Invited Article

Life Insurance - Social Security & Financial Inclusion

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Social protection or social security is a set of human rights designed to reduce or prevent poverty and vulnerability throughout the life cycle and includes benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors, and health protection provided to citizens by a mix of contributory schemes (social insurance) and non-contributory tax-financed benefits, including social assistance. There are significant coverage gaps in the provision of these welfare services including insurance and pension in India mainly due to low investment in the provision of such services by the state, poor affordability among a large section of the society particularly in the informal sector and lack of awareness and financial literacy of a large section of the population. The regulators which are entrusted with both the development and regulation of the insurance and pension sector would have to tackle the issue both from the supply/ distribution and the demand/ policy holder/ subscribers side.

Key Words: Social Security, Social Protection, Insurance, Pension, Financial Inclusion

Social Protection

1. According to International Labour Organisation's (ILO) World Social Protection Report 2017-19, Social protection or social security, is a human right and is defined as the set of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle. Social protection includes benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors, as well as health protection. Social protection systems address all these policy areas by a mix of contributory schemes (social insurance) and non-contributory tax-financed benefits, including social assistance. Social

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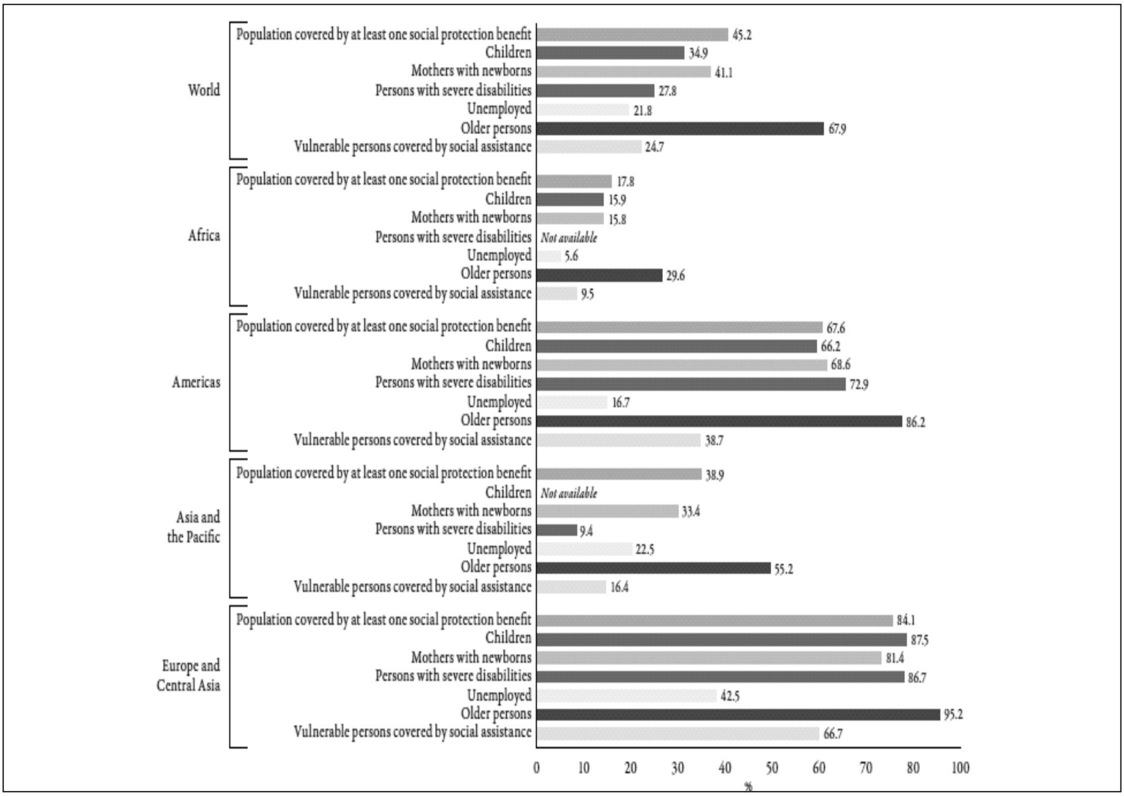
protection plays a key role in promoting social justice and realizing human rights which are vital elements of national development agenda of most of the countries to reduce poverty and vulnerability across the life cycle and support inclusive and sustainable growth.

2. The ILO report highlights that despite significant progress in the extension of social protection in many parts of the world, the human right to social security is not yet a reality for a majority of the world's population. It estimates that only 45 per cent of the global population are effectively covered by at least one social protection benefit, while the remaining 55 per cent - as many as 4 billion people - are left unprotected. Only 29 per cent of the global population is covered by comprehensive social security systems that include the full range of benefits, from child and family benefits to old-age pensions. Yet the large majority - 71 per cent, or 5.2 billion people - are not, or are only partially, protected. The estimates of effective social protection coverage, both at global and regional levels by population groups are given in Figure 1.

