. The person must have savings bank account with any bank or post office and Aadhaar for opening APY. The person intending to open APY should select one out of the five monthly pension amount from Rs. 1,000/ Rs. 2,000/ Rs. 3,000/ /Rs. 4,000/ Rs. 5,000 at the time of opening APY. The subscriber gets an option to contribute the amount monthly/ quarterly/half-yearly which gets automatically debited from the bank account. The amount of contribution depends on the entry age at which the subscriber is taking APY as shown in the contribution table. The person needs to contribute the selected amount till the age of 60 and after 60 the pension amount is credited automatically in the bank account itself. There are

multiple benefits of APY like it is completely endorsed by government of India where minimum pension of 1,000 or maximum pension of 5,000 can be availed based on the contribution option selected by the subscriber. The benefits are passed on to the spouse on the death of the subscriber. In case of death of both subscriber and nominee the accumulated contribution amount is handed over the legal heirs. The complete scheme is monitored by The Pension Fund Regulatory and Development Authority (PFRDA). PFRDA is constantly engaged in creating awareness about the scheme among the people by advertising about APY in various mandatory languages like Hindi, English, and 21 regional languages. (Ministry of Finance, 2023)

CONTRIBUTION TABLE: AGE WISE, FREQUENCY WISE AND PENSION SLAB WISE



Return indicative corpus amount to the Nominee		Minimum Guaranteed Pension of Rs. 1000/ month			Minimum Guaranteed Pension of Rs.2000/ month			Minimum Guaranteed Pension of Rs.3000/ month			Minimum Guaranteed Pension of Rs.4000/ month			Minimum Guaranteed Pension of Rs.5000/ month		
		Rs. 1.7 Lakh			Rs. 3.4 Lakh			Rs. 5.1 Lakh			Rs. 6.8 Lakh			Rs. 8.5 Lakh		
		Monthly	Quarterly	Half Yearly	Monthly	Quarterly	Half Yearly	Monthly	Quarterly	Half Yearly	Monthly	Quarterly	Half Yearly	Monthly	Quarterly	Half Yearly
Age at entry	Vesting period															
18	42	42	127	256	84	254	512	126	381	769	168	507	1025	210	634	1281
19	41	46	139	281	92	278	561	138	417	842	183	553	1116	228	689	1391
20	40	50	151	305	100	302	610	150	453	915	198	598	1208	248	749	1513
21	39	54	163	329	108	326	659	162	489	988	215	649	1312	269	812	1641
22	38	59	178	360	117	353	714	177	535	1080	234	707	1428	292	882	1781
23	37	64	193	390	127	384	775	192	580	1171	254	767	1550	318	960	1940
24	36	70	211	427	139	420	848	208	628	1269	277	837	1690	346	1045	2111
25	35	76	230	464	151	456	921	226	683	1379	301	909	1836	376	1136	2294
26	34	82	248	500	164	495	1001	246	743	1501	327	988	1995	409	1235	2495
27	33	90	272	549	178	538	1086	268	809	1635	356	1075	2172	446	1347	2721
28	32	97	293	592	194	586	1184	292	882	1781	388	1172	2367	485	1465	2959
29	31	106	320	647	212	640	1293	318	960	1940	423	1277	2581	529	1598	3227
30	30	116	350	708	231	698	1409	347	1048	2117	462	1395	2819	577	1743	3520
31	29	126	381	769	252	761	1537	379	1145	2312	504	1522	3075	630	1903	3844
32	28	138	417	842	276	834	1684	414	1250	2526	551	1664	3362	689	2081	4204
33	27	151	456	921	302	912	1842	453	1368	2764	602	1818	3673	752	2271	4588
34	26	165	498	1007	330	997	2013	495	1495	3020	659	1990	4020	824	2489	5027
35	25	181	547	1104	362	1093	2209	543	1640	3313	722	2180	4405	902	2724	5503
36	24	198	598	1208	396	1196	2416	594	1794	3624	792	2392	4832	990	2990	6040
37	23	218	658	1330	436	1317	2660	654	1975	3990	870	2627	5308	1087	3283	6632
38	22	240	725	1464	480	1450	2928	720	2174	4393	957	2890	5839	1196	3612	7297
39	21	264	797	1611	528	1595	3221	792	2392	4832	1054	3183	6430	1318	3980	8041
40	20	291	879	1775	582	1758	3551	873	2636	5326	1164	3515	7101	1454	4391	8871

Source: <https://npsdra.nsdl.co.in>

Objectives of the Study:

- 1) To study the level of awareness about the APY
- 2) To determine the most impactful benefit of Atal Pension Yojana (APY)

Review of Literature

(Kavya & Renugadevi, 2023) Conducted research to find out attitude of people towards Atal Pension Yojana among unorganised sector workers in Coimbatore. The main findings of the research showed that not many people are aware about the scheme. Among the people who are aware they have opted for minimum guaranteed pension of Rs. 1000. Majority of the people have opened their accounts through post offices and they have kept children as their nominee. There is limitation on the maximum amount and flexibility of the scheme.

