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Roadmap to Social Inclusion through Financial Inclusion: Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojana

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Abstract

India with a population of 1.31 billion- a faster growing economy has high expectations regarding its future, delivering benefits to a larger section of the society, mounting the met and unmet challenges and improving through all its economic fundamental dimensions, has achieved 8% growth rate in the Eleventh Five Year Plan. For a broad-based perspective, improvement in the socio-economic conditions of the people is also necessary. The motif- Faster Sustained and Inclusive growth- reflects simultaneous progress of all the segments of the economy is being adopted in the Twelfth Plan. Since independence, substantial steps have been taken by the Government of India to expand social inclusion and financial development in the country. So to empower the disadvantaged and economically low strata of society the government has come up with three social security schemes- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY) - new initiatives under financial inclusion.

The idea of social inclusion through financial inclusion is a new and innovative approach. The tactic behind this approach of social inclusion is to develop social environment extending access to healthcare, income security and overall qualitative and affordable living standard to the vulnerable and under-privileged. It provides protection against future exigencies on one hand, access to better health, education, insurance cover, safe and secure retirement plans with guaranteed monthly income on other.

This paper studies the comprehensiveness of the new initiatives taken for the informal workers and poor, under-privileged people in pension and insurance sectors. The objective of the schemes is to ensure universal access to products of financial services to the low income populace at affordable cost. The paper evaluates the performance of these schemes and how the new schemes

underpin the economy. It also reviews progress of the schemes and their potential contribution in the coming years.

Introduction

India has come up with fastest growing economy in the world. It has shown a salubrious growth in recent years. As per IMF report- India's growth rate is projected to remain at 7.3percent for 2015 and for 2016 financial year, it is set to grow at a pace of 7.5percent. So the government of India adopted the motif of Inclusive Growth in its Twelfth plan period to propel the economy to remain persistent and to achieve sustainable growth. World Bank defines Inclusive Growth as-

"*the pace and pattern of growth that is the speed at which an economy grows and how far the benefit spreads. The word 'inclusive' necessitates participation of larger section of the labour force, irrespective of socio-economic background and regions in generation as well as accessibility of growth. The idea rests on the idea of 'pro- poor' growth which in absolute terms refers to growth benefitting the poor*".

Understanding the need to unfold economic dimensions and preparing itself for demographic trends, substantial steps have been incorporated by the government of India to rebalance the economic & social forces. Plethora of schemes has been introduced since, in order to protect the interest of its populace to provide easy access to healthcare, education, secure and safer future, insurance cover, old age pensions, access to credit and loan facilities- a better and qualitative living standard. Thus, reducing the area of social exclusion and enduring a base to financial services. Moving towards pro-poor growth to achieve universal access to social security net for population in terms of pension and insurance need, the government launched three schemes PMJJBY, PMSBY, APY. First two schemes are insurance-led schemes which cover life and accidental risks. APY is a co-contributory scheme started by the government to encourage voluntary savings among informal sector masses. Insurance Regulatory and Development Authority of India and Pension Fund Regulatory & Development Authority (PFRDA) regulate and administer both the schemes respectively.

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Methodology

The objective of the study is to analyze the need and importance of these schemes PMJJBY, PMSBY, APY. Further, exploring their current status in India and suggesting innovative strategies to be adopted. The research analysis is based purely on secondary data and is collected from various articles, International Journals, International Reports, IRDA reports, World Bank reports etc.

Demographic Dividend – Total Workforce and Ageing Population

India as a developing country is undergoing structural transformation and enhancing its demographic changes. The fact is that standing in second phase of demographic transition, half of the population is young. In context of demographic dividend, two factors are emphasized to correlate with Indian transition- Total workforce and Ageing population. For spurring development of an economy, there should exist a positive relation between total working population and growth of the nation. Rise in working force to the total population will raise the growth rate whereas fall in workforce will decrease the growth rate. This simply reflects that more the working population more will be the demand for insurance products. The Labour Force Participation Rate (LFPR) in India in 2013-14 reported to remain at 56percent which is an indicator of low work participation and high dependency ratio that depicts around 44percent of population is dependent on the total work force. The LFPR as percentage of total population ages 15-64 and ages 15&above remains more or less same. The table1 shows the LFPR in India.

