

AN EVALUATION OF THE PERFORMANCE OF ATAL PENSION YOJANA (APY) IN THE UNORGANISED SECTOR

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Abstract

The study finds that existing channels of the banking industry are very well utilized but due to a lack of attractive features, Atal Pension Yojana is still not accepted by a larger public. There is a requirement of essential changes in the basic features related to the amount of pension, tax exemption and claim settlement. Atal Pension Yojana is still a favourable investment for those who are willing to contribute small but for a longer duration for their pension funds. It is considered a landmark move by the Government of India towards a pensioned society from a pension less society. The Union government is eager to ensure financial security for unorganised sector workers, numbering over 410 million, in their old age. To tackle the prolonged existence risks among the workers in the unorganised sector and to push the workers in the unorganised sector to willingly save for their retirement, Atal Pension Yojana was introduced on 1st June 2015, under the promising Pradhan Mantri Jan Dhan Yojana to provide financial support of pension to all the citizen of India with the motto of "Jan-Dhan Se Jan Suraksha". The study helps us know how many people have enrolled themselves in APY, how they were aware of the scheme and their views regarding the scheme. The study is based on primary data collected through surveys in the areas of North Delhi.

Keywords: Atal Pension Yojana, unorganised sector, insurance, Pradhan Mantri Jan Dhan Yojana

1. INTRODUCTION

The tradition of the joint family system in India precluded the need for a social security cover for its people. However, with industrialisation and the consequent migration of people from rural to urban areas, the joint family started dissolving and nuclear families evolved. Thus developed the need for a social security cover by the government for its citizens. A large proportion of India still exists without any kind of health, accident or life insurance. To ensure an overarching universal social security system which will guarantee that no Indian citizen will have to worry about illness, accidents or pension in old-age, the government introduced the Atal Pension Yojana, a pension scheme especially crafted for the benefit of the unorganised sector workers who are otherwise not generally protected under any statutory social

security scheme.

India is a developing country. It has a low standard of living. A person's productivity at a young age is not the same as their productivity in old age. Due to the rise of nuclear families and the migration of young earning members, old people are left alone to fend for themselves. Also, a rise in the cost of the living has added to the woes of the common man.

The Social Sector Schemes of Pension Sector gives an assured monthly income. The unorganised sector constitutes more than 88% of the total labour force. To encourage the workers in the unorganised sector to voluntarily save for their retirement, the Government had started a guaranteed pension scheme - Atal Pension Yojana (APY).

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The APY was introduced on 1st June 2015, formally launched by Prime Minister Narendra Modi. This scheme aims to increase the number of people covered under the pension scheme and ensures that the unorganised sector gets pension benefits and social security with a minimum contribution per month. It is Regulated by Pension Fund Regulatory Development Authorities (PFRDA), with transparent investment norms. This scheme provides a defined pension, depending on the amount of contribution, age and its period.

The study highlights the performance of Atal Pension Yojana in the unorganised sector. The study tries to find the number of subscribers in the North Delhi region and the factors behind the subscribers' choice of pension amount. The rest of the paper tries to link these factors with economic perspectives.

2. BRIEF ON ATAL PENSION YOJANA

Atal Pension Yojana (APY) is open to all bank account holders who are not members of any statutory social security scheme. The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, the minimum period of contribution by the subscriber under APY would be 20 years or more. The main focus of the scheme is to target the unorganised sector¹ workers, giving them benefits of a fixed pension ranging between Rs. 1000 to Rs. 5000 per month, if they join and contribute between the age of 18 years and 40 years. The contribution levels would vary and would be low if the subscribers join early and increase if they join late. APY accepts subscription even from those contributing to other private/government-backed pension schemes. These are guaranteed for spouse/nominee/next of kin as per applicable rules in case of demise of the APY subscriber. Flexibility in the plan is provided as the pension amount can be upgraded or downgraded based on the subscriber's choice with the option to subscribe on a monthly, quarterly or half-yearly basis.

For enrolment and payment purposes, all bank account holders under the eligible category may join APY with auto-debit facility to accounts, leading to a reduction in contribution collection charges. Apart from banks, all Points of Presence (Service Providers) and Aggregators under Swavalamban Scheme would enrol subscribers through architecture of the National Pension System.

It is a Government of India Scheme, which is administered by the Pension Fund Regulatory and Development

Authority. The Institutional Architecture of NPS would be utilised to enrol subscribers under APY.

