

A STUDY ON SOCIAL INSURANCE SCHEMES IN INDIA WITH SPECIAL REFERENCE TO PRADHAN MANTRI SURAKSHA BIMA YOJANA SCHEME

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Abstract

There are numerous risks in everyday life of human beings. The chances of occurrences of the events causing losses are uncertain because the risk may or may not take place. Insurance is assurance against these instabilities of life.

Many of the rural populations do not have any kind of security/insurance scheme. In order to provide the accidental insurance coverage to all people especially to rural and unorganized workers, the Government of India launched insurance scheme namely Pradhan Mantri Suraksha Bima Yojana (PMSBY). The motto of the scheme is covering the uncovered, serving the unserved and blessing the unblest segment of the society and ensure that no Indian citizen will ever worry about accidents or disabilities.

Nearly 18.22 crore Indians were benefited by this scheme during the financial year 2019-2020. By implementing PMSBY scheme the Government is heading towards the vision of "New India-Swasthse Samridhi". This article highlights the details of the PMSBY scheme and its progress.

Keywords:

Uncertain, risk, Insurance, Unorganized Workers, PMSBY

1. INTRODUCTION

Today we live in an era of globalization and digitalization. The physical expansion of the geographical domain increases the scale and volume of global flows and the numerous global factors that affect human beings in their day to day lives. India like any other country of the world could not afford itself to remain outside the clutches of the impact of globalization on its economy, social and industrial relations [1]. In the present competitive world, the working class has a dominant role to play because no system can work smoothly by neglecting this important segment of the society. Most of the employees in India depend on the day's work for a day's wages. If they are unable to work, they find themselves in financial difficulties [5].

In the ancient days, India is famous for their joint family system that took care of the social security needs of their family members provided it had ownership of material assets like land. In keeping with its cultural traditions, the family members and their relatives have always discharged a sense of shared responsibility towards one another [6]. To the great extent that the family has resources to draw upon, this is often the best relief for the special needs and care required by the aged and those in poor health. Due to migration, urbanization and demographic changes there has been a decrease in joint family system and nuclear family system [7].

Social security is one of the fundamental needs for the modern human society. It is devised to provide alternative sources of income to the workers at the time of contingencies through a concerted effort of the most appropriate organizations. The main

motto of the social security measure is to appropriately meet the socio-economic contingencies of individuals and families, thereby providing the confidence that their standard of living will not be eroded [8].

1.1 SOCIAL SECURITY

Social security is paramount for the well-being of people and society. Social security is the basic human right (though not one of the constitutional fundamental rights), and its fulfillment will contribute to achieving various developmental goals of the nation. It is a far reaching benefit in the form of reducing infant and maternity mortality rates, improving productivity and promoting sense of pride and self-respect amongst the citizens. Social security measures also help to eradicate poverty to some extent. Apart from providing protection against health and life hazards in work situations, social security measures progressively cater to the welfare measures involving provision of better health care, maternity care, old age provisions, etc [9].

1.2 COMPONENTS OF SOCIAL SECURITY

Social security programme is a more comprehensive and broader term. It is an indispensable and essential scheme for any developing economy, especially India, when it comes to the welfare of the state. The two important modes for offering social security schemes are social assistance and social insurance. Thus, social assistance and social insurance are referred as the two faces of the same coin. Both of these are part of a social security system.

1.2.1 Social Assistance:

Social assistance means the voluntary assistance provided by the society to needy persons, especially to the poor people without any obligation on them to pay any contribution for receiving benefits like sickness benefit, maternity benefit, old age pension, workmen's compensation, etc. In simple, social assistance programmes provide benefits for persons of small means with an amount that is adequate to meet a basic standard of living and it is exempted by the Government from taxation.

1.2.2 Social Insurance:

Social insurance is a co-operative device. It aims at providing adequate benefits to the insured on a compulsory basis in times of unemployment, ill-health, disablement and other emergencies. It is one of the important modes to prevent individuals from dying because of poverty or misery, and to provide necessary assistance during times of emergency.

