

A STUDY ON WHETHER PEOPLE'S PERSONAL COSTS OF LIVING DISCOURAGE INDIVIDUALS FROM ENROLLING FOR THE ATAL PENSION YOJANA

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Abstract

Atal Pension Yojana Scheme availed for all the unorganized sector as a after retirement amount received monthly to people who apply for the same. The scheme that is operated through banks and every month deducted amount that would be accumulated has caused a lot of query and lack of understanding among the people. The inflation that revolves around the economy of India and the time value of money which results in high cost of living has been one such discouraging factor for non-application to APY Scheme. This paper focuses on to know whether the cost of living of individual is the reason for non-applications towards the scheme and to facilitate this, the data was collected using a Google form which compiled the response from the people residing in Mangalore, and the data was analyzed using a Google spreadsheet. The data was analyzed, compared, and interpreted using various statistical tools. According to the findings of the poll, we can affirm that Individuals with higher cost of living are less likely to apply for a pension Scheme like Atal Pension Yojana (APY) compared to those with lower cost of living.

Keywords: Atal Pension Yojana, Cost of Living, Inflation.

INTRODUCTION

The Atal Pension Yojana (APY) is a pension program in India designed to provide financial security for citizens working in the informal sector. Upon reaching 60 years old, APY offers a guaranteed monthly pension ranging from Rs. 1,000 to Rs. 5,000, depending on the subscriber's contributions. To join APY, individuals must be Indian citizens aged between 18 and 40 and possess a savings account at a bank or post office. Providing a mobile number during signup allows for regular updates on the APY account. While enrollment requires an Aadhaar card is optional, it can be provided if available. As people age, their earning potential often declines. Additionally, with families becoming smaller, more dispersed, and living costs rising, traditional family support for retirees may not suffice. Pensions serve to fill this gap by ensuring a reliable monthly income throughout retirement, ensuring financial security and dignity in later life. Contributions to APY can be set up for automatic payments (monthly, quarterly, or semi-annually) from the savings account. Contribution amounts depend on desired monthly pension and age at enrollment. Eligible individuals who join between June 1, 2015, and March 31, 2016, without prior participation in any other social security scheme, qualify for a government-matched 50% of their total contributions, up to a maximum of Rs. 1,000 annually. Beneficiaries must not be income taxpayers to receive this government co-contribution, which applies from the fiscal year 2015-16 to 2019-20.

Bajal Panchayath and Banks: The Bajal Panchayat office was a key center where the research sources would be drafted but the office failed to provide any information as the information was not available with them. The reason given by them was that they have applied for the scheme to the government but have been waiting for their response. They also suggested that information regarding the pension would be provided by the Banks located in Mangalore.

REVIEW OF LITERATURE

The current study was carried out in the Assamese district of Jorhat by Sendi Seb Rengma and Rupjyoti Bhattacharjee (2020) in the year 2020. For the study, a total of 120 respondents were

chosen.. A substantial difference was also seen by the Z-test in the attitudes of government and private employees regarding the benefits offered by the APY plan. Due to the low interest rate and their lack of experience with the banking system, several respondents were found to have not yet registered for the plan.

According to B.V. Pushpa and N.S. Viswanath (2022), the purpose of the Atal Pension Yojana (APY) is to provide a large number of unorganized laborers with the opportunity to receive a pension of Rs. 1000/-per month in exchange for a modest one-time payment over an extended period of time. The unorganized laborers in India who are at the lowest income levels have responded lukewarmly to this right. Other than knowledge of the plan, there are certain concerns that people think are well addressed, like the amount of the pension over an extended length of time, its actual value, and the low returns promised on pensions.

Ajay Chakraborty and Dr. S. Rajaram's (2023) work demonstrates the viability of Atal Pension Yojana subscription as a tool for retirement planning. The Government of India's Atal Pension Yojana, a defined benefit program designed to safeguard employees in the unorganized sector, will not fulfill the objectives of providing retirement benefits and income security, according to the study's findings about financial inclusion.

