

A STUDY ON ATAL PENSION YOJANA**J.SANDEEP****MBA OSMANIA UNIVERISTY (UCC&BM)****NAMRATHA SHARMA****GUEST LECTURER NIZAM COLLEGE HYDERABAD****ABSTRACT**

The paper covers the study on Atal Pension Yojana started by the Prime Minister Mr. Narendra Modi. The yojana came into existence to inculcate the saving habits of individual, especially in the unorganised sector, to secure themselves at no income stage level. The study helps to know how many people have enrolled themselves in APY, how is the inductive corpus value of the subscriber is derived by quarterly compounding and how does the risk free return acts as the pension to the individual after attaining the age of 60.

INTRODUCTION

The present Prime Minister Mr.Modi launched a scheme name “Atal Pension Yojana”, after the successful ride of PMJDY on June1, 2015. The scheme is an extension to Swavalamban which was launched in the year 2010, this came into light for income securities of people especially at no income age zone, as the name “Pension” itself says income at non-productive phase of life. The scheme is for all the residential individuals of the country with the age group 18-40 years, especially concentrated on unorganised sector and it is administrated by PFRDA through NPS.

The main objective of Atal Pension Yojana is to encourage people to invest small portion of their income at their income-productive stage to enjoy the fruit at no income age. The scheme covers

- ❖ It is for all the people especially from unorganised sector who book the slot of being in the age group of 18-40 years. The subscriber of the scheme will be benefited by Government Of India (GOI) with their 50% contribution to actual amount invested during the year or Rs-1000 whichever is lesser, with the condition followed only if they enroll themselves before the new year 2016 and at the same time it will be provided only in the sarkar raj of Mr. Modi for the financial year from 2015-16 to 2019-20, later the scheme will be continued but without any contribution of GOI. Members of Social Security Scheme under Employees’ Provident Fund & Miscellaneous Provision Act, 1952, The Coal Mines Provident Fund and Miscellaneous Provision Act, 1948, Assam Tea Plantation Provident Fund and Miscellaneous Provision, 1955, Seamen’s Provident Fund Act, 1966. v. Jammu Kashmir Employees’ Provident Fund & Miscellaneous Provision Act, 1961, Any other statutory social security scheme are not eligible to receive the Government co-contribution.
- ❖ The applicants eligible for APY should compulsory have a bank account, so an individual should open a new bank account with KYC document if they dont have any. Complete details like Aadhar number, contact details are to be provided with APY form to the banks. The auto debit facility is provided to subscribers account. The subscriber should keep the required balance in saving account to avoid the late payment and penalties. The monthly payment plans are provided to subscribers between 1000-5000 for which fixed monthly premium is to be paid and the subscribers are benefited with switch pension plan option which can be done once in a year.
- ❖ The subscriber should ensure that bank account should have minimum balance for auto debit of premium amount. The discontinuing in payment will lead to frozen account after 3 months, deactivation of account after a year and close of account after 2 years. The delay in payment of

premium leads to penalty and the amount gets vary from minimum Re1 per month to Rs 10/- per month upto Rs. 100 per Month, Re. 2 per month for contribution up to Rs. 101 to 500/- per month, Re 5 per month for contribution between Rs 501/- to 1000/- per month, Rs 10 per month for contribution

beyond Rs 1001/- per month.

- ❖ The investment made by subscriber in APY will be invested in government securities, Debt securities & term bank deposits, Money market, Equity instrument market and Asset backed securities with 45-50%, 35-45%, 5%, 5-15% and 5% respectively.
- ❖ The Corpus value provided by the government at the last is calculated by clubbing subscribers contribution (accumulated), Government of India's Contribution of 50% of actual amount or 1000 whichever is lessor and the interest earned.

The swavalamban subscribers are migrated to APY scheme that falls in the age group of 18-40 years and if the subscriber is beyond the age group of 40 and doesn't wants to contribute to the scheme for next 20 years can take a golden shake hand by taking the lump sum amount.