Figure 1

SDG indicator 1.3.1: Effective social protection coverage, global and regional estimates by population group (percentage)



Note	:	*Population covered by at least one social protection benefit (effective coverage): Proportion of the total population receiving at least one contributory or non contributory cash benefit, or actively contributing to at least one social security scheme.*
Children	:	*Ratio of children/households receiving child/family cash benefits to the total number of children/households with children.*
Mothers with newborns	:	*Ratio of women receiving maternity cash benefits to women giving birth in the same year.*
Persons with severe disabilities	:	*Ratio of persons receiving disability cash benefits to the number of persons with severe disabilities.*
Unemployed	:	*Ratio of recipients of unemployment cash benefits to the number of unemployed persons.*
Older persons	:	*Ratio of persons above statutory retirement age receiving an old-age pension to the number of persons above statutory retirement age (including contributory and non-contributory). Vulnerable persons covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions)).*
Sources	:	*ILO, World Social Protection Database, based on the Social Security Inquiry (SSI); ILOSTAT; national sources.*

Social Security in India

3. The coverage gaps are associated with a significant underinvestment in social welfare/ protection programmes, particularly in Africa, Asia and the Arab States. Lack of social protection leaves people vulnerable to poverty, inequality and social exclusion across the life cycle, thereby constituting a major obstacle to economic and social development. It is generally observed that people without social security coverage in developing countries usually work in the informal or the unorganized sector of the economy where there are no enforceable employment contracts. Public expenditure on social sector as percentage of GDP in USA, some European countries and India is given the Figures 2 and 3 respectively. It is seen that while in the developed countries the social welfare spending varies from about 17 % to 31 % of GDP, in India it is just around 7 % of GDP.

Figure 2
Trends in Social Sector Expenditure: India (as % of GDP)

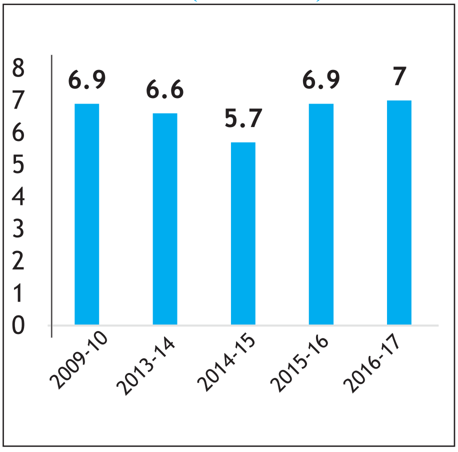
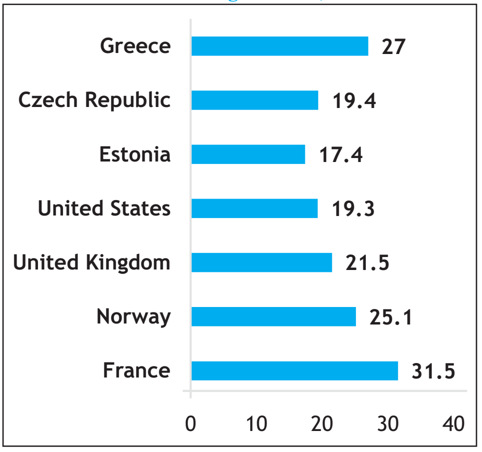


Figure 3
Social Welfare Spending across Countries as a Percentage of GDP, 2016



Source: Economic Survey of India, OECD

4. Every person encounters social problems and risks at some time in her life span due to risks associated with sickness, accident, unemployment, disability, maternity and old age. Disaster, risk, sickness and old age make no distinction between rich and poor, but the consequences affect the poor and vulnerable disproportionately. The Social Security policies and programmes are intended to mitigate or provide cover the costs for these problems and risks faced by persons exposed to these situations. The social security legislations in India derive their strength and spirit from the Directive Principles of the State Policy as contained in the Constitution of India. These provide for mandatory social security benefits either solely at the cost of the employers or on the basis of joint contribution of the employers and the employees. The principal Social Security legislations enacted in India for the organized and unorganized sector workers are as under:

- The Employees' State Insurance Act, 1948
- The Employees' Provident Funds & Miscellaneous Provisions Act, 1952
- The Employee's Compensation Act, 1923 (administered exclusively by the State Governments).
- The Maternity Benefit Act, 1961
- The Payment of Gratuity Act, 1972
- Central Civil Services (Pension) Rules,1972
- The Unorganised Workers Social Security Act 2008: National Social Assistance Programme