Another big factor is ageing population. Population growth rate and population ageing are negatively correlated to each other. With the fall in population growth rate, the proportion of younger people decreases and older people increases. There is great possibility of India stepping in its third demographic transition very soon. At present, world population is 7.3billion and that of India is 1.31billion approximately. But the rising trends in India’s population depicts that it will be 1.5billion in 2030 and 1.7billion in 2050. Consequent of this, it is being expected that number of persons aged 60 and above in the world would get double by

2050 and triple by 2100 i.e. from 901million in 2015 to 2.1billion in 2050 and 3.2billion in 2100. In Asia, this figure is more vibratile as there are 12percent persons aged 60 and above, doubling its number to 25percent by 2050 (UNDESA, 2015). In 2011, India had 104million people aged 60years and above. By 2030, it is expected to reach at higher level to 180million (PFRDA, 2015). So, the population above 60years will increase from 8.3percent in 2013 to 18.3percent by 2050 and 30.2percent by 2100 which is relatively less in comparison to other developed countries. The Age dependency ratio also rests more or less between 50-55percent in India since 2010 (KPMG 2014). Thus, this will raise the demand for pension sector products.

Status of Social Exclusion in India

A little has been done so far for uplifting the socially and economically backward people for their social protection in old age. Multiplicities of social welfare schemes are available for organized sector workers but hand full for unorganized sector and poor strata of society. If the condition remains same the government's obligation to provide sustenance to them will raise its fiscal burden.

While there are multiple factors responsible for the weak demand of social security coverage like poverty, illiteracy, lack of proper awareness and poor skills or proper skill training among labour force, lack of formal vocational education & lection seen in quality of education, transactional costs – leads to decelerating the growth engine. Education and skill power play major role in raising the demand for social protection. The person with greater skills and higher education are liable to higher wages and lower skills and low education level leads to lower wages. The rise in educated population to total population also raises the demand for insurance products and other welfare schemes. The Table2 shows literacy rate among total work force in India. A person is said to be literate who is able to read and write a simple message understanding it in any language.

The literacy rate (number of literate per 1000 persons) has increased since 1983. The literacy rate between 2004-05 & 2011-12 has increased by about 4 percentage points and 5 percentage points, 8 percentage points and 11 percentage points for urban males, urban females, rural males and rural females respectively. Kerala marked highest literacy with 87percent and lowest was marked by Uttar Pradesh with 60percent. The Table3 shows General Education Level of total labour force employed in both organised and unorganised sectors. An Educated person is who has attained the level of secondary and above including diploma/ certificate course. The table clearly depicts that 28percent of rural male and 16percent of urban male are illiterate. This figure is high in case of rural female accounts 45percent whereas 25percent of urban female are illiterate. Only 21percent of rural male and 12percent of rural female have attained secondary qualification or above while, 42percent and 34percent of urban male and urban female are educated. Additionally, the dearth of proper skilled workforce can be observed from the Labour Bureau Report 2014 stating the skilled workforce in India merely stands at 2percent. The status of number of persons aged 15years who is receiving or have received skill training stands at 6.8percent.

Stunningly, in India, 12percent of the working population is covered under formal Pension system, only 4percent have Accidental Insurance and 20percent have life insurance coverage. This shows that very less has been achieved so far for the development of economically backward and low segment of people to include them in social protection umbrella. Around 40crore citizens in the age group of 18-40years are in unorganised sector. The data depicted in figure1 shows that poverty and informal workers are interconnected. "Not Eligible-figures those workers who are not eligible for any given Social Security benefits. 39percent of formal workers do not get social security" (Sinha, 2014). In the informal sector this figure is as high as 90percent in 66thround and 86percent in 69thround. This clearly depicts the coverage and access to social security by the formal and informal workers. The condition is worse in informal sector. Separate policy frame work should be constructed to link the informal workers of informal sector with various social security schemes.

Social Inclusion under Financial Inclusion

The Government of India has come over in 2014 to place a Big Push strategy-the Financial Inclusion. The programme was launched to mitigate the fundamental flaws of economic Diasporas. Initiation of scheme offers access to formal financial institution and suitable financial services. As per the Rangarajan committee (2008) *"Financial inclusion may be defined as the* *process of ensuring access to financial services and timely and adequate credit where needed at an affordable cost"*. Several schemes have been launched under it to expand ambit of social inclusion in the country- Pradhan Mantri Jan Dhan Yojana(PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana(PMJJBY), Pradhan Mantri Suraksha Bima Yojana(PMSBY), and Atal Pension Yojana(APY). These schemes had been launched on 9thMay2015 and are being implemented with effect from 1stJune2015 focusing the economically backward poor people and unorganised sector. The tactic of the approach is to develop social environment which extends access to healthcare, income security and overall qualitative and affordable living standard for the vulnerable and poor section of the society.

