Assessment of ESIC beneficiaries: - Evaluating the parameters of Annual Revenue and Expenditure of ESIC and its trend from the year 2000 to 2018

SUBMITTED AND PRESENTED BY

ANUBHAV SHARMA

INTRODUCTION

- Throughout history Humans have been living in a societal setup and are thus, also known as Social Animal. A person has so many social duties to fulfill, like looking up after their children, paying for their education, marrying them, taking care of their parents, spouse, etc.
- According to ILO 'Social security as a right which responds to the universal need for protection against social sides and life risks. Social security systems that guarantee health protection and income security, contributing to the reduction of inequality and poverty, and promoting social inclusion and human dignity'.
- One such Act is the **Employees State Insurance Corporation Act of 1948** (ESIC) which is first and oldest legislation schemes providing social security as well as medical benefits for the blue-collar workers of India.

ESIC Act of 1948 and benefits provided

- The Employee State Insurance Corporation Act was the first social security scheme which focused on providing financial aid and certain medical benefits to the labor-class post-independence.
- It came into being on 24th February 1952 and was inaugurated by the then Prime Minister Pandit Jawahar Lal Nehru in Kanpur. He was also the first honorary beneficiary under the Scheme.
- In its 68 years of existence, ESIC has successfully catered to several benefits which include Health security insurance covering sickness, temporary and permanent disablement and from certain occupational hazards.

Salient features

It is applicable to whole India, provided that the State Government shows its intention to implement the provision of the act in their State.

The following list of establishments come under ESI Coverage, with the condition that they should have 10 or more employees.

- Shops
- Hotels and Restaurants engaged only in sales
- Road Motor Transport Establishments
- Cinema Theatres
- News Paper Establishments
- Private Educational Establishments run by individuals, trustees, societies, or Medical Institutions (including Corporate, Joint Sector, charitable, trust etc.)

- ESI Act is not applicable to: -
  - Seasonal Factories
  - Government owned factories where employees are getting better benefits
  - Indian Army, Navy, Air Force.
  - Factories with less than 10 workers are employed
  - Factories less than 20 workers working without the aid of power.
  - Mines

SOCIAL SECURITY BENEFITS PROVIDED UNDER THE ESIS ACT

Benefit: -	Features
Medical Benefit	Full medical coverage to the insured person and the family at annual premium of Rs 120/-
Sickness Benefit	Cash benefit to the insured person of about 70% of the wages for a span of certified sickness of 91 days.
Maternity Benefit	The insured person will receive cash benefit for the period of 26 weeks during the pregnancy.
Dependent Benefit	The family or spouse of the insured person receives 90% of the wages monthly post the death of the IP.
Disablement Benefit	The insured person is entitled to 90 % of the wages for as long as the disability continues in terms of Temporary disablement Benefit. The insured person is entitled to 90% of the wages monthly depending on the extent of disablement.
Others	These include funeral charges and confinement charges given to the IP's wife or insured women as reimbursement where ESIC facilities are not present

LITERATURE REVIEW

- In its recent report of 2017-2018, Standing Committee of ESIC has presented some insights and recommendations based on their observations, which are as follows:
  - There is a dual system of functioning in ESIC, whereas premium is collected by the Central Government, but benefits are being provided by the State Government, which leads ineffective implementation of services.
  - The Annual Revenue which is collected as premium is double of what is being invested to provide services and benefits to the IPs. Only few states fully utilize the funds earmarked for providing these services and benefits, rest of them return the amount back to the ESIC, by terming it as “Unspent Funds”.
  - As of 31.03.2018 ESIC has not been able to team up with Ayushmann Bharat.
  - There is no provision for an audit to an employees’ eligibility to avail the scheme.
  - There is a need to introduce a regulatory system in the ESIC, which is mandatory for all insurance schemes
  - Massive funds every year is being earmarked for the construction of medical hospitals and institutions, but there is a need to focus on utilizing these funds on providing the benefits and services to the IPs
- R. Saranya, S.Arun Prasath S.Kavin in their study (Saranya, 2018) published in IJSRD on “Employees Awareness on ESI benefit” in the year 2018, analyzed the Employees awareness and satisfaction level towards the benefits provided by the ESIC.