5. The Ministry of Labour and Employment is in the process of merging the different laws concerning social security in Indian in the *Draft Labour Code on Social Security 2018.* The draft Labour Code on Social Security put for public / stakeholders comments mentioned, inter alia, that it is the duty of the society in general and government in particular to ensure that nobody who has contributed to the growth of the nation in his good days is left alone to face the problems like sickness, accident, unemployment, disability, maternity and old age in his lean days. Under a Social Security System, these risks and eventualities can be managed through small contributions by all through a robust social security framework. Social Security means a program that requires the government to create a fund or system which can be used to make payments to people who are unable to work (and earn his livelihood) because of circumstances. Essential features of Social Security are that it is mandatory (by law), administered by government and it has provisions of rights and enforcements. The social security paradigm is not a simple goodwill gesture or appeasement from the government to the citizen but a Right. The right to social security has been

treated as a human right by the United Nations. According to Articles 22 and 25 of the Universal Declaration of Human Rights, access to Social Security is a basic right. The 'Social Security (Minimum Standards) Convention 102' adopted by the International Labour Organization (ILO) in 1952 also prescribes minimum standards for benefits in the important areas of social security. India has not yet ratified this convention. As per the practices prevalent worldwide, Social Security benefits can be State (taxpayer) funded, employer funded or worker funded, or any combination of these though the ideal scenario would be that every citizen of the country earns enough to pay for his social security to the state. Social Security is not only aimed at personal welfare of citizen, but is also linked to National economic prosperity, as it enables the person(s) exposed to these risks to spend the earnings in maintaining a decent standard of living with a life of dignity instead of stashing the earnings somewhere for unforeseen eventualities. Social Security also contributes to economic progress as effective Social Security Policy, labour protection laws, medical facilities and unemployment benefits play an important role in avoiding social costs and safeguarding efficient labour potential.

6. Traditionally, Indians relied on their joint/ extended families for support in the event of illness, old age or other misfortunes. However, due to fast changing occupational structure, migration, urbanization, and higher social mobility, family bonds are gradually loosening and family units are becoming nuclear and much smaller than they used to be earlier. So far, neither the state nor the institutions such as banks, insurance companies, provident funds and other agencies entrusted with the development and regulation of insurance and pensions/old age income provision have been able to bridge the coverage gap. Today a large majority of the individuals and households live without any social security. We have a very basic social security system mainly confined to persons employed in organized or formal sector catering to a very small percentage of the country's workforce. As per the employment and unemployment survey conducted in 2011-12 by National Sample Survey Office (NSSO), Ministry of Statistics and Programme Implementation, the number of estimated employed persons in 2011-12 were 47.41 crore, of which 82.7% of workforce (39.14 crore persons) was in unorganized sector. The different social security schemes, their sources of funding and the eligibility norms are tabulated in Figure 4.

Figure 4
Social Security schemes in India, their sources of funding and eligibility norms

Fund Source	Examples	Eligibility
Taxpayer Funded	IGNOPS, Disability Pension, Widow Pension, RSBY	Means tested/ BPL
Heath related, Taxpayer funded	Government Heath Schemes	All citizen
Employer (Legislation based)	Maternity Benefit, Gratuity, Employee Compensation	Organised sector
Fund (Employer + Employee) - under law	EPF, EPS, EDLI ESIC Schemes , NPS	Organised sector
Cess Based	Beedi Worker welfare schemes	Concerned workers
Voluntary	PMJJBY, PMSBY, APY	Those who opt
States / Local bodies / Ministries	Old age pension, disabled pension, Bunkar Bima	Selected beneficiaries

7. The two major social security plans in India, the Employees' Provident Fund Organization (EPFO) and the Employees' State Insurance Corporation (ESIC), wherein the EPFO members and their families benefits for old age, disability, and support in case the primary breadwinner dies. The ESIC, on the other hand, covers low-earning employees providing them with basic healthcare and social security schemes. Originally aimed at factory workers, the coverage was extended to include greater parts of the population, e.g. employees in hospitals or educational institutions. The EPF Act, 1952 provides for the EPF Scheme, the Employees' Pension Scheme and the Employees Deposit-Linked Insurance Scheme and there were several improvements in the delivery of benefits under them. Over nine lakh establishments are registered under the EPF Act benefiting over 16 crore employees and nearly one crore pensioners.

8. The Employees' State Insurance Scheme, which provides employment injury benefits among other benefits, envisages following six social security benefits:

(a) Medical Benefit: Full medical care with no ceiling on expenditure on the treatment of an Insured Person or his family member.

