

## WELFARE SCHEMES AND THE INDIAN ECONOMY

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### *Abstract*

*India has made a lot of strides in economic growth over the past decade. However, the country is yet to reach a stage where its citizens are self-sufficient and for it to be called a developed nation. Even though its economy is expanding, poverty continues to remain a significant problem. According to a **World Bank** document released in April 2022, 10.2% of Indians were living in severe poverty (defined as making less than US\$1.9 per day) in the year before the COVID-19 pandemic. During the fiscal year 2021, the poverty rate had gone up to as high as 12% even though it dropped to around 10% by the end of the next financial year. Although this number still seems high, the incredible 11.9% drop in this rate from the year 2011 cannot be ignored. This massive drop has been attributed to the various welfare schemes that have been initiated and implemented by the government to particularly provide those from lower socio-economic backgrounds with access to resources. This paper will through light on this aspect of the society.*



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## **Introduction**

### **Poverty Levels in India**

India has made a lot of strides in economic growth over the past decade. However, the country is yet to reach a stage where its citizens are self-sufficient and for it to be called a developed nation. Even though its economy is expanding, poverty continues to remain a significant problem. According to a **World Bank** document released in April 2022, 10.2% of Indians were living in severe poverty (defined as making less than US\$1.9 per day) in the year before the COVID-19 pandemic. During the fiscal year 2021, the poverty rate had gone up to as high as 12% even though it dropped to around 10% by the end of the next financial year. Although this number still seems high, the incredible 11.9% drop in this rate from the year 2011 cannot be ignored. This massive drop has been attributed to the various welfare schemes

that have been initiated and implemented by the government to particularly provide those from lower socio-economic backgrounds with access to resources.

### **Welfare Schemes**

Welfare schemes refer to government-sponsored support programs for low-income families and individuals. They are a variety of government initiatives that offer financial or other types of aid to people or social groups that are unable to maintain themselves. Usually funded by taxes paid by the citizens, such schemes enable people to get through challenging times in their lives by relieving them of a part of their financial strain. The goals of welfare schemes thus include fostering labor, education, or providing a higher standard of living. A few major welfare schemes in India include the Pradhan Mantri Jeevan Jyoti Yojana, the Pradhan Mantri Suraksha Bima Yojana, the Mahatma Gandhi National Rural Employment Guarantee Act, the Ayushman Bharat Yojana, and the Atal Pension Yojana among many others.

In this article, we delve deeper into such schemes and analyse the effect that they have had on India's economy.

### **Research Objective**

The objective of this research article is to understand the economic impact of welfare schemes in India.

### **Research Methodology**

As a part of our project at Tribes for GOOD, we as a group worked on this research article to understand the economic impact of welfare schemes. This was done through secondary research from authentic sources including governmental and non-governmental archives.

### **Welfare Schemes and the Indian Economy**

According to the 2022 Union Budget, there are 740 central sector schemes. The Government of India has implemented many social security welfare schemes such as the Pradhan Mantri Jeevan Jyoti Yojana (PMJJY), the Pradhan Mantri Suraksha Bima Yojana (PMSBY), the Atal Pension Yojana, and employment schemes such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the Deen Dayal Upadhyay – Gramin Kaushalya Yojana (DDU-GKY), and the Deen Dayal Upadhyaya Antyodaya Yojana (DAY). These schemes aim to address the issues of poverty, social security, and unemployment.

### **The economic impact of welfare schemes**

In India, only 20% of the population has insurance cover and the number drops to 1% for those who possess some pension scheme. Over the years, the Indian government has

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introduced several schemes that have not only helped Indian citizens improve their financial conditions but have also contributed to the country's economy. The budget estimates of revenue expenditure on social security and welfare of India's central and state governments amounted to more than 1.6 trillion Indian rupees.

In order to understand the economic impact of welfare schemes, the performances of a few major social welfare schemes in India are discussed below:

### **Pradhan Mantri Jeevan Jyoti Bima Yojana**

The PMJJBY is available to people in the age group of 18 years to 50 years having a bank account who give their consent to join /enable auto-debit. The life cover of Rs. 2 lakhs shall be for the one year period stretching from 1st June to 31st May and will be renewable. It has an annual premium of Rs 436 (US\$5.70). A statement from the Ministry of Finance revealed that as of 31st March 2022, the total active subscribers enrolled under PMJJBY are 6.4 crore. A total of about 5 crore people enrolled in PMJJBY in 2020-21 is a small proportion of the current population of India at close to 1.4 billion. In 2020-21, the number of people enrolling in the scheme rose to approximately 1.83 crore people who decided to join the scheme due to the COVID-19 pandemic, for which the highest ever amount of Rs 1,309 crore has been paid as premium. The high number of people who joined the scheme in 2020-21 proves the dire need of the people to be financially protected against several potential future risks and prepare for unexpected emergencies.

### **Pradhan Mantri Suraksha Bima Yojana (PMSBY)**

This scheme is available to people in the age group of 18 years to 70 years with a bank account who give their consent to join auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. The risk coverage under the scheme is Rs.2 lakh for accidental death and full disability, and Rs. 1 lakh for partial disability.