3. LITERATURE REVIEW

The Government of India is extremely concerned about the old-age income security of the working poor. To address the longevity risks among workers in the unorganised sector and to encourage these workers to voluntarily save for their retirement as they do not have any formal pension provision, the government had started the Swavalamban Scheme in 2010-2011.

As of May 2015, only 20% of India's population had enrolled in any kind of pension scheme. Swavalamban Yojana was a government-backed pension scheme targeted at the unorganised sector in India. It applied to all citizens in the unorganised sector who joined the National Pension Scheme (NPS) administered by the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013. Under the scheme, the Government of India contributed Rs. 1,000 per year to each NPS account opened in the year 2010-11 and for the next three years, that is, 2011-12, 2012-13 and 2013-14. However, the coverage under the said scheme was inadequate mainly because of the lack of clarity of pension benefits at the age after 60. The Finance Minister of the present government, therefore, announced a new initiative called APY in the Budget 2015-16. The Atal Pension Yojana has been designed to bring more clarity in the process. The aim of APY is motivated by the desire of the government to ensure that on contributing continuously, a member gets at least a pension of Rs.1000 per month.

Under this scheme, the government also guarantees a fixed pension benefit. Fifty per cent of the subscriber's contribution or Rs. 1000 per annum, whichever is lower, will be contributed by the government to the account of each eligible subscriber for five years (2015-2016 to 2019-2020) who join the NPS before Dec 31, 2015. Also, unless the subscribers of Swavalamban Scheme opt-out, they will be automatically migrated to APY.

Figures in Table 1 indicate the amount of contribution by subscribers of different age groups under the various monthly pension slabs. For instance, a subscriber who enrolled in this scheme at the age of 18 needs to contribute Rs. 42 per month for a monthly pension of Rs. 1000, Rs. 84 for a monthly pension of Rs. 2000 and so on till he reaches the age of 60.

¹The definition of the term 'unorganised sector' remains ambiguous and suffers from a lack of precision. Here it has been defined under the Unorganised Workers' Social Security Act, 2008, as a self-employed, home-based, hired workers working in the Unorganised Sector.

Table 1: Illustration of contribution chart

AGE OF ENTRY	MONTHLY PENSION OF RS. 1000	MONTHLY PENSION OF RS. 2000	MONTHLY PENSION OF RS. 3000	MONTHLY PENSION OF RS. 4000	MONTHLY PENSION OF RS. 5000
18	42	84	126	168	210
20	50	100	150	198	248
25	76	151	226	301	376
30	116	231	347	462	577
35	181	362	543	762	902
40	291	582	873	1164	1454

Source: National Securities Depository Limited, Ministry of Finance

4. SAMPLE AND SURVEY DESIGN

4.1. Methodology

The study is based on primary research conducted in two areas, North and East Delhi. Under North Delhi, the people were interviewed in localities like Maurice Nagar, GTB Nagar and Timarpur and in East Delhi, people were interviewed in the Nizamuddin Bridge locality. Primary data was collected by interviewing individuals with the help of the questionnaires. Also, the field survey was initially based on a pilot survey which was followed by the main survey. The final questionnaire was prepared after conducting and evaluating the pilot survey which was carried out on a smaller sample size that includes the area such as Roop Nagar, GTB Nagar, Vijay Nagar, Timarpur, Maurice Nagar and so on. These areas were selected because of the assumption that we will be getting mixed participants for our survey. But due to non-availability of the data with them, we shifted to north-east areas.

The main survey was conducted from July to December 2018. The total number of people interviewed was 115. Two different samples were constructed-

1. The people who were not aware of the scheme
2. The people who were aware of the scheme which was sub categorised as
 - a. The people who were aware but haven't enrolled in the scheme
 - b. The people who were aware as well as have enrolled in the scheme.

4.2. The Field Area: North-East Distinction

The survey included 60 people that were interviewed in North Delhi in different localities (Maurice Nagar, GTB Nagar, Timarpur) and 55 people interviewed in East

Delhi (Nizamuddin Bridge). We selected the area of North Delhi because of the easy availability of workers in the unorganised sector (i.e. rickshaw pullers, street vendors, gardeners, gatekeepers, etc.).

First, we did the primary survey in North Delhi, but due to lack of the desired data as there was no enrolment and awareness about this scheme in those areas, we shifted to purposive sampling in East Delhi. Instead of asking individuals randomly, we arranged a list of the scheme holder where they have enrolled and then interviewed them.