1.3 STATEMENT OF THE PROBLEM

India is one of the young and fast developing economies in the world having declared social and economic justice to all in the preamble of the Constitution and also being a welfare state. Most of the people in India do not have access to formal sources of

banking, insurance and financial services. In India, a large proportion of population is without insurance of any kind, that is, health, accidental or life. Therefore, promoting inclusive growth in financial inclusion is one of the biggest challenges in India.

The honourable Prime Minister of India, Mr. Narendra Modi, after gaining valuable inputs from the pros and cons of previous schemes, has taken a forward step on Financial Inclusion, which is one of the top most priority projects of the government. In this regard, several public welfare schemes for inclusive finance through insurance have been introduced since 2014. Among these, Pradhan Mantri Suraksha Bima Yojana (PMSBY) launched on 9th May, 2015 is an important milestone in the Indian Social Security system. Its main aim is to create a universal social insurance system, targeted especially for the poor and the under-privileged.

This scheme is expected to provide the purpose of financial inclusion by achieving penetration of insurance down to the weaker sections of the society, ensuring their or their family's financial security, which otherwise gets pulled to the ground in case of any unexpected and unfortunate accident. This system will provide insurance coverage against accident risk especially to the high risk category such as mechanics, laborers, and truck drivers, who involve in a lot of travelling. In this aspect, it is imperative to study about the PMSBY scheme details and its progress.

2. REVIEW OF LITERATURE

Thirumavalavan [2] pointed out that the Government has decided to work towards creating a Universal Social Security System to the entire society, especially to the poor and the under-privileged, to address longevity risks among workers in the unorganized sector and to encourage workers in the unorganized sector to voluntarily save for their retirement. They also suggested that the success of implementing these social insurance schemes lies in the hands of insurance companies and bank from the first stage of policy namely enrolment to the final stage of claim settlement.

Deb and Sarma [3] suggested that, since both PMSBY, PMJJBY policies can only be taken by savings bank account holders, the schemes would work as a proxy for financial inclusion and encourage the unbanked population to join the formal banking system which, in turn, would not only add the number of accounts for banks but would also boost their bottom lines.

Azad et al. [4] pinpointed that, Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana has made an extraordinary performance in bringing the poor, marginalized and underprivileged sections into the mainstream. But still a considerable segment of the society is not fully equipped about the scheme. The claim settlement process is not known to the insured. In fact, majority of the insured persons are not aware about the coverage of these policies.

3. OBJECTIVES OF THE STUDY

The main objectives of this study are:

- To shed light on the PMSBY scheme and its features.
- To analyze the progress of PMSBY Scheme.
- To evaluate the state-wise/union territory-wise enrollment, claim distribution ratio of PMSBY scheme.

- To offer suggestions for better implementation of the PMSBY scheme

4. RESEARCH DESIGN AND METHODOLOGY

In view of considerable data from secondary sources collected and presented in this research article, 'descriptive research' is considered the most appropriate for the present study. The secondary data were collected from published documents, leading journals, magazines, newspapers, standard text books of related topics, and sources from internet.

4.1 PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY)

The Government of India launched the new insurance scheme namely Pradhan Mantri Suraksha Bima Yojana (PMSBY) to provide insurance coverage with a low premium amount against accident risks especially to the high risk category like mechanics, labourers, and truck drivers, who involve in a lot of travelling. It is an accident Insurance Scheme providing accidental death and disability cover to the insured for death or disability due to accident.

In brief, it is a Government-backed accident insurance scheme and it covers accidental death, permanent disability, and partial disablement. It offers one-year insurance coverage for accident risk and it is renewable from year to year. The scheme is offered and administered through Public Sector General Insurance Companies (PSGICs) and other Private General Insurance companies which are willing to offer the product with the necessary approvals and based on the similar terms and conditions. The General Insurance Companies tie up with the banks and post office for enrolling the subscribers in this programme. Participating banks and post offices will be free to engage any such insurance company for implementing the scheme for their customers.

