SWAVALAMBAN TO APY: A NEW DRIVE OF SOCIAL INCLUSION TOWARDS FINANCIAL INCLUSION

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Abstract

Since independence, substantial steps have been taken by the Government of India to expand on social inclusion and financial development in the country. So to empower the disadvantaged and economically low strata of the society the government has come up with Swavalamban scheme in 2010 which is then subsumed in Atal Pension Yojana- a new initiative under financial inclusion. The idea of social inclusion through financial inclusion is a new and innovative approach of the government. 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, poor section of the society. It provides protection against future exigencies on one hand, access to better health, education, safe and secure retirement plans with guaranteed monthly income on other. Thus, reducing income disparities and reversing casualties.

This paper studies the comprehensiveness of the new initiatives taken for the informal sector workers that how the vulnerable section can reap benefits through the new scheme Atal Pension Yojana. The objective of the scheme is to ensure universal access to products of financial services to the low income populace at affordable cost. The paper evaluates the performance of schemes and how the new scheme underpinned the previous scheme. It also reviews progress and their potential contribution in coming years.

Keywords: Financial Inclusion, Unorganized sector, Swavalamban, APY

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 will grow at a pace of 7.5 percent in 2016 and for 2015 financial year, its growth rate is projected to remain at 7.3 percent. 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 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 for aging population in terms of pension the government launched a scheme Swavalamban which is now renamed as Atal Pension Yojana. It is a co-contributory scheme started by the government to encourage voluntary savings among informal sector masses. Pension Fund Regulatory & Development Authority (PFRDA) regulates and administers both the schemes.

Methodology

The objective of the study is to analyze the need and importance of two schemes Swavalamban and APY and exploring their current status in India. Further, 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 etc.

Demographic Dividend 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. There exists a negative relation between population growth rate and population ageing. 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 7.3 billion and that of India is 1.31 billion approximately. But the rising trends in India's population depicts that it will be 1.5 billion in 2030 and 1.7 billion 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 901 million in 2015 to 2.1 billion in 2050 and 3.2 billion in 2100. In Asia, this figure is more vibratile as there are 12 percent persons aged 60 and above, doubling its number to 25 percent by 2050 (UNDESA, 2015). In 2011, India had 104 million people aged 60 years and above. By 2030, it is expected to reach at higher level to 180 million (PFRDA, 2015). So, the population above 60 years will increase from 8.3 percent in 2013 to 18.3 percent by 2050 and 30.2 percent by 2100 which is relatively less in comparison to other developed countries. The Age dependency ratio also rests more or less between 50-55 percent in India since 2010 (KPMG 2014). 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. If the condition remains same the government's obligation to provide sustenance to them will raise its fiscal burden.

The Unorganised Sector (UoS) workers in India

Even after decades of plodding to cover more and more excluded population in the ambit, still a large segment of society remains outreached. The total population of India estimated to be over 1.3 billion. Almost 69 percent of household in India lives in rural area which accounts for about 71 percent of total population. Extending financial services and social protection to all its citizen is not an easy task. The major dejecting factor of social exclusion is the nature of Indian workforce. It 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. “The informal sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods & services operated on a propriety or partnership basis with less than on total workers”. Informal workers consist of those working in the informal sector or households excluding regular workers with social security benefits provided by the employers & the workers in the formal sector without any employment & social security benefits provided by the employers (National Commission for Enterprises in the Unorganised Sector, Government of India 2008).

According to the projections made by Twelfth Five Year Plan (2012- 2017), the total labour force accounts 45.9crore of which 94 percent is employed in the informal sector and 6 percent only in the formal sector. Even within the Organised Sector, 58 per cent of the workforce is in informal employment (India Labour and Employment Report 2014, Institute for Human Development, IHDR, 2014).

Status of Social Exclusion in India

While there are multiple factors responsible for the weak demand of social security coverage like lack of proper awareness among labour force, literacy, transactional costs – leads to decelerating the growth engine. Education and skill power plays 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 table 1 shows literacy rate among total work force in India. A person can be said literate who can read and write a simple message in any language with understanding it.

