Gist of EPW April Week 2, 2023

The Economic and Political Weekly (EPW) is an important source of study material for IAS, especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analysed and explained in a simple language, all from a UPSC perspective.

1. The Widening Digital Divide

Introduction

- The Multiple Indicator Survey-National Sample Survey 78th Round Report 2020–2021 highlighted the significant progress made in the direction of information and communication technology (ICT) or digital skills.
- It should be noted that assessing ICT skills is an important indicator to gauge the preparedness level for the digital economy.

Digital Divide

- The digital divide is defined as the gap between those with the ability to access and use internet services and those without it.
- It has become a major concern as it has the potential to restrict the growth of the digital economy.
- It is a multifaceted divide and limits the accessibility of various services by various segments of the population.
- It further results in the exclusion of many sections from the overall economic growth.

Details about the Report

- The report provides information on ICT skills across the country. It helps in assessing how educational interventions have impacted digital skills.
- The nine indicators for digital skills are:

Basic Digital Skills	Intermediate Digital Skills	Specialised Digital Skills
• Move a file • Use Copy and Paste tools • Use Spreadsheets • Send emails	• Install devices • Configure Software • Make Presentation • Transfer files across devices	• Computer Programming

- It was found that almost a third of the persons, that is 30.3%, in the age group of 15–24 have basic digital skills.
- The intermediate digital skills are limited to just half of the basic level (that is 15.6%).
- The programming skills are limited to only 2.2%.
- At the gender level, the basic digital skills of males stand at 34%, whereas that of females is at 26%. The divide further expands at advanced levels.
- The basic skills level in the urban sector is at 48% in contrast to the rural areas where it is at 24%. This shows a wide rural-urban divide.
    - It becomes threefold at intermediate skills and close to fourfold at the programming skill level.
- Interstate disparities in digital literacy:
    - In Kerala, nearly three-fourths of the youth (15–24 years) have basic digital skills, half have intermediate skills, and about one-tenth have programming skills.
    - Uttar Pradesh is a poor-performing state with only 16% having basic digital skills.

Associated Concerns

- The digital divide generally tends to exacerbate other inequalities.
- They can create barriers to accessing new economic opportunities.
- It can result in a vicious cycle that not only hampers sustained and substantial economic growth but also causes unequal distribution of economic gains.
- Apart from education, digital skills are also dependent on many supply-side factors like:
    - Affordability of digital equipment like computers and mobile phones
    - Digital infrastructure
    - Broadband services, etc

Conclusion:

- Digital skills can be managed through government policies in the education sector.

- However, both the Central and the State governments are unable to ensure equitable distribution of ICT skills.
- Thus, more efforts should be taken at all levels starting from a robust infrastructure to education.

2. Impact of Bancassurance on Banking-Insurance Sector in India

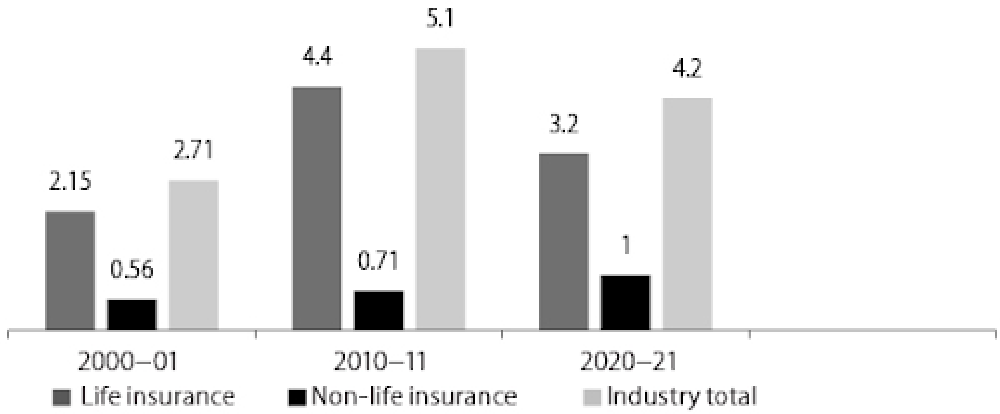
Introduction:

- Bancassurance is an agreement between banks and insurance companies for providing insurance services (life or non-life) to bank customers on behalf of the company.
- Here the banks act as the distribution channels for the insurance products.
- Bancassurance in India started in the early 2000s when the Indian government allowed private insurance companies to enter the market. Since then, many banks have entered into partnerships with insurance companies to offer insurance products to their customers.
- Bancassurance has become a popular distribution channel for insurance companies in India because of the large customer base of banks. The partnership between banks and insurance companies also helps in reducing distribution costs for insurance companies.
- The Reserve Bank of India (RBI) has also been promoting bancassurance in India by allowing banks to act as insurance brokers. This has led to more banks entering into partnerships with insurance companies.

