Financial Inclusion and Inclusive Growth in Health Insurance Schemes in India

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Abstract

Financial inclusion and inclusive growth reputedly need some insurance plans basically an health insurance schemes and its proceeds towards integration of people who are economically and socially excluded from access to easy, safe and affordable credit and other financial services. Due to lack of financial inclusion among the lower income households, their protection from external economic shock becomes miniscule. As a result, income disparity leads to vicious circle of poverty which continues to persist in the lower income groups. According to IISS (Invest India Incomes and Savings Survey, 2007), 55 percent of all the households do not have bank accounts, 97 percent do not have any health insurance and 61 percent do not have life insurance. Today the term 'bottom of the pyramid' refers to the global poor most of whom live in the developing countries. These large numbers of poor are required to be provided with much needed financial assistance in order to sail them out of their conditions of poverty. This paper is an attempt to comprehend and distinguish the significance of Financial Inclusion in the context of a developing country like India wherein a large population and also its have an huge numbers of insurance policy holders is to deprived of the financial services which are very much essential for overall economic growth of a country.

Keywords: inclusive growth, awareness levels, policies placement, health insurance policies, schemes

Introduction

That India is considered as one of the economic giants of Asia does not come as a surprise to many because the current economic growth trajectory it has taken, has led many people economists included to painstakingly carry out researches aimed at uncovering the force behind such incredible economic expansion. The Indian insurance company can adequate for the more and more finance inclusion and economy is growing strongly which ensures better recovery and asset valuation. Progressive bank reforms and low interest rates will increase borrowing activity to meet their financial targets. Banking industry is making rapid strides with Information technology driven initiatives and has led to expansion of products (i.e.) expansion of financial services giving birth to the concept of Financial Inclusion. Financial Inclusion is the availability of banking services at an affordable cost to the disadvantaged and low income groups. In India, the basic concept of financial inclusion is having a saving or current account at any bank. In reality, it includes loans, insurance services and much more, for all members of an economy. An inclusive financial system has several merits. It facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. In addition, access to appropriate financial services can significantly improve the day to day management of finances.

An inclusive financial system as majorly recommended for the how to utilize for the financial transaction in recent years and it can help in reducing the growth of informal sources of credit such as money lenders, which are often found to be exploitative. Thus, an all-inclusive financial system enhances efficiency and welfare by providing avenues for secured and safe saving practices and by facilitating a whole range of efficient financial services. In line with the above, after liberalization, the banking environment in India had grown more competitive with the relaxation of restrictions and adoption of International standards banks are forced to adopt measures to survive. The recent financial reforms and greater competition in the banking industry have made it necessary for banks in India to concentrate towards the excluded mass. Successful banks in India focus on the rural sector by providing Financial Inclusion service. The importance of an inclusive financial system is widely recognized in the policy circle and recently Financial Inclusion has become a policy priority in many countries. Legislative measures have also been initiated in some countries. Furthermore, in recent years, Indian Banking System has become dynamic and there is an increasing trend in the number of depositors in Banks.

The quest of financial inclusion is indispensable for the well-being and growth of any country, more for a developing country like India with large sections of population in the unorganized sector.

Review of Literature

Reshmiet.al:(2003): the study found Health insurance is fast emerging as an important mechanism to finance health care needs of the people. The need for an insurance system that works on the basic principle of pooling of risks of unexpected costs of persons falling ill and needing hospitalization by charging premium from a wider population base of the same community.

Swathi et.al (2012):the study found Health Insurance in India was launched in the year 1986.The health insurance industry has grown phenomenally due to liberalization of Economy and general awareness among the public. In India we have standalone health insurers along with Government sponsored health insurance providers. The General Insurance Corporation of India and the Insurance Regulatory and development Authority conducted an awareness campaign for all sections of the Society to improve the awareness of health insurance and reduce the procrastination for buying the health insurance.

Rajesh K**umarsinhaet.al(2014):** the study highlighted to Providing quality health care to all is a policy commitment India made by becoming a signatory in the Alma Atadeclaration. India is working towards providing Universal Health Coverage through its National Health Policy. However, to achieve this goal; it needs to reach out to the poorest and the most vulnerable sections of the society, and make available affordable health care to them.

Need for the study:

In the most developing countries in the world including India utilization of health insurance is very poor. The almost situation is very horrible in rural areas they are receiving quality of health care is too low. Even a minor health shock can cause a major impact on poor person's ability to worst and curtail their earning capacity. Hence the present study aimed to study awareness level, issues in enrollment, reasons for non-utilization of benefits and satisfaction level among poor regarding government health insurance schemes in India.

Objectives of the study

The present study has been conducted to fulfill the following objectives:

(i) To study the standard infrastructural facilities available in customer of Insurance Corporation.

(ii) To Assess the behavioral relationship between the macro-economic environment and the instruments of financial markets.

