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AN ANALYSIS AND CRITICAL EVALUATION OF PRADHAN MANTRI JAN SURAKSHA YOJNA IN INDIA

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Abstract

India remains grossly underserved in Insurance and Pension Sector. In order to create universal social security system for all Indians that will ensure that no Indian citizen will have to worry about illness, accidents or penury in old age, the Prime Minister Narendra Modi introduced three schemes which were mainly meant for poor and the under-privileged of the country.In this study an attempt has been made to study in detail three ambitious Social Security Schemes which belong to the Insurance and Pension Sectors, namely Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha BimaYojana (PMSBY)and Atal Pension Yojana (APY). A comparative analysis has been made of the three schemes which are in three different areas, life, Non life and pension .An effort has also been made to evaluate the response towards these policies by studying enrolment status under these schemes.

Keywords:Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY);Pradhan Mantri Suraksha BimaYojana (PMSBY);Atal Pension Yojana (APY);Insurance Penetration;Insurance Density.

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1. Introduction

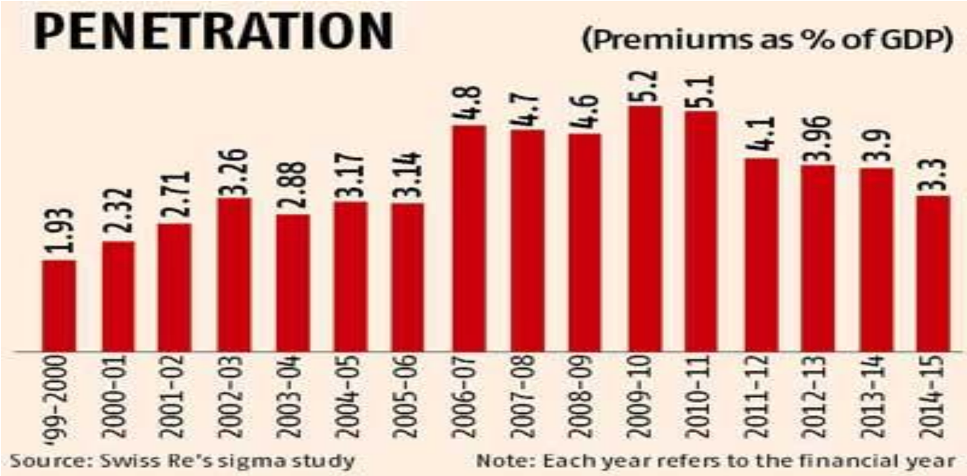
Insurance Penetration & Density in India

Insurance sector in India has come a long way **s**ince the initiation of economic reforms of the 1990's. As of Sep 2015, 52 insurance companies were operating in the country, including 24 in life and 28 in non-life segments. Although there is significant increase in number of insurance companies, hundreds of millions of people have limited awareness and/or access to insurance and financial services. The Indian insurance sector has developed in many aspects of insurance, compared to the developed countries like US, UK and France but lags in terms of Insurance Penetration (ratio of premium volume to GDP) and Density (ratio of gross premium volume to total population in a country). (Economic Research Department,State Bank of India, 2016).If we see progress of India in Insurance sector in India terms of insurance penetration and density, India as a country still remains grossly '**under-insured**'. So far as insurance density is concerned, India is far behind advanced economies.

An overview of Insurance sector in India:

1. The annual insurance premium per capita (density) was abysmally low at \$52 or less than 1% of annual income compared with 7% and 12% in the US and UK, respectively in the FY 2014. It rose to \$55 (Rs 3,498) in FY 2015 from \$52 (Rs 3,307 approximately). Insurance density (measured in \$) refers to per capita premium or premium per person. India's position remained 15th globally in FY 2015 with respect to premium income, which is similar to FY 2014.
2. Penetration in India, surged consistently till 2009, has been seeing a gradual decline. Insurance penetration (measured as a percentage of insurance premiums to GDP) rose from 2.71% in 2001 to 5.20% in 2009. Since than Insurance penetration, in India has been on a constant drop in India. It came down to 3.9% in 2013-14, indicating the growth in insurance premium is lower than the growth in national GDP. According to the latest sigma study from global reinsurer Swiss Re, India's insurance penetration fell to 3.3 per cent in FY15, compared to 3.9 per cent in FY14. This has been the lowest since 2005-06, when the penetration was at 3.14 per cent.
India's insurance penetration is far below the world average of 6.2%, largely due to limited financial awareness and literacy among the masses.

