

CHAPTER-6

INTRODUCTION

Fund management today includes the scope of proper acquisition and utilization of resources, balancing various stakeholders' claims, regulatory changes and a host of other considerations. Further, the very existence of an organization, whether it is for making profit or not, depends on the proper management of its financial resources. The present chapter assesses the fund management of the ESI Corporation. More specifically, it is intended to analyse the efficiency in rising the using of fund for the administration of the ESI Scheme. The various sources and application of funds of the Corporation during reference period is discussed in this chapter to assess the effectiveness of fund management. The information and data collected in this chapter are secondary in nature.

MEANING OF FUNDS

The term 'funds' has been defined in a number of ways-

In a narrow sense, it means cash only and a fund flow statement prepared on this basis is called a cash flow statement. Such a statement enumerates net effects of the various business transactions on cash and takes into account receipts and disbursements of cash. In a broader sense, the term 'fund' refers to money values in whatever form it may exist. Here 'funds' means all financial resources, used in business whether in the form of men, material, money, machinery and others. In popular sense, the term 'funds' means working capital, i.e. the excess of current assets over current liabilities. The working capital concept of funds has emerged due to the fact that total resources of a business are invested partly in fixed assets in the form of fixed capital and partly kept in form of liquid or near liquid form as working capital (Gupta & Sharma 2005)¹.

Funds play a very important role in the entire activities of an organization. In fact, what blood is to human body, fund is to an organization. In this study, the term fund has been used in narrow sense, i.e. cash, as the Corporation maintains its accounts on cash basis.

FUND MANAGEMENT OF THE ESI CORPORATION

According to section 26 of the ESI Act, 1948, all contributions paid under this Act and all other moneys received on behalf of the ESIC are paid into a fund called the Employees' State Insurance Fund, which is held and administered by the ESIC for the purpose of this Act (**ESIC Rules, 1995**)². The ESIC is required to frame a budget every year and maintain correct accounts of its income and expenditure in the form and manner prescribed by the Union Government. There are specific provisions in the ESI Act with regard to the fund management of the ESI Corporation. The scheme is primarily funded by contributions raised from insured employees and their employers in the implemented areas as a small but specified percentage of wages payable to such employees. The rates of contribution were last revised by the Corporation from 1 st January, 1997 and are still in vogue. These rates of contribution are (**ESIC Rules, 1995**)³:-

1) Employees' Contribution	– 1.75 percent of the wages
2) Employers' Contribution	– 4.75 percent of the wages
Total	- 6.50 percent of the wages

Employees in receipt of an average daily wage of Rs. 70/- or less, are exempted from payment of their share of contribution (w.e.f. 1-8-2007) but are entitled to all social security benefits under the Scheme. The State Governments, as per provisions of the Act, contribute 12.5 percent of expenditure on medical care on ESI beneficiaries in their respective States within the per capital ceiling. Any

expenditure over and above the ceiling is borne entirely by the State Govts. The contributions paid by employees and employers are deposited in a common pool known as the ESI Fund that is utilized for payment of cash benefits to the insured persons and their dependants, as well as, for providing medical facilities to the beneficiaries. The administrative and other expenses of the Corporation are also met this fund.

The Corporation may accept grants, donations and gifts from the Central Government or any State Government , local authority, or any individual or body whether incorporated or not, for all or any of the purposes of the ESI Act. All money received by the Corporation shall be paid into a fund called **Employees State Insurance Fund**. The fund so generated may be expended for the following purposes (**ESIC Act 2010**) ⁴ -

- 1) Payments of benefits and provision of medical treatment and attendance to insured person and, where the medical benefit is extended to their families, the provision of such medical benefits to their families, in accordance with the provisions of the Act and defraying the charges and costs in connection therewith.
- 2) Payment of fees and allowances to members of the Corporation, the Standing Committee and the Medical Benefit Council, the Regional Boards, Local Committees and Regional and Local Medical Benefit Councils.
- 3) Payment of salaries, leave and joining time allowances, travelling and compensatory allowances, gratuities and compassionate allowances, pensions, contributions to provident fund or other benefit fund of officers and servants of the Corporation and meeting the expenditure in respect of offices and other services set up for the purpose of giving effect to the provisions of the Act.

- 4) Establishments and maintenance of hospitals, dispensaries and other institutions and the provision of medical and other institutions and the provision of medical and other ancillary services for the benefit of insured persons and to their dependents.
- 5) Payment of contributions to any State Government, local authorities or any private body or individual, towards the cost of medical treatment and attendance provided to insured persons and to their dependents.
- 6) Defraying the cost of the employees' insurance courts set up under the Act.
- 7) Defraying the cost of auditing the accounts of the Corporation and of the valuation of its assets and liabilities.
- 8) Payment of any sums under any contract entered into for the purposes of the Act by the Corporation or the Standing Committee or by any officer duly authorized by the Corporation or the Standing Committee in that behalf.
- 9) Payment of sums under any decree, order or award of any Court or Tribunal against the Corporation or any of its officers or servants for any act done in the execution of his duty or under a compromise or settlement of any suit or other legal proceeding or claim instituted or made against the Corporation.
- 10) Defraying the cost and other charges of instituting or defending any civil or criminal proceedings arising out of any action taken under the Act.
- 11) Defraying expenditure, within the limits prescribed, on measures for the improvement of the health, welfare of the insured persons and for the rehabilitation and re-employment of insured persons who have been disabled or injured ; and
- 12) Such other purposes as may be authorized by the Corporation with the previous approval of the Central Government.

SOURCES OF REVENUE FUND OF THE ESIC

The inflows of funds are very important to have a smooth and proper functioning of the Corporation. As the ESI Corporation is running with the contribution of the employees and the employers, therefore it is very important to know about the revenue fund generated by the Corporation in the Assam region. The various sources of funds of the ESIC are shown in the following **table 6.1** –

Table 6.1: Common Size Statement Showing the Sources of Fund of the ESIC from 2001 to 2010