REVIEW OF LITERATURE:

- ❖ *Vishnu Prasad & Anand Sahasranaman, " an intial analysis of Atal Pension- Atal Pension Yojanaⁱ (APY, henceforth) – It is indeed heartening that there is a lot of policy attention on these very important questions of old age income security, and the emergence of the NPS and now the APY are testament to this. If some of the design limitations of the NPS-S were to be addressed in the APY, it would mean that the most vulnerable households would be able to build pension corpuses that could meaningfully provide them with old age income security."* <<http://www.ifmr.co.in/blog/2015/03/09/an-initial-analysis-of-the-atal-pension-yojana/>>
- ❖ *S Munrlidharan , "Modi govt's Atal Pension Yojana is full of glitches and grey areas. Here are some- To wit, a person may have taxable income but must have been blasé about paying income tax and blasé about filing his income tax return as well as a corollary. To be sure, the intention of the APY is to keep it out of the reach of such willful defaulters but in law nothing must be left to presumption given the grave consequences of misstatements -- closure of account together with forfeiture of amount hitherto deposited."*

<<http://www.firstpost.com/business/modi-govts-atal-pension-yojana-is-full-of-glitches-and-grey-areas-here-are-some-2247632.html>>

- ❖ Monika Halan, “Atal Pension Yojna is a bad deal- People save each week a committed amount, say, 250 taka, he said. They do this for 10 years. And at the end of 10 years, we match what they have saved, he said. They can now take the entire corpus out or put it back as a fixed deposit and earn the same interest for as long as they want. “It is a very popular scheme and the poor love it for its simplicity,” said Yunus. Do the poor get a bad deal? Nope, the product gives a compounded average return of 12.6% for a 10-year deposit.” <<http://www.livemint.com/Money/p97HzmWFiTrEY8TaChxNKJ/Atal-Pension-Yojna-is-a-bad-deal.html>>

NEED OF THE STUDY:

- To study how many people invested under the scheme.
- To make a study of how does inductive corpus value is derived.
- To analyse how does risk free interest act as pension.

IMPORTANCE OF STUDY:

The study is extent to the boundaries of India, which helps analyse scheme at non- productive phase of life. It helps in peoples participation into the scheme and a drive from Swavalamban to Atal Pension Yojana. It is Especially targeted at low income groups to motivate saving practices which helps them in future. It helps to know the future value of amount invested as on today.

RESEARCH METHODOLOGY:

The study is made on descriptive base, so for this paper secondary data have been used. The relevant secondary data have been collected from the main site of PMJDY. The study requires variety of data, therefore <http://pmjdy.gov.in> has been comprehensively researched.

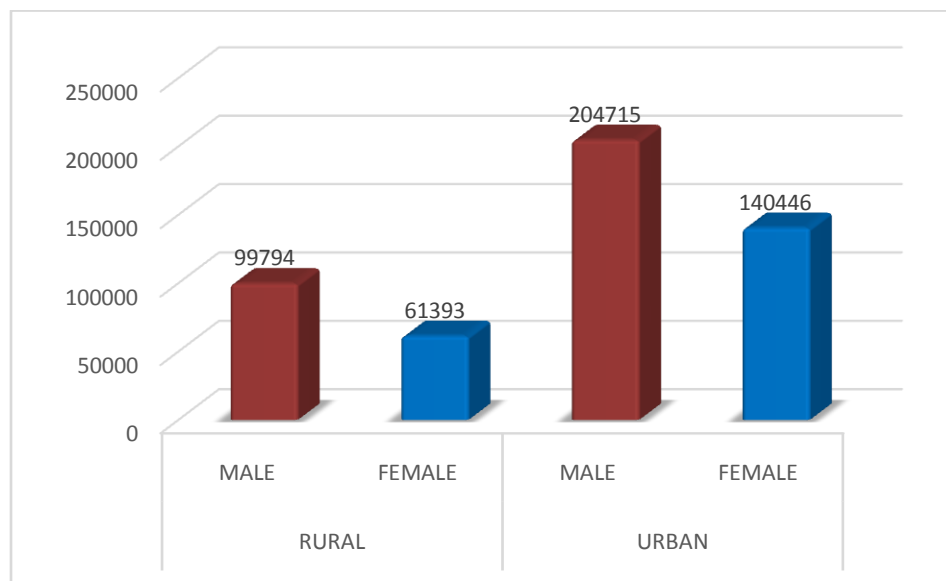
TOOLS USED FOR ANALYSIS:

Graphical representation of data analysis is done through Bar chart.