(b) Sickness Benefit (SB): Sickness Benefit in the form of cash compensation at the rate of 70 per cent of wages is payable to insured workers during the periods of certified sickness for a maximum of 91 days in a year. In order to qualify for sickness benefit the insured worker is required to contribute for 78 days in a contribution period of 6 months.

(c) Maternity Benefit (MB): Maternity Benefit for confinement/pregnancy is payable for Twenty Six (26) weeks, which is extendable by further one month on medical advice at the rate of full wage subject to contribution for 70 days in the preceding Two Contribution Periods.

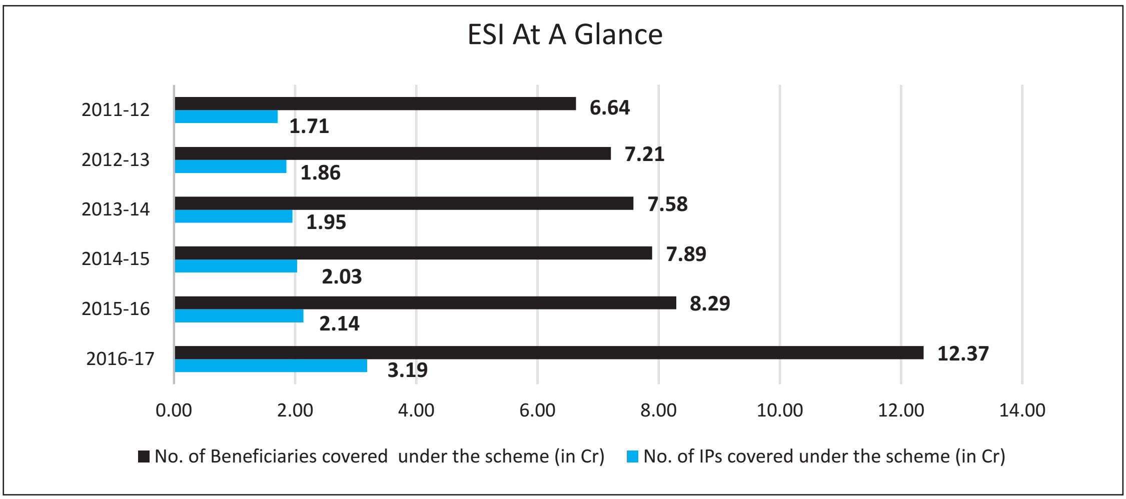
(d) Disablement Benefit: Temporary Disablement Benefit at the rate of 90% of wage is payable so long as disability continues. The benefit is paid at the rate of 90% of wage in the form of monthly payment depending upon the extent of loss of earning capacity as certified by a Medical Board in case of permanent disability.

(e) Dependents Benefit (DB): DB paid at the rate of 90% of wage in the form of monthly payment to the dependents of a deceased Insured person in cases where death occurs due to employment injury or occupational hazards.

(f) Other Benefits such as Funeral Expenses.

9. The Act is applicable to non-seasonal factories employing 10 or more persons and has been extended to shops, hotels, restaurants, cinemas including preview theatres, road-motor transport undertakings and newspaper establishments employing 10* or more persons. The existing wage limit for coverage under the Act is Rs. 21,000/- per month (w.e.f. 01/01/2017). The number of beneficiaries and IPs covered under the ESI during the recent years are given in Figure 5.

Figure 5



No. of Beneficiaries and Insured Persons covered under ESI

10. The National Social Assistance Programme (NSAP) which came into effect from 15th August,1995 represents a significant step towards the fulfillment of the Directive Principles in Article 41 of the Constitution. The programme introduced a National Policy for Social Assistance for the poor and aims at ensuring minimum national standard for social assistance in addition to the benefits that states are currently providing or might provide in future. Currently NSAP comprises of five schemes, namely (1) Indira Gandhi National Old Age Pension Scheme (IGNOAPS), (2) Indira Gandhi National Widow Pension Scheme (IGNWPS), (3) Indira Gandhi National Disability Pension Scheme (IGNDPS), (4) National Family Benefit Scheme (NFBS), and (5) Annapurna (Nutrition). Under IGNOAPS, central assistance of Rs. 200/- per month is provided to persons in the age group of 60-79 years and Rs. 500/- per month to persons of 80 years and above and belonging to below poverty line (BPL) household as per the criteria by Government of India. Most of the State/UTs have been topping up by an equal amount or higher amount under the scheme. There have been reports of limited coverage, exclusion and inadequacy of benefits under the Scheme.