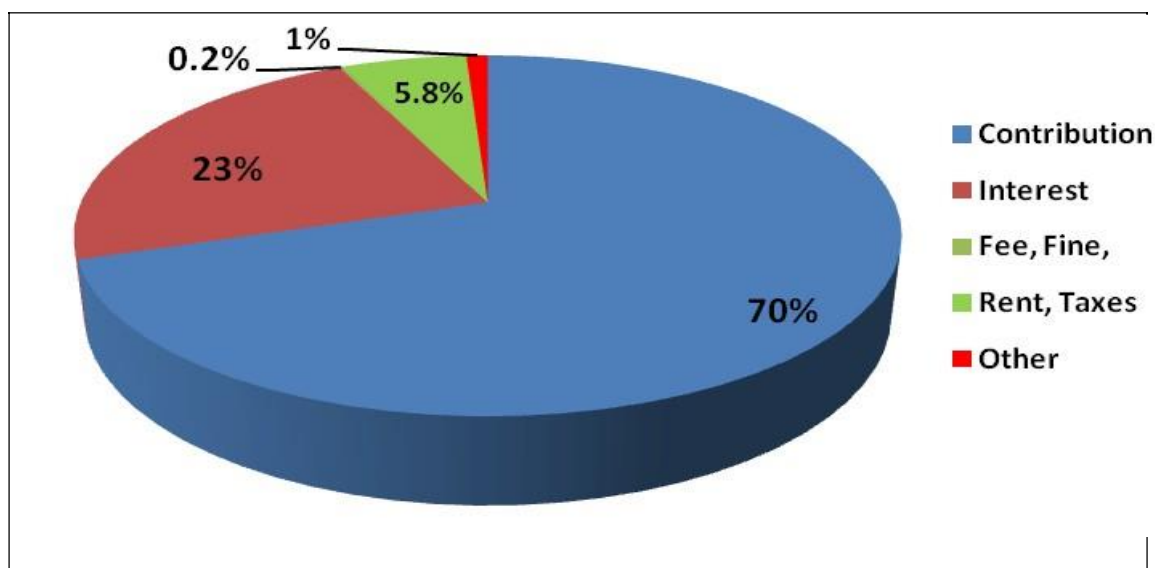
Year	Sources of Fund					
	Contribution (%)	Interest on Investments (%)	Fee, Fine, Forfeiture (%)	Rent, Taxes (%)	Other Incomes (%)	Total Fund (%)
2001-2002	72.24	22.96	0.18	3.29	1.33	100
2002-2003	76.39	19.18	0.19	3.45	0.79	100
2003-2004	69.89	25.98	0.29	2.92	0.92	100
2004-2005	73.41	21.05	0.13	5.00	0.41	100
2005-2006	71.49	20.72	0.13	6.38	1.28	100
2006-2007	73.27	19.19	0.12	5.84	1.58	100
2007-2008	81.78	14.41	0.12	2.97	0.72	100
2008-2009	80.27	16.21	0.19	2.78	0.32	100
2009-2010	80.26	15.53	0.20	3.65	0.36	100
2010-2011	77.26	20.05	0.15	2.21	0.33	100
AVERAGE	70	23	0.20	5.80	1.00	100

Source: Records from Regional Office of ESIC, Guwahati

From the above it is seen that the major portion of the fund of the Corporation is generated by contribution of the IPs and the employers. The average actual contribution for the 10 year period was 70%. Next to that the interest from investment also generates to its fund, i.e., 23%. Moreover, Fee, Fine, Forfeiture, Rent, Taxes etc. also contributes to the funds of the ESIC.

Following is the diagrammatic representation of the same-

Figure 6.1: Sources of funds of the ESIC in Assam Region from 2001- 2010



CONTRIBUTION

Major portion of the fund of the corporation is generated by contribution. The contribution comprises of both employers' sharing and the insured persons' share.

The details of the actual contribution from the year 2001 to 2010 is revealed below-

Table 6.2: Contribution Income of the ESIC from 2001 to 2010

Year	Actual Amount (Rs in Lakh)	Trend
2001-2002	111.40	-
2002-2003	197.61	86.21
2003-2004	321.97	124.36
2004-2005	402.34	80.37
2005-2006	537.09	134.75
2006-2007	608.63	71.54
2007-2008	697.49	88.86
2008-2009	919.05	221.56
2009-2010	1126.78	207.73
2010-2011	1522.19	395.41
AVERAGE	644.45	-

Source: Records from Regional Office of ESIC, Guwahati

* The corresponding previous year has been taken as base year

The table shows that the contribution income of the ESIC is increasing throughout the year. The contribution income of the ESIC in Assam region increases from Rs 111.40 (in Lakh) in the year 2001-2002 to Rs 1522.19 (in Lakh) in the year 2010-2011. The average contribution income of the corporation in the Assam region stands at Rs 644.45 (in Lakh) for the ten year period. Again the average percentage of the corporation was 9.97%.

INTEREST & DIVIDEND

Next to the contribution raised as a source of fund, the interest and dividend, is one another important source of fund generation for the Corporation. The actual amount of interest and dividend earnings for the study period is given below-

Table 6.3: Income from Interest on Investment of the ESIC from 2001 to 2010

Year	Actual Amount (Rs in Lakh)	Trend
2001-2002	1.32	-
2002-2003	0.68	-0.64
2003-2004	1.08	0.40
2004-2005	1.43	0.35
2005-2006	2.11	0.68
2006-2007	1.10	-1.01
2007-2008	0.78	-0.32
2008-2009	1.81	1.03
2009-2010	1.39	-0.42
2010-2011	5.53	4.14
AVERAGE	1.72	-

Source: Records from Regional Office of ESIC, Guwahati

* The corresponding previous year has been taken as base year

Interest and dividend is the next important source of income of the corporation. In Assam region the amount increases as a source of revenue fund from the year 2001-2010. In the year 2001-2002 the amount raised from interest and dividend as a source of revenue was Rs 1.32 (in Lakh) and it increases to Rs 5.53 (in Lakh) in the year

2010-2011 as shown in the table. It seems that the increase was in slow rate. The average increase was only Rs 1.72 (in Lakh) for the ten year period.