(Siddiqui & Nandan, 2023) Studied the awareness and penetration of APY in Prayagraj, U.P. Their research also tried to find out the percentage of people enrolled and tend to continue the scheme in future. In case of discontinuance the reason for leaving the scheme to be found. It was found that awareness and enrolment for the scheme was good but women subscribers were less in number. There were very few cases of dropout from the scheme which showed that majority intend to continue the scheme and avail the benefits during retirement.

(Mohanty, Dongare, & Singh, 2022) through their working paper found that people opened more Atal Pension Yojana in states with more developed banking. They found that there is positive co-relation between states with

high per capita income and APY subscribers. The states with high life expectancy have lesser APY accounts. Over the years the number of accounts opened under APY have increased across the nation.

(Balamurugan, 2022) tried to examine the awareness about Atal Pension Yojana among students in Vellore, Tamil Nadu. The most important findings about the scheme is non-disclosure of interest rate which is demotivating the people to opt for APY. Though people are aware about the scheme but they are not willing to open the account due to its long investment period. The government has not advertised about the benefit of the scheme properly.

(Das, 2016) evaluated the APY from all areas and found that the amount of pension ranging from 1,000 to 5,000 shall be provided to the subscribers on retirement according to the amount of contribution selected by them. The researcher pointed out the positive and negative aspects of APY.

Research Methodology

The paper is based on primary data collected through structured questionnaire method using convenience sampling method and the data was collected from 74 respondents residing in Mumbai. Secondary data was collected through government websites, government reports, and research journals.

It is an exploratory research as an attempt is made to search the awareness, benefits and to know the number of subscribers of APY. The data is analysed using statistical tools like Chi-square for checking awareness, Henry Garrett's ranking method for ranking the benefits, percentage method for pictorial presentation through pie chart, bar chart, trend lines etc.

Primary Data Analysis and Interpretation through hypothesis testing:

The data collected through primary data is analysed through hypothesis testing using Chi-square and Henry Garrett's ranking method for drawing useful inferences:

HYPOTHESIS: 1: Level of Awareness about APY

H1= There is a difference in the level of awareness of the people who are aware about the Atal Pension Yojana

H1o= There is no difference in the level of awareness of the people who are aware about the Atal Pension Yojana

Chi-square Test: Chi-square technique is used to test the level of awareness collected through random samples and its categorical in nature. This technique is applied to test whether observed output is in line with expected results.

	Value	Df	Asymp. Sig. (2 sided)
Pearson Chi-Square	1.97	4	0.78
No. of valid cases	74		

The value of Chi-square is 1.97. The value of p at 99% confidence for 4 degrees of freedom is 0.78 which suggests that the value of χ^2 is larger than the p value. This implies that the null hypothesis is rejected with 99% confidence. This further indicates that there is a difference in the level of awareness of the people who are aware about the Atal Pension Yojana.

HYPOTHESIS: 2: Most Impactful Benefit of APY

H1= Out of all benefits, maximum people do not prefer Atal Pension Yojana due to its guaranteed pension after retirement

H1o= Out of all benefits, maximum people prefer Atal Pension Yojana due to its guaranteed pension after retirement

Henry Garrett Ranking Technique: Henry Garrett's ranking method has/had been used to quantify and prioritize the benefits based on their perceived importance. Henry Garrett's ranking method had been used to

rank the benefits of Atal Pension Yojana (APY). For the said technique, respondents / participants had been asked to assign the rank to each benefits of Atal Pension Yojana (APY) based on the importance they assign to pension during retirement. Ranking results have been converted to score value. Percentage position is computed as

$$\text{Percentage Position} = \frac{100 (R_{ij} - 0.5)}{N_j}$$

Where, R_{ij} = Rank, i^{th} item, j^{th} individual;

N_j = number of items ranked by j^{th} individuals

Garrett value for each percent position value had been calculated using Garrett Ranking Conversion table. Garrett value had been multiplied with each rank and summed to get total score. Each total score had been divided by the total number of respondent to get average score. The highest average score had been assigned first rank and so on.