(iii) To Analyze the liquidity, efficiency, and volatility of the four key financial markets-money, government securities, forex, and equity.

Research methodology

The Research study is enhanced in a detailed understanding of existing government-sponsored health insurance schemes in Karnataka state. An empirical study is being endeavored to capture the perceptions on government health insurance schemes in awareness, enrolment process, utilization status, and satisfaction level of its existing beneficiaries in India.

a. **Sample design:** The study is basically an explorative cum descriptive in nature. It is exploratory in a sense that, earlier few studies have focused preferably on evaluating the performance of government health insurance schemes which how its growing provided for unorganized sector. The present study is also descriptive in nature because the researcher has made an attempt to describe the current scenario in the health insurance awareness, enrolment, utilization status and satisfaction level of health insurance benefits, focusing on the existing beneficiaries of government health insurance schemes in the selected clusters and districts at Karnataka

b. **Sources of data:** The data would be collected from various reports of Labor and Employment, Census Survey reports, Economic Survey of Karnataka, ILO, Social Security plan documents pertaining to unorganized sector, plan documents of India, Karnataka State Government budget documents, Government of India budget documents, National Statistical Commission reports, NSSO Documents, Annual reports of social security schemes of various states, Newspapers, Journals, Magazines, thesis, dissertation reports, Books, etc. Furthermore, the required secondary data would also be gathered from electronic sources.

Limitations

The study was limited to the workers in insurance sectors sector in selected district of the state of Karnataka. Therefore the some limitation is there insurance sectors sector.

01. Lack of awareness regarding the Health insurance policies and practices of the sector

02. Unwillingness in expressing their frank opinion about the policies.

03. Due to the length of the questionnaire and other personal reason.

Analysis and Interpretations

Financial Inclusion is about delivery of banking services at an affordable cost to vast sections of disadvantaged, first step in FI is to facilitate people in getting basic facilities like food, shelter and clothing to the people and then comes the provision of bank account, wherein they can save whatever little they can. Financial Inclusion can be thought of in two ways. One is exclusion from the payments system –i.e. not having access to a bank account. The second type of exclusion is from formal credit markets, requiring the excluded to approach informal and exploitative markets.

Table .01

Schemes	Total covered population in 2010-18(in millions)		
	Unit of Enrolment	No of Families	No. of Beneficiaries
CGHS Family	Family	0.87	3.0
ESIS	Family	14.3	55.3
RashtriyaSwasthyaBima Yojana (RSBY)	Family	22.7	79.451
Rajiv Aarogyasri Scheme (AP)	Family	22.4	70
Kalaignar (TN)	Family	13.6	35
VajapayeeArogyasri Scheme (KN)	Family	0.95	1.4
Yeshasvini (KN)	Individual	N A	3.4
Total Government Sponsored Schemes		N/A	247
Private Health Insurance *	Individual	N/A	57
Grand Total			302

Scheme-wise Health Insurance Coverage and growth2010-2018

Source: Extracted from IRDA Records

Table.02

Scheme	Average Premium Rates* (in Rs.)	Coverage Amount (in Rs.)
ESIS	2340-11700a	Unlimited
CGHS	600-6000a	Unlimited
RSBY	440 to 750 INR	30,000 per family per year
Rajiv Aarogyasri Scheme (AP)	267	150,000 per family per year with additional buffer of 50,000
VajapayeeArogyasri (KN)	NA	150,000 per family per year with additional buffer of 50,000
Kalaignar (TN)	469	100,000 per family (floating over 4 years)
Yeshasvini (KN)	150	200,000 per person
RSBY Plus (HP)	NA	175,000 over the RSBY cover of 30,000

Premium Rates and Coverage Amount inclusive growth under Different Schemes

Source: Extracted from IRDA Records

Some schemes are reputedly growing recent days are:

Employment state insurance scheme (ESIS):

Employees' State Insurance Scheme(ESIS) is a specially designed social security scheme which caters to specific needs of India's working population and their dependent family members covered as part of the ESIS scheme. The ESIS scheme not only provides statutory provisions to working population in the organized sector but also provides them socio-economic protection in times of need.

- **Eligibility –** All factories with 10 or more employees, and certain establishments (shops, hotels, restaurants, cinemas, newspapers, etc) employing 20 or more people, besides private educational and medical institutions in certain States, are required to implement the scheme for their workers.

- **Cost –** For all employees earning Rs 21,000 or less per month as wages, the employer contributes 4.75 percent and employee contributes 1.75 percent. For new establishments, the contribution rate for employees is 1% of wages and 3% payable by Employers (for first 24 months). Exemptions: Employees earning daily wages up to Rs. 137 need not pay their part of the contribution, however, Employers will continue to contribute to them.