OTHER INCOMES

In other income the researcher includes, the sources like- fee, fines, forfeiture rent, taxes, miscellaneous etc. Altogether it also seems to constitute a good portion of the fund generation for the Corporation. The other income of the corporation as sources of fund generation is shown in the following **table 6.4-**

Table 6.4: Other Incomes of the ESIC from 2001 to 2010

Year	Actual Amount (Rs in Lakh)	Trend
2001-2002	09.11	-
2002-2003	21.63	12.52
2003-2004	19.71	-1.92
2004-2005	11.51	-8.20
2005-2006	17.98	6.47
2006-2007	38.72	20.74
2007-2008	08.59	-30.13
2008-2009	10.73	2.14
2009-2010	23.85	13.12
2010-2011	22.74	-1.11
AVERAGE	18.45	-

Source: Records from Regional Office of ESIC, Guwahati

* The corresponding previous year has been taken as base year

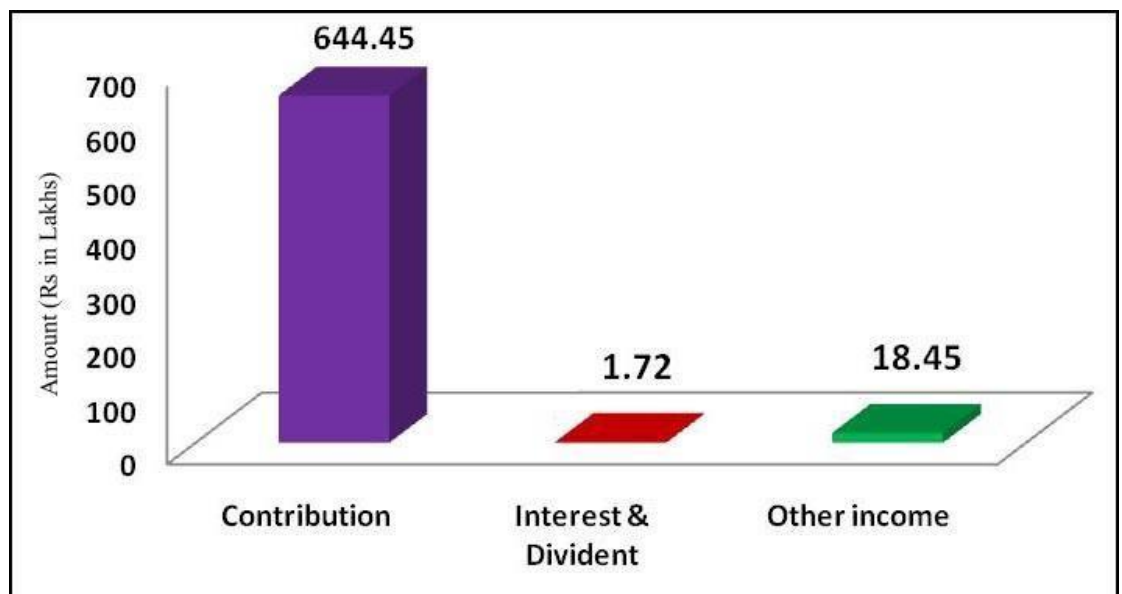
As the table shows the other incomes of the corporation increases from Rs 09.11 (in Lakh) in the year 2001- 2002 to Rs 22.74 (in Lakh) in the year 2010-2011. The average increase was Rs 18.45(in Lakh) for the study period. The trend of other incomes also shows fluctuations in different years. As for the year 2006-2007 the revenue earned from the other incomes was quite high as Rs 38.72 (in Lakh), but in immediately in the next year 2007-2007 it decreases to Rs 08.59 (in Lakh).The years 2002-2003, 2006-2007, 2009-2010

and 2010-2011 shows a high earnings from other incomes to the revenue fund of the corporation in the Assam region.

6. 8 CONTRIBUTION, INTERST & DIVIDEND, OTHER INCOMES

From the tables above (6.2, 6.3 & 6.4) it was observed that as a source of fund generation, the contribution income has the major portion of contribution and the others also contributed to the same. Below is a diagrammatic presentation to show the comparison of the three main sources-

Figure 6.2: Comparison of Contribution, Interest & Dividend and Other Incomes



The bar diagram above shows that contribution income is the prime source of fund generation for the Corporation. However, the other two sources also contributed in the fund generation.

TOTAL INCOME OF THE CORPORATION IN ASSAM REGION & INDIA

Total income of the Corporation includes contribution, interest on investments, fee, fines forfeiture, rent, taxes etc. and other incomes. A comparison of the actual total income from 2001- 2010of Assam and India, revealed that the Corporation could

attain the expected total income in majority of the years. **Table 6.5** below shows the actual total income of the ESIC from 2001-2002 to 2009-10.

Table 6.5: Total Income of the ESIC from 2001 to 2010

Year	Assam		India	
	Amount (Rs in Lakh)	Trend	Amount (Rs in Lakh)	Trend
2001-2002	121	-	173019	-
2002-2003	219	98	170481	-2538
2003-2004	342	123	197564	27083
2004-2005	415	73	224607	27043
2005-2006	557	142	284519	59912
2006-2007	648	91	332987	48468
2007-2008	706	58	389192	56205
2008-2009	932	226	445246	56054
2009-2010	1152	220	508518	63272
2010-2011	1550	398	606518	98000
AVERAGE	654.2	-	333265.10	-

Source: Records from Regional Office of ESIC, Guwahati

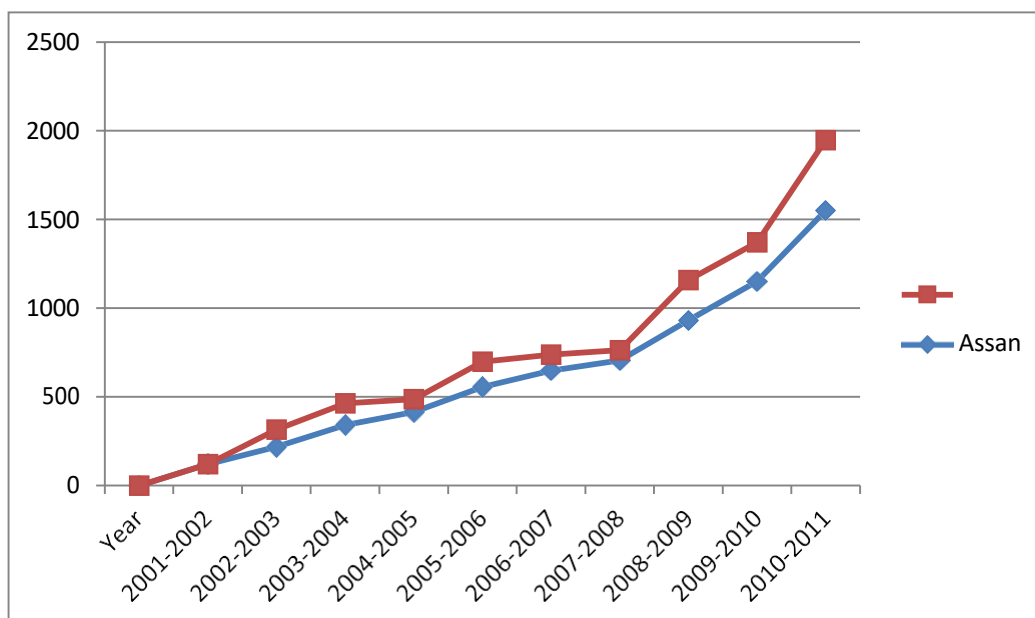
* The corresponding previous year has been taken as base year

From the table it is revealed that the average actual total income for the ten year period (2001 – 2010) was **Rs 654.2** lakhs in the Assam region. During the initial periods, i.e. from 2001 to 2007, the increase was at a slow pace, but in the latter periods it starts increasing at a fast rate. It shows an increasing trend of total income in the region. Same is the case at the national level also. The all India average for the ten year was **Rs 333265.10** lakhs.