- Dr. M. Prakash and M. Ragavi in their study “Employees’ awareness and utilization towards ESI Benefit” published in JETIR, (Prakash, 2020) emphasized upon utilization of services of ESIC. The study involved 187 participants from Coimbatore, who were given a predetermined questionnaire. The data acquired was analyzed using weighted averages and percentages.
- Another study done by Environics Trust in 2019 interpreted that the amount of funds that are being collected in the form of premium and other sources, is much higher than the funds that are being utilized to provide the services and the benefits., which is utilized, which causes an underutilization of the funds and indicates a faulty audit system.
- A Study on the Working of the Employees State Insurance Corporation by Jose, K Mathew in 2013 examined the effectiveness of the benefits provided by the Corporation to the insured persons and the study conclude that ESIC is not giving adequate information to the employee and employer regarding the benefits of the scheme.

OBJECTIVE

Broad objective: -

- The objective of the study is to segregate and list the various revenue sources, reserve funds and the expenditure incurred by the corporation, interpret the disparity if any and the patterns where in the corporation is lacking to implement the effective and efficient ways to provide benefits and social security to the labour class.

Specific Objectives: -

- The specific objectives of the study are:
- To evaluate the trend and pattern of annual revenue and expenditure of ESIC.
- To determine the various sources of income of ESIC
- To do assessment of reserve funds of ESIC.
- To analyze the various constituents of Annual Expenditure.
- To do descriptive Analysis of revenue and expenditure trend over the years.
- To review the corpus of unrecoverable arrears over the years.
- To do comparative study analysis on the returns and investments on ESIS.

METHODOLOGY

THE PRESENT STUDY WAS DESIGNED TO EVALUATE THE PARAMETERS OF ANNUAL REVENUE AND EXPENDITURE OF ESIC AND ITS TREND FROM THE YEAR 2000 TO 2018.