Indicators of Insurance Business:

- The growth of the insurance industry can be measured by insurance density and insurance penetration indicators in an economy.
- ***Insurance penetration*** is the percentage of insurance premiums collected by insurance companies in a fiscal year to the gross domestic product (GDP) of that fiscal year.
    - It states what proportion of the amount is contributed to GDP from the insurance sector in the form of premiums. It also states the insurance coverage and insurance culture in an economy.
- The insurance penetration of the insurance sector was reported at 2.15% for 2000–01 for life insurance and 0.56% for non-life insurance, whereas the total insurance penetration percentage for the whole insurance industry was 2.71%.
- In 2010–11, the insurance penetration for life and non-life was increased to 4.40% and 0.71%, respectively as compared to 2000–01.
- The insurance industry penetration stood at 5.10%, which was 150% more as compared to 2.71% in 2000–01.
- In 2020–21, the insurance penetration for life and non-life insurance was 3.20% and 1%, respectively.
- It shows a downward fall in the insurance penetration percentage from 4.40% to 3.20% in life insurance, whereas for non-life insurance it increased from 0.71% to 1%.
- The industry total penetration percentage decreased from 5.10% to 4.20% in 2020–21.

Figure 1: Insurance Penetration

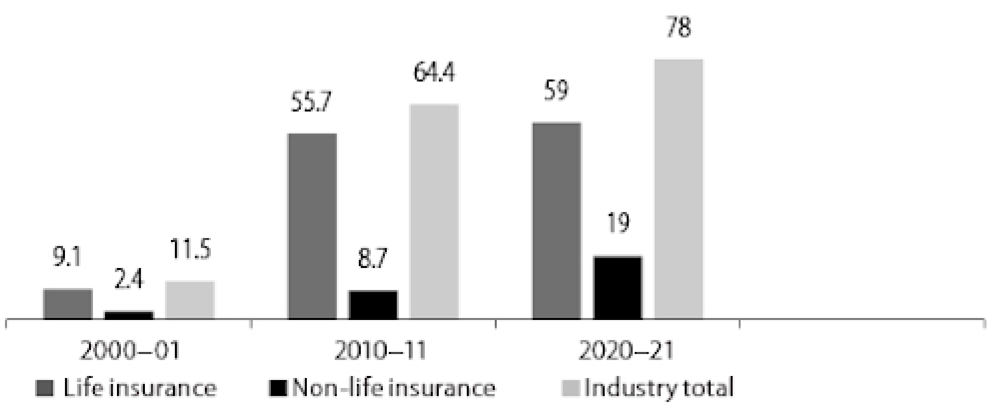


Source: IRDA Annual Report 2020–21.

Image Source: EPW

- ***Insurance density*** is the percentage of premium to the total population of the country. Insurance density can also be called a per capita premium.
- In 2000–01, the insurance density was $9.10 for life insurance and it increased to $55.70 in 2010–11 and then increased to $59 in 2020–21 for life insurance.
- While for non-life insurance, the insurance density was $2.40 in 2000–01 and increased to $8.70 in 2010–11 and $19 in 2020–21.

Figure 2: Insurance Density



Source: IRDA Annual Report 2020–21.

Image Source: EPW

- Although there has been an increase in insurance companies entering the market, both indicators suggest that insurance density is increasing at a faster pace than insurance penetration in the country.

- This highlights that a large portion of the population still does not have access to insurance services. However, this untapped population can be reached by expanding the distribution channels, making bancassurance a more relevant strategy.

The Impact on the Insurance Sector:

- The performance of banks and insurance companies for bancassurance arrangements is interdependent.
- Life insurance services in the country are provided by both public and private sector insurers. The Life Insurance Corporation of India (LIC) is the sole insurance company in the public sector while 23 private insurers are dealing in life insurance.
- The public insurer captures 64.14% market share in premium collection for the period, while the private insurer holds at 35.86%.
- The total policies issued in 2020–21 was 28.127 million of which the public insurer contributed 20.975 million with 74.57% of total policies issued while the private insurer issued 7.152 million with 25.43% contribution in total policies issued.