TRENDS OF GROWTH OF THE TOTAL INCOME OF THE ESIC IN ASSAM & INDIA

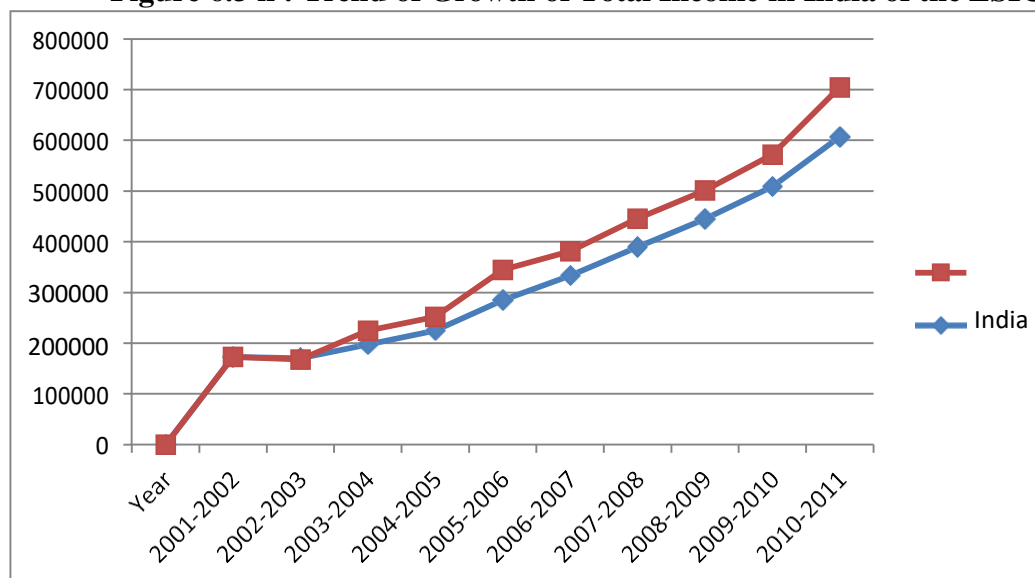
The trend of total income of the ESIC in Assam as well as in India is shown with the help of following **figure 6.3**. The diagram reveals an upward trend of growth of total income of the Corporation .

Figure 6.3 i : Trend of Growth of Total Income in Assam of the ESIC



Source: Field Study

Figure 6.3 ii : Trend of Growth of Total Income in India of the ESIC



The diagram above shows that at the initial period the trend was almost at a steady rate. But, from the period 2005-2006, the growth takes pace and the total income of the Corporation shows an upward trend.

UTILIZATIONS OF FUNDS OF THE ESIC

Professor Mahendra Dev says that the social security programs would be successful only when utilization of funds is proper and which is possible with the improvements in the literacy standards of the population. In his own words, .It is true that there is a need for increase in social expenditure for a poor country like India. Nevertheless, merely increasing funds is not enough if our aim is to reach the poor effectively. Between allocation of funds and effective utilization of the existing funds, more weightage should be given to the latter. (Mahendradev, 1995) ⁵.

The different aspect of the fund of the ESIC, where it is utilised are explain below with the help of the following **Table 6.6** –

Table 6.6: Common Size Statement Showing the Utilizations of Funds of the ESIC from 2001 to 2010

Year	Utilizations of Fund						
	Medical Benefit (%)	Cash Benefit (%)	Administrative Expenses (%)	CCRF (%)	Provision for D &M (%)	Surplus (%)	Total Fund (%)
2001-2002	35	18	11	3	1	32	100
2002-2003	31	17	10	3	1	38	100
2003-2004	33	17	10	3	1	36	100
2004-2005	31	14	9	3	1	42	100
2005-2006	34	18	11	3	1	33	100
2006-2007	33	16	8	3	2	39	100
2007-2008	34	19	8	3	1	35	100
2008-2009	36	20	9	3	2	30	100
2009-2010	35	22	10	3	2	28	100
2010-2011	35	22	11	3	2	27	100
AVERAGE	33.7	18.3	10.7	3	1.4	34	100

Source: Records from Regional Office of ESIC, Guwahati

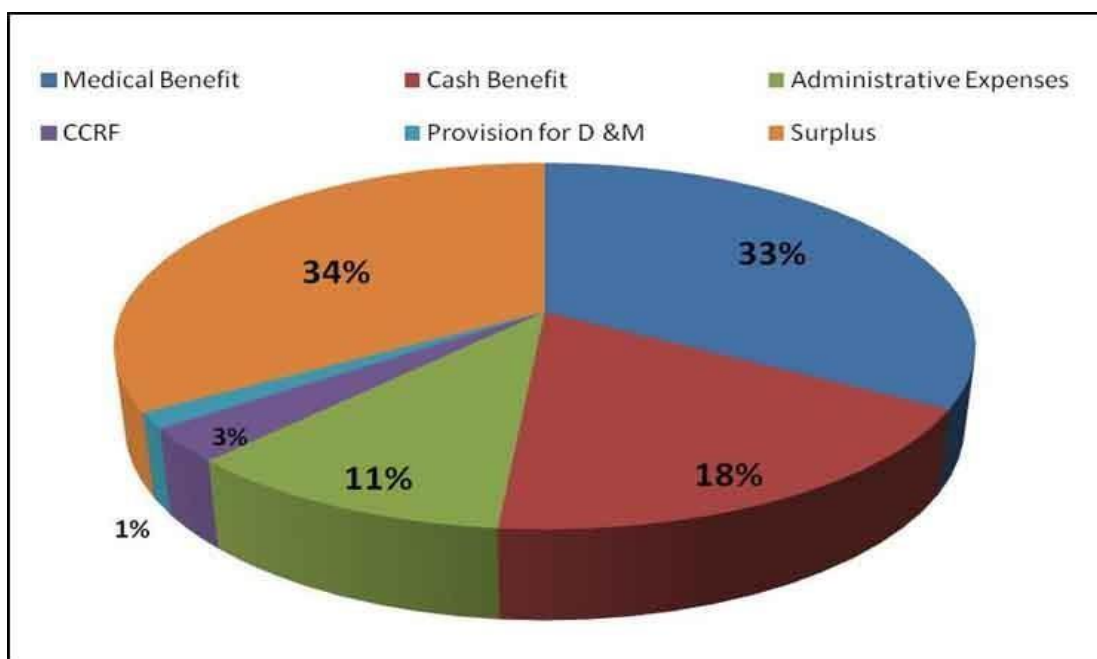
CCRF = Contribution to Capital Construction Reserve Fund, **D &M** = Depreciation and Maintenance

