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## **ROLE OF GOVERNMENT ON POLICY MAKING FOR SOCIAL SECURITY IN INDIAN ECONOMY**

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### **ABSTRACT**

*This study brings out the perspective of the role of Government in providing social security in Indian economy. Fiscal Policy has government policy that attempts to influence the direction of the economy through a change in the government spending and tax. The issues related to lack of providing social security to required people remain unsolved and very long while in India. In this direction, the government has to play an important role to provide safety and security of the society. States needs to invest adequately in education, healthcare, transport and workforce development. Policymakers ought to target to encourage the economy now and future growth for the promotion of long-term economic growth. So policymaker should to enhance fiscal planning and investment and also to protect services. In this connection, this paper addresses the issues relevant to safety and social security and also the responsibility of government to protect society and promote economic growth in India.*

**Keywords:** Policy, Government Role, Social Security.

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### **INTRODUCTION**

Social Security mechanism can play an important role in the financing and provision of access certain services. Social insurance often plays an important part in the financing of healthcare, and government subsidies can improve access to food, education and housing. But in this case, one of the global issue that, the problem of facing social security, in fact, that more than half of the world's population is excluded from the type of statutory social security protection. Those thus affected work largely in the informal economy and are outside the scope of contribution based social insurance schemes or tax-financed social benefits. In low-income countries, for example, South Asia generally more than 90% of the population is not covered adequate social security. In middle-income countries between 20% to 80%. It is estimated that worldwide, only 20% of the population enjoys adequate social security. In this direction, this paper analyzes the various roles or responsibility of Government should do while making policies to protect the society and promote the economy. Policymakers should concentrate the establishment of various social security programs or schemes for the development of the human life and economic growth now and future.

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## **OBJECTIVES**

1. To study fiscal policy and social security in Indian Economy.
2. To analyze the role of policymakers to maintain stronger economic growth.
3. To analyze the various schemes towards social security benefits.

## **DATA AND METHODOLOGY**

The required data has been collected secondary sources like Census and NSSO data and simple statistical tools like percentage analysis have been used.

## **CONCEPT AND COMPONENTS OF SOCIAL SECURITY**

ILO (International Labour Organization) on the informal sector has explained that the perception of social security is required to respond to the realities faced by informal economy workers, who constitute the majority of the world's labour force. The concept of decent work equalizes this broader concept of social security. The goal of ILO is that "to promote opportunities for women and men to obtain decent and productive work in the conditions of freedom, equity, security and human dignity"(ILO, 1999)

Social security is defined as "benefits that society provides to individuals and households, through public and collective measures to guarantee them a minimum standard of living and to protect them against low or declining living standards arising out of a number of basic risks and needs" (Van Ginneken, 2003). The first element in this definition accepted that people derive individual's rights and entitlements from social security that it is provided within the context of public and collective –not for –profit arrangements. The third element says it clear that the aim of social security is protection and thus its role should not be confused with policies promoting employment and the economy. Lastly, it makes the point that social security is concerned not only with a limited range of contingencies but also with reducing the impact on household budgets of expenditure on basic needs such as healthcare, education, housing and food.

A Social security system generally consists several components and in each component has many provident and pension fund organizations. Here, discusses the main two components of social security is Social Insurance and Tax financed social benefits. Social Insurance is compulsory for the whole population or for population groups. The Tax Financed Social Benefits are generally targeted at the needed population and are often awarded on the basis of an income and asset test.

The main function of social insurance is to make provision of various capacity contingencies to avoid getting into debt and to deliver household expenditure more predictable. Whereas the tax-financed social benefits function is to support low incomes and to reduce household expenditure on basic items. It also can be targeted to categorical groups are senior citizens, widows and children with few or no potential links with the labour market. Benefits levels are often below than the poverty line, primarily because of the lack of funds. So Government should provide sufficient funds for social security. Policymakers should have a responsibility to improve the standard of living of society by making efficient policies as well as it can help the economic growth.

## **FISCAL POLICY IN INDIAN ECONOMY**

Fiscal policy plays a crucial role in the provision of social security. Personal income and wealth should be taxed that the tax operates on the size the distribution of income Taxes should be progressive. An important element of economic reform process adopted in India was the belief that a high fiscal deficit level was responsible for the 1991 crisis, and the deficit should be brought down to a certain pre-determined target. It was argued that a high fiscal deficit is bad for an economy because it can be inflationary, can give rise to external

deficits. It can lead to high interest rates and can put an unsustainable interest rate burden on an economy through the accumulation of public debt. The IMF program required the government to bring down the fiscal deficit to a level of five to six percent of GDP from the average of seven percent of GDP for the period 1985-1990. However, it was also part of the macro-policy paradigm that taxes should be cut so as to improve efficiency and provide incentives to private investors.

Fiscal Policy has government policy that attempts to influence the direction of the economy through a change in the government spending and tax. Government policy plays a significant role in the economic development of both advanced and developing countries. In developing countries like India fiscal policy has two important roles are; the role of bringing about a rapid increase in the level of full employment and to raise the level of the warranted rate of growth. In India, people are facing various problem particularly unemployment and lack of social security schemes. The government should do have to play an important role in policy making for social security by the provision of effective social security schemes.