Table: Rank assigned to benefits of Atal Pension Yojana (APY) by the respondents

Benefits of APY	Rank					
	1 st	2 nd	3 rd	4 th	5 th	Total
Guaranteed pension on retirement	50	6	7	2	9	74
Guaranteed amount to spouse on death of subscriber	6	48	7	10	3	74
Return of pension amount to nominee on demise of subscriber and spouse	2	6	52	7	7	74
Good amount on retirement at small contribution at early stage	6	7	5	50	6	74
Safe and secured as it is backed by government of India	10	7	3	5	49	74

Table: Percent Position and Garret Value

Rank	$100(R_{ij}-0.5)/N_j$	Percent Position	Garret Value
1	$100*(1-0.5)/5$	10	75
2	$100*(2-0.5)/5$	30	60
3	$100*(3-0.5)/5$	50	50
4	$100*(4-0.5)/5$	70	40
5	$100*(5-0.5)/5$	90	25

Table: Average score and Ranks of the benefits of APY

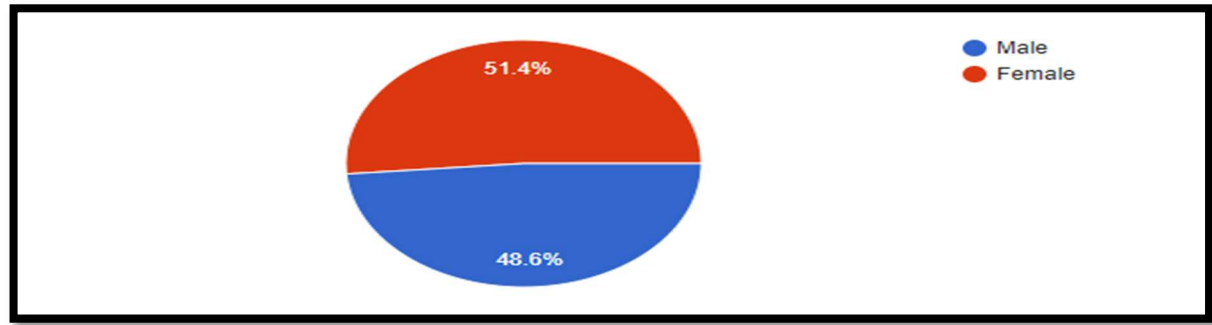
Benefits of APY	1 st *75	2 nd *60	3 rd *50	4 th *40	5 th *25	Total	Average score (Total/74)	Rank
Guaranteed pension on retirement	3750	360	350	80	225	4765	64.392	1
Guaranteed amount to spouse on death of	450	2880	350	400	75	4155	56.149	2

subscriber								
Return of pension amount to nominee on demise of subscriber and spouse	150	360	2600	280	175	3565	48.176	3
Good amount on retirement at small contribution at early stage	450	420	250	2000	150	3270	44.189	4
Safe and secured as it is backed by government of India	750	420	150	200	1225	2745	37.095	5

Based on the garret value and table of average scores it can be stated that that out of all benefits, maximum people prefer Atal Pension Yojana due to its guaranteed pension after retirement due to which maximum respondents have given it the first rank. Therefore we reject the null hypothesis and accept the alternate hypothesis.

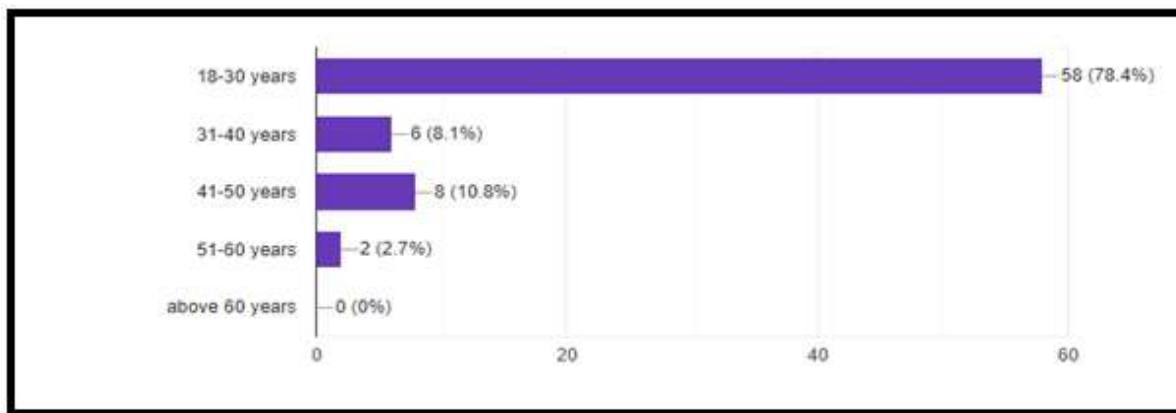
Primary Data Analysis using pie chart, bar charts, Trend line charts for portrayal of useful inferences.