Life Insurance

11. Social Security in the form of life insurance helps by providing income to the nominee / family of the insured in the event of the insured's untimely demise. Before 1956, the life insurance sector was made up of over 150 domestic life insurers and about a dozen and half foreign life insurers which were nationalized to form the Life Insurance Corporation of India (LIC) to increase insurance penetration and coverage in the country and protect the interest of the policy holders. On the recommendation of Malhotra Committee, the insurance sector was reopened for the private players. In 1999 the Insurance Regulatory & Development Authority of India (IRDAI) Act was passed, making IRDAI the statutory body for the promotion, development & regulation of the insurance sector in the country. Post liberalization, the insurance industry has recorded significant growth. However, the Insurance Penetration which is measured as the ratio of insurance premiums to gross domestic product (GDP) has remained quite low, just about 3.5 in 2016 as against over - percentage in advanced countries. Insurance penetration shows the level of development of the insurance sector in a country. Insurance Density which is the measure of insurance development in per capita spending on insurance and is calculated as the ratio of total premium to the population (per capita premium) was US$60 in 2016, also shows that India is among the lowest-spending nations in Asia in respect of purchasing insurance. The movement in insurance penetration and insurance density in India since 2001 is shown in Figure 6 and 7 respectively.

Figure 6
Insurance Penetration in India

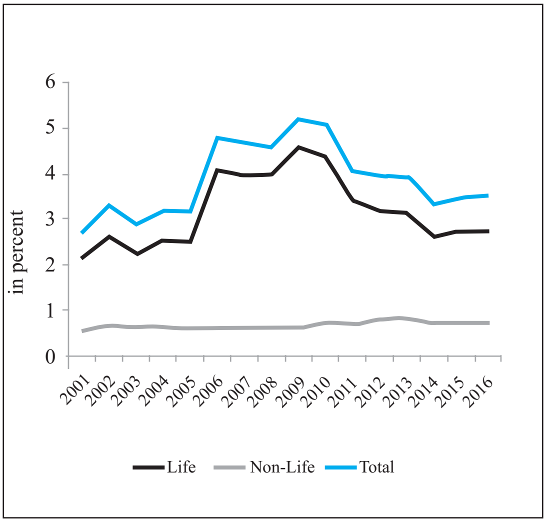
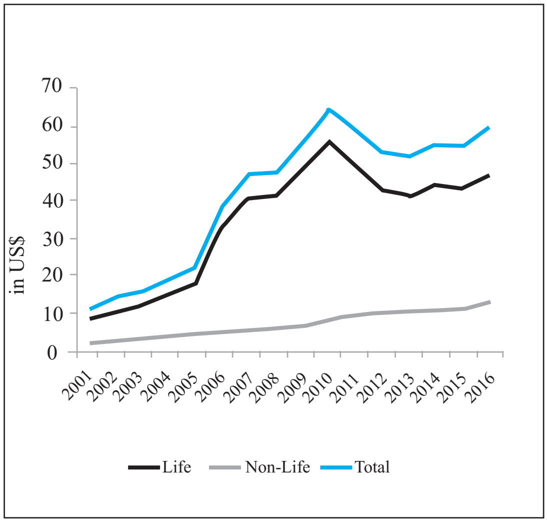


Figure 7
Insurance Density in India



State of the Insurance Sector in India: IRDAI

The figures reveal that the spending has increased from FY05 to FY16 but it is still one of the slowest even in Asian nations and so there lies huge scope for accelerating the growth of the insurance sector in the country.

12. Insurance and pension are the two key tools for managing quite a few life cycle risks and averting or mitigating old age poverty. Insurance and pension are complementary to each other. While insurance provides the risk cover for an early death of the policy holder by guarantying the financial support to the bereaved family to tie over the emergency and attend to the family responsibilities in the event of the untimely death of the policy holder, pension guarantees the periodic stream of income to the subscriber during his/her old age when he /she is no more in a position to work and have no other source of income to fall back on. The preambles of both the insurance and pension regulators mandate the IRDAI and PFRDA to promote, regulate and ensure an orderly growth of the insurance/ pension industry in the country, and protect the interest of the holders of the insurance policies/ pension subscribers. The regulators have been entrusted with both developmental and regulatory responsibilities in their respective areas. IRDAI have specifically been entrusted with the social obligation of specifying the percentage of life insurance business and general insurance business to be undertaken by the insurers in the rural and social sectors. To do this, we must increase access to insurance and pension products both from the

distribution/ supplier side and the consumer (of insurance & pension services)/ demand side. To achieve this, it is necessary to ensure that insurance and pension are part of any coordinated financial inclusion strategy. Improving access to insurance and pension thereby enhancing financial inclusion has been the focus of both the government and the regulators for quite some time. The basic premise is that social security including insurance and pension as component of financial inclusion address the issues of coverage, affordability, adequacy, efficiency & sustainability. In meeting these objectives, the insurance companies, pension plan sponsors, the regulators and government are increasingly focused on providing the guidance and tools to develop the knowledge, skills and expertise which address to the issues of coverage, affordability and adequacy to the policy holders/ subscribers and cost effectiveness and sustainability to the system.