Table 6.6 reveals that the fund of the ESIC are utilised in an average of 34% for medical benefits to the insured persons followed by for cash benefits 18.3%. Funds are also utilised as Administrative Expenses 10.7%, Contribution to Capital

Construction Reserve Fund 3%, Depreciation and Maintenance of the corporation 1.4% etc.

Below is the diagrammatic representation (**Figure- 6.4**), of the utilisation of funds of the Corporation in Assam region. The pie- diagram shows that most of the funds are being utilised for the medical benefits of the insured persons.

Figure- 6.4: Utilizations of the Funds of the ESIC in Assam



Source: Field Study

EXPENDITURES ON MEDICAL BENEFITS

From the study it was revealed that major part of the funds are utilised for the medical benefits, which are essential for the insured persons. The details of the medical benefits expenditure of the Corporation is given in the following **table 6.7** –

Table 6.7: Expenditures on Medical Benefits of the ESIC from 2001 to 2010

Year	Actual Amount (Rs in Lakh)	Trend
2001-2002	94.32	-
2002-2003	168.31	73.99
2003-2004	222.96	54.65
2004-2005	261.65	38.69
2005-2006	272.00	10.35
2006-2007	247.01	-24.99
2007-2008	201.72	-45.29
2008-2009	533.43	332.71
2009-2010	406.51	-126.92
2010-2011	567.51	161.00
AVERAGE	297.54	-

Source: Records from Regional Office of ESIC, Guwahati

* The corresponding previous year has been taken as base year

The fund utilised for the medical benefits differ from time to time as revealed in the table. From the year 2001-2002 to 2007-2008 it varies between 3.16% to 9.14% of the total spending in the medical benefits. The expenditure spends on medical benefits during the years 2008, 2009 and 2010 was high as Rs 533.43 lakhs, Rs 406.51 lakhs and Rs 567.51 lakhs respectively which shows an increase of 17.92% , 13.66% and 19.07% respectively.

EXPENDITURES ON CASH BENEFITS

Next to the medical benefits, the Corporation utilizes its funds on cash benefits. The cash benefit includes, the disbursements of cash in case of sickness benefits, maternity benefits, disablement benefits and other benefits. Among these benefits, the major portion was spent on sickness benefits as reported during the study. The details of the expenditure on cash benefits is shown in the **table 6.8** -

Table 6.8: Expenditures on Cash Benefits of the ESIC from 2001 to 2010

Year	Actual Amount (Rs in Lakh)	Trend
2001-2002	47.82	-
2002-2003	61.54	13.72

2003-2004	59.02	-2.52
2004-2005	72.31	13.29
2005-2006	81.12	8.81
2006-2007	86.98	5.86
2007-2008	99.94	12.96
2008-2009	90.07	-9.87
2009-2010	200.20	110.13
2010-2011	170.09	-30.11
AVERAGE	96.90	-

Source: Records from Regional Office of ESIC, Guwahati

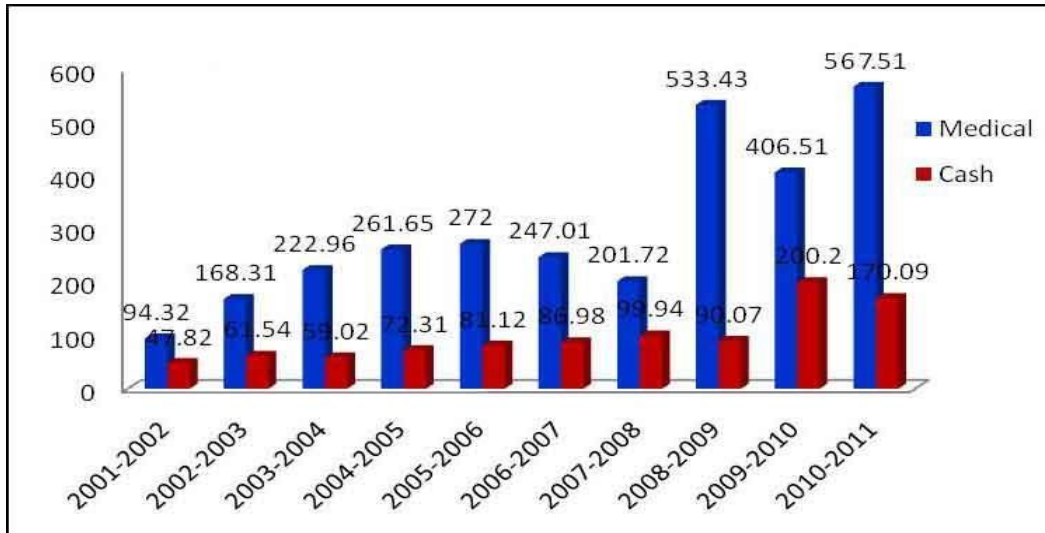
* The corresponding previous year has been taken as base year

It is observed from the table that the expenditure spend on cash benefit by the corporation in the initial period was at a steady rate, i.e. from the year 2001 to 2008 it increases at a steady rate. The percentage increase was in between 4.93% to 10.31%. But it was during the year 2009-2010, the corporation made a huge spending on the cash benefits, an amount of Rs 200.20 lakhs for the benefits of the insured persons. Immediately, in the year 2010-2011, again the expenditure incurred on cash benefits was Rs 170.09 lakhs, indicating a positive approach of the corporation towards the insured persons.

MEDICAL BENEFITS EXPENDITURES & CASH BENEFITS EXPENDITURES

A comparison of the medical benefits expenditure and the cash benefit expenditure is shown with the help of bar diagram in **figure 6.5**. The figure reveals that the expenditures spent on medical benefits were always higher than the cash benefits expenditures. It was also observed that the medical benefits expenditures were increasing rapidly from the year 2008-2009.