1. Number of people subscribed in Atal Pension yojana as on 15-07-2015.

CONTRIBUTERS OF ATAL PENSION YOJANA			
RURAL		URBAN	
MALE	FEMALE	MALE	FEMALE
99794	61393	204715	140446
19.70857987	12.12466525	40.42970447	27.73705041

Source : <http://www.jansuraksha.gov.in/Files/Reports/15.07.2015.pdf>



The total number of enrollement made in APY scheme as on July 15, 2015 was 5.06 lakhs comprising 19.70 % and 12.12 % from rural male and rural female respectively. In urban area people enrolled with the maximum percentage of 40.42 and 27.73 with male and female respectively. The graph clearly depicts that the contributories in urban place is almost double to that of contributories in rural area.

2. Final amount received by subscriber by quarterly compounding at 8% interest rate on premium paid by them.

Age	No of Years Of contribution	Premium Permonth	Final Amount subscriber gets at 60years (Quarterly Compounded)	
18	42	42	171407	MONTHLY PENSION ON RS-1000
20	40	50	173045	
25	35	76	173234	
30	30	116	172174	
35	25	181	171798	
40	20	291	171414	
18	42	84	342814	MONTHLY PENSION ON RS-2000
20	40	100	346093	
25	35	151	344189	
30	30	231	342864	
35	25	362	343595	
40	20	582	342827	
18	42	126	514220	MONTHLY PENSION ON RS-3000
20	40	150	539904	
25	35	226	515143	
30	30	347	515039	
35	25	543	515393	
40	20	873	514240	
18	42	168	685628	MONTHLY PENSION ON RS-4000
20	40	198	685263	
25	35	301	686097	
30	30	462	685729	
35	25	722	685292	
40	20	1164	685654	
18	42	210	857035	MONTHLY PENSION ON RS-5000
20	40	248	858309	
25	35	376	857053	
30	30	577	856419	
35	25	902	856141	
40	20	1454	856478	

The above table gives the clear image about the atal pension yojana subscriber scheme where an individual can select the amount of monthly pension he would like to receive every month after paying the premium without any default in any year, which means the subscriber should make a continuous payment to avoid the penalties and deactivation of account and for deciding the amount of premium, the difference of his present age and the age of 60 years is taken in consideration. Example: If x is 23 years of age it will take another 37 years to reach age of 60 (60-23=37) the premium amount is thus based on the age of the subscriber. The lesser the age the lesser the premium is and the greater the age the greater the premium amount is paid.

Assuming that the premium amount paid is quarterly compounded at 8% interest rate for such number of years, which means the interest is calculated every three months and the interest received in the first three months will also be included to calculate the interest amount for the new quarter.

The diagram shows the compound interest formula $A = P(1 + \frac{r}{n})^{nt}$ with the following labels and arrows:

- Amount**: points to A
- Principal**: points to P
- rate of interest**: points to r
- time in years**: points to t
- number of times per year, interest is compounded**: points to n

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The final amount column in the table is the total accumulated amount from subscribers first premium payment to last premium payment, which has been derived on the bases of above mentioned quarter compounded interest rate calculation. The table clearly shows that quarterly compounded interest value on the investment made to be approximately near to the inductive corpus value.

INDUCTIVE RETURN OF CORPUS APPROXIMATELY NEAR QUARTERLY COMPOUNDED VALUE		
PREMIUM PLAN	INDUCTIVE RETURN OF CORPUS TO NOMINEE	AMOUNT DERIVED AFTER QUARTERLY COMPOUNDING (AVERAGE)
1000	1.7 LAKHS	1.72 LAKHS
2000	3.4 LAKHS	3.43 LAKHS
3000	5.1 LAKHS	5.18 LAKHS
4000	6.8 LAKHS	6.85 LAKHS
5000	8.5 LAKHS	8.57 LAKHS

3. How risk free interest is pension after the age of 60.

Age	Premium Permonth	Final Amount	Interest earned Anually at 8%	Interest on Accumulated Amount P.M (pension)	
18	42	171407	13712.56	1142.71	MONTHLY PENSION ON RS-1000
20	50	173045	13843.6	1153.63	
25	76	173234	13858.72	1154.89	
30	116	172174	13773.92	1147.83	
35	181	171798	13743.84	1145.32	
40	291	171414	13713.12	1142.76	
18	84	342814	27425.12	2285.43	MONTHLY PENSION ON RS-2000
20	100	346093	27687.44	2307.29	
25	151	344189	27535.12	2294.59	
30	231	342864	27429.12	2285.76	
35	362	343595	27487.6	2290.63	
40	582	342827	27426.16	2285.51	
18	126	514220	41137.6	3428.13	MONTHLY PENSION ON RS-3000
20	150	539904	43192.32	3599.36	
25	226	515143	41211.44	3434.29	
30	347	515039	41203.12	3433.59	
35	543	515393	41231.44	3435.95	
40	873	514240	41139.2	3428.27	
18	168	685628	54850.24	4570.85	MONTHLY