13. As insurance / pension providers & regulators we also recognize the role of insurance and pension funds in supporting capital formation, infrastructure development & economic growth with the broader policy objectives of improving disaster resilience, reducing poverty & improving standards of living. Our efforts are supported by a wide network of partners. Most importantly the Access to Insurance Initiative (A2ii), IOPS, the World Bank, IMF, BIS' Financial Stability Institute, and the National Center for Financial Education (NCFE). The objective of these initiatives is to strengthen the capacity of policymakers and supervisors seeking to advance finance, insurance and pension market access by promoting sound, effective and proportionate regulation and supervision so as to develop and promote insurance and pension industry in a cost effective and sustainable manner. On the pension front, so far the coverage is very low. At present there is no single organization which maintains comprehensive data on the various pension/ retirement/ superannuation/ provident fund schemes operated in the country. There are different sponsors of these schemes and they are presently falling within the regulatory ambit of different regulators. For a holistic view of the pension sector, it is necessary to have single data repository. Based on the information obtained from some of the providers of pension/ retirement/ superannuation plans, an attempt has been made to estimate pension coverage in the country as in Fig. 8, which is essentially work in progress at this stage.

Figure 8
Pension Coverage in India

Pillar	Schemes covered	No. of beneficiaries / subscribers (in lakhs)	Expenditure on pension/AUM (Rs. Crore)
0	National Social Assistance Programme	262.36	5,322
1	Civil Service Pension under Old Defined Benefit Pension Scheme	73.84 (51.96 pensioners + 21.88 serving)	96,771
2	-NPS (Mandatory Defined Contributory) -EPFO -Occupational Schemes- Coal miners, Seamen, etc. -CPF	56.19 345.48 19.85	188,591 7,20,017 24968.63
3	-NPS (Voluntary, Defined contribution) - APY -Superannuation funds, retirement funds/ plans, etc. by insurance companies and mutual funds	56.31 79.2 118.89	27,186 3269 400,022
4	Other Social Security Schemes -		
	Total	1012.12	1,364,054
	Coverage: % of working population Pen Exp/ GDP	27.92 %	0.67%
	% of working age population	13.86 %	
	% of total population, AUM/ GDP	8.35 %	8.98%

Source: Author's calculation based on information/ data from respective organizations.

Financial Inclusion

14. Through Financial Inclusion the Government and the Financial Sector Regulators are striving to bring the common man within the formal channel of the economy thereby encouraging the poor person to save, safely invest in various financial products to meet or provide for his various financial needs at different points in time and to borrow from the formal channel when she/he need to borrow. Prime Minister's Jan Dhan Yojana (PMJDY) launched in August 2014, is a National Mission on Financial Inclusion encompassing an integrated approach to bring about

comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. Lack of financial inclusion forces the unbanked into informal banking sectors where interest rates are higher and the amount of available funds much smaller. It has been seen empirically that financial inclusion increases the amount of available savings, increases efficiency of financial intermediation, and allows for tapping new business opportunities. Three empirical assessments on the state of the financial inclusion in India are presented here. The World Bank 'Financial Access Survey', the Reserve Bank of India survey, and the Inclusix Report 2018 by CRISIL.

15. As per the World Bank 'Financial Access Survey' Results, 2011, it is observed that in India, financial inclusion measured in terms of bank branch density, ATM density, bank credit to GDP and bank deposits to GDP is quite low as compared with most of developing countries in the world. The following Table 1 gives select indicators of Financial Inclusion:

Table 1: Select Indicators of Financial Inclusion, 2011

	No. of Bank Branches	No. of ATMs	No. of Bank Branches	No. of ATMs	Bank Deposits	Bank Credit
Country	Per 1000 Km		Per 0.1 Million		as % to GDP	
India	30.43	25.43	10.64	8.9	68.43	51.75
China	1428.98	2975.05	23.81	49.56	433.96	287.89
Brazil	7.93	20.55	46.15	119.63	53.26	40.28
Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
Korea	79.07	-	18.8	-	80.82	90.65
Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
Mexico	6.15	18.94	14.96	45.77	22.65	18.81
Philippines	16.29	35.75	8.07	17.7	41.93	21.39
South Africa	3.08	17.26	10.71	60.01	45.86	74.45
Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
Thailand	12.14	83.8	11.29	77.95	78.79	95.37
Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
UK	52.87	260.97	24.87	122.77	406.54	445.86
USA	9.58	-	35.43	-	57.78	46.83
Switzerland	84.53	166.48	50.97	100.39	151.82	173.26
France	40.22	106.22	41.58	109.80	34.77	42.85