In 2022, Dr. K. Amutha and Remya C declared that pensions are paid on a periodic basis In their free time, workers in the unorganized sector are searching for a respectable pension. In order to safeguard unorganized workers, the central government unveiled this new offering. This study will assist individuals to discover more about APY and assist potential investors to evaluate investors' attitudes.

According to J Balamurugan (2023), the Atal Pension Yojana was introduced by Indian Prime Minister Mr. Narendra Modi in 2015 as a replacement and enhancement of the previous government's Swavalamban Yojana, which was unpopular with the program's target demographic. Investigating college students' knowledge of the Atal Pension Yojana in Tamil

Nadu, the study used a quantitative research approach and a descriptive research design. Using a Google form and a straightforward random sample process, a survey was conducted to collect the primary data. In order to determine whether or not the rural population's use of social security schemes has received adequate consideration, Rohan Sachdev, Kriti Garg, Samiksha Shwetam, Aaryan R. Srivastava, and Akash Srivastava undertook a study in 2022.

A survey about understanding of the government-introduced social security schemes was administered to a sample of 250 people at the rural health care center of a dental college. The software program Epi Info™ 7 was used to evaluate the study data. The goal of welfare initiatives for villagers aims to offer them an adequate means of living; unfortunately, the steps for receiving the benefits of these programs are not made to be villager-friendly. In addition to meeting the demands of the rural populace, we also need to concentrate on creating the simplest route for them to obtain these advantages.

In 2016, D Rajasekhar, Santosh Kesavan, and R Manjula carried out research. This paper makes the case that the design features of India's two contributing pension schemes, NPS-Lite and APY, fail to take into account the unique characteristics of households with unorganized workers. It does this by contrasting and analyzing the features of each scheme, discussing its strengths and limitations in meeting the needs of low-income workers, and using studies and data that are currently available. How to better the current structure of contributory social security programs to accommodate unorganized workers' pension needs is also covered.

Vijay Pal Sing et al., (2022) examined rural residents' awareness of these schemes and their effects on the beneficiaries' health and educational attainment. The report shows how these programs are now being implemented and looks at the main obstacles to their successful execution. The study looked at how these programs are assisting the state's education system, health care system, and financial literacy. It has also been shown that the majority of respondents concurs with the difficulties and issues that social security programs have faced.

RESEARCH GAP

The research gap lies in the insufficient exploration of the implications of stringent default penalties within pension schemes like the Atal Pension Yojana (APY). Existing literature fails to adequately address how these penalties, such as freezing or canceling accounts after specific missed contributions, influence subscriber behavior and financial outcomes. Understanding the socio-economic factors contributing to missed contributions and the subsequent repercussions on retirement planning is crucial. Moreover, there is a lack of empirical studies examining the effectiveness and fairness of these penalty structures in promoting sustained participation and financial security among subscribers. Addressing this gap would provide insights into improving pension schemes to better meet the needs of diverse demographic groups facing varying financial challenges.

OBJECTIVES OF THE STUDY:

- To determine whether a person's cost of living is the cause of their failure to apply for a pension.
- To ascertain the rationale provided by the banks, who serve as the first point of contact for individuals registering in the Yojana.

HYPOTHESES

H1 : Individuals with higher cost of living are less likely to apply for a pension Scheme like Atal Pension Yojana (APY) compared to those with lower cost of living.

METHODOLOGY

This research uses both descriptive and empirical methods of statistics to ascertain the results. This research is based on both primary and secondary sources of information. The core data was gathered via a structured questionnaire produced in Google Form, which received replies from over 187 Mangalore residents of all ages and occupations. Observations are also used to acquire

primary information and some of the data is gathered from secondary sources like banks. To check the accuracy of the hypothesis, correlation analysis is used. This study is done to see whether the individual's cost of living does influence their participation in the Atal Pension Yojana. The area of the study is Mangalore City. The data is analysed using descriptive statistics, graphical representation, and Correlations analysis.

DATA ANALYSIS

Demographic analysis involves studying population characteristics such as age, gender, income, education, and geographic location to understand patterns, trends, and dynamics within a given group or society. It provides valuable insights for policymaking, market research, and social planning.