### **ROLE OF GOVERNMENT ON POLICY MAKING FOR SOCIAL SECURITY**

Fiscal Policy has various tools such as, budget, taxation, public expenditure, public works and public debt, can go a long way in maintain full employment without inflationary and deflationary forces and adequately invest in education, healthcare, transport and workforce development and also announces the various social security schemes to promote the economy now and future. It is now universally recognized that in order to overcome the rigidities inherent in developing countries, the state must play a positive role. With more state legislatures now in session, policymakers are making fiscal policy decisions that will profoundly affect future economic opportunities in communities across the country. States face a fundamental choice; they can provide the resource required, transportation, health care, safe communities and other building blocks of economic growth. After the recession hit the states in 2008, record-breaking revenue declines brought deep, that people depend on every day. State revenues have come back somewhat. While that growth has been slow and uneven, it enables to meet their rising needs. This report provides a roadmap to fiscal policies.

The government can take five major steps to construct or create economic opportunities and to provide social security's to safeguard the society also for economic growth by the help of policymakers to maintain a stronger economic condition in the country.

- Building stronger state economies that create jobs and expand opportunities will require sensible, forward-looking state fiscal policies.
- The state needs to invest adequately in education, healthcare, transportation and workforce development.
- Policymakers should target investments to boost the economy now and future. To improve fiscal planning to protect services and investments that promote long-term economic growth.
- To help struggling families meet basic needs and participate merely fully in the economy, by reducing the poverty hardships and income inequality.
- Policymakers should avoid ineffective strategies and gimmicks that can weaken the state economy.

A social security program is created around four constituent parts, these are coverage, benefits, financing and administration. All of these has some components for which indicators can be established in below tables.

**Table-1**  
**Social Security and Government Policy**

<b>Social Requirements, Capabilities</b>	<b>Social Security</b>	<b>Government policies</b>
Unemployment, Underemployment	Unemployment Benefits(Insurance)	Employment Guarantee regulatory and other labour market policies.
Sickness, Injury, Disability and Death.	Social (Insurance) benefits	Care, rehabilitation and reintegration, Safety and health at work.
Old age	Social Insurance, Pensions	Home help, Old age homes
Family Cohesion	Maternity, Child and family benefits.	Crèches, Parental leave.
Neediness	Tax-Financed benefits	Social work, anti-poverty policies.

**Table-2**  
**Social Security and Government Policy**

<b>Basic Needs and Capabilities</b>	<b>Social Security</b>	<b>Government Policy</b>
Food	Food stamps and Subsidies	Food aid
Health Care	Health Insurance	National Health Services Health Policy.
Housing	Rent and Energy Subsidies	Social Housing
Education	Free waivers	School Meals and books, Education Policy.

People cannot contribute to society and to their own well being unless they have the capacity to do so and can satisfy their basic needs. This fact justifies government intervention and financing in health and education services, as well as in food and housing.

**SOCIAL SECURITY IN INDIAN ECONOMY**

The Indian social security system provides retirement and insurance benefits to employees working in factories or other establishments covered by the system in India. The system is governed by the Employees’ Provident Fund and other provisions Act 1952 and the schemes created under the PF Act, namely, EPF (Employees’ Provident Fund scheme) and EPS (Employees’ Pension Scheme. The Employees’ Provident Fund Organization (EPFO), a statutory body established by the government of India, administers the social security regulations in India.

India’s social security system is composed of various schemes and programs spread over the variety of laws and regulations. The government controlled social security system in India applies only some portion of the people. Generally, the accepted concept of social security system includes following types of social security schemes in India.

- Pensions
- Health Insurance and Medical
- Maternity

- Gratuity
- Disability

In India finance minister announces a number of various social security's scheme nowadays. Providing social security to Indians has been one of the key focus areas of the various schemes launched by the government. In India, the social security rate is a tax-related to labour income charged to both companies and employees. Revenues from the social security rate are an important source of income for the government of India because they help to pay for many social programs including welfare, health care, education and many other benefits. The provident and pension fund should perform the following major functions (Ross 2004). These are:

- Reliable collection of contributions, taxes and other receipts including any loan payment in the security system.
- Payment of benefits for each of the schemes in a timely and correct way.
- Securing financial management and productive investment of provident and pension fund asserts.
- Maintaining an effective communication network, including a development of accurate data and record- keeping mechanisms to support collection, payment and financial activities and
- Production of financial statements and reports that are tied to providing effective and reliable governance, and to fiduciary responsibility, transparency and accountability.

## CONCLUSION

Only one in few people in the world has adequate social security coverage, while half of the world's population is without any social security protection. Such people are often unable to pay their medical bills, they are not entitled to a pension in old age or in case of disability, they are not protected when unemployed and they are not entitled to basic social support when everything else fails. Yet, access to social security is a recognized human right. A large portion of the population in the developing countries, like India, does not enjoy any social security protection at all is covered only very particularly (Beattie,2000). This paper has analysed the various roles of government on policy making for social security by the announcement of the various schemes and programs in India. It also shows that the low social security coverage is attributable to the low financial resources available for the social sector, particularly in low-income countries. As a result of structural adjustment, policies do not provide free health care to their population. The government established various social security programs for the development of the standard of living of the society as well as the development of the economy.

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