The idea of Financial Inclusion is an innovative approach adopted by the new government to linking people with result based outcomes. Financial inclusion incorporating the pro-poor growth phenomena is a strategic term which aims at dispersing growth with equitable distribution of income, equal economic & social opportunities and equal access to beneficial facilities to all. The progress of financial inclusion registered a score of 50.1 on a scale of 100 at the end of fiscal year 2013 (CRISIL Inclusix, 2015). Worldwide, 38percent or 2 billion people in the world has not been using any formal financial services and 73percent of poor people remained unbanked. Thus, social inclusion under financial inclusion strategy in India is the innovative and emerging intention and can be achievable through good governance. The government has the sole responsibility and is the key player in ensuring universal access to all. The Directive Principles of the State Policy gives sole right to its citizen to enjoy the true spirit of social security in India. But it is not a fundamental right yet. .

New Initiatives under Insurance Sector -Pradhan Mantri Suraksha Bima Yojana

Pradhan Mantri Suraksha Bima Yojana is a scheme to cover accidental risk offering social safety net for accidental death & disability cover for permanent total or partial disability on account of an accident. The scheme is administered by Public Sector General Insurance Companies or various general insurance companies who are willing to offer the products with participating banks. This insurance scheme is renewable every year.

Under it, a nominee/buyer is provided a claim amount of Rs.2lakh in case of death or total & irrecoverable loss and Rs.1lakh for partial disability. The age limit to all saving bank account holders to get benefit from this scheme is 18-70years. An individual in entitled to avail the benefits by paying annual premium of Rs.12/year or Rs.1/month which will then be auto-debited from the nominee's account. The participating bank is liable to transfer the installment premium to the insurance company. The individuals are free to exit or rejoining the scheme. Further, the benefits availed can be terminated in case of attaining the maximum age limit or closure of account with the participating bank. A good health certificate of the individual is not required to avail the benefit of the scheme. The deadline for self-certification of the same has been extended beyond 30thNov2015. The number of the subscribers enrolled reached 7.29crores on 31stMay2015.

Pradhan Mantri Jeevan Jyoti Bima Yojana

This insurance scheme is another step forward to expand the scope of financial inclusion achieving the insurance safety net. This scheme basically challenges to give life insurance cover to the poor and under-privileged populace of the country. The scheme is available in the age group of 18-50years extending life cover up to 55years of age. Under it, life cover of Rs.2lakh is provided at a premium of Rs.330/annum or less than Rs.1/day. The nominee should have a saving bank account through which the participating banks will auto-debit the installment amount and transfer it to the concerned insurance company. It is administered by Life Insurance Company of India and other life insurance companies. A person is free to exit and rejoin the scheme at any time but is required to submit a self-certification of good health. The date of which has been extended to 31stMay2016 so that more and more people can avail of the benefits. The nominee can claim the amount with a death certificate and a simple claim form submitted to their respective bank. The insurance company is liable to take action and disburse the amount within 30days of receipt of the claim.

Initiative under Pension sector – APY

Atal Pension Yojana(APY) under financial inclusion programme is another step towards social security for the unorganized sector workers. The scheme was previously known as Swavalamban and renamed now as Atal Pension Yojana which is solely for the betterment of workers and vulnerable sections employed in informal sector.

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Indian workforce is decomposed into two parts- a) Formal or Organised sector b) Informal or Unorganised sector. The unorganised sector remains informal, is vast and heterogeneous. India dominantly can be called as an informal economy since larger portion of its population is employed in the unorganised sector accomplished by absence of any social security benefits. Of the total labour force, 94percent is employed in the informal sector and 6percent only in the formal sector. The scheme is beneficial in the sense that it inculcate saving habit among the workers to save for their future, unlike any other conventional social security products. It gives platform to low segment people to voluntary save that will yield them guaranteed monthly income in their old age. It helps the population to channelize their funds and transform or diversify their savings into further investment. If the returns on investment made are higher, higher would be the probability to get a higher pension near future.