4.1.1 Scope of Coverage:

The person who has savings bank account in participating banks/ post office and is between the age of 18 and 70 years will be eligible to join this scheme. If the person has more than one saving account in various bank, the person will register their name in this scheme through any one of the savings bank account only. Aadhaar card acts as the primary KYC for the bank account.

4.1.2 Premium:

The Government of India offered this scheme with a nominal insurance premium that would enable the provision of an affordable insurance coverage to the poor people. The premium amount is Rs.12/- per annum per member. The premium amount will be deducted from the subscriber's bank/post office account through 'auto debit' facility in one installment on or before 1st June of each annual coverage period under the scheme. However, in cases where auto debit takes place after 1st June, the cover shall commence from the date of auto debit of premium by Bank.

The premium under PMSBY scheme would be reviewed based on annual claims experience. However, barring unforeseen adverse outcomes of extreme nature, efforts would be made to ensure that there is no upward revision of premium in the first three years.

4.1.3 Benefits:

PMSBY scheme provides risk coverage of rupees 2 lakh in case of accidental death or full disability of the insured and rupees 1 lakh in case of Partial Permanent disability due to accident. The term full disability has been defined as loss of use in both the eyes, hands or feet. Partial Permanent disability means loss of use in one eye, hand or foot. Moreover, death due to suicide, alcohol, drug abuse, etc. are not covered under this scheme. The following table highlights the benefits in nutshell:

Table.1. Claim amount under PMSBY Scheme

Result of Accident	Claim amount
Death	Rs. 2 Lakhs
Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	Rs. 2 Lakhs
Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	Rs. 1 Lakhs

4.2 PROGRESS OF PMSBY SCHEME

To facilitate the penetration of accidental insurance to the poor people lower income and especially to the high risk category such as mechanics, labourers, truck drivers which involves a lot of travelling, the Government of India launched PMSBY Scheme through general insurance companies. For providing insurance coverage with simplified procedure like enrolling the person into the scheme, collecting premium and claim settlement the Government also ties up with the banks and post office. Up to November 2019, 1045 banks including Public and Private Sector, Regional Rural Banks, Cooperative and foreign banks have tied up with 10 general insurance companies for providing PMSBY to all the people in India, especially the poor and under-privileged.

4.2.1 Enrollment under PMSBY Scheme:

The success of any scheme depends on the number of persons enrolled in the scheme. The Government of India has undertaken extensive media based campaign to create awareness about the schemes amongst large sections of population and also carried outreach efforts to facilitate access to the schemes. An exclusive website www.jansuraksha.gov.in, which contains all relevant information/material/including forms, rules etc. related to this scheme in Hindi, English and regional languages was created.

For the purpose of this research, information regarding the number of beneficiaries in the PMSBY scheme has been collected and the same is furnished in Table.2.

Table.2. Enrollment under PMSBY Scheme

Financial Year	Total No. of person Enrolled (No. in Cores)	Trend Percentage
2016 - 2017	9.95	100.00
2017 - 2018	13.48	135.48
2018 - 2019	15.47	155.48
2019 - 2020*	18.22	183.12

Source: Ministry of Finance (*enrollment upto 13.03.2020)

It is explicit from the Table.2 that the gross enrolment of PMSBY scheme has continuously increased every year. During the financial year 2016 - 17, 9.95 crore individuals benefited from the scheme and the number of beneficiaries have increased to 18.22 crores during the year 2019-2020. Compared to 2016- 2017, the enrollment in PMSBY scheme has increased by 183.12% in the financial year 2019-2020. Thus, as per the analysis in Table.2, it is understood that many people like to enroll and continue their subscription in the PMSBY scheme.

4.2.2 Claims Received and Distributed:

Claims are the moment of truth in insurance. A low rejection rate, the claims amount paid directly into customers' accounts, and no reported case of leakage attract more people to insure in this scheme. PMSBY scheme adopts a simple claim settlement procedure involving minimum documentation work. For claiming insurance money, the policy holder or policy holder's nominee fills the Claim Form and Discharge receipt that are available in both the national and regional languages. Along with these documents, the attachment of original FIR, Post Mortem Report and Death Certificate in case of death of the insured, or Original FIR about the accident and a Disability Certificate issued by a Civil Surgeon, and Discharge certificate of claimant in case of permanent disablement, is adequate.