Graph: 1 Gender of Respondents



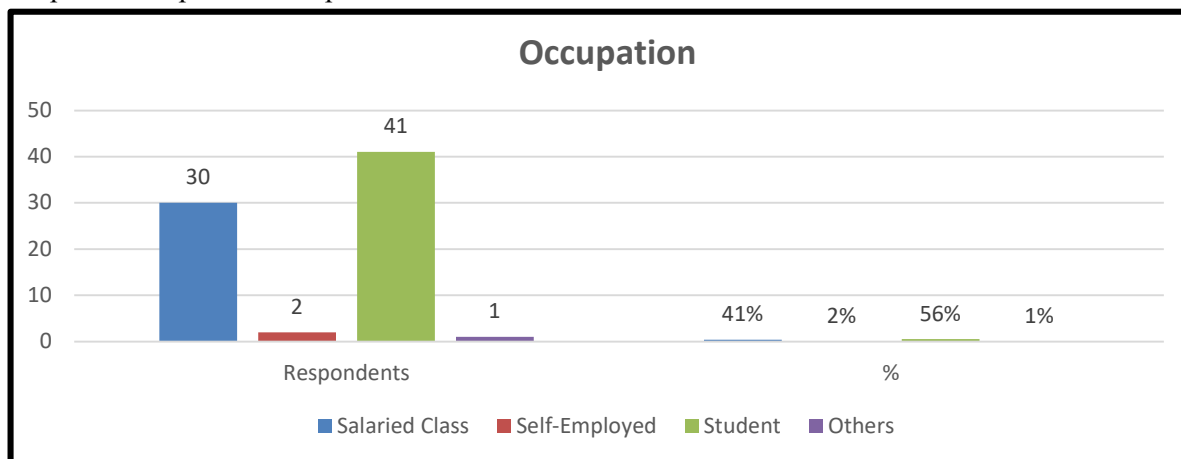
Interpretation: 51.4% respondents are male and 48.6% are female. Therefore that there is no significant difference between the number of male and female respondents.

Graph: 2 Age of Respondents



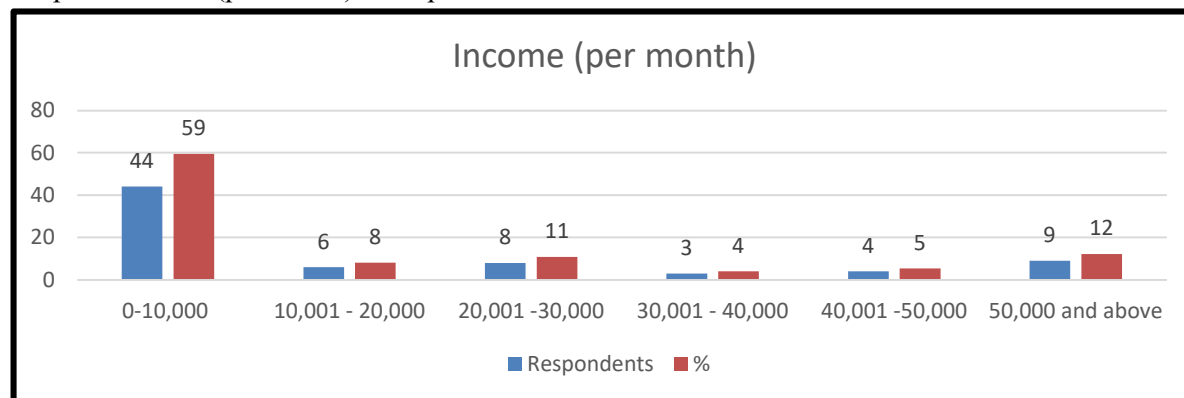
Interpretation: 78.4% people are between 18-30 years age group, 10.8% are between 41 to 50 age group, 8.1% are between 31-40 age group and 2.7% are between 51 – 60 age group. Young people are more as compared to middle and old age category of age group.

Graph: 3 Occupation of respondents



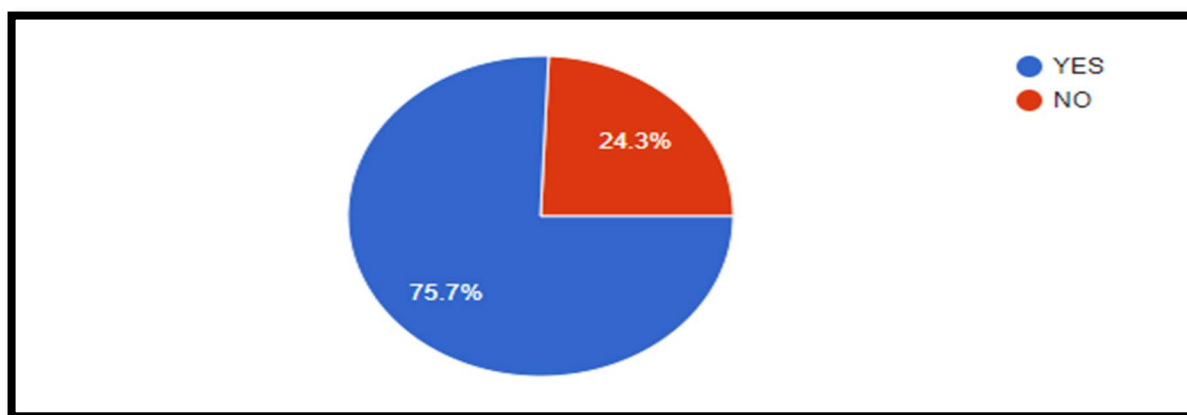
Interpretation: 56% respondents were students, 41% were from salaried class and 3% were from self-employed and other category. Student and salaried class people are maximum as compared to other category.