Figure 1:Insurance Penetration in India Year -Wise



3. With lower rates of renewal and lesser disposable income available to invest, insurers said the penetration had come down. Non-life penetration also declined marginally, it is life insurance that saw a bigger drop. (Saraswathy, 2015)

Life insurance

1. India stands at **3.1% in terms of life insurance penetration** versus a global average of 3.5% in the FY 2014. It came down to 2.6 per cent in FY15.
2. **Life Insurance density is at $41.**
3. Life Insurance penetration is very low in most of the North-Eastern states, Chattisgarh, Haryana and Delhi.

Non life insurance

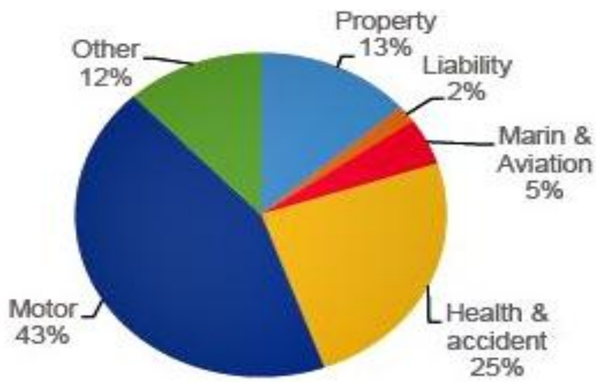
1. **Non-life insurance's density in India is at $11 only.**
2. The awareness and popularity of general insurance requirements is increasing in India as the country's non-life insurance sector (in terms of gross domestic premium income) has grown at an annualized rate of 16% from Rs 17,481 crore in 2004-05 to **Rs 77,525 crore in 2013-14**, compared with a 7% growth in the economy.
3. The share of India's non-life insurance premium to total insurance industry premium increased to 20.9% in 2014 from 17.8% a decade ago. Though as an industry non-life segment is growing at a rapid phase, India's share of the global non-life industry is a mere 0.7% only. But, growth in terms of premium is higher than that of advanced and emerging countries

4. The penetration of Non-Life Insurance business in India was a **mere 0.8%** in FY 2014 compared to the world average of 2.8%. It came down to 0.7 per cent in FY 2015 from 0.8 per cent.

5. Motor insurance is mandatory in India. Due to this reason, the motor insurance dominates the Non-life segment in India. India's non-life insurance industry is dominated by **motor insurance (43%)**, followed by **health and accident insurance at 25%**.

6. The report points out that awareness levels about Health and accident Insurance is on the rise in India. Health Insurance segment in India has been growing at 25.5% CAGR. It is estimated that the total premium has increased from Rs 3,999 cr in 2006-07 to Rs 19,677 cr in 2013-14.

Figure 2: Segment-wise share(2013-14)



Source: General insurance Council yearbook,2013-14

Source: Swiss Re; CRISIL; Economic Research Department, SBI.

An overview of Pension Sector in India: Economic prosperity of the country depends upon social security of the citizens which further depends on the development of the pension sector. It has been reported by a study that presently all over India just 12 per cent of the population has any form of old age income security. In India nearly 100 million people are in the age group of 60 years or more and this number will increase three times by 2050. There will be requirement of some kind of assured income guarantee by this large section of population to sustain itself in the coming years. Therefore India's fiscal and financial system should timely handle the rapid ageing of the population that will pan out in the next few decades.

Pension scheme for the unorganised sector: The government of India has a broad vision on pension sector and it aims at providing affordable universal access to essential social security protection, in a convenient manner, linked to auto- debit facility from the bank account of a subscriber. Specifically, with a view to addressing longevity risks among workers in the unorganised sector who constitute 88 per cent of the total labour force and encouraging them to voluntarily save for their retirement, the government has launched a new initiative called the Atal Pension Yojana (APY), in May 2015. APY will focus on all citizens in the unorganised sector who join the National Pension Scheme (NPS), administered by the Pension Fund Regulatory and Development Authority (PFRDA). (RBI, 2015)

Reseach Methodology: The information related to Pradhan Mantri Suraksha Yojnas has been taken from Department of Financial Services, Government of India. Findings of reports by CRISIL, Swiss Re, RBI and SBI proved to be of great help in assessment of Insurance and Pension Sector in India.