The details about the number of claims received and distributed under PMSBY schemes for the four financial years commencing from 2016-2017 were collected for the purpose of this research and the same is displayed in Table.3.

Table.3. Claims received and distributed

Financial Year	Total No. of Claims Received	Total No. of Claims Distributed	Percentage of claim settled against claim lodged
2016-2017	12,534	9,403	75.02
2017-2018	21,137	16,430	77.73
2018-2019	40,749	32,176	78.96
2019-2020*	50,003	39,625	79.25

Source: Ministry of Finance (*enrollment upto 13.03.2020)

From the Table.3, it is quite evident that the total number of claims received in the year 2016-2017 was 12,534 and the total number of claims disbursed during the year was 9,403. It shows that 75.02% of the claim received was distributed during the year itself. Similarly, the total number of claims received has increased to 50,003 in the year 2019-2020, and the total number of claims disbursed during the year is 39,625. It highlights that 79.25% of the claims received was distributed during the year itself.

The impressive progress in the number of claims received as well as the total number of claims disbursed is explicit from the aforementioned analysis. Moreover, the claim settlement ratio has also increased every year.

4.2.3 State/Union Territory-wise PMSBY Enrollment Details:

The PMSBY schemes were launched with much fanfare in May 2015 with well-planned mass media campaigns. This has increased the awareness about the schemes. The low premium amount with attractive claim amount will definitely attract many customers. Moreover, the participating banks and post office

backed by these promotions carried out enrolments by organizing customer enrolment camps and extensive outreach programmes.

Due to extensive campaigns the cumulative gross enrolment reported by banks was over 9.34 crores under PMSBY. 3,346 Claims were registered under PMSBY till 15th February, 2016 out of which 1,903 have been disbursed. The State and union territory-wise details regarding the number of person enrolled in the PMSBY scheme and along with the percentage of beneficiaries covered in these schemes compared to India's population up to February 2018 are highlighted in the Table.4.

Table.4. State/ Union territory wise PMSBY Enrollment Details

Name of State/UT	Enrolments	Claim Settlement Ratio	Percentage to eligible population
Andaman and Nicobar Islands	25,939	N/A	9.64%
Andhra Pradesh	267,94,786	95.45%	17.70%
Arunachal Pradesh	54,557	N/A	8.28%
Assam	15,42,341	91.67%	8.24%
Bihar	44,35,787	95.21%	9.97%
Chandigarh	1,80,897	91.84%	13.38%
Chhattisgarh	48,78,782	93.16%	32.42%
Dadra and Nagar Haveli	38,729	100.00%	10.59%
Daman and Diu	30,015	N/A	13.91%
Goa	2,34,179	96.83%	11.00%
Gujarat	50,85,989	95.77%	13.66%
Haryana	27,16,634	91.49%	13.59%
Himachal Pradesh	9,70,141	91.89%	22.04%
Jammu and Kashmir	6,06,542	97.73%	8.38%
Jharkhand	17,33,879	95.30%	10.97%
Karnataka	63,87,312	95.79%	14.82%
Kerala	36,73,381	97.02%	18.02%
Lakshadweep	4,510	N/A	9.73%
Madhya Pradesh	74,07,563	95.33%	17.42%
Maharashtra	80,03,951	95.22%	11.39%
Manipur	87,690	100.00%	6.09%
Meghalaya	77,784	66.67%	5.98%
Mizoram	72,568	100.00%	9.70%
Nagaland	48,569	N/A	7.45%
Delhi	22,21,327	95.47%	11.47%
Odisha	35,93,515	94.77%	13.89%
Puducherry	1,93,922	94.87%	17.97%
Punjab	32,88,932	94.05%	17.38%
Rajasthan	47,74,162	94.59%	13.88%
Sikkim	46,679	75.00%	9.32%
Tamil Nadu	68,65,370	92.97%	11.50%
Telangana	55,26,435	98.17%	16.35%