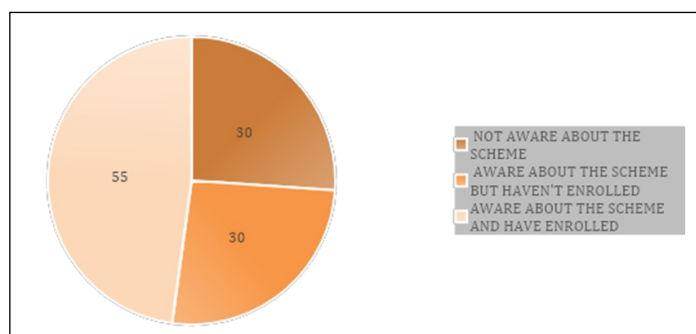
5. FINDINGS AND ANALYSIS

The analysis has been broken down into two parts according to the two different samples that were surveyed. The first sample comprises of the people who were not aware of the scheme and the second sample is of the people who were aware of this scheme.

5.1. Analysis Of Sample 1

Awareness

According to the survey, out of a total of 115 people, 30 people were not aware of this scheme and the remaining 85 people had heard about this scheme. Of the remaining 85 people who were aware of this scheme, 30 people had not enrolled while 55 people had enrolled in this scheme.

Figure 1: Level of awareness and enrolment

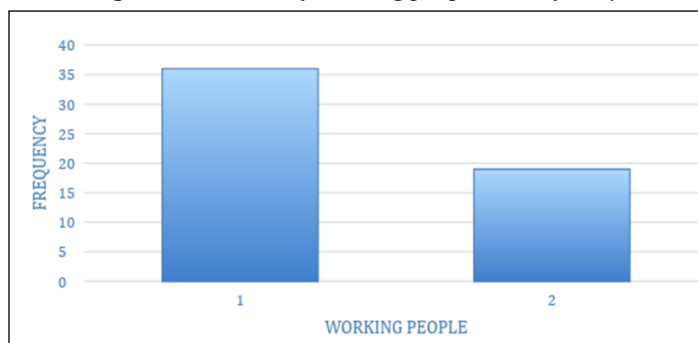
Source: Authors' calculation based on survey data

There was less than 50% enrolment because the people have to contribute for a longer period and a low pension amount is guaranteed in the future, which is why there are fewer people who are availing this scheme.

5.2. Analysis Of Sample 2: Aware And Enrolled In The Scheme

Number Of Working People In The Family

The survey showed that 65% of the people who had enrolled in the scheme have one working member in their family.

Figure 2: Number of working people in the family

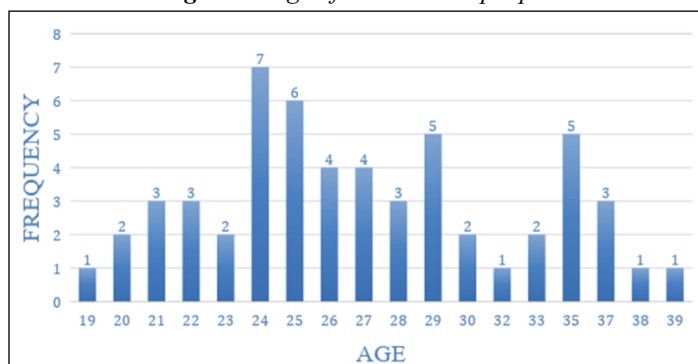
Source: Authors' calculation based on survey data

The high percentage of one working member in the families could be because of the following reasons-

1. Lack of job opportunities in the unorganised sector.
2. A high proportion of females are engaged in house chores rather than working outside. It raises the concern that female participation should be increased by appropriate policy action.
3. According to PFRDA (Pension Fund Regulatory and Development Authority), both males and females enrol in this scheme but on analysis the result is opposite.

Age Of The Enrolled People

The survey shows that among the people who have enrolled in this scheme, the majority of people lie in the age group of 24-29 years, although some outliers belong to the age of 35 years.