Life and Health insurance:

- Life insurance is categorised as Individual New Business (INB) and Group New Business (GNB).
- Acting as a channel of distribution for insurance companies, the banks collected 3.07% for public insurers and 54.55% for private companies for INB.
- Private insurers contributed the highest amount in premium collected for general and health insurance with 53.57%, followed by public sector insurers with 39.26%.
- For INB and GNB, banks collected more than half of the private insurers' premiums.
- Bancassurance arrangements are being fully utilised by private insurers, with banks emerging as the second-largest channel for collecting premiums. This indicates the success of bancassurance in India.

Impact of Bancassurance:

- Bancassurance has provided a new revenue stream for banks.
    - It has enabled them to earn additional income by selling insurance products to their customers.
    - This has also helped banks in retaining their customers as they can offer a wider range of services to them. Moreover, it has also improved the overall customer experience as customers can avail of both banking and insurance services under one roof.
- Bancassurance has emerged as a key distribution channel for insurance companies in India.
    - It has enabled insurance companies to expand their reach and tap into the large customer base of banks.

    - This has also helped in reducing distribution costs for insurance companies. In addition, bancassurance has also led to the development of new insurance products that are customised to the needs of bank customers.
- Bancassurance has made it easier for the public to access insurance products. Banks have a wider reach than insurance companies, and hence, they can reach out to a larger number of customers. This has helped in increasing insurance penetration in the country.
- Furthermore, bancassurance has also led to the development of new insurance products that cater to the needs of different segments of the population.

3. Economic Dependency among the Elderly in India

Introduction:

- India is one of the fastest-growing economies in the world. With a population of over 1.3 billion, India is the most populous country in the world.
- Population ageing is a global phenomenon and a growing challenge for both developed and developing countries.
- The elderly population in India is growing rapidly. According to the United Nations, India is projected to have over 340 million people aged 60 and above by 2050.
- Increasing longevity, declining fertility, early detection and appropriate management of chronic non-communicable diseases have resulted in a dramatic increase in the population of adults aged 60 and above, in both absolute and relative terms.
- This demographic shift is expected to have significant implications for the country's social and economic development.
- The country has made significant strides in reducing poverty and improving economic growth over the past few decades. However, despite these achievements, economic dependency among the elderly remains a critical issue in India.
- Elderly dependency refers to the reliance of elderly individuals on others for financial support. This is often due to a lack of income, inadequate pension systems, and limited access to healthcare and social services.

Status of the elderly population in India:

- The average age of the elderly population in India was 67.5 years.
- Around 67.1% of India's elderly live in rural areas.
- The proportion of women is 50.9% and men constitute 49.1% of the elderly population.
- Further, 54.1% of them are illiterate, and 48.1% are self-employed. In terms of partners and family, 34.4% were widowed, and the majority, 95.7%, has at least one surviving child.
- In the last two decades (2001–11 and 2011–21), the elderly population grew by 35.8% and is projected to be 40.5% in 2031. From 1981–91 onwards, general population growth showed a declining trend and is projected to be about 8.4% in the 2021–31 period.

- The gap between the general and elderly population has increased significantly over time. In 1951–61, the difference between the general and elderly population growth was 2.3%, which rose to 23.4% in 2011–21 and is projected to be 32.1% for 2021–31.

Table 2: Decadal Growth in Elderly Population versus General Population (% Difference)

Years	General Population	Elderly Population	Difference
1951–61	21.6	23.9	2.3
1961–71	24.8	33.7	8.9
1971–81	24.7	33.0	8.3
1981–91	23.9	29.7	5.8
1991–2001	21.5	25.2	3.7
2001–11	17.7	35.5	17.8
2011–21	12.4	35.8	23.4
2021–31 (Projection)	8.4	40.5	32.1

Source: The author's computation from elderly India report (2021).

