

# A Study on Financial Inclusion and Investment Decision Through Atal Pension Yojana (Apy)

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**Abstracts:** Atal Pension Yojana is a government backed pension scheme provided in India at unorganised sector. It was launched by prime minister Narendra Modi on 9th may 2015. APY is emerging as the most popular social security scheme under the National Pension System (NPS) APY providing multiple benefits like fixed guaranteed pension, tax savings, pension to spouse on any unforeseen event and encouraging saving and investing no matter how small the amount. It is observed to be an effective financial inclusion programme which facilitates inclusive growth and social security among people from unorganised sector.

**Keywords:** Financial Inclusion, Finance, Investment Decision, Atal Pension Yojana, Unorganised Sector, Pension Scheme

## 1. INTRODUCTION

Global economic system is marching towards an objective of inclusivity, integrity and sustainable development across the countries. The term ‘inclusion’ has become a sound word across the world specially in the context of finance. The United Nations (UN) and its connected organisations all together working to extend financial inclusion among the developing and underdeveloped nations. The access to financial services is the key for social inclusion and capacity building of people. Numerous empirical researches have significantly proved that the financial inclusion has a positive impact towards the empowerment of the poor and the needy from economically backward societies

### Financial Inclusion in India

Financial inclusion is emerging as a priority for a nation’s economic development. The Reserve Bank has implemented a multi – pronged strategy for enhancing the outreach of financial services through entire Spectrum of the financial system which comprises Commercial Banks, Regional Rural Banks (RRBs), Urban Co-operative Banks (UCBs), Primary Agricultural Credit Societies (PACs), post offices, Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) to meet the financial service requirements of the poorer segments. To reach the un-reached the Government of India and Reserve Bank India has been introduced many programs since India’s independence.

YEAR	EVENT
1969-71	Nationalization of major Private Banks
1972	Mandatory system of Priority Sector Lending
1982	Establishment of NABARD
1975	Establishment of Regional Rural Banks
1992	Piloting and mainstreaming of SHG movement
1998	Kisan Credit Card
2008	Use of Banking Correspondents

2011	regulating MFI operations
2014	Launch of PMJDY - large scale opening of savings accounts by banks
2015	Atal Pension Yojana
2016	Drive to promote digital transactions
	branch expansion, penetration of ATM
	UPI, BHIM, Aadhaar Pay, e-KYC
	Mobile as Outreach Mechanism
2020	Corporates entered as Business Correspondents. Fintech Innovation

### Atal Pension Yojana

Atal Pension Yojana is a government backed pension scheme provided in India at unorganised sector. It was announced in 2015 budget speech by finance minister Arun Jaitley. It was launched by prime minister Narendra Modi on 9th may in Kolkata. APY Scheme was applicable to all citizens in the unorganised sector who joined the NPS administered by the pension fund regulatory and development authority act 2013. A fixed monthly pension amount starting from Rs 1000, Rs 2000, Rs 3000, Rs 4000 and Rs 5000 can be received by subscribers, every month after their retirement at the age of 60, until the death of the subscriber. After the death of the account holder the spouse will be entitled to get the exact same pension amount as the subscriber, until the death of the spouse. The fixed pension amount varies again with the contribution the subscriber made previously. To get the maximum benefit from APY Scheme, individuals should join this plan at the age of 18 and contribute till they turn 40.

- A pension of up to Rs. 5,000 is paid per month
- Tax benefits are provided
- The Indian Government co-contributes towards the scheme
- Risk-free scheme

<b>Pension Amount</b>	Up to Rs.5,000
<b>Age Limit</b>	18 years - 40 years
<b>Contribution Period</b>	Minimum 20 years
<b>Exit Age</b>	60 years

#### 1.1. Statement Of the Problem

APY is emerging as the most popular social security scheme under the NPS system. To give an impetus to people to invest in this scheme the government is giving tax benefits on contributions made under the scheme. APY provides a defined guaranteed pension depending on contributions made by the subscribers towards the scheme. APY enrolment shows an increasing trend since its inception. Awareness about APY scheme is increasing day by day. The study focuses on awareness and avail of customers in respect of financial inclusion and investment aspects of the scheme.

#### 1.2. Scope Of the Study

Atal Pension Yojana scheme is one of the important pension scheme directly offered by central government to unorganised sector workers. A large number of persons employed in India worked in unorganised sector. Employees of enterprises belonging to the unorganised sector have lower job security and poor chances for growth, and no leave or paid holidays, they have lower protection against employers including in unfair and illegal practices.