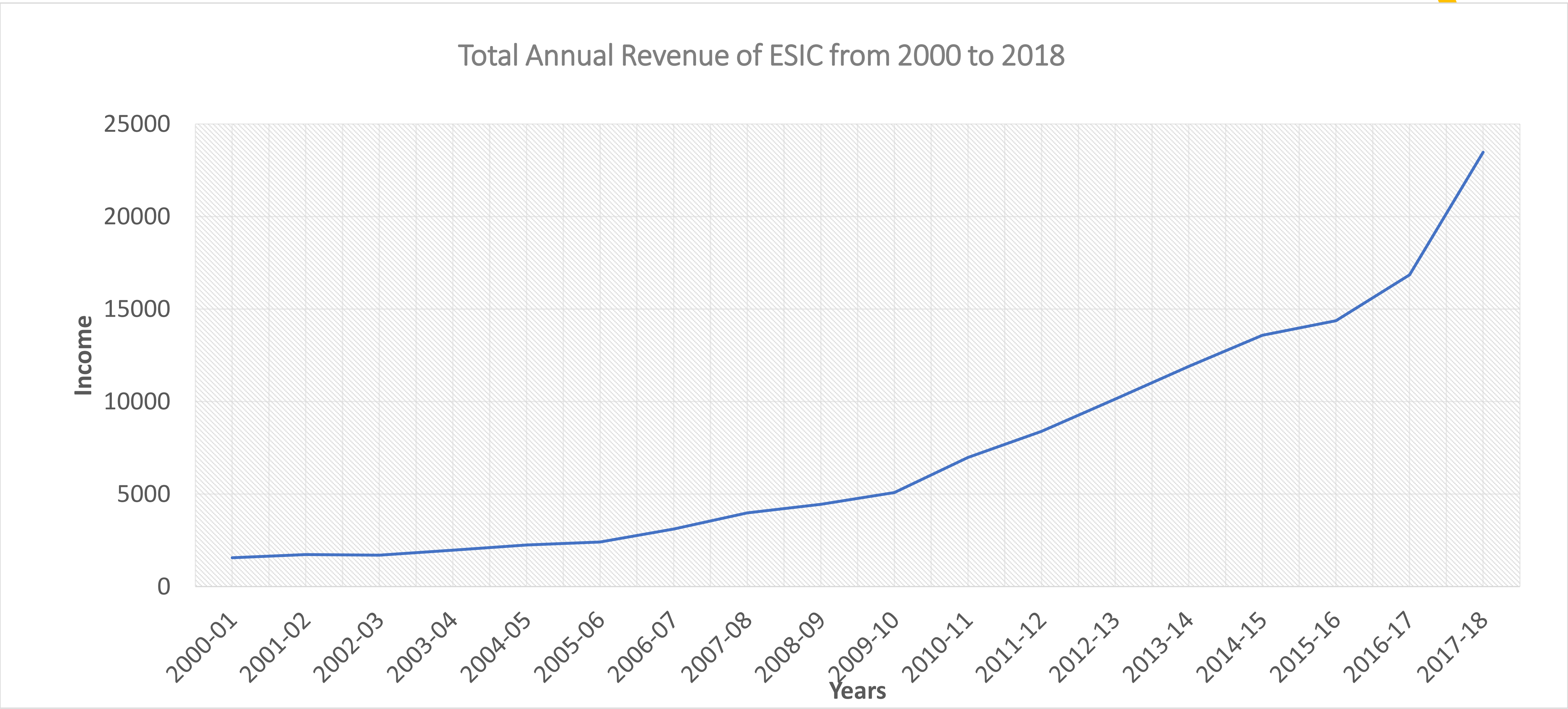
STUDY DESIGN: DESCRIPTIVE STUDY

SOURCE OF DATA & STUDY PERIOD: ANNUAL REPORTS OF ESIC FROM 2000-2018, JOURNALS AND ARTICLES ON ESIC, LITERARY PAPERS AND THESIS BASED UPON ESIC. THE STUDY COVERS TIME OF EIGHTEEN YEARS, I.E. FROM THE YEAR 2000 TO 2018.

DATA ANALYSIS: THE DATA WAS COLLECTED IN TABULAR FORM, WHICH WAS THEN USED FOR DESCRIPTIVE ANALYSIS, MAKING GRAPHS ETC. THE COLLECTED DATA HAS BEEN ANALYZED BY USING DESCRIPTIVE STATISTICS AND CAGR.

FINDINGS

ANNUAL INCOME



Source of Income	Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	Contribution	1255.44	1249.91	1302.39	1380.72	1689.08	1933.56	2453.48	3262.84	3698.53
	Interest	242.95	397.28	326.98	513.34	486.25	389.4	578.81	628.36	663.27
	Other Income	65.89	83	75.43	81.51	70.37	78.66	75.82	98.12	90.64
	Total Income	1564.28	1730.19	1704.81	1975.64	2246.06	2410.62	3108.11	3989.31	4452.45
Source of Income	Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Contribution	3896	5748.77	7070.11	8111.45	9632.54	10867.1	11455.6	13662.4	20077.2
	Interest	1110.17	1132.43	1188.02	1914.49	2173.01	2606.48	2807.6	3069.19	3196.89
	Other Income	78.99	99.34	135.4	112.69	103.89	114.96	109.05	120.75	206.3
	Total Income	5085.17	6980.61	8393.55	10138.6	11909.4	13588.6	14372.2	16852.4	23480.4

- As evident from data in table and graph in previous slide, the total income of the corporation has increased many folds over the years. It has increased from 1564.28 Cr in the year 2000 to 23480.4 Cr in the year 2018 with an average increase rate of 17%. The major chunk of the income is formed by Contribution from Employees as well as Employers, which accounts for around 80% of the total income, the lowest contribution (69%) was in the year 2003-04 and highest (85%). in the year 2017-18. The other major source of income (18%) of the corporation comes in the form of interest from the SD and FD, which is being deposited with the Central Government and PSU Banks. Other small source of income (2-3%) comes in the form of Fees, Fines and Forfeitures, Rent, taxes etc.
- If we interpret the graph, we can see that there’s a sharp increase in the Total Annual Revenue after the year 2009-10, and it seems no steps were taken to reduce the amount, which could have been done by reducing the contribution from the employees and the employers giving them a bit of relief. Another reason can be sharp increase in income from the interest rate in the year 2009-10, and contribution in the year 2010-11.

RESERVE FUNDS

DATE	AMOUNT (In Crores)
Amount as on 31.03.01	6388.7
Amount as on 31.03.02	7361.08
Amount as on 31.03.03	8223.81
Amount as on 31.03.04	9385.13
Amount as on 31.03.05	10739.99
Amount as on 31.03.06	12138.85
Amount as on 31.03.07	14187.67
Amount as on 31.03.08	16967.24
Amount as on 31.03.09	19583.17
Amount as on 31.03.10	21546.44
Amount as on 31.03.11	24799.36
Amount as on 31.03.12	28317
Amount as on 31.03.13	31638.57
Amount as on 31.03.14	36868.38
Amount as on 31.03.15	42767.51
Amount as on 31.03.16	49357.62
Amount as on 31.03.17	59382.98
Amount as on 31.03.18	74348.43