Figure 6.5: Expenditures on Medical Benefits & Cash Benefits



Source: Field Study

EXPENDITURES ON ADMINISTRATION

The Corporation in Assam is also spending a good amount in the administration. An efficient administration mechanism requires a well equipped infrastructure and for this investment in this particular head is very important. The administrative expenditures of the Corporation in Assam is shown below in the **table 6.9** -

Table 6.9: Expenditures on Administration of the ESIC from 2001 to 2010

Year	Actual Amount (Rs in Lakh)	Trend
2001-2002	35.33	-
2002-2003	61.54	26.21
2003-2004	98.06	36.52
2004-2005	101.04	2.98
2005-2006	142.30	41.26
2006-2007	175.65	33.35
2007-2008	204.84	29.19
2008-2009	378.30	173.46
2009-2010	524.20	145.90
2010-2011	514.14	-10.06
AVERAGE	223.54	-

Source: Records from Regional Office of ESIC, Guwahati

* The corresponding previous year has been taken as base year

The administrative expenditures of the corporation in Assam region has increased continuously as it is observed during the study period. The expenditure incurred on administration in the year 2001-2002 was Rs 35.33 lakhs, but it increases to Rs 514.14 lakhs in the period 2010-2011. The ten year average of the expenditure spend on administration was Rs 223.54 lakhs. The increase of the administration expenditure of the corporation in the Assam region implies the increased coverage of the scheme in the region.

6.16 TOTAL EXPENDITURE OF THE CORPORATION IN ASSAM REGION

Total expenditure of the Corporation include expenditure on medical benefits, cash benefits, administration expenses, provision for depreciation and maintenance and amount allocated for capital construction. In **table 6.10** a comparison of the actual expenditure (total) of Assam and India for a period of ten years 2001-2010 is made with a view to ascertain the efficiency of the Corporation in the fund utilization.

Table 6.10: Total Expenditure of the ESIC from 2001 to 2010

Year	Assam		India	
	Amount (Rs in Lakh)	Trend	Amount (Rs in Lakh)	Trend
2001-2002	189.34	-	110412	-
2002-2003	298.11	108.77	111831	1419
2003-2004	389.78	91.67	116997	5166
2004-2005	442.36	52.58	125800	8803
2005-2006	501.67	59.31	141749	15949
2006-2007	515.44	13.77	179291	37542
2007-2008	511.54	-3.90	198912	19621
2008-2009	1052.35	540.81	206882	7970
2009-2010	1138.31	85.96	271180	64298
2010-2011	1263.32	125.00	346781	75601
AVERAGE	630.22		180983.50	-

Source: Records from Regional Office of ESIC, Guwahati

* The corresponding previous year has been taken as base year

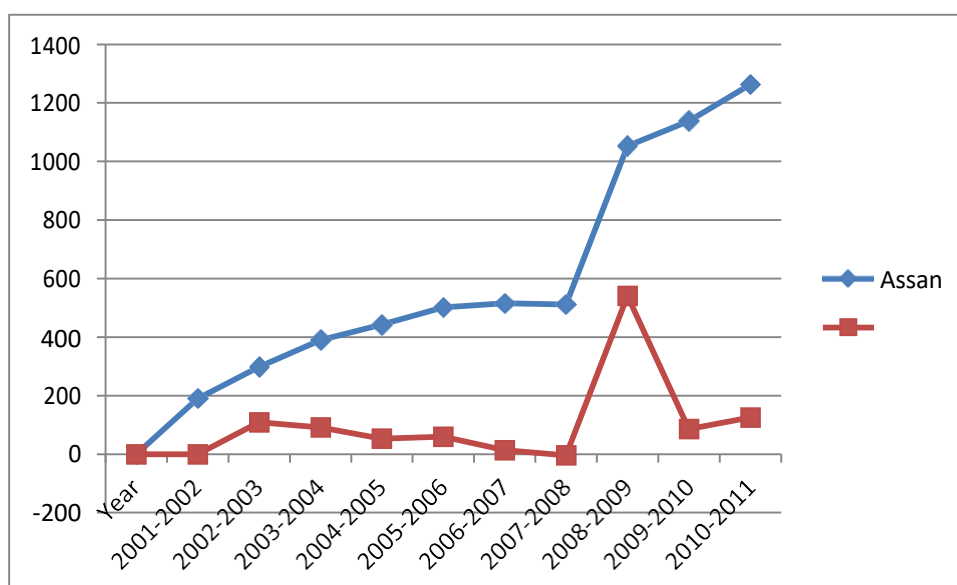
From the **table** it is revealed that the total amount of expenditure of the corporation in Assam increases at a steady rate from the year 2001 to 2007. But, from the year 2008 the increase of the expenditure of the corporation in Assam was rapid. Initially in the year 2001-02 the total expenditure was Rs189.34 lakhs, which increases to Rs 1263.32 lakhs during the period 2010-2011. Same is the case with India, the total expenditure of the corporation in India increases almost at a constant rate from the year 2001 to 2005 and after that it took pace. The ten year average of the total expenditure incurred in India was Rs 180983.50 lakhs.

6. 17 TRENDS OF GROWTH OF THE TOTAL EXPENDITURE OF THE ESIC IN ASSAM & INDIA

The trend of total expenditure of the ESIC in Assam as well as in India is shown with the help of following **figure 6.6 and figure 6.7**. The diagram reveals an upward trend of growth of total income of the Corporation in India and Assam. This is represented

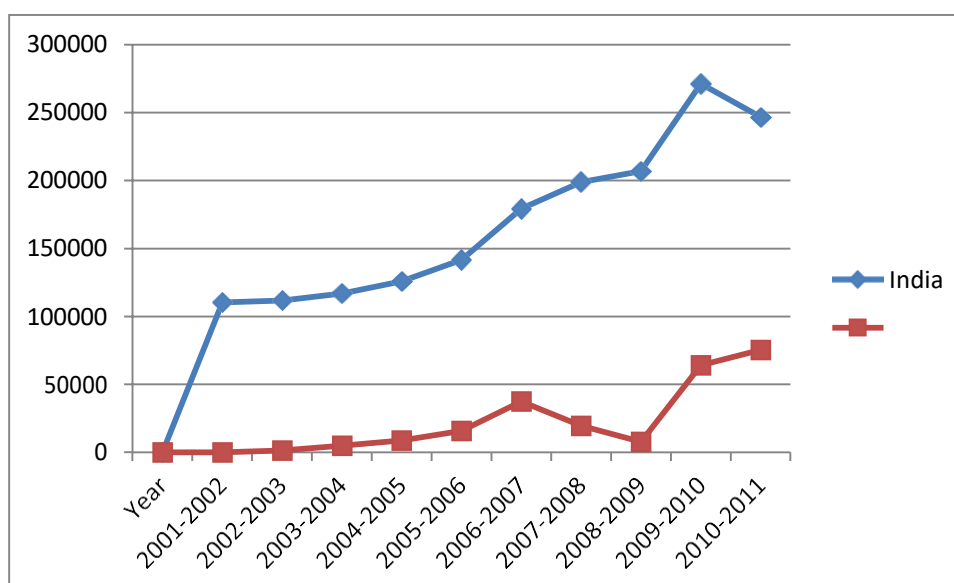
with the help of the line graph as follows-