Graph: 4 Income (per month) of respondents



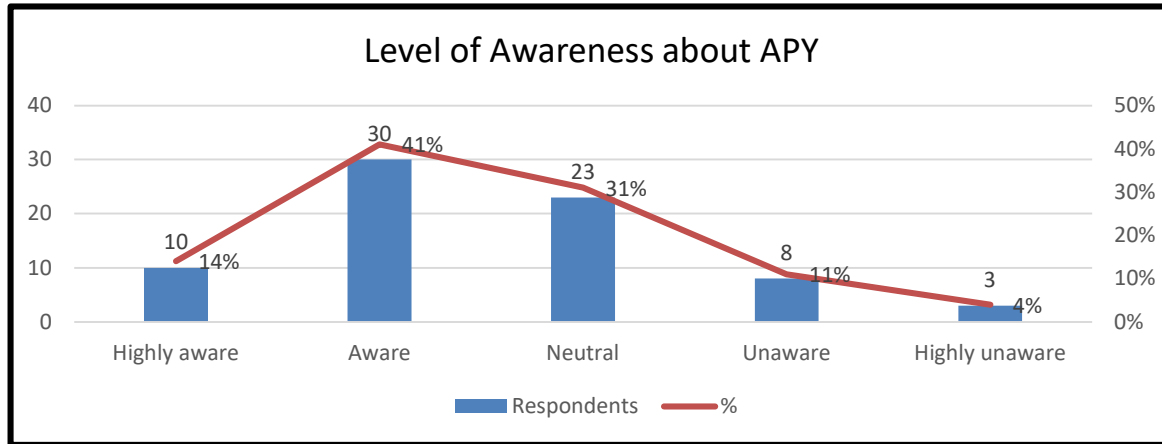
Interpretation: 59% were in the Income group of less than 10,000, 8% were in the income group between 10,001 to 20,000, 11% belonged to income group of 20,001 to 30,000, 4% were in income group of 30,001 to 40,000, 5% were in income group of 40,001-50,000 and 12% belonged to income group of above 50,000. Maximum people are in the lower income group.

Graph: 5 Awareness about Atal Pension Yojana



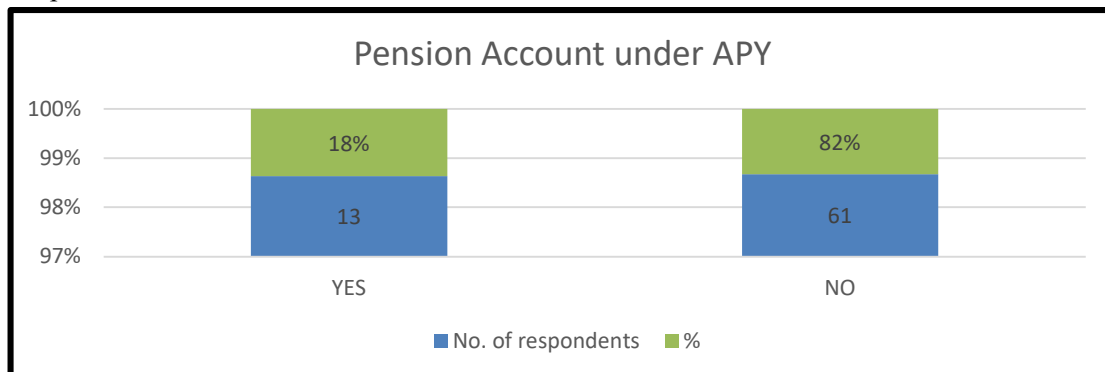
Interpretation: 75.7% were aware about the Atal Pension Yojana, 24.3% were unaware. Maximum people are aware of the APY

