Indian Economy · GS - III

Assess the role of Atal Pension Yojana in strengthening old-age income security in India.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
10	~150 words

Answer Hint

Social security, unorganised sector, defined pension, financial inclusion, demographic transition, contribution affordability, fiscal sustainability

Model Answer

Introduction

India's large informal workforce often lacks employer-backed retirement benefits. The Atal Pension Yojana (APY), launched in 2015, seeks to provide predictable old-age income through regular contributions during working years.

Contribution to Social Security

1. **Income protection:** APY offers a guaranteed minimum monthly pension of ₹1,000–₹5,000 after 60 years, depending on the selected contribution.
2. **Financial inclusion:** Bank and post-office linked enrolment encourages formal savings among lower-income households.
3. **Family security:** The spouse receives the subscriber's pension after their death, while the accumulated pension corpus is payable to the nominee after both die.

4. **Savings discipline:** Periodic contributions promote long-term financial planning and retirement preparedness.

Limitations

1. The maximum guaranteed pension may be inadequate for future living costs due to inflation.
2. Regular contributions can be difficult for workers with irregular incomes.
3. Limited awareness and financial literacy may discourage enrolment.
4. A uniform pension structure may not adequately reflect diverse retirement needs.

Way Forward

1. Improve awareness through local institutions, banks and financial-literacy campaigns.
2. Facilitate flexible contribution mechanisms for workers with fluctuating incomes.
3. Periodically assess pension adequacy against inflation and changing living costs.
4. Integrate APY with broader social-protection and healthcare initiatives.

Conclusion

APY is an important instrument of contributory social security, but its effectiveness depends on affordability, coverage and pension adequacy. It should complement, rather than replace, a wider old-age protection framework.

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