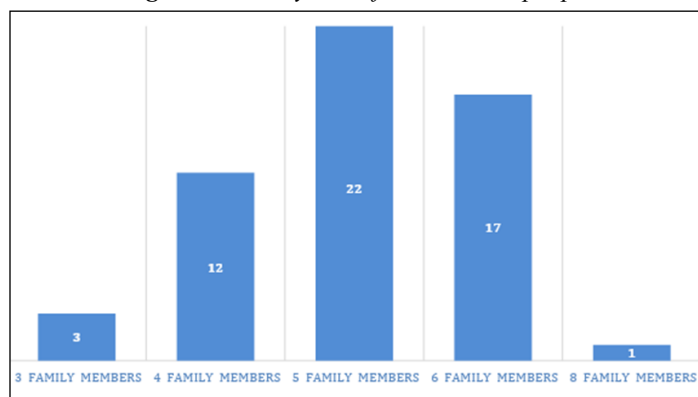
Figure 3: Age of the enrolled people

Source: Authors' calculation based on survey data

The major reason turns out to be that the young population is more informed about this scheme and hence has more enrolment. Also, the majority of working members are in families so there exists a positive relationship between age and consumption expenditure, and hence the negative relationship with investment in any scheme.

Family Size Of The Enrolled People

The family size of the people is also an important factor in analysing the enrolment of people in this scheme.

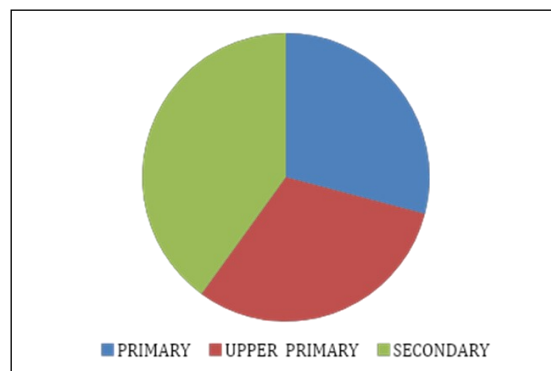
Figure 4: Family size of the enrolled people

Source: Authors' calculation based on survey data

According to the survey, the majority of the families have 5 members which roughly gives the idea of the structure of the family. It shows there is a negative relationship between the size of the families and people enrolled in the scheme. It is because of the income constraint and lack of employment opportunities.

Literacy Level

Another important factor that shows a relationship with enrolment is the literacy level of the enrolled people. 40% of the people belong to the secondary level of education and the remaining 60% belong to the primary and upper primary level of education.

Figure 5: Literacy level of the enrolled people

Source: Authors' calculation based on survey data

It shows an uncertain relationship between the literacy level and the people enrolled in this scheme because of the following reasons: -

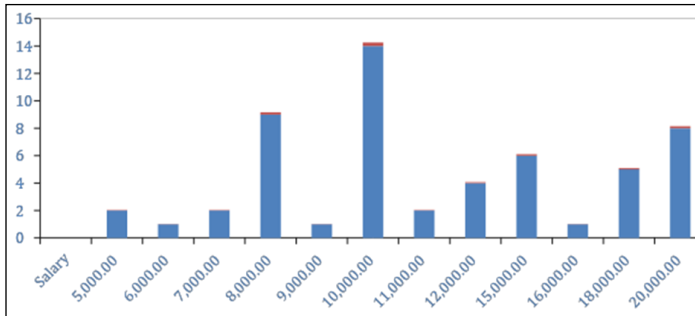
1. The majority of the people surveyed don't have a high level of literacy because according to them, expenditure on education is a wastage of money.
2. Since they need a working hand, they took out their children from the educational institutions once they are matured enough to contribute to earnings of the family.
3. Also, the majority of the people surveyed have not

completed the classes they were enrolled in.

Wages

Wages are one of the important factors which categorise subscribers enrolled in this scheme into different slabs. Since people who belong to the unorganised sector have limited wages, they have to consider various factors before enrolling in any scheme.

Figure 6: Wages per month of the enrolled



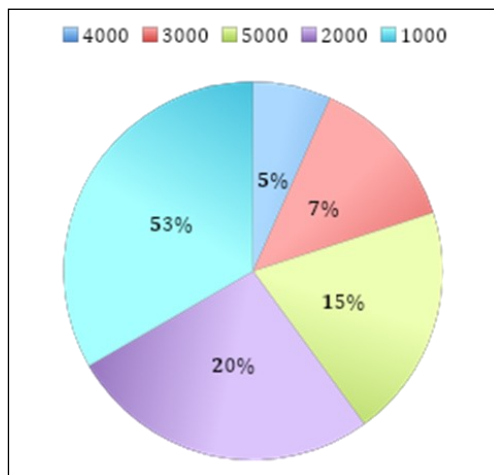
Source: Authors' calculation based on survey data

According to the survey, wages of the people who have enrolled in the scheme vary between Rs. 5,000 to Rs. 20,000 per month. The highest percentage of wages among people is Rs. 10,000 per month. This means that wages are another constraint. If wages increase, people would like to get enrolled in the scheme keeping other factors constant.