Thus a pension scheme is essential for them and APY provide such benefits for workers in unorganised sector. The study is restricted to respondents among Idukki Districts

### **1.3. Objectives Of the Study**

1. To study about awareness of individuals in relation to Atal Pension Yojana scheme.
2. To examine satisfaction level of individuals in relation to Atal Pension Yojana scheme.
3. To inquire the reasons for investment in Atal Pension Yojana scheme.
4. To make suggestions and recommendations on the basis of the study.

### **1.4 Hypothesis**

There is no significant difference in awareness among individuals with respect to investment in Atal Pension Yojana

### **1.5. Research Methodology**

Primary data were collected from respondents by using structured questionnaire and Secondary data were collected from magazines, interest journals etc.

## **2. REVIEW OF LITERATURE**

Sudindra V R (2016) concluded that APY scheme is introduced to protect the unorganised sector workers will not serve the purpose of income security and retirement benefit. To cater the need of unorganised sector work force government has to contribute more amount in the scheme. Debashis Basu (2015) find out that the interest rate on APY during the accumulation stage is 7.94% a month. That is below the current bank deposit rate. At the withdrawal stage the interest rate is insultingly low- just 7.6%. Another problem is that the strong penalty for the default in the contribution; if you fail to contribute for six months, your account will be frozen; after 12 months your account will be deactivated and after 24 months the account will be closed. The basic feature of informal workers is that they do not have fixed income and so cannot pay a periodic and fixed contribution to a pension fund. Vishnuprasad and Anandh Sahasranaman (2015) point out the two limitations of Atal pension yojana which includes lack of inflation indexation and conservative investment mix. Because of inflation the corpus may erode over time hence to meet the goal of proposed NPS and 85% of fund will be invested in bonds which will effect the retirement corpus. J.Sandeep & Namratha Sharma (2015) suggested that the expected rate of interest reduce in future as the economy grows and the contributors will remain getting 8% interest by enrolling themselves into scheme. Vidyashree.D V & Prahlad Rathod (2015) concluded that the subscribers for PMJJBY, PMSBY and APY schemes are at increasing pase, however if implemented still more properly and the benefit is passed on to the real subscriber it will go a long way in establishing a social security system to the large section of society which has remained uncovered.

## **3. DATA ANALYSIS AND INTERPRETATION**

The study on financial inclusion and investment decision through Atal Pension Yojana was conducted in Idukki District to find out awareness and attitude of customers regarding the scheme. The study also concentrates on the satisfaction level of customers regarding different aspects. The study also aims to find out awareness and avail towards Atal Pension Yojana among rural people and the reasons for investment in Atal Pension Yojana

**Table 3.1 Analysis of Demographic Profile**

<b>Age</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
21 - 25	17	27
26 - 30	27	44
31 - 35	10	16
36 - 40	8	13
<b>Gender</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
Male	30	48
Female	32	52
<b>Occupation</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
Business	4	6
Private Job	24	50
Agriculture	3	5
Others	31	39
<b>Monthly Income</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
Less than 10000	23	37
10000 - 20000	15	24
20000 - 30000	9	15
Above 30000	15	24
5000 per month	10	16
<b>Source of Information</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
Friends	22	36
Media	23	37
Bank	8	13
Others	9	14
<b>Name of Bank</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
ICICI Bank	5	8
SBI	32	52
Bank of Baroda	2	3
Axis Bank	2	3
Canara Bank	1	2
Union Bank	3	5
Indian Overseas Bank	5	8
HDFC Bank	4	6
Others	8	13
<b>Pension amount</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
1000 per month	28	45
2000 per month	8	13
3000 per month	13	21
4000 per month	3	5
5000 per month	10	16
<b>Frequency of contribution</b>	<b>No of Respondents</b>	<b>% of Respondents</b>
Monthly	40	65
Quarterly	17	27
Half yearly	5	8

The above analysis shows the classification of respondents on the basis of age. Around 44% of respondents are in age group of 26 – 30 , 27% of respondents are in the age group of 21 -25 , 16% of respondents are in the age group of 31-35 and slightly over 13% of respondents are in the age group of 36 – 40. On the basis of gender. 52% of the respondents are female and 48% of respondents are male. On the basis of occupation. 6% of respondents are doing business, 50% of respondents are from private jobs, 5% of respondents are doing agriculture and remaining 39% of respondents are from other jobs. To conclude majority of respondents are from Private sector.