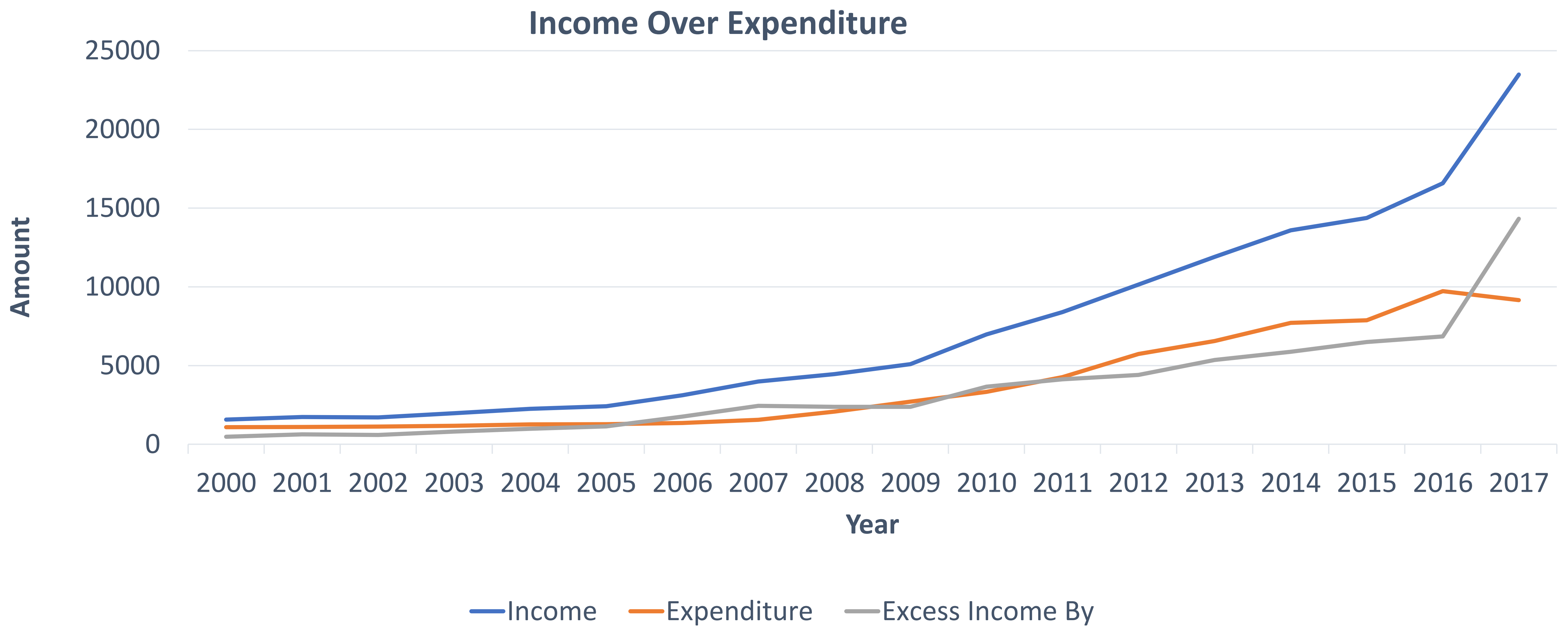
- The reserve funds of ESIC has increased from **6388.7 Cr** in the year 2000 to **74348.43 Cr** in 2018, which is a very huge amount.
- The major source of Reserve funds is the Annual Income which is left unspent in the end of the year. As there's nothing else that can be done with the funds, they are being transferred in the form of SD and FD.
- It is quite clear from this huge amount of reserve funds, that availability of funds is not a problem for providing better facilities to the IPs, but still they are being provided with substandard medical treatment. There's a very long waiting time for getting cash benefits from the ESIC.

ANNUAL EXPENDITURE

- The expenditure of ESIC has increased from **1082 Cr** in the year 2000 to **9161 Cr** in the year 2018. This is a very low rate of increase when compared with the increase in the income of the Corporation which has increased from being **1564.28 Cr** in the year 2000 to **23480.4 Cr** in the year 2018.
- The major portion of the expenditure (60%) is incurred in the form of Medical Benefits, which is being spent to provide primary, secondary, and tertiary level medical treatment to the IPs.
- Another major expenditure is in the form of Cash Benefit which accounts for around 20% of the total expenditure.
- As seen in the Figure No 1 the trend of income has increased at a much higher rate than the expenditure.
- It is also quite evident that there are no major steps taken over the years to increase the expenditure, with the huge amount of Annual Income and Reserve funds ESIC can provide world class medical treatment to the IPs. But nothing significant is being done to pass on the benefits to its end user.
- Though if we see Figure no 3, we can observe that expenditure on Medical Benefits has increased over the years. But the expenditure on Cash Benefits and Adm. Expenses is quite similar over the year. There is no significant increase in them.