Pension Slabs

Atal Pension Yojana or APY guaranteed pension scheme from government. Under it, subscribers get pension ranging from Rs.1000 to Rs.5000 per month.

Figure 7: Pension slabs



Source: Authors' calculation based on survey data

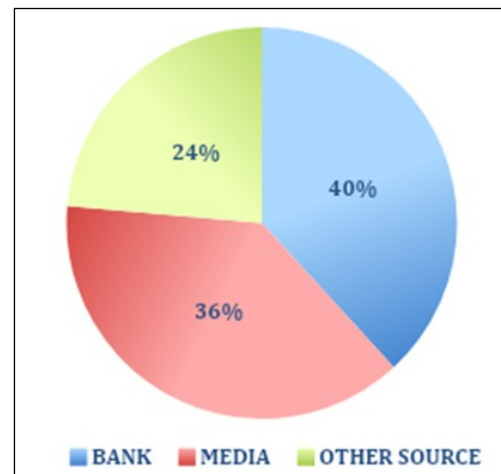
Different pension slabs involve different amount to be contributed for the scheme. Say, if you are 18 years old and you choose the slab of Rs. 1000 then you have to contribute Rs 42 per month and similarly different amounts for the other slabs.

In our survey, we found most people get enrolled themselves in the Rs 1000 scheme. The reason for choosing the slab of least amount can be their wages, family size, etc. Therefore, as the slab increases the number of people enrolled decreases.

Source Of Information

Individuals can get to know about a scheme through various ways like media, bank, relatives, newspaper, radio, friends etc.

Figure 8: Sources of information



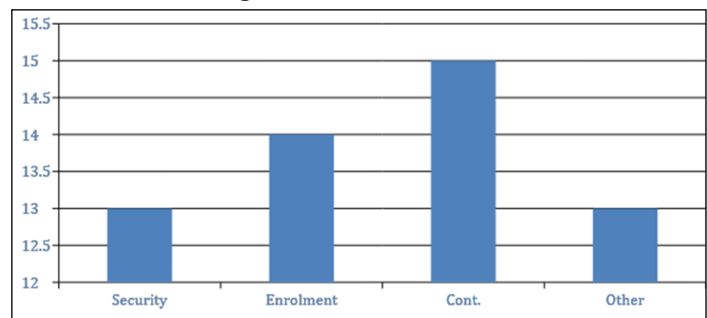
Source: Authors' calculation based on survey data

The various means of communication played an important role in spreading information about the scheme APY. Results from the survey conducted by us tell that media (eg: TV, Newspaper, radio etc.) are the main factor through which people got to know about this scheme.

Reasons To Avail

There were a total of 55 people who availed in this scheme out of the 115 being surveyed.

Figure 9: Reasons to avail



Source: Authors' calculation based on survey data

People have different reasons for availing in the scheme. Prospectives of individuals vary according to their expectations from the scheme.

About 13 people enrolled due to the security amount they can get in retirement, 14 people enrolled because of the simple enrolment process, 15 people due to the small

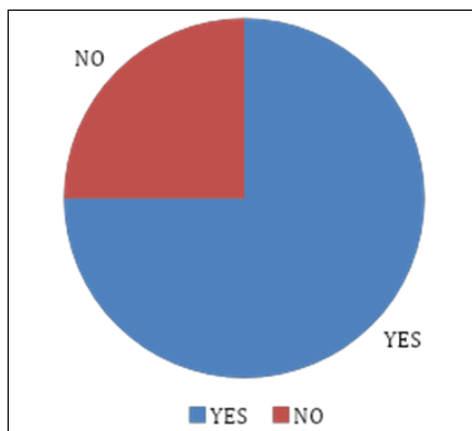
amount they need to pay for getting security in retirement and the remaining due to other reasons.

Hence, we got to know that people are more attracted to the less amount one needs to contribute to this scheme.

Awareness About Scheme Before Enrolment

According to the survey, 75% of the people knew about the scheme before enrolment and hence they took the decision rationally and the remaining 25% knew nothing about the scheme and hence joined this scheme under the influence of their colleague, friends or relatives.