Table1: 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

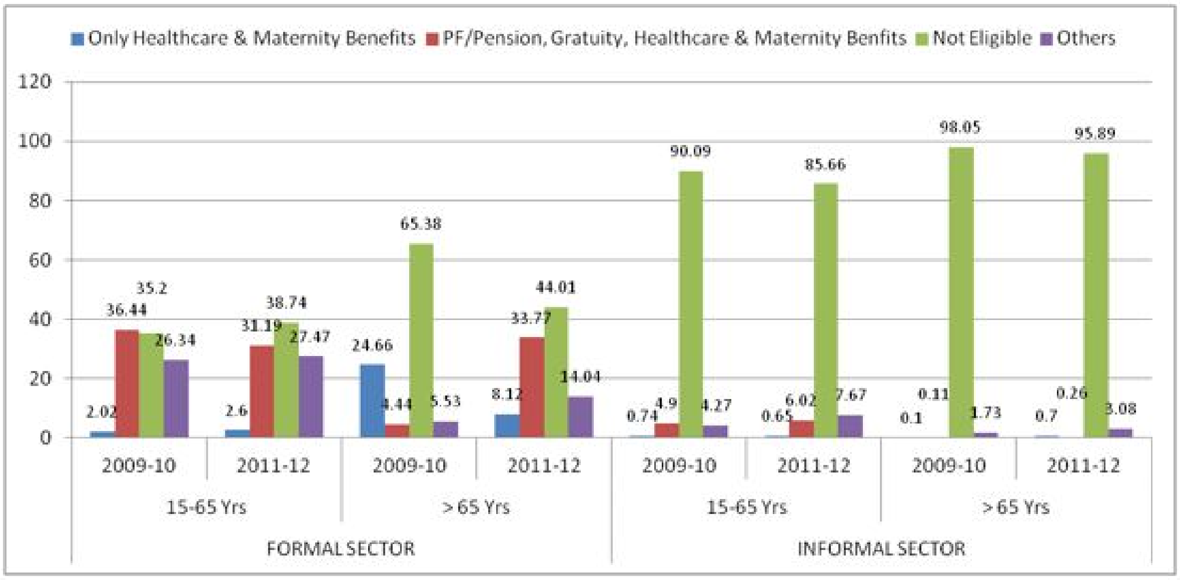
The literacy rate (number of literate per 1000 persons) has increased since 1983. The literacy rate between 2004-05 & 2011-12 has increased by about 4 percentage points and 5 percentage points, 8 percentage points and 11 percentage points for urban males, urban females, rural males and rural females respectively. Kerala marked highest literacy with 87 percent and lowest was marked by Uttar Pradesh with 60 percent. The table 2 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 28 percent of rural male and 16 percent of urban male are illiterate. This figure is high in case of rural female accounts 45 percent whereas 25 percent of urban female are illiterate. Only 21 percent of rural male and 12 percent of rural female have attained secondary qualification or above while, 42 percent and 34 percent of urban male and urban female are educated.

Table2: 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 66th (2009-10) and 68th round (2011-12)

Stunningly, 12 percent of the working population in India is covered under formal Pension system. This shows that nothing has been achieved so far for the development of economically backward and low segment of people to include them in social protection umbrella. Around 40 crore citizens in the age group of 18-40 years are in unorganised sector. The data depicted in the figure shows that poverty and informal workers are interconnected. Not Eligible figures those workers who are not eligible for any given Social Security benefits. 39 percent of formal workers do not get social security (Sinha, 2014). In the informal sector this figure is as high as 90 percent in 66th round and 86 percent in 69th round. 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.



Source: various Round of NSSO data processed at NCAER

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 Manrti Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), and Atal Pension Yojana (APY). The scheme APY had launched on 9 May 2015 and is being implemented with effect from 1 June 2015 focusing the unorganised sector.

The idea of Financial Inclusion is an innovative approach adopted by the new government to linking people with result based outcomes. 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 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. Thus, social inclusion under financial inclusion is the innovative and emerging intention achievable through good governance. The government is the key player in ensuring universal access to all. 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. 38 percent or 2 billion people in the world has not been using any formal financial services and 73 percent of poor people remained unbanked. 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).

Swavalamban

With a view to ensure an adequate retirement income, the Pension Fund Regulatory & Development Authority (PFRDA) was set up by the government of India as administrator and regulator of Pension market. Under it, National Pension System (NPS) was introduced to provide a transparent architecture of pension system and encourage saving habit for retirement among all its citizens on voluntarily basis. The redeeming feature of NPS is allotting to its subscribers a unique identity – Permanent Retirement Account Number (PRAN). THE PRAN can be accessed from anywhere in India and will remain same throughout the life of a subscriber.

The government initiated a voluntarily saving scheme for the unorganised sector to fortify and strengthen the social security structure. This scheme was introduced in 2010-11 under National Pension System (NPS) administered by PFRDA. The scheme was for the unorganised sector low income segments to encourage them to save voluntarily. The Swavalamban initiative is a co- contributory based scheme by the government. A minimum of Rs. 1000 to maximum of Rs. 12000 annual contribution is required to avail the benefit of government's co-contribution of Rs. 1000 or 50 percent of the total contribution whichever is less by the account holder. The government will make this contribution for 5 years depending on the account opened i.e. an account opened in 2010-11 will be benefitted till 2014-15. An account opened in 2011-12, 2012-13 will be benefitted accordingly and 2014-15 till 2016-17.