The classification of respondents on the basis of monthly income. 37% of respondents are having monthly income less than 10000, 24% of respondents are having monthly income 10000 -20000, 15% respondents are having monthly income 20000 – 30000 and 24% respondents are having above 30000 monthly income. To conclude majority of respondents are having monthly income below 10000. The analysis shows classification of respondents on the basis of source of information regarding Atal pension yojana. 36% of respondents came to

know about Atal pension yojana through their friends, 37% through media, 13% through banks and 14% from other sources. To conclude, majority of respondents came to know about APY scheme through media. On the basis of bank account with which the scheme is opted. 52% of respondents have accounts with SBI, 8% ICICI Bank, 3% Bank of Baroda and Axis Bank, 2% Canara Bank, 5% Union Bank, 8% Indian Overseas Bank, 6% HDFC Bank and remaining 13% others including post office savings bank account. To conclude, majority of respondents have opted APY scheme through SBI. On the basis of the amount of pension opted under APY scheme. 45% of respondents opted for Rs 1000 per month, 13% opted Rs 2000 per month, 21% opted Rs 3000 per month, 5% opted Rs 4000 per month and 16% opted Rs 5000 per month. To conclude majority of respondents have opted Rs 1000 per month as the pension amount. The analysis shows classification of respondents on the basis of their frequency of contribution towards APY scheme. 65% of respondents contribute monthly, 27 % of respondents contribute quarterly and 8% contribute half yearly. To conclude majority of respondents, contribute monthly towards APY scheme.

**Awareness assessment scale**

Awareness level = (Obtained score/Maximum score) \*100

Maximum score = Total number of respondents\*Maximum weight

**Table 3.2 Norms of measuring awareness of customers**

Standard Norms	Standard Source
Aware and avail	Above 85%
Aware not avail	70% - 85%
Neutral	60% - 70%
Unaware	50% - 60%
Highly unaware	Below 50%

Source: Developed by Researcher

The relevant score data were collected with the help of 5point scale having aware and avail, aware not avail, neutral, unaware and highly unaware. The obtained score is compared with the standard score.

**Classification of Respondents on the basis of Awareness and Avail towards Atal Pension Yojana**

**Table 3.3 Respondents based on Awareness and Avail towards Atal Pension Yojana**

Factors	Aware & Avail	Aware but not Avail	Neutral	Unaware	Highly Unaware	Obtained Score
Years of Contribution	43	15	4	0	0	287
Amount of pension received	20	37	5	0	0	263
Procedure for opening APY scheme	29	12	21	0	0	256
Due date of contribution	21	26	15	0	0	254
Subscription	26	26	10	0	0	264
Government contribution	26	18	18	0	0	256

Source: Computed by Researcher

The above table shows the classification of respondents on the basis of awareness and avail towards Atal Pension Yojan. The respondents were aware and avail about years of contribution with weighted score of 287 (92%), amount of pension received with weighted score of 263 (85%) and subscription with weighted score of 264

(85%). They are aware but not avail about the procedure of opening APY scheme with weighted score of 256 (83%), due date of contribution with weighted score of 254 (82%) and government contribution with weighted score of 256 (83%)

### Satisfaction assessment scale

**Table 3.4 Norms of measuring satisfaction of customers**

Standard norms	Standard score
Highly Satisfied	Above 85%
Satisfied	70% - 85%
Neutral	60% - 70%
Dissatisfied	50% - 60%
Highly Dissatisfied	Below 50%

Source: Developed by the Researcher

The relevant score data were collected with the help of 5point scale having highly satisfied, satisfied, neutral, dissatisfied and highly dissatisfied. The obtained score is compared with the standard score.

**Table 3.5 Level of Satisfaction towards Different aspects of Atal Pension Yojana**

Aspect	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Obtained Score
Promptness in service	39	16	5	1	1	277
Innovations of the scheme	12	37	10	1	2	242
Withdrawal procedure	15	20	24	3	0	233
Minimum investment	11	25	15	11	0	222
Tax deduction	17	21	14	3	7	194
Lock in Period	16	21	16	5	4	226
Grievance redressal	5	12	12	30	3	172
Low risk	11	15	17	9	10	194

Source: Computed by Researcher

The above table shows classification of respondents on the basis of level of satisfaction towards Atal Pension Yojanscheme. The respondents are highly satisfied about promptness in service with weighted score of 277 (89%). The respondents are satisfied about innovations of the scheme, withdrawal procedure, minimum investment and lock in period respectively with weighted scores 242 (78%), 233 (75%), 222 (71%) and 226 (73%). The respondents have neutral satisfaction regarding tax deduction with weighted score 194 (62%) and low risk with weighted score 194 (62%). The respondents are dissatisfied about grievance redressal with weighted score 172 (55%).