Design and structure of scheme

Under this, the contributor will get a fixed minimum guaranteed pension of Rs.1000-5000 per month from the age of 60years onwards. It provides defined benefits to its contributors. The age limit to apply is 18-40years. So, the minimum period for contribution is 20years. The most vibrant feature of the scheme is that it is a co- contributory scheme of government i.e. 50percent of the total contribution or Rs.1000 per annum whichever is less will be contributed by the government for five years subject to non tax payers and no enrollment in other social security scheme. This benefit would be provided till 31stDec2015. Additionally, an individual- member of any other social security scheme and is eligible to income tax can also avail benefit under APY but would not be counted for government co- contribution. The subscriber's saving bank account is linked to the APY account with auto debit facility. The deposit contribution is available in the saving bank account of an ever is less will be in monthly/quarterly/half yearly terms. Required balance should be maintained in the saving bank account to safeguard them as a defaulter and to avoid delayed penalty. In case of guilty of false declaration by an individual, the entire amount of government's contribution will be withdrawn from their account. The State level government can also act as co-contributor under APY scheme to encourage their underlying workers to opt the scheme to secure their old age.

Current Status

All the Aggregators and Point of Presence (PoPs) who registered under Swavalamban scheme can enroll the subscribers under APY and Swavalamban subscribers will automatically be migrated to APY. 79 Aggregators and 3600 Point of Presence (PoPs) – Service Providers (SPs) are registered in the year 2014 including State Government(s), Public Sector Bank, MFI (Micro Financial Institution), Regional Rural Banks, NBFCs and Private entities. The Aggregators are being provided incentives to increase the no. of subscribers. There is tremendous potential in this scheme as within 7 months of its inception it has enrolled over 17lakh subscribers under it. Assets Under Management(AUM) in the year 2011-12 was 141crores which has rose to 194crores in the financial year 2015-16 (Table4).

The cumulative gross enrollment of three schemes is 12.38crores as on 31stDec2015 (Table5). The schemes are more popular among rural populace i.e. 52percent than the urban marking 48percent. This further can be revealed through Rural Urban Segmentation. The Segmentation states that 20.53percent & 31.31percent and 17.69percent & 30.47percent of rural female & rural male and urban female & urban male respectively have subscribed themselves under the schemes. Out of the total, 38percent are female and 62percent are male.

Pros and Cons

Firstly, on account of financial assets, the household savings of pension and insurance market combined remains close to 32percent. Following certain mandated norms, very little money is being invested in the capital market. These schemes run on monthly contribution which makes situation different. Consequent of this, the savings remains more or less underutilized. Secondly, the life expectancy in India is 67years which is still low as compared to other countries. The schemes start benefitting the subscribers after a certain age which makes least sense. Thirdly, the rate of interest provided under APY is 8percent a month which is even below Bank deposit rate.

An assessment of overall performance of these schemes indicates that it had a limited impact on workers and poor people because of weak implementation capacity, lack of awareness, lack of coordination among various agencies, non- synergic behavior of other programmes. But the universal nature of schemes under financial inclusion has enlarged its impact and coverage in a very short span of time. The insurance sector's geographical coverage has a limited impact over rural areas. Introduction of Business Correspondent model under Financial Inclusion is likely to access poor and economically backward people in remote areas of villages. This will lead to minimization of transactional cost and will increase the penetration of insurance & pension products.

Additionally, instead of parting the people between below poverty line and above poverty line the schemes should target common masses through universal access to social protection by providing them a social floor to uplift themselves equally. This helps in excluding better off group more easily. One should not consider a policy's economic point but non-economic point also. Rather, focusing solely on amount spent on the enhancement of the programmes and generating effective demand, it should also cite unionization, equal access between man and woman, awareness of rights. The old moves need to be phased out and introduction of new products, upgrading technology, re-learning and re-tooling opportunities is required so that this sector can move efficiently.

Conclusion

Existing system of insurance and pension sector needs exposure to its pattern and easing of norms. These industries overtaking its evolution have a long way to achieve indispensable growth near future. The Indian insurance scenario remains somber in the initial period of its liberalization but now it is projected to touch US$ 350-400billion by 2020. There is immense scope and potential in the coming years for these sectors. A paradigm shift can be seen in coming times when choice of schemes would be available even in the unorganised sector as there are ample of subscribers still left to join.