	Benefits		Other Expenditure		
Year	Medical Benefits	Cash Benefits	Administative Expenses	Total Other Expenses	Total Expenditure
2000-01	542.29	285.64	170.95	83.7	1082.5808
2001-02	543.37	300.16	176.43	84.158	1104.1219
2002-03	565.2	285.61	177.22	90.288	1118.318
2003-04	620.38	273.97	182.77	93.347	1169.66
2004-05	686.37	264.69	199.96	107.164	1258.19
2005-06	724.11	273.74	210.96	70.32	1279.13
2006-07	779.78	272.31	221.39	76.68	1350.16
2007-08	924.79	287.28	247.97	88.8	1548.84
2008-09	1123.2	380.7	412.76	152.13	2068.82
2009-10	1626.9	426.93	504.36	153.57	2711.79
2010-11	2123.7	494.1	524.2	185.62	3327.6
2011-12	2689.6	681.85	647.06	243.15	4261.68
2012-13	4058.1	761.17	826.12	83.73	5729.15
2013-14	4859.9	598.69	1028.02	98.99	6585.6
2014-15	5714.3	681.97	1210.42	111.23	7717.96
2015-16	6113	703.98	1390.63	117.08	8324.66
2016-17	6256.6	1517.9	1732.04	221.17	9727.71
2017-18	6867.7	642.84	1031.06	619.03	9161.36

EXCESS OF INCOME OVER EXPENDITURE



Year	Revenue Income	Revenue Expenditure	Excess Income
2000	1564.28	1082.58	481.7
2001	1730.19	1104.12	626.07
2002	1704.81	1118.32	586.49
2003	1975.64	1170.48	805.16
2004	2246.06	1258.19	987.87
2005	2410.61	1278.96	1131.65
2006	3108.11	1350.16	1757.95
2007	3989.32	1548.84	2440.48
2008	4452.45	2068.83	2383.62
2009	5085.17	2711.82	2373.35
2010	6980.61	3327.6	3653.01
2011	8393.55	4261.69	4131.86
2012	10138.63	5729.15	4409.48
2013	11909.44	6554.67	5354.77
2014	13588.58	7713.57	5875.01
2015	14372.22	7874.75	6497.47
2016	16582.38	9727.71	6854.67
2017	23480.37	9161.36	14319.01

- As it is evident from the table above that there is a huge amount of fund which is left unspent in the end of the year. per the financial reports. Table above lists the expenditure and income of the ESIC from the year 2000-2017. It is quite clear by the table there is a surplus of funds acquired by the corporation as contribution from the employers and employees over the years and this margin has been increasing every year.
- This whole situation is totally opposite to the vision of ESIC, as the surplus amount is increasing every year and nothing concrete is being done to increase the amount of annual expenditure. Infact the expenditure has shown a decreasing trend in recent years.
- This is a very poor situation with regards to ESIC as such huge amount of fund left unspent every shows poor utilization of funds, and it is evident that very less amount is being used to provide health and social security service to the IPs.