Under PMSBY, 41.5% enrollments are of women members with the percentage of women claiming beneficiaries at 61.29% of claim beneficiaries (as on 31.01.2020). As of 31.3.2022, there were 22 crore active members enrolled in PMSBY and the implementing insurers had collected Rs 1,134 crore in premiums and had paid Rs 2,513 crore in claims under the PMSBY.

### **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**

The MGNREGA aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to at least one member of every household whose adult members volunteer to do unskilled manual work. This scheme has led to a

significant increase in the monthly per capita consumption and expenditure of rural households. It has reduced the traditional gender wage discrimination, particularly, in the public works and has had a positive impact on the socio-economic status of women as it helps mitigate the effect of socially ingrained stigmas against working women. The scheme creates fair working conditions by ensuring workers' rights and legal entitlements, providing social protection.

A study by the National Council of Applied Economic Research (NCAER) found that the MGNREGA "has reduced poverty overall by up to 32% and has prevented 14 million people from falling into poverty". The government has spent an estimated 61,500 crores in 2020-2021 on the MGNREGA. 4.24 crore households and 15.25 crores active workers have benefited from the schemes of this act in the ongoing year 2022-2023.

The MGNREGA scheme has had a more direct and positive impact on reducing distress migration as compared to migration taken up for economic growth as a growing body of research on the scheme suggests how instrumental the scheme has been in providing a safety net for the poorest communities.

### **Ayushman Bharat Yojna**

Ayushman Bharat Yojana also known as the Pradhan Mantri Jan Arogya Yojana (PMJAY) is a scheme that aims to help economically vulnerable Indians who are in need of healthcare facilities. People utilizing the program access their own essential consideration administrations from a family specialist. Additionally, the PMJAY provides free auxiliary medical services to those requiring expert therapy and tertiary medical services for those requiring hospitalization. This scheme was introduced in September 2018 to cover 10 crore citizens in India.

As of September 2019, the scheme reported 4,406,461 lakh beneficiaries admitted. Some aspects of PMJAY include healthcare insurance to 10 crores families or 50 crores Indians and ₹5 lakh per family each year for clinical therapy in empanelled medical clinics. All past ailments are covered under the plan as well as 3 days of pre-hospitalization and 15 days of post-hospitalization, including costs for prescriptions. By May 2020, the plan had produced more than 1 crore medicines with a worth of ₹13,412 crore.

### **Atal Pension Yojana**

The Atal Pension Yojana (APY) was launched to create a universal social security system for all Indians, especially the poor, the underprivileged, and the workers in the unorganized sector. It is open to all bank account holders between 18 years to 40 years. Subscribers receive the guaranteed minimum monthly pension of Rs. 1000 or Rs. 2000 or Rs. 3000 or Rs. 4000 or Rs. 5000 at the age of 60 years.

More than 99 lakh APY accounts were opened during FY 2021-22, taking the number of subscribers to 4.01 crore by end-March 2022. Of the total enrolments under APY in end-March 2022, nearly 80 percent of subscribers have opted for the Rs 1,000 pension plan and 13 per cent for the Rs 5,000 pension plan. The APY subscriber base increased to 3.739 crores as of June 4, 2022.

### **Difficulties faced by communities in accessing these schemes**

Although COVID-19 could possibly be the chief reason for the increase in claims cases under the PMJJBY in the year 2020-2021, reports state that out of the total claims, only 1,163 were for deaths due to COVID-19, for which claims worth Rs 23.26 crore had been received. There are a number of reasons for the drastically low number of claims compared to what would be expected. One reason for this could be the 'preferable' short window of 30 days post-death to apply for the claim, which leads to most claims being rejected as they were received after 30 days. Additionally, no policy document or other documentation of any kind is given under PMJJBY, leaving a large number of nominees and the families of the deceased unaware of the policy and the claim they are entitled to. The difficulties of the less educated and poor beneficiaries in accessing these schemes because of the low awareness of the scheme, no guidance or policy manual and tight restrictions is exacerbated by a myriad of other barriers, like lengthy legal processes or several documents that have to be provided, for accessing these schemes' benefits.

The PMSBY policy, on the other hand, is limited to accident and disability insurance coverage which is restrictive. Suicide-related deaths are not covered by the policy. Additionally, non-permanent disabilities, or partial disabilities without irreparable damage, are not insured by PMSBY which is another major limitation.

When it comes to one of the world's largest 'workfare' (cash-for-work) programmes, the MGNREGA scheme's implementation has its share of challenges as well. The scheme's objectives are not adapted to different states which risks exacerbating existing inequalities between the states as the more developed states with better administration have made greater use of these schemes than the needier backward states to whom these schemes should be more proactively targeted to help.

Thus, more concerted efforts from the government's end to ensure less information asymmetry regarding welfare schemes and making them more accessible could hugely benefit many of the country's low-income earners.

## Conclusion

The various welfare schemes discussed above are a few of the numerous schemes that continue to help people across different ages and social classes. The impact of welfare schemes has been significant, helping India's economy in a positive manner. The country's poverty rate has dropped by almost 12% over the last decade, owing to the plethora of schemes that have been initiated by the government. In a country like India, welfare schemes can thus be termed as the 'catalyst' to reach previously unattained peaks of development.

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