Table 4.1: Demographic Profile

| Particulars | | Frequency | % |
|----------------|---------------------|-----------|------|
| Age | 18 – 25 | 78 | 41.7 |
| | 26 – 33 | 87 | 46.5 |
| | 34 – 40 | 22 | 11.8 |
| Gender | Male | 76 | 40.6 |
| | Female | 111 | 59.4 |
| Occupation | Student | 40 | 21.4 |
| | House Maker | 18 | 9.6 |
| | Employed | 72 | 38.5 |
| | Self- Employed | 39 | 20.9 |
| | Unemployed | 18 | 9.6 |
| Monthly income | Below Rs 20000 | 33 | 17.6 |
| | Rs 20000 – Rs 40000 | 34 | 18.2 |
| | Rs 40001 – Rs 60000 | 56 | 29.9 |
| | Rs 60001 – Rs 80000 | 42 | 22.5 |
| | Above Rs 80000 | 22 | 11.8 |

The age range of 26 to 33 comprised 46.5% of the survey participants, who made up most of the sample. At 41.7% of responses, the 18–25 age group was the second largest. The smallest age group, including only 11.8% of respondents, was 34–40 years old. There is a notable gender disparity in the number of respondents, as indicated by the table and graph, with a higher proportion of female respondents than male respondents. There were 76 male respondents, or 40.6% of the total, and 111 female respondents, or 59.4% of the total.

Given that the survey's results might not be typical of the broader population, it is crucial to take into account the possible effects of this gender imbalance. The number of survey respondents is broken down by occupation in the table and graph. With 72 responses, or 38.5% of the total, the largest category of responders was those who were employed. With 40 responses, or 21.4% of the sample, housemakers made up the second-largest category. Of the total respondents, 18 were students, or 9.6%. Additionally, there were 18 unemployed respondents (9.6%) and 39 self-employed respondents (20.9%). The survey respondents' monthly income distribution is displayed in a table and graph. Most respondents—29.9%—belonged to the income range of Rs. 40001–Rs. 60000. 22.5% of the second-largest group had incomes between Rs 60001 and Rs 80000. The remaining income levels are distributed evenly, with 17.6%, 18.2%, and 11.8% falling into the Below Rs. 20000, Rs. 20000-Rs. 40000, and Above Rs. 80000 categories, respectively.

Awareness of APY scheme:

Sixty - seven respondents, or 35.8%, knew about APY. 47 respondents (25.1%) were unsure, and 73 respondents (39%) were not known. It is noteworthy that there are only 187 responders in the sample, which is a rather small number. As a result, it's possible that the findings cannot be applied to the entire population

Table 4.2: Enrollment to the Pension Scheme

| ENROLLMENT | Frequency | % |
|---------------------------------|------------------|--------------|
| Yes | 38 | 20.3 |
| No | 100 | 53.5 |
| Planning to enrol in the future | 49 | 26.2 |
| TOTAL | 187 | 100.0 |

People may have plans to sign up for the APY Scheme in the future. Of the 187 responders, 38 (20.3%) indicated they would enroll in the future, 100 (53.5%) said no, and 49 (26.2%) stated they would not. This implies that a sizeable percentage of people are considering joining the APY Scheme, but they are unsure of the details of when or what they will sign up for. It is noteworthy that there are only 187 responders in the sample, which is a rather small number.

Table 4.3: Reasons for Non-enrollment into APY Scheme

| Reasons for non-enrolment | Frequency | Percentage (%) |
|---------------------------------------|------------------|-----------------------|
| Concerns about the scheme's benefits | 68 | 36.4 |
| Lack of awareness about the scheme | 64 | 34.2 |
| Not applicable | 1 | .5 |
| Personal costs of living are too high | 31 | 16.6 |
| Prefer other investment options | 23 | 12.3 |
| TOTAL | 187 | 100.0 |

The chart presents many reasons why individuals choose not to sign up for the Atal Pension Yojana (APY). Concerns regarding the scheme's advantages were the most often mentioned cause (36.4%), according to the respondents. This implies that individuals are not persuaded that their pension would be adequate to cover their requirements in retirement. Another frequent explanation, cited by 34.2% of respondents, was ignorance about the program. This emphasizes how much more public education regarding APY is required. The respondent's choice for

alternative investment possibilities (12.3%), high personal costs of living (16.6%), and the scheme's inapplicability to them (0.5%) were among the other reasons for non-enrollment

Knowledge Level about the Scheme:

The respondents' varying comprehension of the system is illustrated by the bar graph. Although a significant percentage (40%) exhibited a "High" or "Very High" degree of knowledge, alarmingly, 34.8% were classified as "Low" or "Very Low." This suggests that focused initiatives are required to raise public knowledge and comprehension of the objectives, advantages, and qualifying requirements of the program.