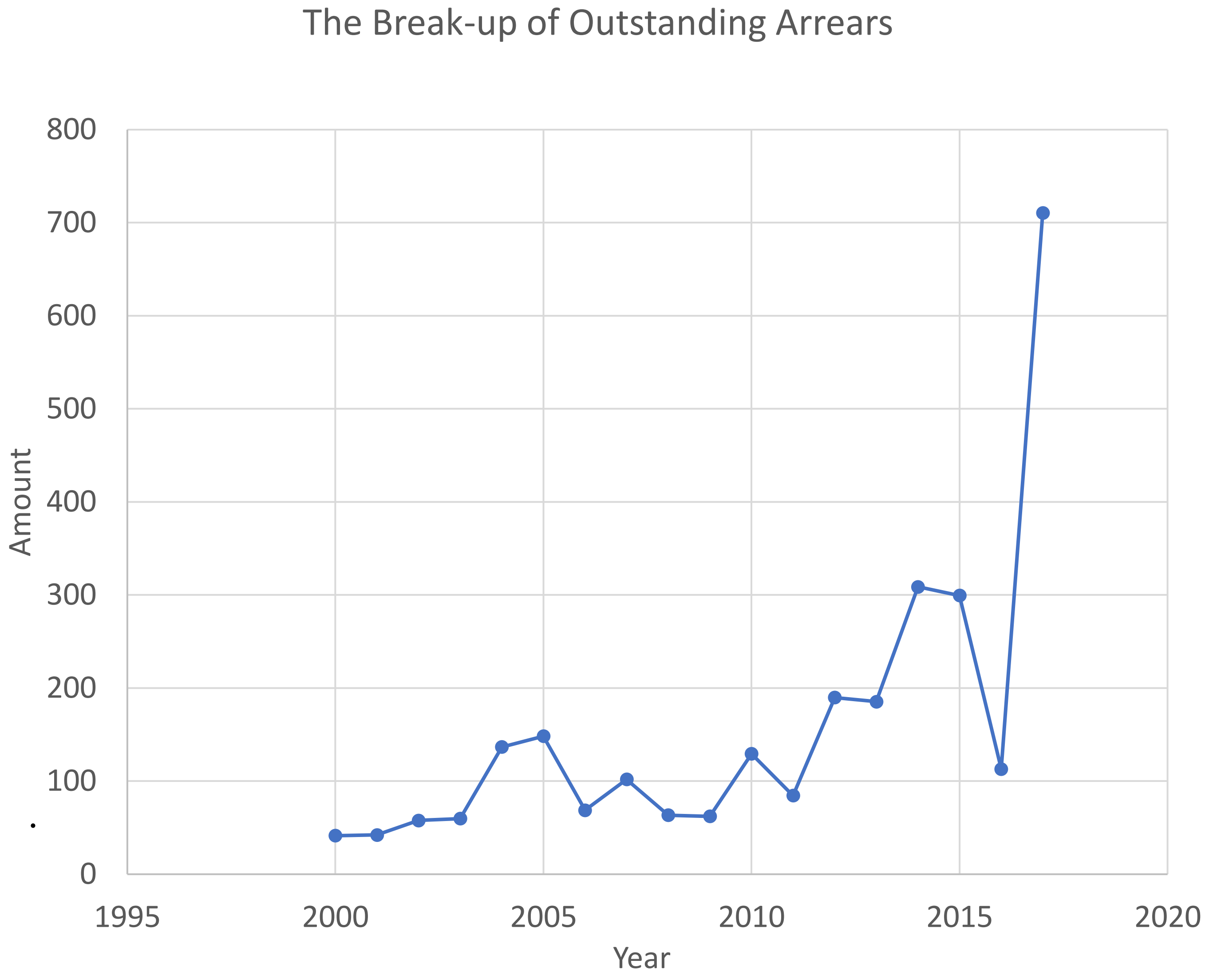
PREMIUM CONTRIBUTION VS. REVENUE EXPENDITURE

Year	Premium Contribution	Revenue Expenditure
2000	1255.44	1082.58
2001	1249.91	1104.12
2002	1302.39	1118.32
2003	1380.72	1170.48
2004	1689.08	1258.19
2005	1933.56	1278.96
2006	2453.48	1350.16
2007	3262.84	1548.84
2008	3698.53	2068.83
2009	3896	2711.82
2010	5748.77	3327.6
2011	7070.11	4261.69
2012	8111.45	5729.15
2013	9632.54	6554.67
2014	10867.1	7713.57
2015	11455.6	7874.75
2016	13662.4	9727.71
2017	20077.2	9161.36

- We can interpret that the premium contribution is quite sufficient for the amount which is being spent to provide medical and cash benefits to the IPs. Since the contribution amount taken in the form of premium from the IPs has been nearly constant over the years, the reason of increase in total contribution amount can be attributed to:
- The increase in the implementation and coverage of ESIC, as many states have been brought in the purview of the scheme in the recent years.
- Increase in the number of employees and employers due to increase in number of factories and establishments registered under the scheme.
- The salary slab of the employees have been increased over the years, which has brought more and more employees under the scheme.
- Thus, even if we forego other sources of income such as interest from investment and rents and fines, the contribution amount is sufficient to facilitate the expenditure of medical and cash benefits.