Figure 6.6: Trend of Growth of Total Expenditure of ESIC in Assam



Source: Field Study

Figure 6.7: Trend of Growth of Total Expenditure of ESIC in India



Source: Field Study

SURPLUS/DEFICIT OF THE CORPORATION IN ASSAM REGION

The efficiency of the Corporation in the fund management will be definitely reflected on the surplus (excess of income over expenditure) it made. An assessment in this regard is shown in the following **Table 6.11-**

Table 6.11: Surplus and Deficit of the ESIC from 2001 to 2010

YEARS	INCOME Amount (Rs in Lakh)	EXPENDITURE Amount (Rs in Lakh)	SURPLUS/DEFICIT Amount (Rs in Lakh)
2001-2002	121	189	-68
2002-2003	219	298	-79
2003-2004	342	390	-48
2004-2005	415	442	-27
2005-2006	557	502	+55
2006-2007	648	515	+133
2007-2008	706	512	+194
2008-2009	932	1052	-120
2009-2010	1152	1138	+14
2010-2011	1550	1263	+287

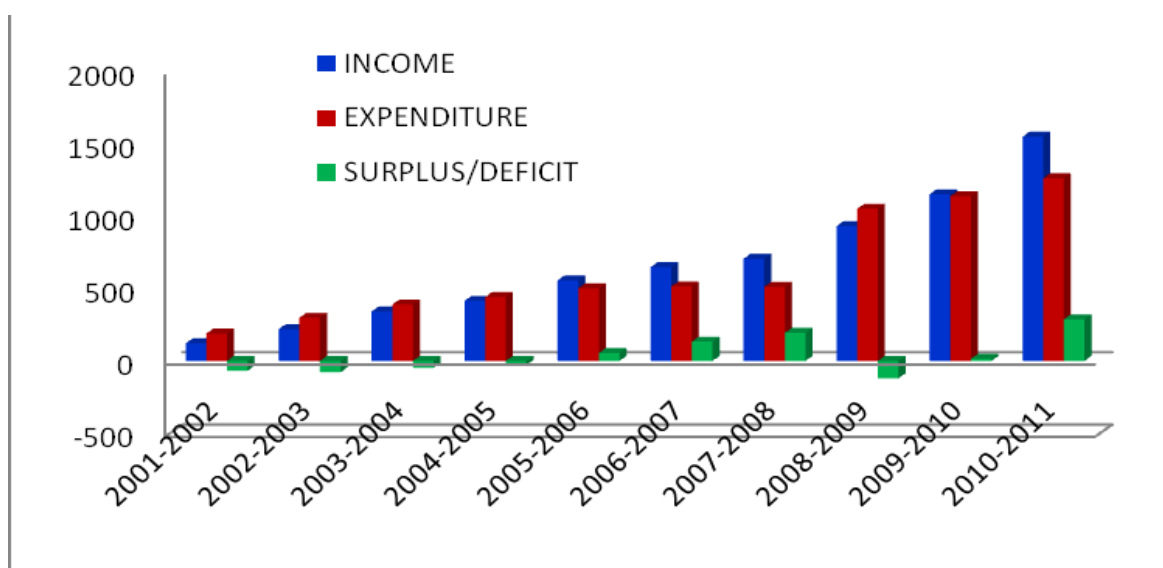
Source: Records from Regional Office of ESIC, Guwahati

Table above reveals that during initial year of study (from 2001-02 to 2004-05) there was a deficit of income. However the amount of deficit reduces during this period.

From the year 2005-06 onwards a trend of surplus has been showed, although in the year 2008-09 the corporation again faces deficit. The corporation in the region receives highest amount of surplus of Rs 287 lakhs in the period 2010-2011. It indicates that the corporation was successful in maintaining a balance between income and expenditure in the latter period and could contribute for capital expenditure for furtherance of development of the corporation.

The surplus and deficits of the Corporation in Assam is also represented with the help of following **figure 6.8**.

Figure 6.8: Surplus and Deficit of the ESIC in Assam



Source: Field Study

INVESTMENT & RESERVE FUND

The surplus fund of the ESIC is invested in different sources to earn a fair return on them. Each region remits their surplus to the head quarter of the Employees' State Insurance Corporation situated in New Delhi. The corporation then invested these funds as a reserve funds. Adequate amount of reserve funds available in the corporation indicates a strong base of the corporation to meets its future obligations. Therefore, the analyses regarding the investment in reserve fund is based on the all

India level. Following **Table 6.12** shows the common size statement showing the pattern of investment of the reserve funds in the all India level-

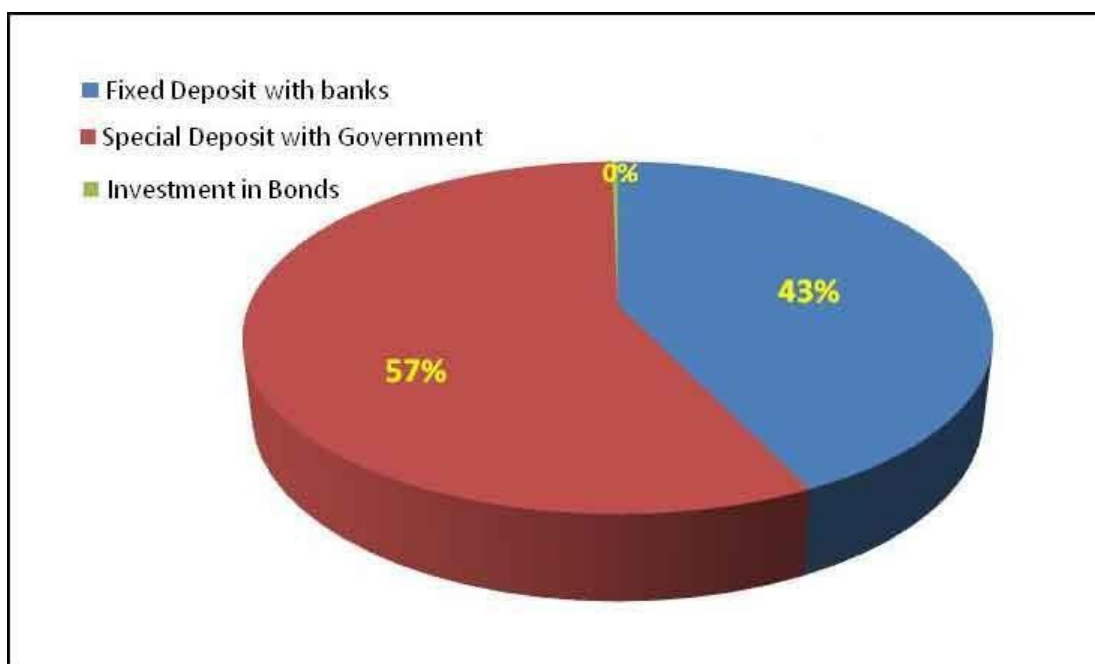
Table 6.12: Common Size Statement Showing Pattern of Investment of the Reserve Fund from 2001 to 2010