- **Benefits –** Insured and their dependents receive full medical care without any ceiling on expenses. Care is also available to the disabled (permanently) as well as the retired personnel on the small premium of Rs. 120 annually.

1.3. Universal health insurance scheme (UHIS):

The four public sector general insurance companies have been implementing UHIS for improving the assess to health care to poor families especially the ones living under the poverty line (BPL families). This scheme not only provides coverage to individuals but to the groups or families as well.

- **Eligibility –** The Universal Health Insurance Scheme (UHIS) has been redesigned targeting only the BPL families. The scheme is applicable to all individuals from 5 Years to 70 Years of age.

- **Cost –** The premium subsidy has been enhanced from Rs.100 to Rs.200 for an individual, Rs.300 for a family of five and Rs.400 for a family of seven, without any reduction in benefits.

- **Benefits –** The scheme provides for reimbursement of medical expenses up to Rs.30,000/- towards hospitalization floated amongst the entire family, death cover due to an accident @ Rs.25,000/- to the earning head of the family and compensation due to loss of earning of the earning member @ Rs.50/- per day up to maximum of 15 days.

1.4.AamAadmiBimaYojana (AABY):

A Social Security Scheme was initiated and excellently administered by the Government of India in the form of the AamAadmiBimaYojana for the citizens settled under 48 identified vocational/ occupational groups /rural areas with landless households. This group insurance scheme was introduced on 2nd October, 2007. It is also administered under the Life Insurance Corporation of India (LIC). The AamAadmiBimaYojana offers insurance coverage to one earning member of the family or the family head.

Under the supervision of the Government of India, the Ministry of Finance made a proposal to merge both the Social Security Schemes, 'AamAadmiBimaYojana (AABY) and JanashreeBimaYojana (JBY). Post-merger, since January 1, 2013, the scheme was newly named as 'AamAadmiBimaYojana.'

Eligibility Criteria for AamAadmiBimaYojana (AABY)

- A person aged between 18 to 59 years can avail this insurance facility.

- Available only to the head of the family or the earning member of the family below the poverty line in the rural areas with landless households.

- Documentation requirement should be fulfilled.

Central Government Health Scheme (CGHS)

The Central Government Health Scheme is providing comprehensive medical care to the Central Government employees and pensioners enrolled under the scheme. In fact CGHS caters to the healthcare needs of eligible beneficiaries covering all four pillars of democratic set up in India namely Legislature, Judiciary, Executive and Press. CGHS is the model Health care facility provider

for Central Government employees & Pensioners and is unique of its kind due to the large volume of beneficiary base, and open ended generous approach of providing health care.

Eligibility Criteria for Availing Central Government Health Scheme:

The following group of people are eligible to avail CGHS:

- All employees of the Central Government who draw their salary from central civil estimates
- The dependent family members of the Central Government employees who draw their salary from Central Civil Estimates and reside in areas covered under the **CGHS**
- Pensioners and family pensioners of the Central Government, who receive pension from central civil estimates
- The eligible dependent family members of pensioners and family pensioners of the Central Government who receive pension from central civil estimates
- Members of parliament, both ex- and sitting
- Ex-vice presidents
- Retired judges of high courts
- Retired as well as sitting judges of Supreme Court

Ayushmanbharat

Ayushmanbharath which will cover over 10 crore poor and vulnerable families (approximately 50 core beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization. Ayushman Bharat - National Health Protection Mission will subsume the on-going centrally sponsored schemes - .

Features of Ayushman Bharat

- Ayushman Bharat - National Health Protection Mission will have a defined benefit cover of Rs. 5 lakh per family per year.

- Benefits of the scheme are portable across the country and a beneficiary covered under the scheme will be allowed to take cashless benefits from any public/private empanelled hospitals across the country.

- Ayushman Bharat - National Health Protection Mission will be an entitlement based scheme with entitlement decided on the basis of deprivation criteria in the SECC database.

Health insurance and inclusive growth in economy:

The relationship between health and economic growth is dynamic, and it is a very extradinary process in recent days central government can receive more profit regarding this complex, and under-appreciated. As one of the components of human capital (along with education), health may be viewed as an integral input to productivity, similar to other conventional inputs such as labor and physical capital (Weil 2007). Yet health is different in that it is multi-dimensional and thus may be represented by varied indicators including life expectancy and the infant mortality rate. Its multi-dimensionality also suggests that there are several pathways by which health may be augmented, making it a versatile tool in the basket of commodities to improve per capita income and well-being. For these reasons research on the relationship between health and economic growth has been growing in recent times. This body of work reveals that health and socio-economic status are closely related; however, not every pathway is causally identified. Further, while there is compelling evidence that health impacts economic growth, sustained increases in income need not necessarily be required for improvements in health which often appear to advance independently (Deaton 2003). This paper focuses on the former channel, health as an integral component of increases in per capita well-being, and highlights health policies that demonstrate beneficial impacts on economic growth. Further, the paper provides a synthesis of evidence for these policies gleaned from IGC health-related projects implemented in India.