Tripura	3,11,420	90.00%	10.85%
Uttar Pradesh	116,66,598	94.76%	10.33%
Uttarakhand	12,93,280	95.60%	16.25%
West Bengal	55,91,359	86.77%	9.74%
Others including enroll through Non-CBS Enrolments	136,27,812		
Grand Total	1340,93,336	94.62%	13.20%

Source: Press Information Bureau, Government of India, Ministry of Finance

The analysis of the percentage of population eligible for enrollment in the PMSBY scheme shows that 32.42% of the eligible people in Chhattisgarh have registered in the PMSBY scheme and have, hence, placed Chhattisgarh as the Indian state with the highest enrolment ratio for the scheme followed by Himachal Pradesh with a 22.04% insured-persons rate against the total number of eligible persons in the state. However, the enrollment ratio against the total number of eligible persons in the state of Meghalaya is very low with only 5.98% benefiting from the scheme.

The investigation about claim settlement ratio against the total number of claim received indicates that in Manipur, Mizoram, Dadra and Nagar Haveli all the claims received were settled properly. Based on the claim settlement ratio these state and union territory were placed in the first position with 100% claim settlement ratio. But compared with the above said state/ union territory, Meghalaya's claim settlement ratio is not satisfactory one. The claim settlement ratio is 66.67%. There were no claims raised in Nagaland, Arunachal Pradesh states and Andaman and Nicobar Islands, Lakshadweep, Daman and Diu union territory.

It is explicitly known from the above study that up to February 2018, in India 13,40,93,336 policies were issued under PMSBY scheme. But, the percentage of eligible population registered in the PMSBY schemes is only 13.20%. It is narrated that the enrollment percentage is not commendable. Moreover 94.62% of the claims received are settled properly. It shows that the claim distribution ratio of PMSBY scheme is highly appreciable and commendable.

5. SUGGESTIONS

- The main motto of the scheme is to provide insurance coverage to all the citizen of India especially rural and backward people. In order to create awareness about this scheme, aggressive financial literacy campaign should be organized by the Government and bank.
- Bank should organize proper training and plan a coordinated campaign in partnership with NGOs to educate customers about the various schemes of financial inclusion.
- Attractive advertisements should be prepared using multimedia techniques in local languages. Moreover, the potential of the advertisements to directly reach the population that is eligible to be insured under the scheme, and to comprehensively explain the features and vital details of the scheme has to be ensured.

- Maximum entry age and minimum renewal age can be reconsidered.
- The Government insists Post-Offices and NGO's to come forward to cover the rural and semi-urban areas of the country to provide this scheme.
- This scheme may be implemented through salary/wages deduction process, and, subsequently, borne by the employer under an employee welfare programme.

6. CONCLUSION

PMSBY scheme fulfills the motto of financial inclusion by increasing the insurance penetration by offering life insurance coverage at a low cost premium that is affordable to all Indians. All the eligible citizens could register in the scheme so that their respective family members or nominees would be benefited in case of the occurrence of fatal or disabling accidents to the insured person. The Government effort to market this scheme by joining hands with public insurance companies, private insurance companies and post offices/banks to cover the poor and under-privileged sections of the society at a very economical and effective structure is really appreciable.

The number of beneficiaries during the year 2019-2020 is 18.22 crores. The number of subscribers under this scheme is rapidly increasing. However, it would be highly commendable if the benefit is passed on to the real subscriber by implementing the scheme in a more properly organized manner.

The success of the PMSBY scheme depends on the participating banks and post offices. Therefore, continuous efforts are required from the financial institutions to achieve the inclusive financial growth at the ground level of the society. PMSBY is an attractive scheme due to its reliability, economical term insurance service, flexibility, easy and clear process, and simplified claim process. However, limited amount of coverage, lack of investor's interest, and existing competition act as important barriers in the success road of the scheme. Yet, the scheme could achieve absolute success if the Government and the partnering banks

organize a more aggressive financial literacy campaign to create awareness about the PMSBY Scheme.

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