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Appendix

Table1: Labour Force Participation in India

	2011	2012	2013	2014

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Total Labour force in India (in millions)	475	477	487	496
Total Labour force Participation rate(ages 15-64)	57%	56.3%	56.4%	56.5%
Total Labour force Participation rate(ages 15+)	55%	54%	54%	54%

Source: http://data.worldbank.org/indicator

Table2: Literacy rate during 2011-12

	MALES		**FEMALES**	
	RURAL	**URBAN**	**RURAL**	**URBAN**
ILLITERATE	72	75	56	84
EDUCATED	21	42	12	34

Source: NSSO 68th round

Table3: Per 1000 distribution of persons by General Education level during 2009-10 & 2011-12

	RURAL MALE		**RURAL FEMALE**		**URBAN MALE**		**URBAN FEMALE**	
	2009-10	**2011-12**	**2009-10**	**2011-12**	**2009-10**	**2011-12**	**2009-10**	**2011-12**
NOT LITERATE	294	284	467	445	164	158	264	253
PRIMARY EDUCATION	357	356	318	317	274	279	270	271
MIDDLE EDUCATION	160	155	111	116	150	146	136	135
SECONDARY EDUCATION & ABOVE	188	205	103	121	411	416	328	340

Source: NSSO 66thround (2009-10) and 68thround (2011-12)

Table4: APY- as on 30th November, 2015

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FY 2015-16 up to 30th November, 2015 (cumulative)	No of Subscribers	Total Contribution (₹Crores)	AUM (₹Crores)
Atal Pension Yojana	1,161,949	192.97	194.19

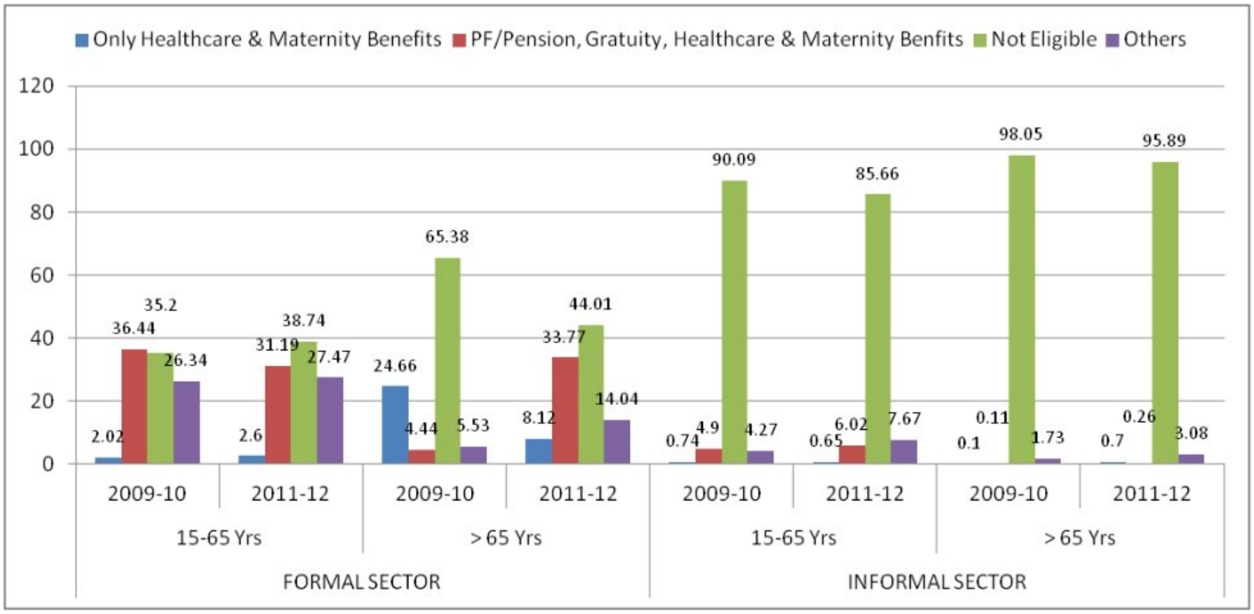
Source: National Pension System Trust

Table5: Gross Enrollment summery of APY/PMJJBY/PMSBY as on 31-12-2015

	MALES (in millions)		FEMALES (in millions)		Grand Total (in millions)
Scheme Name	**RURAL**	**URBAN**	**RURAL**	**URBAN**	
APY	509	568	259	368	1,704
PMSBY	29,208	27,823	19,561	16,238	92,830
PMJJBY	9,052	9,334	5,593	5,295	29,273
Grand Total	38,770	37,725	25,412	21,900	123,807

http://jansuraksha.gov.in/Files/Reports/31.12.2015.pdf

Figure1



Source: various Round of NSSO data processed at NCAER