Figure 10: Awareness about scheme before enrolment



Source: Authors' calculation based on survey data

Relationship Between Contribution Amount And Age Of The Scheme Holder

Figure 11: Monthly contribution for the pension amount of Rs.1000

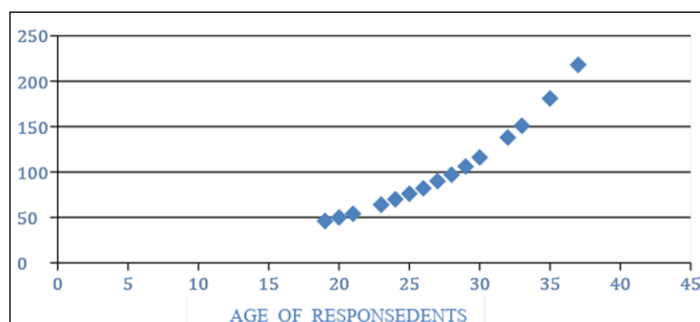
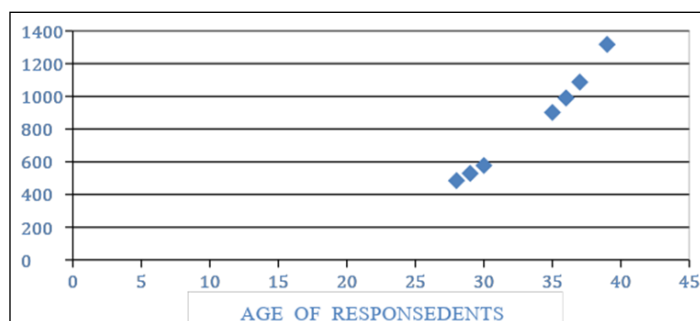


Figure 12: Monthly contribution for the pension amount of Rs.5000



Source: Authors' calculation based on survey data

According to the Subscriber's Contribution Chart, there is a positive relationship between the age of the subscriber and the monthly contribution irrespective of the future guaranteed pension amount.

Through the survey, we also found out that as the age of the respondent increases, the monthly contribution also increases irrespective of the future guaranteed pension amount (i.e., Rs. 1000, Rs. 2000, Rs. 3000, Rs. 4000 & Rs. 5000)

6. CONCLUSION

Our findings depict that the Atal Pension Yojana has not been a great success in Delhi and has not been able to meet their aims to a large extent. The Government has tried to adopt a persuasive approach for this scheme to get as many registrations as possible. Some of the methods are – very low penalties on default, low monthly contributions, a very easy procedure for registration and exit. Nevertheless, the results are not as expected. The reasons that we can see from our survey behind it not being a success are that, firstly, the defined pension does not guarantee a decent standard of living to the scheme holder. The scheme is less beneficial to the people who join at a younger age. It can be seen from the data collected that the subscriber should be at least in his 30s to ensure a social security cover for him. The policymakers should redesign the existing plan so that the bandwidth of the age group is increased from 18-40 to 30-50 to serve the objective of ensuring social security.

Secondly, it can be seen that a mere amount of Rs. 1000 per month does not serve the purpose of ensuring a minimum standard of living. A person joining the slab of Rs. 1000 monthly pension plan is ensured 15% of his monthly expenditure at the age of 60 years. Thus, restructuring of the scheme is required. Contextualising the scenario following the Keynesian model, the lower the interest rate or lower the benefit given to the subscribers more will be the tendency to hold the money with them and not invest it in the above scheme. Therefore, the speculative demand for money would rise, thereby putting more money in the hands of people. Thus arises the need for inflation indexation so that the benefits can keep pace with inflation. If both the subscriber and government contributions are indexed annually, it can provide the subscriber with higher returns. The NPS-Main scheme follows a lifecycle investment mix which can be adopted by the current APY scheme.

Also, there is a need to remove the gender disparity that exists among the holders of this scheme as the majority of the scheme holders are men. More women are to be involved. In India, particularly in the unorganised sector,

women are housewives and they generally do not have any fixed income. Their life-span is greater than the men, which becomes a cause for gender discrimination. Such discrimination against women needs to be diminished and female participation should be increased. Moreover, the Finance Ministry is considering a proposal to relax the

maximum monthly pension paid under the Atal Pension Yojana (APY) to Rs 10,000 and raise the maximum age limit for enrolling in the scheme to 50 years. The PFRDA proposed merging the pension schemes available separately for farmers and shopkeepers with APY to avoid confusion.

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