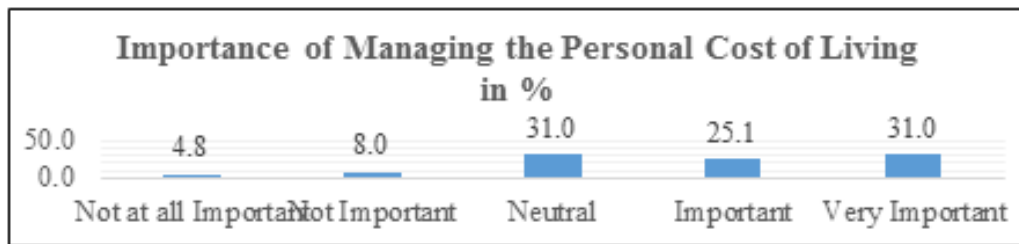


Fig 1: importance of managing the personal cost of living.

According to the data procured, most people (56.1%) believe that controlling their personal cost of living is very important or significant. This shows that people are aware of the advantages having a conscious approach to spending and saving money may have on their finances. Nonetheless, a sizeable minority of people (12.8%) still do not think this is a big deal. This demonstrates the necessity of ongoing financial education and services to assist individuals in realizing the significance of handling their own money

Table 4.4: APY scheme vs Personal cost of living

| Particulars | | APY | Personal Cost of Living |
|---------------------|---------------------|-----|-------------------------|
| Atal Pension Yojana | Pearson Correlation | 1 | -.101 |
| | Sig. (2-tailed) | | .169 |

| | | | |
|-------------------------|---------------------|-------|-----|
| | N | 187 | 187 |
| Personal Cost of Living | Pearson Correlation | -.101 | 1 |
| | Sig. (2-tailed) | .169 | |
| | N | 187 | 187 |

P value for Personal Cost of living = 0.169, hence we reject the alternative hypothesis and accept null hypothesis (p value > 0.05). This is the reasons why individuals do feel that these affect people’s choice in selection of the APY Scheme. The Correlation that is occurred due to this data is Weak Downhill Negative Correlation. Since the P value for both variables is greater than 0.05, we reject the alternative hypothesis and accept the null hypothesis. Individuals with higher cost of living are less likely to apply for a pension Scheme like Atal Pension Yojana (APY) compared to those with lower cost of living

Suggestions:

- Awareness regarding the schemes shall be encouraged so that many people who lack the knowledge can get themselves enrolled.
- Return on investment is comparatively low as compared to many other investment avenues. So, if the returns at the time of maturity would change or rise by certain percentage then there are possibility of people enrolling themselves in the scheme.
- There is barely any awareness about the scheme in the first place and secondly there are better investment opportunities so this scheme would be effective especially for youngsters if the returns were reasonable and if there were any tax benefits. One concern regarding the scheme is - what if the government changes and the other govt that comes into power changes the conditions, would there be an option to opt out.

CONCLUSION

We can conclude that based on the analysis and hypothesis statement, the cost of living or the standard of living of the people really do have a role in the people’s opting for APY Yojana. If

there is a possible increase in the value of return then people would likely take interest into the scheme. Since the specified amount Rs 1000 to Rs 5000 that would be received at the time of maturity, it would not suffice to individual's living cost. As the inflation rates go high and time value of money increases it would impact on the non-participation among individuals. When spoken to bank officials, we could say that the participation among Urban people is low compared to the Rural people in APY scheme as they too say that Cost of living does have an impact on people's decision in applying for the Atal Pension Yojana.

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