Image source: EPW

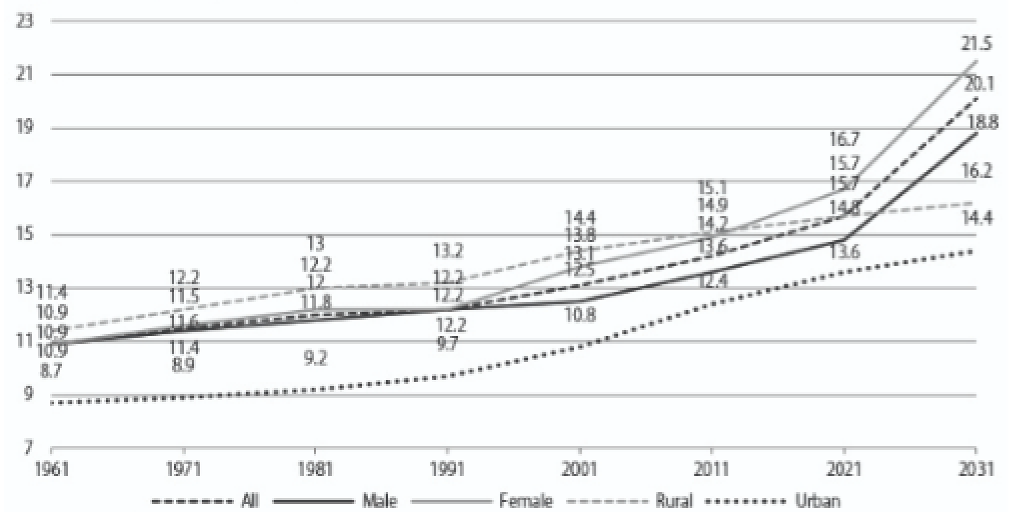
- Decreasing fertility and increasing life expectancy lead to the continued ageing of the population and states across India are at different levels of fertility transition.
- Kerala has the maximum proportion of elderly people (16.5%), followed by Tamil Nadu (13.6%). Himachal Pradesh (13.1%), Punjab (12.6%), and Andhra Pradesh (12.4%) also show a high proportion of the elderly population in 2021.
- But on the contrary, the elderly population is comparatively less in Bihar (7.7%), Uttar Pradesh (8.1%) and Assam (8.2%), respectively.

Old-age dependency:

- The old-age dependency ratio represents the number of persons aged above 60 per 100 persons for those aged 15–59 years. The ratio is used as a proxy for the economic dependency of the older population.
- As the proportion of the elderly rises, the old-age dependency ratio is also rising. That ratio has increased from 14.2% in 2011 to 15.7% in 2021 as per projections. It is expected to rise to 20.1% by 2031.
- The NSS 75th round (2017–18) shows about 70% of the aged persons are economically dependent on others for their survival. Economic dependency was reported high in rural areas compared to urban areas.
  - This may be due to the relatively higher proportion of the population working in rural agricultural and informal sectors.

- The economic dependency among elderly women is also higher. Only 10% of the rural and 11% of the urban females were reported as economically independent compared to 48% of the rural and 75% of the urban male population, respectively.

Figure 2: Old-age Dependency Ratio in India



Source: Author's compilation based on population projection in 2011.

Image Source: EPW

Issues with an ageing population:

- The ageing population presents a wide range of complex social, economic, and health challenges, today and in the future.
- The ageing population with a life expectancy of 80 years and above and the feminisation of ageing are two major phenomena that most countries are facing despite the increase in life expectancy indicating a good standard of living.
- According to the National Sample Survey Office (NSSO) report, about 5.6% of the total population of India was in the age group of 60 years and above in 1961, and in 2021, the proportion has increased to 10.1%.
- The Report of the Technical Group on Population Projections for India and States (2011–36) states that there were nearly 138 million elderly persons in India in 2021 (67 million males and 71 million females), and the population is expected to further increase by around 56 million in 2031.
- Increasing demand for healthcare, economic dependency, problems with living arrangements, social and mental well-being of the elderly, violence against senior citizens, etc. are issues of serious concern pertaining to old age.
- The demographic shift also shows a reduction in labour force participation and savings, increases health expenditures and demands social protection schemes for the elderly.
- The longevity revolution also raised the prevalence of chronic non-communicable diseases like cardiac problems, cancer, diabetes, etc. and reduced the quality of life among the elderly.

- Appropriate economic policies, social protection schemes, health insurance coverage, etc. are needed to protect the elderly from high economic dependency and financial catastrophe.

Road Ahead:

- The economic dependence of the elderly is a key indicator of their well-being, but this has not been given much attention in India in the past. There is a growing awareness of this issue, but efforts to address it are falling short due to factors such as changing family structures and the lack of comprehensive social security programs.
- Policymakers need to prioritise income security and mitigating financial costs related to old-age dependency, but India currently spends only about 1% of its GDP on pensions.
- Healthcare services and affordable living arrangements for the elderly also need to be improved, and financial literacy and alternate employment opportunities should be provided.
- Awareness and education about the changing needs and rights of the elderly are also important, as is promoting caregiving training.
- A comprehensive geriatric financing policy is needed to support the elderly and prevent old-age economic dependency.