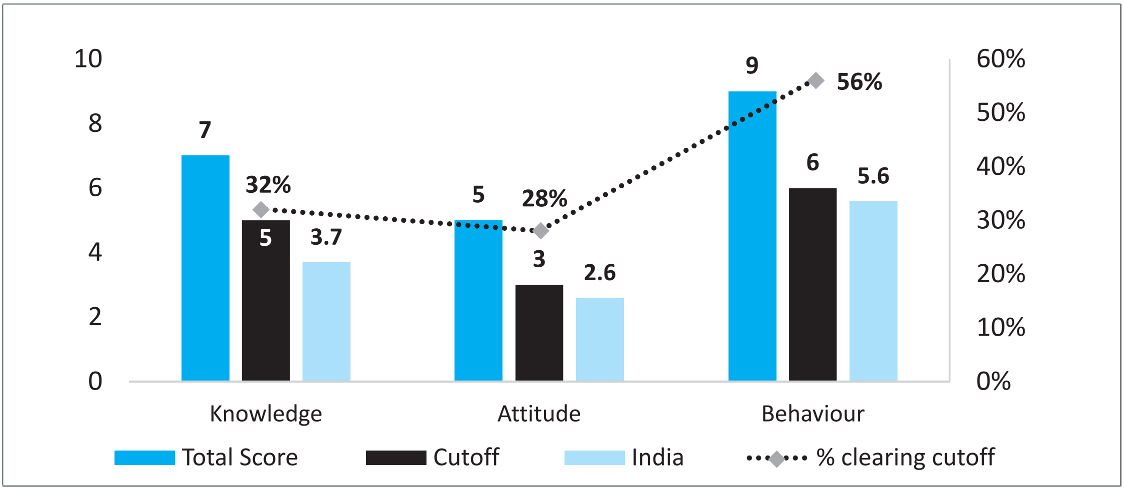
Source : Financial Access Survey, IMF; Figures in respect of UK are as on 2010

16. CRISIL Inclusix 2018 measures the extent of financial inclusion at geographical level. It is a relative index that has a scale of 0 to 100 and weighs three service providers - banks, insurers and microfinance institutions, on four dimensions -branch, credit, deposit and insurance. The analysis shows that since launch in August 2014, more than 31 crore Jan-Dhan accounts have been opened and the Inclusix has moved to 58.0 in 2018 from 56.2 in 2015 and 50.1 in 2013. The total number of life insurance policies issued in India is 34 crores, and over 90% of these are savings-linked insurance products. The National Pension System (NPS) witnesses continuous increase in the number of government employees covered under NPS, and there is strong emphasis on including the economically weaker sections through the Atal Pension Yojana, which replaced NPS Lite in June 2015.

17. The Reserve Bank of India undertook a pan-India Financial Literacy and Inclusion Survey based on the OECD/INFE (International Network on Financial Education) Toolkit. The survey was conducted in 29 states and 5 union territories (excluding Andaman & Nicobar Islands and Lakshadweep Islands). The results were published in its Annual Report 2016-17. As per the OECD/INFE methodology, financial literacy is measured across three components viz. financial knowledge, attitude, and behaviour. Questions on financial knowledge test the concepts of time value of money, calculation of interest, compounding, definition of inflation, risk and return, and diversification. Financial attitude captures the tradeoff between short term gratification (consumption) and long term planning (saving). Financial behaviour questions are designed to test decision making in the household, budgeting, active saving, considered purchasing, paying bills on time and choosing financial products. The maximum score for the three components of financial knowledge, financial attitude and financial behaviour are 7, 5 and 9, respectively. India's average scores in the three components are 3.7, 2.6 and 5.6, respectively. In India, the average score is 11.9 out of the total score of 21. OECD/INFE considers the threshold score as 5 out of 7 for financial knowledge, 3 out of 5 for financial attitude, and 6 out of 9 for financial behaviour. The percentage of Indian population scoring above the minimum required threshold score is 32 per cent for financial knowledge, 28 per cent for financial attitude, and 56 per cent for financial behaviour. The results of the survey are given in Figure 9(on next page).

