

MICRO INSURANCE – A STUDY ON PERCEPTION AND OUTREACH IN RURAL INDIA

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Abstract: Micro insurance, often known as insurance for the poor, has recently captured the interest of practitioners in developing nations. In layman's terms, microinsurance is the provision of insurance services to low-income households, and it is a vital instrument for mitigating risks for an already vulnerable population. The study's major goal was to identify and assess socioeconomic factors of microinsurance in Coimbatore, as well as to identify challenges and issues related to microinsurance, such as product design, price, and claim settlements. Simple percentage and Garrett rank were used in this investigation. According to the findings, the majority of respondents had taken LIC of India and given primary attention to premium amount. The study identified that Micro-insurance provides financial support to the poor in the event of a disaster, social protection against disasters and shocks, savings, employment, and as well as enhances asset accumulation among clients. The study found that the lack of innovative micro-insurance product, inadequate distribution channels, the lack of a supportive micro-insurance legal framework, uncompetitive pricing of micro-insurance products, low government support in micro-insurance programs, low-income levels of respondents, low public trust are the factors that affect the demand of micro-insurance products.

Keywords: Micro Insurance, Health Insurance, Rural India, low income

1. INTRODUCTION

Micro insurance protects low-income persons against specific risks in exchange for regular premium payments that are proportional to the probability and expense of the risks involved. Except for the clearly defined target market of low-income people, this concept is identical to that of normal insurance. People who are often neglected by mainstream commercial and social insurance schemes, as well as those who have never had access to adequate insurance products, are the target audience. Micro insurance is a type of insurance that aims to make basic insurance cheaper. It simplifies standard insurance into something much more affordable. The approach allows us to pay for only the coverage we require. It is intended to assist low-income individuals and those living in developing countries. The most popular option is health.

2. REVIEW OF LITERATURE

Bakhshi (2021) conducted a study about the review of progress of “*Micro Insurance sector post liberalization in India*”. This study highlights the importance of insurance in supporting the sustainable development of the poor and reducing the inequality in developing countries like India. Kesavan Sreekantan Nair (2021) discusses, “*India's Micro System Financing and Delivery at a CrossRoads*” the Micro financing is an important

component which shapes a country's Micro system. Uman Devi and Vazir Singh Nehra (2020) in their paper titled "*The Problems with Micro insurance Sector in India*", found that the level of Micro care spending in India currently is considerably higher and more than three-quarters of this spending includes private 'out-of-pocket expenses'. This highlights the need for an alternative source of financing Micro care cost that may be micro insurance. Sunita Saldanha et al. (2020) conducted a study about the, "*Awareness of Micro insurance among rural population*" in which study for the majority of people living in rural India, Micro insurance is an unheard word. As per the findings of a contemporary research report by RNCOS, mentality is one the biggest reasons behind the low penetration rate of micro insurance in rural India. Creating awareness about the Micro insurance among the rural population remains a biggest challenge. Chithirai Selvan M and Shanmugapriya M (2020) A survey was conducted among the rural policyholders' opinion on sources of motivation in taking up micro insurance policy, motives for holding micro insurance policy, and reason for choosing micro insurance provider. This study is mainly based on primary data which is collected through the issue of questionnaires to 190 rural policyholders residing in Pollachi Taluk by adopting a convenient sampling method. Candida A Quadros and Arpita Agarwal (2019) made an evaluative study on "*Parameters Affecting The Purchase Of Micro insurance*", In India, the number of people covered under micro insurance is less as compared to developed countries. The study also observed that there are six key factors which are acting as barriers in the subscription of micro insurance. Harinder Singh Gill and Pooja Kansra (2019) in their paper titled "*A study on Growth and Trends of microinsurance in India*" an attempt has been made to examine the growth and trends of micro insurance in India. It was found that micro insurance was growing at a Micro rate in India.

3. OBJECTIVES OF THE STUDY

- To identify and assess socioeconomic factors that influence microinsurance demand.
- To find out the level of awareness of policy holders on micro Insurance companies and their policies.
- To study how consumers feel about the micro insurance product and also to assess their satisfaction level.

4. LIMITATIONS OF THE STUDY

- This research covers the considerations and regulations governing the design and intermediation of microinsurance in detail and describes nascent social security schemes for the very low income segments of the population, essentially in passing.
- The aim is to fill out the picture in relation to financial services for risk mitigation for the poor in India.
- This research study was restrained to the Coimbatore district. Hence, the results are reliable to that place only and the findings may not reflect the entire universe. For convenience and want of time only 150 respondents were taken for the study.

5. RESEARCH METHODOLOGY

The present study's ultimate objective is to find out the customer perception towards the micro insurance products: A study with special reference to Coimbatore District . The research is unique in that it is based primarily on primary data. The primary data was acquired through questionnaires distributed to several sorts of sample respondents. The convenience factor was used to pick a hundred responders. As a result, the responses chosen for the study using the

convenient random sampling method are fairly representative. For the purpose of this study 150 respondents were taken from the coimbatore district.