Existing studies across different countries demon for it shows very different feedbac in across the countrystrate that health affects growth through several channels. First, improvements in health drive increases in worker productivity. Hence for example, reductions in general levels of anemia across countries improve overall worker output levels, and where the adult survival rate is used as a proxy for general health, increases in this measure contribute to rising economic growth (Weil 2003, Weil 2007). Moving beyond measures of disease and survival, the main source of improvements in worker productivity has come from increasing nutrition. For instance, overall caloric intake was

found to have a highly significant beneficial impact on worker productivity in Brazil (Strauss 1986). Additional evidence from Brazil shows that height, a long term measure of health, significantly impacts wages, and body mass index increases wages particularly for men (Thomas and Strauss 1997). Other studies on Indonesia and Vietnam have also documented the causal impact of health on wages and productivity especially in low income settings (Strauss and Thomas 1998, Strauss and Thomas 2007). On the basis of evidence from China, Sri Lanka and Indonesia, Frankenberg and Thomas (2002) notes that incrementing nutrition involves more than just increasing calorie and protein intake. In particular, their research also emphasizes the importance of micronutrients including iron, iodine, zinc, calcium and other key vitamins.

The second channel by which health affects economic growth is by increasing longevity lengthily and massively tend for the effort for most attractive for it and subsequent human capital accumulation. The insight underlying this pathway is that reductions in mortality can potentially increase returns to human capital investments which, in turn, boosts schooling (Weil 2013). Moreover people have the incentive to save more for retirement as mortality declines, thus spurring investment and augmenting physical capital per worker. Using cross-country data that spans developed countries like the United Kingdom, United States and European countries, and developing countries in Sub-Saharan Africa and Latin America, Weil (2007) demonstrates that variations in the adult survival rate for men are an important medium to explain cross-country differences in gross domestic product (GDP).

The third channel by which health is hypothesized to affect economic growth is by reducing the burden of disease. The intuition here is that sick individuals are not able to function at their peak physical or mental capacities thus limiting the extent to which they can contribute effectively. Although evidence for this pathway is somewhat less compelling, using data from Africa Weil (2010) finds that diseases such as HIV, malaria, diarrheal and childhood diseases, year by year it can grow rapidly for the changes of numerous collection of money and tuberculosis have had an impact on growth by affecting productivity and levels of educational attainment. But these impacts are not overwhelmingly large because a consequence of improving health is population growth which can erode income in per capita terms (Weil 2007, Ashraf *et al.* 2013). What is known in general regarding these channels in the Indian context? In the case of the nutrition pathway, there is some evidence that this factor plays a role in determining agricultural labor productivity and fertility in rural India (Behrman *et al.* 1988, Deolalikar 1988). But mediating influences, such as inequality in the ownership of assets, also need to be taken into account in understanding the impact of nutrition on productivity. For instance, Dasgupta and Ray (1986, 1987) demonstrate that malnutrition can be linked to a labor market equilibrium with involuntary unemployment, and importantly, asset market inequalities (ownership of land) can have labor market implications since workers with access to non-wage (rental) income earn higher wages in the labor market. There has been debate in this area regarding the evidence for autoregulation, where the body adapts or adjusts to lower nutrient intake levels, implying that measures that rely on caloric requirements overstate the true extent of poverty (Sukhatme and Margen 1982). What is generally accepted is that while statistical evidence in favor of short term adjustment (with costs) is present, there is little to no evidence for long term adaptation to lower intake (Dasgupta and Ray 1990).

Finding and suggestions

Financial markets and insurance sectors are major contributing in India have registered considerable development and how it is growing panel wise with the onset of financial sector reforms starting in the 1990s. It is pertinent to note that the development in these markets has been in a gradual and calibrated manner, sequenced in line with the reforms in the real sector. The impact of these reforms has been evident in the price discovery process, the easing of restrictions, and the lowering of transaction costs. Apart from these, there has been evidence of greater domestic market integration. The development of financial markets is an on-going process and should not be considered as an event. It is important, therefore, that the authorities and market participants should play proactive and complementary roles to sustain the future large investment needs of a growing country such as India.

Conclusion

The Financial Sector and insurance sector Assessment Committee the Government of India, RBI, and IRDA are “Stability in financial market augers well for financial soundness. Even insurance sectors are recommended need for financial inclusion In fact, markets are the major conduits for

transmission of impel to sees which could either enhance or impact the stability of the financial system as a whole.

While financial market reforms need to be accorded appropriate priority, given the risks arising from cross-sectoral spillover of financial markets to insurance sectors can very easily reach the goal and gain the profits and other segments of financial spectrum, there is a need to be careful and nuanced in approaching financial markets reforms in the interest of financial stability."

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