**Table 3.6 Reasons for Investment in Atal Pension Yojana**

	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Total	Rank
Death benefit	38	9	7	1	2	5	313	1
Retirement benefit	9	40	4	4	3	2	290	2
Tax benefit	2	6	40	11	1	2	251	3
Low procedure	2	1	6	39	11	3	183	4
High return	2	6	4	2	38	10	150	5
Flexibility	9	0	1	5	7	40	127	6

Source: computed by researcher

The above analysis and table rank the factors based on reasons for investment in Atal Pension Yojan. Death benefit is the most effective factor because it has the highest weighted score 313 and is followed by retirement benefit with weighted score 290, tax benefit with weighted score 251, low procedure with weighted score 183, high return with weighted score 150 and flexibility with weighted score of 127. To conclude, death benefit is the main reason for investment in Atal Pension Yojan.

### Testing of hypothesis

Ho: There is no significant difference in awareness among individuals with respect to investment in Atal Pension Yojan.

**Table 3.7 Chai square test**

Factor	Observed frequency(O)	Expected frequency(E)	O - E	(O - E) ^2	(O - E) ^2/E
Years of contribution	19	12	7	49	4.08
Amount of pension received	17	12	5	25	2.08
Procedure of opening the scheme	17	12	5	25	2.08
Due date of contribution	16	12	4	16	1.33
Subscription	18	12	6	36	3
Government contribution	17	12	5	25	2.08

TOTAL = 14.65

Degree of freedom =  $n - r - 1$

$$= 6 - 1 = 5$$

Table value at 0.05 level of significance = 11.070

Calculated value = 14.65

Since calculated value is greater than table value, that is 14.65 greater than 11.070. So we reject the null hypothesis and conclude that there is significant difference in the awareness level of individuals in respect of Atal Pension Yojana.

#### 4. FINDINGS

- Majority of respondents are in the age group of 21 to 25 (44%). This study shows that 52% of respondents are female. Most of the respondents are from private sector, i.e. 50%. Major portion of respondents are having monthly income below Rs 10000. 37% respondents came to know about APY scheme through media. 52% of respondents have opted APY scheme through SBI. 45% of respondents have opted Rs 1000 per month as pension amount. 65% of respondents contribute monthly towards Atal Pension Yojana.
- The respondents were aware and avail about years of contribution with weighted score of 287 (92%), amount of pension received with weighted score of 263 (85%) and subscription with weighted score of 264 (85%). They were aware but not avail about the procedure of opening APY scheme with weighted score of 256 (83%), due date of contribution with weighted score of 254 (82%) and government contribution with weighted score of 256 (83%).
- The respondents are highly satisfied about promptness in service with weighted score of 277 (89%). The respondents are satisfied about innovations of the scheme, withdrawal procedure, minimum investment and lock in period respectively with weighted scores 242 (78%), 233 (75%), 222 (71%), and 226 (73%). The respondents have neutral satisfaction regarding tax deduction with weighted score 194 (62%) and low risk with weighted score 194 (62%). The respondents are dissatisfied about grievance redressal with weighted score 172 (55%).
- Death benefit is the most effective factor because it has the highest weighted score 313 and is followed by retirement benefit with weighted score 290, tax benefit with weighted score 251, low procedure with weighted score of 183, high return with weighted score 150 and flexibility with weighted score of 127. It is evident that death benefit is the main reason for investment in Atal Pension Yojana
- There is significant difference in awareness level of individuals in respect of Atal Pension Yojana

#### 5. SUGGESTIONS

- Banks has to give more awareness about Atal Pension Yojana scheme among customers.
- Government must conduct public campaigns at schools, colleges, public places etc for making the scheme more transparent.
- It is advisable to orient the general public through means of publicity or any propaganda regarding the benefits of Atal Pension Yojana.
- Advertisements should be given in medias
- Banks should give regular statements of their customer's contribution towards Atal Pension Yojana Online mode of APY registration should be promoted.
- Post offices should also give sufficient publicity regarding Atal Pension Yojana
- Grievances redressal should be some more effective.

#### CONCLUSION

The Indian government is rightly worried about the income security at retirement for people employed in the unorganised sector. Hence the government has launched APY for providing multiple benefits like fixed guaranteed pension, tax savings, pension to spouse on any unforeseen event and encouraging saving and investing no matter how small the amount. The researcher tries hard to find customer awareness and avail towards Atal Pension Yojana. Almost all responses have positive implications, we conclude that majority of customers are aware and avail towards Atal Pension Yojana scheme.

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