6. ANALYSIS AND INTERPRETATION

Table No 1 : Awareness level of Micro insurance

SI NO	Awareness level of Micro Insurance	No of Respondents	Percentage
1	Aware	40	27
2	Not Aware	110	73
	Total	150	100

From the above table, we came to know that 27% of the respondents are aware of micro insurance and 73% of the respondents are not aware about microinsurance.

INDEPENDENT SAMPLE T TEST

HYPOTHESIS :

H₀ - There is no Significant relationship between the Educational level of the respondents and Awareness level of the respondents.

H₁ - There is Significant relationship between the Educational level of the respondents and Awareness level of the respondents.

	Awareness level of micro insurance"	N	Mean	Std. Deviation	Std. Error Mean
Educational level	Yes	55	2.91	1.191	.161
	No	95	2.44	0.953	.098

		Levene's Test for Equality of Variances									
		F	Sig.	t	df	Significance		Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						One-Sided p	Two-Sided p			Lower	Upper
Education level	Equal variances assumed	7.87	.006	2.63	148	.005	.009	.467	.177	.117	.817

	Equal variances not assumed			2.48	94.0	.007	.015	.467	.188	.094	.840
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From the analysis of the Independent Sample T test the significant value (2-sided) is 0.09 which is greater than 0.05. Thus we reject the alternate hypothesis and accept the null hypothesis. We conclude that there is no significant relationship between the Educational level of the respondents and Awareness level of the respondents.

CHI SQUARE

HYPOTHESIS :

H₀ - There is no Significant difference between the Income level of the respondents and Non preference in choosing insurance.

H₁ - There is Significant difference between the Income level of the respondents and Non preference in choosing insurance.

Table No 2 : Income and non-preference of Micro insurance

Monthly Income * Specify the reasons that you were afraid to choose insurance								
Expected Count								
		Specify the reasons that you were afraid to choose insurance						Total
		Delayed Consumption	Affordability	Product Customization	Unwillingness to Pay	Inability to spend	NA	
Monthly Income	Below Rs 5000	2.6	6.3	5.3	6.0	.1	1.6	22.0
	Rs 5000 to Rs 10000	9.7	23.2	19.4	22.1	.5	5.9	81.0
	Above Rs 10000	5.6	13.5	11.3	12.8	.3	3.4	47.0
Total		18.0	43.0	36.0	41.0	1.0	11.0	150.0

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	12.186^a	10	.273

Likelihood Ratio	13.852	10	.180
Linear-by-Linear Association	1.174	1	.279
N of Valid Cases	150		

From the above chi square test results, Since P value (.273) is greater than the significant value 0.05, we accept the null hypothesis (H_0) and reject the alternative hypothesis (H_1). Hence there is no Significant difference between the Income level of the respondents and Reasons why customers are afraid of choosing insurance.

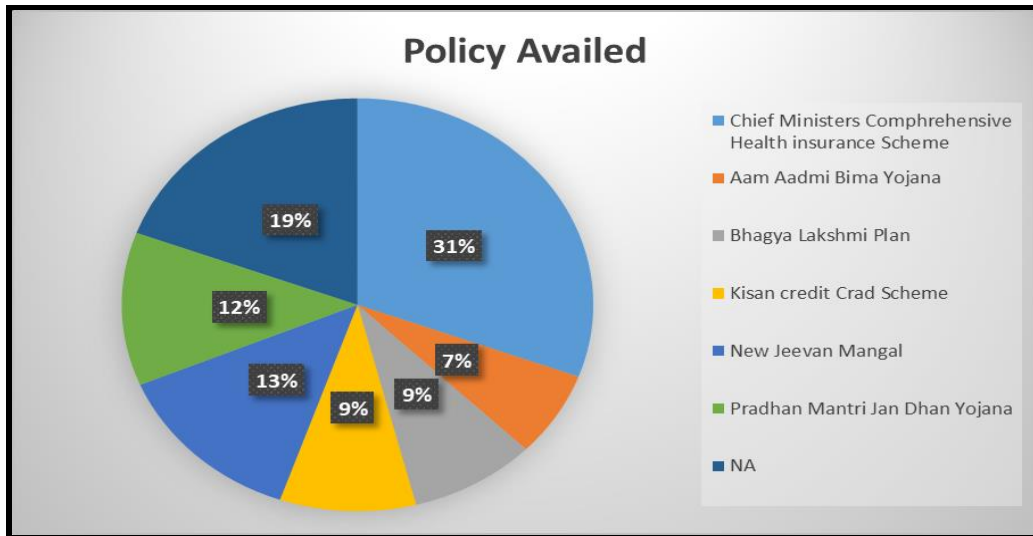
Reasons in choosing microinsurance policy- Garrett Ranking Technique

SINO	FACTORS	I	II	III	IV	V	Total score	Garrett mean score
1	Affordable premium amount	4875	2400	1000	600	250	9125	60.833
2	Short term maturity tenure	3750	3600	1500	280	75	9205	61.36
3	Attractive benefit	1800	2100	1250	1200	400	6750	45
4	Procedure of claim settlement	525	600	2250	2240	800	6415	42.7
5	Freelook cancellation	300	300	500	1680	2225	5005	33.37