Year	Fixed Deposit with banks (%)	Special Deposit with Government (%)	Investment in Bonds (%)	Total (%)
2001-2002	41.28	58.72	0.00	100
2002-2003	44.20	55.80	0.00	100
2003-2004	45.55	54.45	0.00	100
2004-2005	48.47	51.53	0.00	100
2005-2006	49.68	50.12	0.20	100
2006-2007	46.36	53.21	0.43	100
2007-2008	40.33	58.44	1.23	100
2008-2009	39.98	59.65	0.37	100
2009-2010	38.35	61.32	0.33	100
2010-2011	34.66	64.78	0.56	100
Average	42.88	56.80	0.31	100

Source: Records from Regional Office of ESIC, Guwahati

Table 6.12 shows that the surplus fund of the ESIC is mostly invested in Special Deposit with the Government, 57% almost. The corporation also invested in fixed deposits scheme of the banks to get a good return, 42.88% in the average ten year period. The Corporation also makes investment in bonds but the percentage of investment in bonds came to be very low as 0.31%. The pattern of investment of the Corporation is also represented with the help of following **figure 6.9** –

Figure 6.9: Pattern of Investment of the Reserve Fund of ESIC in India



Source: Records from Regional Office of ESIC, Guwahati

RETURN ON RESERVE FUND INVESTMENT

The profit margin of ESIC has increased from 36 percent of total revenue in 2001-02 to 54 percent in 2008-09 (**Gupta et al., 2004**) ⁶. It indicates that the Corporation is maintaining sufficient reserves in all the years investment made by the Corporation are giving them back a return. However, statistics shows that, the return on the reserve fund investment is not so encouraging and it seems to be low. The **table 6.13** below shows the details-

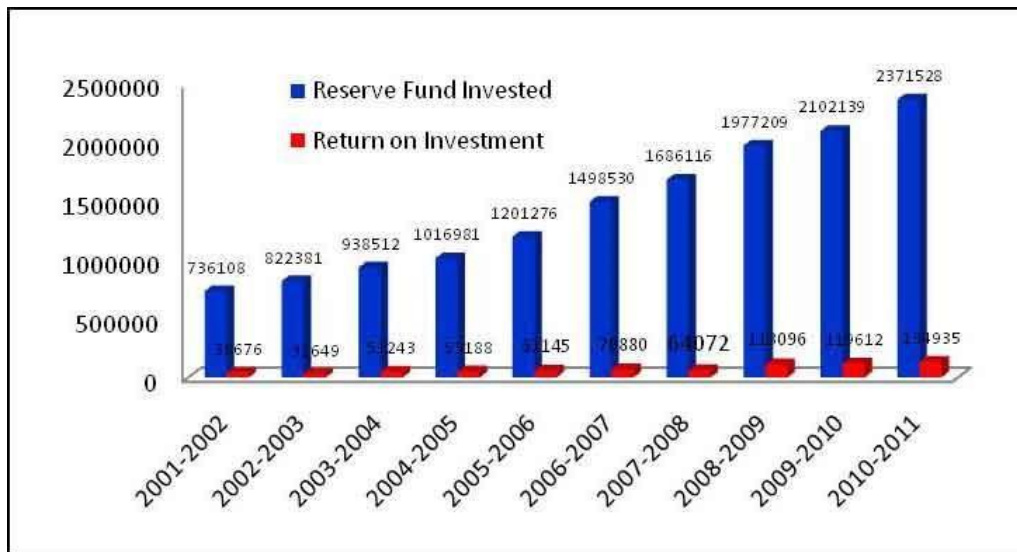
Table 6.13: Return on Reserve fund Investment (ROI) of the ESIC

YEARS	Reserve Fund Invested (Rs in Lakh)	Return on Investment (Cumulative Total)	Return on Investment (In Percentage)
2001-2002	736108	39676	5.39
2002-2003	822381	32649	3.97
2003-2004	938512	51243	5.46
2004-2005	1016981	53188	5.23
2005-2006	1201276	61145	5.09
2006-2007	1498530	70880	4.73
2007-2008	1686116	64072	3.80
2008-2009	1977209	113096	5.72
2009-2010	2102139	119612	5.69
2010-2011	2371528	134935	5.69
Average	-	-	5.07

Source: Records from Regional Office of ESIC, Guwahati

The table reveals that the percentage of return on investment varies between 3.80% to 5.72% only which is low in nature. The amount of reserve fund invested was Rs736108 lakhs in the year 2001-2002. It increased to Rs 2371528 lakhs in the year 2010-2011. The average return on investment for the entire ten year period came to 5.07%.The diagrammatic representation of the return of reserve fund investment of the ESIC is shown below in **figure 6.10** –

Figure 6.10: Return on Reserve Fund Investment of the ESIC



Source: Records from Regional Office of ESIC, Guwahati

From the figure 6.10 it was seen that the reserved fund invested was increasing upward at a good pace, but the return in connection to the reserved fund investment could not make pace with the same. The return on investment of the Corporation was low during the study period as it was observed.

CONCLUSION

The above scenario about the funds of the ESIC reveals that the Corporation is more or less successful in efficiently handling the cash. However, region wise specific percentage of amount should be allotted to different states for the development of the infrastructure of the Corporation. The funds should be more carefully and optimally utilised for the benefits of the insured persons in particular and properly invested to get a good returns on them.