18. Pradhan Mantri Jan Dhan Yojana (PMJDY), the biggest financial inclusion initiative in the world, which started with a target to provide 'universal access to banking facilities' starting with "Basic Saving Bank Account" with an overdraft upto Rs. 5000, and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh, now the focus of PMJDY has moved from account opening to the realms of Jeevan Suraksha or social security benefits by providing social security schemes like Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti

Figure 9: Financial Literacy Survey: RBI 2016-17



Bima Yojana (PMJJBY) & Atal Pension Yojana (APY). PMJDY has been a game changer in the financial inclusion efforts in the country. A total of Rs. 30.84 Crore Bank accounts have been opened so far with Rs. 72,266.94 Crore Balance in beneficiaries' accounts. The three ambitious Social Security Schemes pertaining to the Insurance and Pension Sectors, is a step towards creating a universal social security system, targeted especially to the poor and the under-privileged.

19. The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one year life insurance scheme, renewable from year to year, offering coverage for death due to any reason with an annual premium of Rs.330/- and is available to people in the age group of 18 to 50 years, having a savings bank account who give their consent to join and enable auto-debit. The Pradhan Mantri Suraksha Bima Yojana (PMSBY) offers one year accidental death and disability cover worth Rs 2 Lakh for an annual premium of Rs 12 and is available to persons in the age group of 18 to 70 years. Under the disability cover, insured will receive Rs 1 Lakh. These schemes are expected to serve the goal of financial inclusion by achieving penetration of insurance down to the weaker sections of the society, ensuring their or their family's financial security, which otherwise gets pulled to the ground in case of any unexpected and unfortunate accident. Even though both these schemes, PMSBY & PMJJBY have received tremendous response from the public and garnered about 18.47 crore subscribers (13.25 crore under PMSBY and 5.22 crore under PMJJBY), but they also have very high claims to premium ratios questioning their viability. It is hoped that with still higher coverage the schemes would be viable and self-sustaining in the long run.

20. The Atal Pension Yojana (APY) is a pension scheme targeted at people in the unorganized sector in the age group of 18 to 40 years, with valid bank accounts. Under APY, the beneficiary will receive a guaranteed minimum pension of Rs. 1000 to Rs. 5000 per month depending on the contributions from age 60 onwards with return of the purchase price to the nominee.

21. The Union Finance Minister while presenting the Budget 2018-19 announced two major initiatives in health sector, as part of Ayushman Bharat programme aimed at making path breaking interventions to address health holistically, in primary, secondary and tertiary care systems, covering both prevention and health promotion. The first is Health and Wellness Centre under which 1.5 lakh centres will be promoted to bring health care system closer to the homes of people. The second flagship programme is National Health Protection Scheme, which will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto Rupees 5 lakh per family per year for secondary and tertiary care hospitalization. In order to further enhance accessibility of quality medical education and health care, 24 new Government Medical Colleges and Hospitals will be set up, by up-grading existing district hospitals in the country.

Challenges of Social Security & Financial Inclusion

22. Lack of financial resources to fund universal social security systems, poor governance issues with the existing institutions entrusted with the provision of the social benefits, low spending by the state, heterogeneity among majority of the workforce in the unorganized sector which makes it difficult to adopt a simple and uniform system across the occupations and workforce, inappropriate pricing of the risk in the insurance sector due to lack of the requisite data/ information for actuarial pricing of the premium leading to associated moral hazard and adverse selection problems are some of the challenges faced in expanding the social security benefits. Risk adjusted premium rates are often higher and unaffordable for the weaker sections of the population leading to the Government to step in to provide financial support in the form of premium contribution towards these schemes to facilitate the provisioning of insurance for the weaker sections of the population. Further, there are barriers to access financial services emanating from demand/ customer side and supply/ distribution side. From the demand side, the big barriers are the lack of awareness about financial services and products, limited literacy, especially financial literacy of the populace, and social exclusion. From the supply side, the main barrier is the high transaction costs that the providers-bankers/ insurers perceive. Because of current low volumes, banks and insurance companies find extending financial services cost inefficient in remote and unconnected areas. However, the initiatives taken by the government and the financial sector regulators particularly since 2014-15, have made significant progress in financial inclusion. The

PMJDY, PMSBY, PMJJBY and APY have witnessed impressive results. Application of digital technology in the financial sector has been instrumental in expansion of the outreach, reduction in the transaction turnaround time and reduction of transaction execution cost. To conclude, India has a very basic social security system catering to a small percentage of the country's workforce mainly in the formal / organized sector. It becomes essential to incentivize and enable the people to avert or mitigate the various risks by achieving financial self-reliance by purchasing insurance policies of insurance companies and investing in retirement plans of pension funds. Insurance and the pension sector thus has a substantial role to play in the current scenario, creating awareness and educating the masses about the financial products and markets especially in the rural and semi urban areas to create financial independence.

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