Operation of Swavalamban Scheme

All the subscribers registered under NPS-lite are eligible to get benefits. NPS-lite is a customized version of NPS for the subscribers belonging to economically lower strata. An individual can exit the scheme at age 50 or minimum 20 years of tenure. An exit made before the given period should sufficiently fulfill the condition of minimum guaranteed income of Rs. 1000 i.e. with minimum annuitisation of 40 percent and 80 percent of pension wealth respectively. 85 percent of funds of Swavalamban scheme are invested with both government and corporate and rests are invested in equity.

Under NPS, 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 under Swavalamban. Total no. of subscribers enrolled under in the initial year 2010-11 was 301,922 which rose to 4,466,965 during 2014-15. Significantly, 73 percent of the total subscribers for the Swavalamban scheme are female and fifty five percent of subscribers are aged under 40 years. Approximately, 19 percent are aged under 30 years (Asher 2015).

Table3: Swavalamban- Number of Subscribers and Assets Under Management

At the end of FY	No. of Subscribers	Asset Under Management (in CRORES)	Total Contribution(in CRORES)
2011-12	968755	140.46	137.83
2012-13	1779944	436.08	407.49
2013-14	2816027	839.33	793.44
2014-15	4146880	1605.72	1380
2015-16	4466965	1888.6	1615.72

Source: National Pension System Trust, http://www.npstrust.org.in/index.php/finstat/aumsubs

New Initiative - 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. 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 60 years onwards. It provides defined benefits to its contributors. The age limit to apply is 18-40 years. So, the minimum period for contribution is 20 years. The most vibrant feature of the scheme is that it is a co-contributory scheme of government i.e. 50 percent 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 31 Dec 2015. 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.

Integration with Jan Dhan Yojana

The scheme Swavalamban now APY is the key element of Pradhan Mantri Jan Dhan Yojana (PMJDY). A target of opening 70 Swavalamban accounts per branch was set in 2014-15 a total of 56 lacs account in the same financial year. Another target is made to include 2 crore subscribers under APY till 31dec 2015.

Current Status

All the Aggregators and Pops who registered under Swavalamban scheme can enroll the subscribers under APY and Swavalamban subscribers will automatically be migrated to APY. There is tremendous potential in this scheme as within 6 months of its inception it has enrolled over 12 lacs subscribers under it.

Table4: APY- as on 30th November, 2015

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

Assets Under Management(AUM) in the year 2011-12 was 141 crores which has rose to 194 crores in the financial year 2015-16. More than 16 lac people has subscribed till 31st December 2015 under APY since its inception i.e. 1st June 2015. The first year of Swavalamban 2010-11 marked around 3 lac subscriber's enrollment. Table 5 shows categorization on the basis of rural male & female and urban male & female subscribers enrolled under APY.

Table5: Number of Enrollment as on 31th December, 2015

Scheme name	Rural Male	Rural Female	Urban Male	Urban Female	Grand Total
Atal Pension Yojana	480863	245289	545743	354224	1626119

Source: http://jansuraksha.gov.in/Files/Reports/30.12.2015.pdf

The following table shows monthly contribution of subscribers at the age of 20 years to 40 years. At the age of 20, to get a monthly contribution of Rs. 1000 the subscriber has to contribute Rs.42 and Rs. 210 for Rs. 5000 as monthly guaranteed income.

Table6: Monthly contribution under APY at different age entry

Age of Entry	Monthly Pension of Rs.1000	Monthly Pension of Rs.2000	Monthly Pension of Rs.3000	Monthly Pension of Rs. 4000	Monthly Pension of Rs.5000
18	42	84	126	168	210
20	50	100	150	198	248
25	76	151	226	301	276
30	116	231	347	462	577
35	181	362	543	722	902
40	291	582	873	1164	1454

Source:
http://www.pfrda.org.in/WriteReadData/Links/APY%20Brochure%2010092015166689b8-034a-406c-a8a4-355312c6f7b2.pdf

Pros and Cons

Firstly, on account of financial assests, the household savings of pension and insurance market combined remains close to 32 percent. Following certain mandated norms, very little money is being invested in the capital market. These Pension sector 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 67 years which is still low as compared to other countries. The scheme starts benefitting the subscribers after 60 years which makes least sense. Thirdly, the rate of interest provided under APY is 8 percent a month which is even below Bank deposit rate.

An assessment of overall performance of the Swavalamban scheme indicates that it had a limited impact on workers 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 APY under financial inclusion has enlarged its impact and coverage in a very short span of time. 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 pension sector needs exposure to its pattern and easing of norms. There is immense scope and potential in the coming years for this sector. A paradigm shift can be seen in coming times when choice of schemes would be available even in the organised sector as there are ample of subscribers still left to join.

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