20	198	685263	54821.04	4568.42	PENSION ON RS-4000
25	301	686097	54887.76	4573.98	
30	462	685729	54858.32	4571.53	
35	722	685292	54823.36	4568.61	
40	1164	685654	54852.32	4571.03	
18	210	857035	68562.8	5713.57	MONTHLY PENSION ON RS-5000
20	248	858309	68664.72	5722.06	
25	376	857053	68564.24	5713.69	
30	577	856419	68513.52	5709.46	
35	902	856141	68491.28	5707.61	
40	1454	856478	68518.24	5709.85	

Interest on the accumulated amount can be assumed as pension what an individual will receive later. Assuming that the risk free return through the policy period is going to be at the rate of 8% per annum. Thus the 8% interest on the final amount per annum is divided monthly which comes to an amount which is almost equal to the pension which the subscriber is going to receive after the age of 60.

FINDING AND SUGGESTIONS:

- The scheme started by the government, is their helping hand towards the society by encouraging the saving habits of an individual looking forward specially at unorganised sector.
- The Indian economy took a race from 9th position in year 2014 to 7th position in year 2015. It is even expected that it will grasp the 6th position surpassing France in year 2017. And it is also in line to become 3rd largest economy by the year 2030 holding its position next to United States and China. Thus it is expected that the rate of interest will reduce in future with the increase in economy. So it acts as an advantage for the contributors that they will remain getting 8% interest by enrolling themselves into scheme whereas the bank risk free rate may fall keeping the growing economy in the mind.
- Thus the scheme which came into existence is at the golden side of point, so such a scheme should not get diluted in the future even though it is not Modi's raj.

APPENDIX:

<i>Age of entry</i>	<i>Year of Contribution (monthly)</i>	<i>Pension of Rs-1000 (Monthly)</i>	<i>Pension of Rs-2000 (Monthly)</i>	<i>Pension of 3000 (Monthly)</i>	<i>Pension of Rs-4000(Monthly)</i>	<i>pension of Rs-5000 (Monthly)</i>
18	42	42	84	126	168	210
19	41	46	92	138	183	228
20	40	50	100	150	198	248
21	39	54	108	162	215	269
22	38	59	117	177	234	292
23	37	64	127	192	254	318
24	36	70	139	208	277	346
25	35	76	151	226	301	376
26	34	82	164	246	327	409
27	33	90	178	268	356	446
28	32	97	194	292	388	485
29	31	106	212	318	423	529
30	30	116	231	347	462	577
31	29	126	252	379	504	630
32	28	138	276	414	551	689
33	27	151	302	453	602	752
34	26	165	330	495	659	824
35	25	181	362	543	722	902
36	24	198	396	594	792	990
37	23	218	436	654	870	1,087
38	22	240	480	720	957	1,196
39	21	264	528	792	1,054	1,318
40	20	291	582	873	1,164	1,454

WEBLOGGRAPHY:

- ❖ www.pmjdy.govt.in
- ❖ <http://www.jansuraksha.gov.in/Files/APY/English/Rules.pdf>
- ❖ <http://www.jansuraksha.gov.in/Files/Reports/15.07.2015.pdf>
- ❖ <http://www.ifmr.co.in/blog/2015/03/09/an-initial-analysis-of-the-atal-pension-yojana/>
- ❖ <http://www.firstpost.com/business/modi-govts-atal-pension-yojana-is-full-of-glitches-and-grey-areas-here-are-some-2247632.htm>
- ❖ http://www.livemint.com/Money/p97Hzm_WFITrEY8TaChxNKJ/Atal-Pension-Yojna-is-a-bad-deal.html
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- ❖ <http://www.mathwarehouse.com/compound-interest/images/formula-compound-interest.png>