Graph: 6 Level of awareness about APY



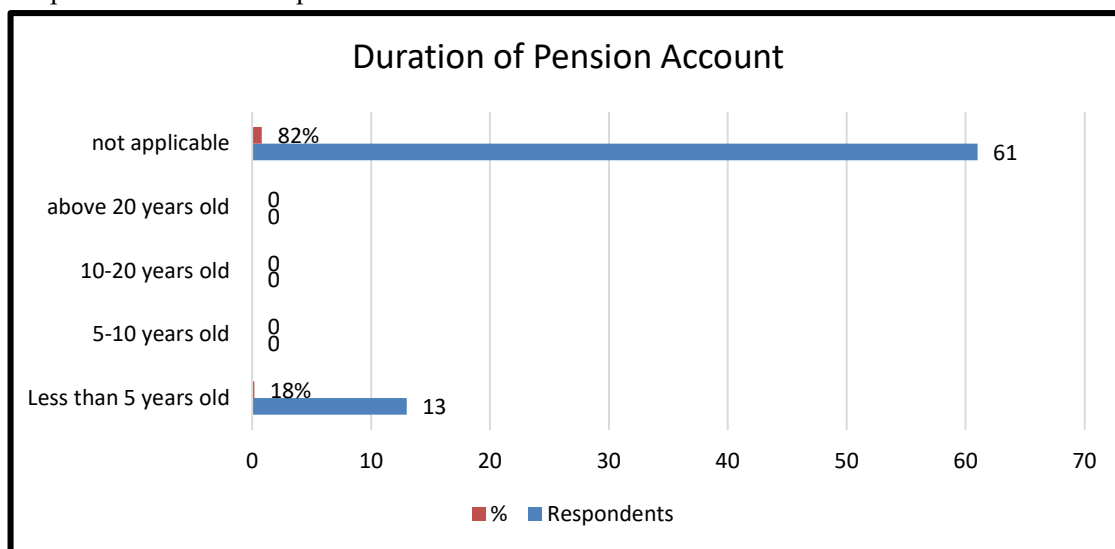
Interpretation: Nearly 14% were highly aware, 41% were aware, 31% were neutral, 11% were unaware and 4% were highly unaware about APY. Level of awareness is good as nearly 55% are in highly aware and aware category.

Graph: 7 Pension account is held or not under APY



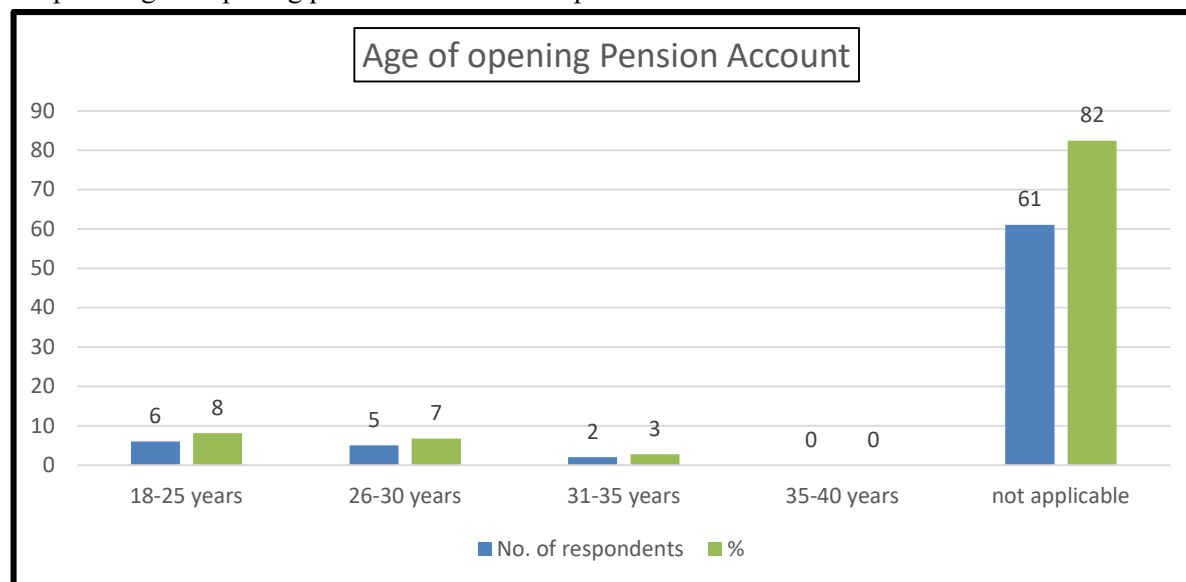
Interpretation: 82% people do not have pension account in APY and 18% have pension account. Though many people are aware about the scheme they still don't have account as they don't have enough income or they are not eligible.

Graph: 8 How old is the pension account under APY?