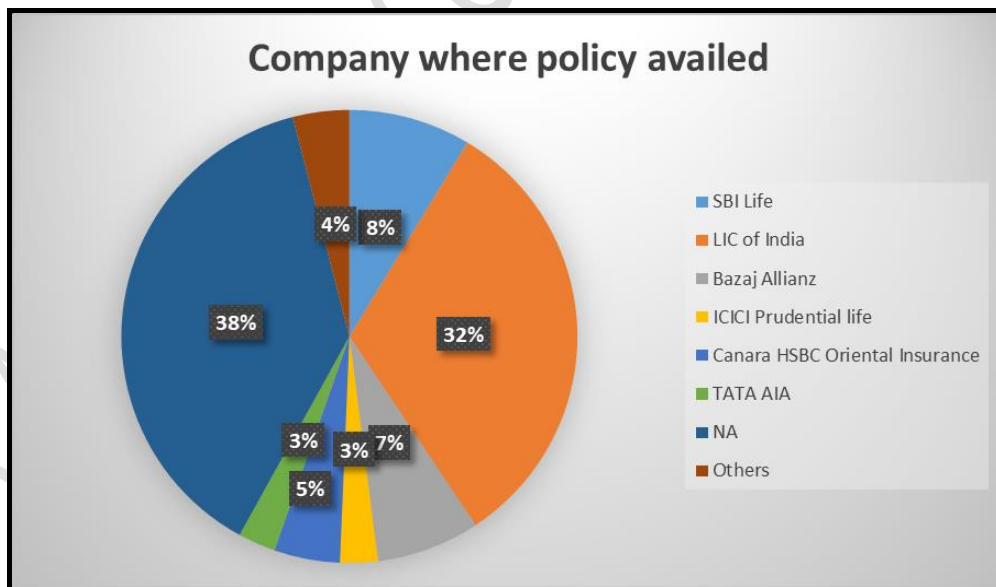
SI NO	FACTORS	TOTAL SCORE	GARRETT MEAN SCORE	MEAN RANK
1	Affordable Premium amount	9125	60.833	II
2	Short term maturity	9205	61.36	I
3	Attractive benefit	6750	45	III
4	Procedure of claim settlement	6415	42.7	IV
5	Freelook cancellation	5005	33.37	V

On the basis of the ranks assigned by the respondents, the reasons for choosing the microinsurance policies are analyzed through Garrett ranking Techniques. It is evident from

the above table , it reveals short term maturity(61.36) and affordable premium(60.833) are the most important reasons to choose the microinsurance policy.



From the above Chart , we came to know that 31% of the respondents have opted for Chief minister's comprehensive health insurance scheme, 07% of the respondents availed Aam Aadmi Bima Yojana Scheme, 09% of the respondents availed Bhagya Lakshmi Plan, 09% of the respondents availed Kisan Credit Card Scheme, 13% of the respondents availed New Jeevan Mangal plan, 12% of the respondents availed Pradhan Mantri Jan Dhan Yojana and 19% of the respondents are not availed any of the policies. Thus , the majority of the respondents (31%) availed of the Chief minister's comprehensive health insurance scheme.



From the above chart , it is evident that , the majority of the respondents (32%) availed the policy from LIC of India and also 38% of the respondents are not availed any of the policies.

7. FINDINGS

The majority of the respondents are female, 31-40 years, married, educational level upto HSC, Income is between Rs 5000 to Rs 10000. Most (37%) of the respondents states the purpose of insurance is Risk cover. 73% of the respondents are not concerned about microinsurance. Most 41% of the respondents agree that microinsurance is beneficial, 55% of the respondents have not taken any micro insurance policies, the most opted type of policy availed is micro health insurance, 31% of the respondents availed Chief minister's comprehensive Health Insurance Scheme, 22% of the respondents availed the policies through intermediaries such as Agents and Microfinance Institutions, 32% of the respondents availed the policy from the LIC of India. Most 33% of the respondents are afraid to choose insurance because of the affordability and next Unwillingness to pay. Most 56% of the respondents felt that the procedures followed for purchasing microinsurance policies is moderate.

There is a lack of understanding, awareness, extension services, and improvement of the insurance market, which has a significant impact on the wider usage of insurance products and their uptake, particularly among low-income groups. By formulating and executing awareness programmes and curriculum through Non-Governmental Organizations, Self-Help Groups, and Micro Finance Institutions in urban and rural regions, the micro insurance market has grown. Claim settlement procedures should be shortened to make it easier for those with low educated peoples. The insurance companies should create more awareness of the microinsurance products. The government should enforce a legal framework for microinsurance products. There should also be competitive pricing for microinsurance products. Insurance companies should reduce the manual procedures involved in assessing microinsurance products. Also the insurance companies should provide adequate distribution channels to promote its microinsurance products. Individuals in society should be educated to know the importance of microinsurance to avoid them subjecting insurance products to secondary needs. Insurance companies should put in place measures to build public trust microinsurance.

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