Objectives of the study:

1. To provide an overview of Insurance and Pension sector in India.
2. To study salient features of Pradhan Mantri Jan Suraksha Yojnas.
3. To critically evaluate response of these schemes.
4.

Pradhan Mantri Jan Suraksha Yojnas: **"*A large proportion of India's population is without insurance of any kind, health, accidental or life. Worryingly, as our young population ages, it is also going to be pension-less. Encouraged by the success of the Pradhan Mantri Jan Dhan Yojana (PMJDY), I propose to work towards creating a universal social security system for all Indians that will ensure that no Indian citizen will have to worry about illness, accidents or penury in old age*** ," said Finance Minister Arun Jaitley in his budget speech on 1 Mar 2015. Schemes were launched by Prime minister Narendra Modi on 9 May 2015**.**

Government has introduced three ambitious Social Security Schemes which belong to the Insurance and Pension Sectors, namely

a) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY),
b) Pradhan Mantri Suraksha BimaYojana (PMSBY)and

c) Atal Pension Yojana (APY)

The Social Security Schemes involve one life, one non-life and one pension product. It will extend the benefits of pure-term insurance, Group personal accident to the beneficiaries and post retirement pension benefits. These schemes were introduced so as to create a universal social security system, where in the poor and the under-privileged of the country were targeted.

Finally, the days have come where it has been realised by Government that the pure life and accidental insurance product are very important. Generally a Life Insurance product combines the aspects of both Insurance and Investment. However, never thought to have pure life insurance coverage. Also, many of us think about Life and Health Insurance only and not accidental Assurance.

These schemes are expected to be very beneficial and helpful for everyone. In this study the detailed and comparative information about all the schemes has been provided so that the investors can opt for it. Here is thorough introduction about these schemes in detail.

a) **Pradhan Mantri Jeevan Jyoti Bima Yojana: 'Pradhan** Mantri Jeevan Bima Yojana' is intended to give facility of life insurance targeting poor people of India. This is just like a pure Life Insurance product. just like in life insurance policy, the nominee receives the sum assured in case of sudden demise of the policyholder. No benefit is accrued if nothing happens to the policyholder. Such plans are called pure life insurance products or products. In LIC products, if policyholder survives he gets money at the end of a period but it is not the case with this scheme. Because of this drawback lower premiums are charged under this plan.

b) **Pradhan Mantri Suraksha Bima Yojana:** It is an accident insurance scheme in India having Government backing. This is the typical accidental insurance cover. It will be renewable on a yearly base just like Health Insurance, where you have to renew it on yearly and the benefit accrues only when there is accident. Both accidental death and disability covers due to an accident are available. In case of accidental death or full disability the insurance cover is of 2 Lakh and 1 Lakh for Partial Disability. You also get option of choosing long term plan for 2 to 4 years. In case of long term plan, the bank will debit the premium every year from your account. The premium of this scheme will be tax free. All public sector general insurance companies will provide this plan. The aim of financial inclusion can be achieved through this plan by allowing penetration of insurance down to the weaker sections of the society, ensuring their or their family's financial security, which otherwise suffers a lot due to unexpected and unfortunate accident.

c) **Atal Pension Yojana (APY):** Atal Pension Yojana is a defined benefit scheme which targets the unorganised sector of India which has no social security cover at all. It has the objective to provide an assured income level through the provision of regular pension and a sustainable retirement solution to the unorganised sector. Other peculiar features of this yojna are flexibility and ease of operations that may help to face the challenges of seasonality of employment and indebtedness in old age. Under APY, subscribers will receive different amounts as monthly minimum guaranteed pensions at the age of 60 years, depending on their contributions and these contributions further vary according to the age at the time of joining APY. The benefit of minimum pension will be guaranteed by the government.