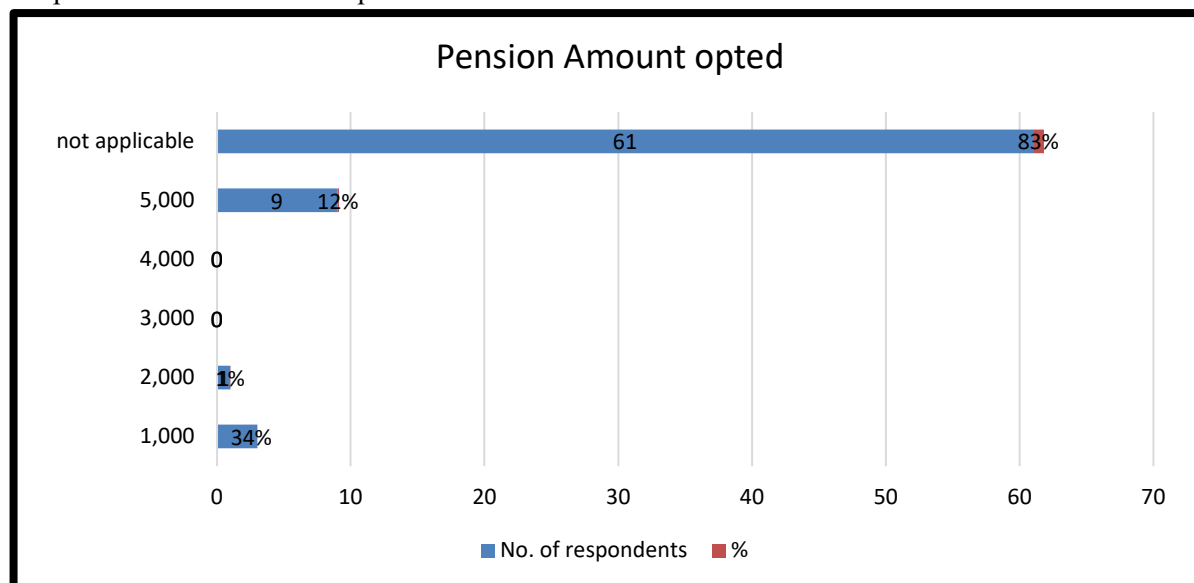
Interpretation: Only 18% have pension account remaining 82 do not have pension account. Those who have opted for pension account all of their pension accounts are less than five year old.

Graph: 9 Age of opening pension account was opened under APY



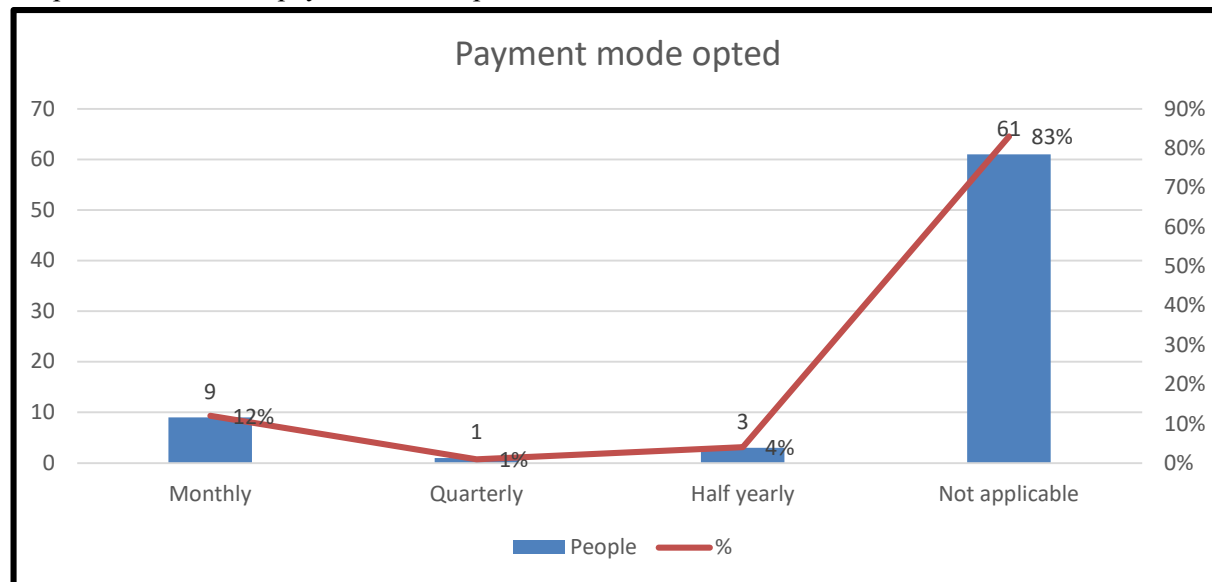
Interpretation: 82% don't have pension account. From those who have pension account 8% people have opened during at 18-25 age, 7% during 26-30 age and 3% during 31-35 age. It shows that majority of them have opened the pension account at very young age.