OUTSTANDING ARREARS

Year	The break-up of outstanding arrears
2000	41.37
2001	42.01
2002	57.61
2003	59.61
2004	136.66
2005	148.20
2006	68.64
2007	101.81
2008	63.29
2009	62.07
2010	129.29
2011	84.39
2012	189.8
2013	185.24
2014	308.64
2015	299.33
2016	112.88
2017	710.45



OVER ESTIMATION OF THE YEARLY ESIC BUDGET

Year	Budget Estimates	Expenditure	Difference
2000	--	1082.58	--
2001	1287.39	1104.12	+183.27
2002	1401.02	1118.32	+282.7
2003	1498.2	1170.48	+327.72
2004	1484.07	1258.19	+225.88
2005	1644.91	1278.96	+365.95
2006	--	1350.16	--
2007	--	1548.84	--
2008	2130.71	2068.83	+61.88
2009	3399.05	2711.82	+687.23
2010	3890.71	3327.6	+563.11
2011	5079.7	4261.69	+818.01
2012	5749.63	5729.15	+20.48
2013	7119.18	6554.67	+564.51
2014	8759.6	7713.57	+1046.03
2015	8877.37	7874.75	+1002.62
2016	10654.47	9727.71	+926.76
2017	15361.01	9161.36	+6199.65

Another major concern is the over estimation of Expenditure. The table below clearly shows that the total expenditure is far less than the allocated budget. There is only one year i.e. 2012 in which the budget cutoff is very close to actual expenditure. This excess in estimates infers that there is improper evaluation and lack of judgement on the part of corporation, in deciding the budget for the upcoming financial year. The corporation should make proper budget estimates and try to implement and monitor it judicially.

CONCLUSION

- One thing is quite clear that there is no problem of flow of funds, infact the flow of fund is surplus to the amount which is being spent on providing the services.
- The annual income of ESIC is very high and most of the income comes in the form of Premium from the employees and employers. A significant amount comes in the form of interest from the investment, which has been increasing over the years.
- There is a huge amount of reserve funds which is in the tune of thousands of crore is left unutilized in the form of FD and SD,
- There is an enormous amount of underutilization of funds as corporation can utilize 50-62% of allocated funds, and rest is being left as surplus..
- The annual budget is made without much evaluation of the actual need. This shows faulty audit mechanism, as huge amount is left unspent every year.

CONCLUSION

- The annual reports of the recent years have revealed that most of the funds are being utilized for construction of medical college and its administration.
- The excess funds remain unutilized and is not carried over to the next financial year and is transferred to Earmarked and Non-Earmarked Reserve funds.
- The non-recovered arrears show inefficient recovery mechanism of the ESIC, the amount which is left uncollected could have been used to finance the health services and other benefits provided by the ESIC.
- Another problem which is persistent over the years is the lower disbursement of Cash Benefits, which has infact decreased over the years i.e. from 26% in the year 2000 to 7% in the year 2017-18,
- If the corporation can solve some of these problems, then there would be a plenty of resources that will be available to provide the services in the best way possible.

RECOMMENDATIONS

- There should be a proper third-party surveillance system to monitor the expensed incurred in providing the medical benefits, cash benefits.
- There should be a quarterly audit of the Expenditure by agencies such as CAG to track the utilization of the funds, and to detect any misappropriation timely.
- The huge amount of reserve funds which is left unused should be utilized for strengthening the existing healthcare facilities and systems.
- ESIC should be teamed up with Ayushmann Bharat as it will increase the number of healthcare facilities which can be used to provide services to the IPs and thus it can increase the implementation and coverage of the ESI scheme.
- The focus of the ESIC should be to provide world class healthcare services to the IPs. Even though the services have improved significantly in the recent years, but still more can be done to create an impact holistically.
- Though ESI has revised the contribution of scheme and has brought it down significantly i.e. employees 'contribution to 0.75% and the employer's share up to 3.25%, bringing the total share up to 4 %.