Table 1: Comparative Analysis of Pradhan Mantri Jan Suraksha Yojnas

Particulars	**Pradhan Mantri Suraksha Bima Yojana**	**Pradhan Mantri Jeevan Jyoti Bima Yojana**	**Atal Pension Yojna (APY)**
Eligibility:	Available to people in age group 18 to 70 years with bank account.	Available to people in the age group of 18 to 50 and having a bank	The minimum age of joining APY is 18 years and maximum age is 40 years. One needs to

		account. People who join the scheme before completing 50 years can, however, continue to have the risk of life cover up to the age of 55 years subject to payment of premium.	contribute till one attains 60 years of age.
Premium/contribution:	Rs 12 per annum.	Rs 330 per annum. It will be auto-debited in one instalment.	To make the the pension scheme more attractive, government would co-contribute 50 per cent of a subscriber's contribution or Rs 1,000 per annum, whichever is lower to each eligible subscriber account for a period of of 5 years from 2015-16 to 2019-20. The benefit of government's co-contribution can be availed by those who subscribe to the scheme before December 31, 2015. * Now subscriber can pay

			on monthly, quarterly, half yearly basis to Atal Pension Yojana.
Payment Mode	The premium will be directly auto-debited by the bank from the subscribers account. This is the only mode available.	The payment of premium will be directly auto-debited by the bank from the subscribers account.	The premium will be auto-debited from customer's bank account monthly.
Risk Coverage:	For accidental death and full disability – Rs 2 Lakh and for partial disability – Rs 1 Lakh.	Rs. 2 Lakh in case of death for any reason.	**NA**
Eligibility	Any person having a bank account and ***Aadhaar*** number linked to the bank account can give a simple form to the bank every year before 1st of June in order to join the scheme. Name of nominee to be given in the form.	A bank account and ***Aadhaar*** number	Atal Pension Yojana (APY) is open to all bank account holders who are not members of any statutory social security scheme.
Terms of Risk Coverage:	A person has to opt for the scheme every year. He can also	A person has to opt for the scheme every year. He	**NA**

	prefer to give a long-term option of continuing in which case his account will be auto-debited every year by the bank.	can also prefer to give a long-term option of continuing, in which case his account will be auto-debited every year by the bank.	
Who will implement this Scheme?	The scheme will be offered by all Public Sector General Insurance Companies and all other insurers who are willing to join the scheme and tie-up with banks for this purpose.	The scheme will be offered by Life Insurance Corporation and all other life insurers who are willing to join the scheme and tie-up with banks for this purpose.	All Points of Presence (Service Providers) and Aggregators under *Swavalamban Scheme* would enrol subscribers through setup of ***National Pension System.***
Tax	The premium paid will be tax-free under section 80C and also the proceeds amount will get tax-exemption u/s 10(10D).But if the proceeds from insurance policy exceed Rs.1 lakh, TDS at the rate of 2% from the total	In addition, the premium for this scheme is completely tax-free.	Tax payers can not avail the benefits of 50% contribution from government. It is clearly mentioned that this scheme is for NON-Tax payer only. If you are tax payer then you need to pay full payment of Pension premium. PFRDA (Pension Fund Regulatory and Development) has

	proceeds if no Form 15G or Form 15H is submitted to the insurer.		raised concern that "Tax treatment of Atal pension is not clearly known but we understand it will be at par with the existing National Pension Scheme (NPS)". Government is yet to answer on this.
Exit	Individuals who exit the scheme at any point may re-join the scheme in future years through this modality. New entrants into the eligible category from year to year or currently eligible individuals who did not join earlier shall be able to join in future years while the scheme is continuing	If a policy holder exits during any year,he may rejoin in succeeding years with same terms and conditions.	Premature exit from the scheme before sixty years of age was not permitted earlier except in exceptional circumstances, i.e., in the event of the death of the beneficiary or terminal disease. Now the modified provision permits the subscriber to voluntarily exit with the condition that – He shall only be refunded the contributions made by him to APY, along with the net actual interest earned on his contributions (after

			deducting the account maintenance charges). The Government co-contribution, and the interest earned on the Government co-contribution, shall not be returned to such subscribers.

Source: Jan Dhan Se Jan Suraksha

*** Premium payable for scheme:**

Below mentioned table explains the calculation of pension according to age and years of contribution.

Table2: Pension Calculation in Atul Pension Yojna

Age on contributing to the Yojana	Years an Individual Has Contributed	Rough Calculation of Monthly Contribution (in Rs)	Monthly Pension That A Subscriber Receives (in Rs)	Return To The Family (in Rs)
18	42	210	5000	8.5 lakhs
20	40	248	5000	8.5 lakhs
25	35	376	5000	8.5 lakhs
30	30	577	5000	8.5 lakhs
35	25	902	5000	8.5 lakhs
40	20	1454	5000	8.5 lakhs

Source: Department of Financial Services, Government of India

Criticism: with very low premium serving such large number of people would only increase the burden and work-load of public sector.Hence financial inclusion proved to be myth.