Graph: 9 Pension amounted opted under APY



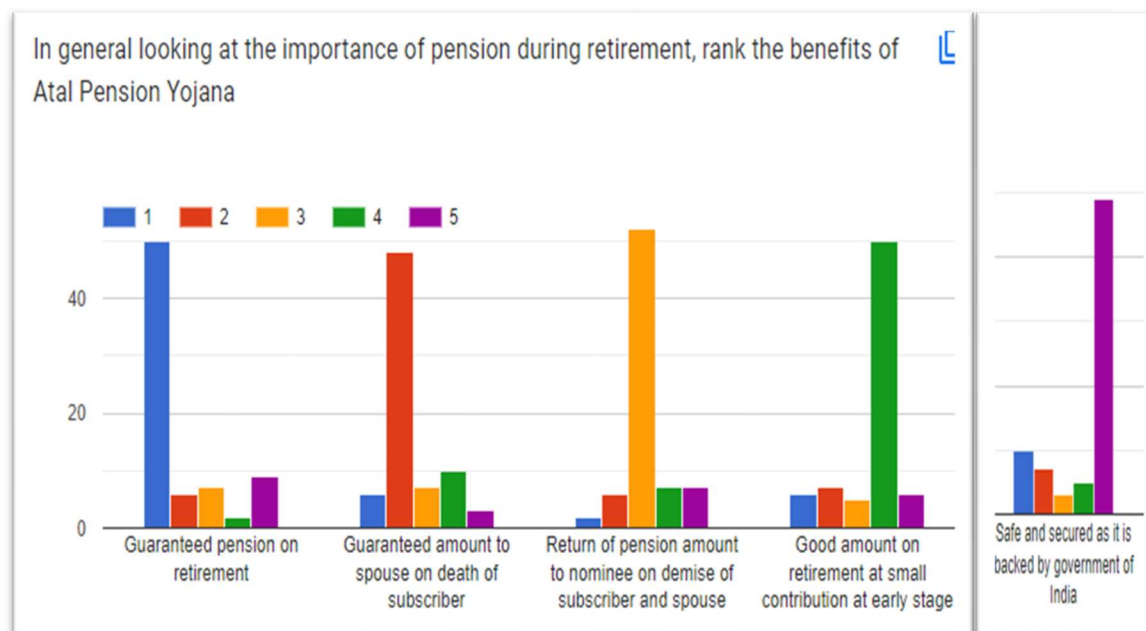
Interpretation: Majority don't have a pension account but out of those who have pension 12% have opted for 5,000 per month pension, 1% have opted for 2,000 per month and 4% have opted for 1,000 per month pension.

Graph No: 10 Pension payment mode opted in APY



Interpretation: 83% of them don't hold pension account. 12% prefer to contribute for pension on monthly basis, 1% on quarterly basis and 4% on half-yearly basis. It shows that majority of them prefer to contribute on monthly basis.

Graph: 11 Rank given by respondents for various benefits of Atal Pension Yojana



Interpretation:

Rank 1 is guaranteed pension on retirement, Rank 2 is guaranteed pension amount to spouse on death of subscriber, Rank 3 goes to return of pension amount to nominee on death of subscriber and spouse and Rank 5 goes to safe and secure pension scheme by government of India.

Recommendation/Suggestions

1. More awareness needs to be created in the young age group people especially students as they are not very serious about retirement planning. Teaching them such schemes as part of curriculum can at least make them aware and they may tend to think seriously about such schemes.
2. People working in unorganised sector and private sector where usually there is no pension aspect must be targeted to enrol for APY. Effective awareness programme must be designed to showcase the benefits and importance of pension during old age.
3. The age limit set by PFRDA to enter the pension scheme of APY is 18 to 40. Below 18 is not eligible which is understood as they are minors. However government can think of increasing the age limit beyond 40 years.
4. There are people who are willing to contribute more for more monthly pension. The current maximum limit is 5000 per month which is too less for a metro city like Mumbai . Hence the amount can be increased up to certain limit looking at the standard of living in the city and inflation level as well.

Conclusion

According to PFRDA report the subscribers for APY have increased from 24.85 lakhs in the introductory year 2015-16 to 401.27 lakhs during the recent 2021-22. The number has nearly increased by 17 times during the past six years. The progress in the subscribers list is increasing but there is a long way to go to at least cover the rural population which stands at 9088.05 lakhs. High level awareness programs need to be floated not only in the rural but also in urban areas as mainstream people are connected to unorganised and private sector or doing small business of their own. APY is an excellent scheme but to make it more appealing the age and pension amount can be further enhanced for better reach.

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