REFERENCES

1. Vision, Mission and Values of PHFI, Available from: https://phfi.org/about/ [Assessed June 17, 2020]
2. Social Security Administration, Historical Background And Development Of Social Security, Traditional Sources of Economic Security Avaiable from, https://www.ssa.gov/history/briefhistory3.html [Assessed on May 11, 2020]
3. Health Insurance, Available from: https://en.wikipedia.org/wiki/Health_insurance#Background [Assessed May 15, 2020]
4. International Labour Standards on Social Security, Available from https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/social-security/lang--en/index.htm [Assessed May 27, 2020]
5. Health Insurance in India, Available from: https://en.wikipedia.org/wiki/Health_insurance_in_India [Assessed May 28, 2020]
6. Internation Health Insurance, Available from: https://www.clements.com/insurance-services/for-you-and-your-family/international-health-insurance?utm_term=%2Bglobal%20%2Bhealth%20%2Binsurance&utm_campaign=PI%3E%3EMedical+Insurance%3E%3ENB&utm_source=adwords&utm_medium=ppc&hsa_acc=2692329159&hsa_cam=9889566674&hsa_grp=98659150445&hsa_ad=431975909453&hsa_src=g&hsa_tgt=kwd-23662669059&hsa_kw=%2Bglobal%20%2Bhealth%20%2Binsurance&hsa_mt=b&hsa_net=adwords&hsa_ver=3&gclid=Cj0KCQjwhtT1BRCiARIsAGlY51LfXLLcWR2kq1QZ83pTwBk0Opn3fFbDESb-XhZv7KgaKcBQBDbT7d0aAtYXEALw_wcB [Assessed May 28, 2020]
7. Universal Health Coverage, Available from https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-(uhc) [Assessed May 26, 2020]
8. World Health Organization, Global Spending on Health: A World in Transition, Available from https://www.who.int/health_financing/documents/health-expenditure-report-2019.pdf?ua=1 [Assessed May 27, 2020]
9. ESIC, the Thirty-Ninth Report of The Standing Committee on Labour on 'Employees' State Insurance Corporation (ESIC), Available from http://164.100.47.193/lsscommittee/Labour/pr_files/ESIC%20press.pdf [Assessed May 26, 2020]
10. Environics Trust, Employee State Insurance Scheme: Is it for Workers?, Available from http://environicsindia.in/2019/08/14/employee-state-insurance-scheme-is-it-for-workers/ [Assessed May 26, 2020]

REFERENCES

11. R. Saranya; Mr. S. Arunprasath; Mr. S. Kavin, NIFT - Tea College of Knitwear Fashion, Employees Awareness towards ESI Benefit, IJSRD - International Journal for Scientific Research & Development| Vol. 6, Issue 05, 2018 | ISSN (online): 2321-0613

12. G. Muthulakshmi, A study on performance of the Employees' State Insurance Scheme (ESIC) with special reference to Tuticorin district, International Recognition Multidisciplinary Research Journal, Vol. IV, Issue : I, August – 2014, ISSN 2231-5063

13. Dr. M. Prakash, M. Ragavi, Dr.N.G.P Arts and Science College, Coimbatore, Tamil Nadu, India, Employees' Awareness and Effective Utilization towards ESI benefits, Journal of Emerging Technologies and Innovative Research (JETIR), Volume 7, Issue 2 www.jetir.org (ISSN-2349-5162)

14. Deblina Mitra, Effectiveness of Medical Benefits under ESI Scheme: A Study on the Employees of Organised Sector in Kolkata, Social Research Foundation, VOL-2 ISSUE-3 June- 2017 P: ISSN NO.: 2394-0344, E: ISSN NO.: 2455-0817, RNI No.UPBIL/2016/67980

15. Dash U and Muraleedharan VR, How Equitable is Employees' State Insurance Scheme in India?: A Case Study of Tamil Nadu, Consortium for Research on Equitable Health Systems (CREHS), June 2011

16. Jose, K Mathew, A Study on the Working of the Employees State Insurance Corporation, 2013 Available from: https://shodhganga.inflibnet.ac.in/bitstream/10603/125549/8/08_chapter%201.pdf, Assessed May 26, 2020]

17. ESIC Annual Report2017-18, ESIC, Minsitry of Labour and Employment, GOI, Available from: https://www.esic.nic.in/attachments/publicationfile/5a25e85211f3e0ec069a009f2c3c43fa.pdf [Assessed May 12, 2020]

18. ESIC Annual Report 2016-17, ESIC, Minsitry of Labour and Employment, GOI, Available from: https://www.esic.nic.in/attachments/publicationfile/eb8a5bdd4ad83e6f6ae325462021ff51.pdf [Assessed May 12, 2020]

19. ESIC Annual Report 2015-16, ESIC, Minsitry of Labour and Employment, GOI, Available from: https://www.esic.nic.in/attachments/publicationfile/e010e0e3f516d48224703edfc1f3a58e.pdf [Assessed May 12, 2020]

20. ESIC Annual Report 2014-15, ESIC, Minsitry of Labour and Employment, GOI, Available from: https://www.esic.nic.in/Publications/ESICAnnual%20Report%202014-2015.pdf [Assessed May 12, 2020]

21. ESIC Annual Report 2013-14, ESIC, Minsitry of Labour and Employment, GOI, Available from: https://www.esic.nic.in/Publications/ESICAnnual%20Report%202013-14.pdf [Assessed May 12, 2020]

THANK YOU