Results:

Table 3: Enrolment Status Gender Wise and Area Wise as on 15 july,2016

Scheme	**Men**			**Women**			**Grand Total**
	Rural	**Urban**	**Total**	**Rural**	**Urban**	**Total**	
APY	9,09,848	9,02,861	18,12,709	4,79,176	5,45,410	10,24,586	28,37,295
Jeevan Jyoti Bima Yojna	92,57,047	97,82,592	1,90,39,639	57,32,156	55,07,116	1,12,39,272	3,02,78,911
Jan Suraksha Bima Yojna	2,99,79,469	2,87,48,835	5,87,28,304	2,01,81,413	1,68,87,429	3,70,68,842	9,57,97,146
Grand Total	4,01,46,364	3,94,34,288	7,95,80,652	2,63,92,745	2,29,39,955	4,93,32,700	12,89,13,352

Source: Department of Financial Services

- Total enrolments for insurance and pension schemes under the Pradhan mantra jan suraksha yojna crossed 128.9 mn as on july 15 2016.
- Personal accident policies gained maximum enrolment i.e.a total of 95.79 mn which is 74% of total enrolments under all the schemes.
- So far as gender wise enrolment status is concerned the number of males covered by the scheme(62% approx.)Outnumbers women (32%).The share of women subscribers continues to be low ompared to their male counterparts. This is true whether they belong to rural area or urban area.

- Among the three Social Security plans, the plan which gained lot of popularity is accident plan as it experienced the highest enrolment, followed by life insurance term cover and then pension plan. It can be attributed to the fact that the premium is Rs. 330 for the life plan and Rs. 12 for the personal accident plan.
- There is more enrolment in case of rural areas as compared to urban areas. Total enrolment in rural areas is 52% against 48% in urban areas.
- According to data available, of the 25,398 claims filed so far, 800 were rejected for fraud.
  - According to insurance officials, fraudulent claims include policies being bought for dead people or for conditions that are pre-existent leading to death.
  - People in rural areas are not aware that proper documents are required to process claims, said an official with a large life insurer. "Hence, they are taking the help of agents, some of whom are fraudsters who make use of the policy and take the claims." (Saraswathi, 2016)

Table 4: Subscribers to NPS and AYP

Type of Subscribers	No. of Subscribers	Total Contribution M&B (Crs)*	AUM(Cr)
NPS			
Central Government	**1,682,091**	**37,914,02**	**50,832,78**
State Government	**2,99,3776**	**51,062,47**	**61,869,03**
Corporate Sector	**488,598**	**8,897,91**	**10,078,07**
Unorganized sector	**231,766**	**1,394,39**	**1,480,48**
NPS Swawlamban	**4,469,996**	**1,889,46**	**2,240,80**
Pradhan Mantri Jan Suraksha			
Atal Pension Yojna*	**2,869,487**	**661.70**	**691.74**

Source:www.npstrust.in

*****FY 2015-16 up to 31/May/2016 (cumulative)

- In Pension sector although APY is the new entrant, 2,869,487 subscribers have opted for this scheme with total contribution and AUM amounting to Rs.661.70 Crs and Rs. 691.74 Crs.

Conclusion

Three Schemes- Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) have received an overwhelmimg response with very few rejections of the claims.The Pradhan Mantri Suraksha Bima Yojna is a low-cost personal accidental insurance scheme to increase the insurance penetration level in the country that provides a cover of Rs. 2 lakh for a premium of just Rs. 12 per year. Over 9.57 crore policies have been issued under this scheme. The Pradhan Mantri Jeevan Jyoti Yojna covers natural and accidental death risks up to Rs.2 lakhs to any Savings Bank holders in the age group of 18-50 years for a premium of just Rs. 330/- per year. 3.02 crore policies have been issued under this scheme while the Atal Pension Yojna (APJ) is a pension Scheme for the unorganized sector and . The Government contributes 50% of beneficiary premium (up to Rs 1000) for 5 years to those who joined the scheme before March, 2016. 28.37 lakh enrolments have been made under this. Out of 25,398 claims filed so far only 800 claims have been rejected.

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