

Role and reach of micro insurance to the Marginalised sections of the society- An empirical study of rural Bengaluru

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Abstract

India is a country with over 800 million people who cannot afford to basic medical treatments, farmers who depend on monsoons and rising farmer suicides and other burning issues. Micro Insurance in this regard is a boon to such low-income families. Today, the micro insurance schemes that are floated by the government is widely accepted by people at large across various sections of the society. The present study is an insight in this regard as to the mechanism of micro insurance and understanding various facets of micro insurance.

Keywords: Insurance, Risk, Returns, Premium

1. Introduction

Low-income households are vulnerable to risks and economic shocks. One way for the poor to protect themselves is through insurance. By helping low income households manage risk, micro insurance can assist them to maintain a sense of financial confidence even in the face of significant vulnerability. If governments, donors, development agencies and others are serious about combating poverty, insurance has to be one of the weapons in their arsenal. Among low-income populations, risk pooling and informal insurance are not entirely new. Informal risk-sharing schemes have been around for generations, even in some of the most inaccessible places. However, these schemes are usually limited in their outreach and the benefits typically cover only a small portion of the loss. A key aspect of the interest in micro insurance is to explore ways of significantly increasing the number of poor households that have access to insurance while enhancing the benefits.

1.2 Definition

1. Draft Donor Guidelines, CGAP Working Group (2003) defines micro insurance as "...the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved".
2. ILO defines micro insurance "...is a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium payments tailored to their needs, income and level of risk. It is aimed primarily at the developing world's low-income workers, especially those in the informal economy who tend to be underserved by mainstream commercial and social insurance schemes." ~ ILO, Micro insurance Innovation Center (2008)

1.3 Intermediaries in Micro- Insurance Business

- Non-Government Organisations
- Self-Help Groups

- Micro-Finance Institutions

1.4 Importance of Micro Insurance

1. **Social Protection-** Micro Insurance protects the risks of low income class people. Government also protects them by the mechanisms such as pensions for these pensions and health insurance for low income group people.
2. **Financial Inclusion-** Micro Insurance act as one of the most important tool to protect most affected people of the country.
3. **Macroeconomic View-** Micro Insurance is one of the most important ways by which our country can be developed.

1.5 Schemes By Launched By Government

1. **Pradhan Mantra Jan Dhan Yojana:-** It was the scheme launched by Prime Minister Narendra Modi on 28th august 2014. On the very first day of this programme 15 Million bank accounts were opened and each account holders was given 1lakh insurance cover. According to this scheme any one can open the account with zero balance.
2. **Atal Pension Yojna:-** The scheme came into existence on 1st June 2015. This scheme intends to bring pension benefits to allow people of the unorganised sector to enjoy social security with minimum contribution per month. This scheme was launched with a view to encourage savings and investment in lower and lower middle income people.
3. **Pradhan Mantri Jeevan Jyoti Bima Yojana:-** The scheme was launched by narendra modi in Kolkata on 9th may 2015. This is a life insurance scheme of one year, which can be renewed from time to time. This scheme is valid for the person from the age group 18 to 50 years(life covers up to the age of 55) having a savings bank account who give their consent to join and enable auto debit.
4. **Pradhan Mantri Suraksha Bima Yojana:-** The scheme was also launched by Prime Minister Narendra modi. It is a low cost accident insurance scheme with a premium

of Rs. 12 pa. This scheme offers an accidental death and full disability cover of Rs. 200000 and for partial disability cover of Rs. 100000.

5. **Jeevan Madhur**:- It is a life insurance scheme launched in 2006 for the low income Group people. On the date of maturity sum assured will be paid along with the bonus if there is any. On death of the policy holder, death benefit amount equal to the total premiums payable during the entire term of the policy will be paid along with vested bonus if any.
6. **Jeevan mangal**:- it is the product of life insurance Corporation of India, launched in 2009. It is a kind of term insurance plan with returns on period paid on maturity, provided the policy is in force.

1.6 Types of Micro Insurance

1. **Life micro insurance**- It not only covers the loan amount, also include funerals benefits for the policyholders and family member sometimes.
2. **Health micro insurance** –It is a coverage against till death and maternity for direct and indirect medical costs.
3. **Disability micro insurance**- It is linked with death cover in personal accident products.
4. **Agriculture micro insurance**-This insurance aims at protecting farmers from seasonal variance.
5. **Composite products**- This insurance is related to grouping of life, health and asset protections.

1.7 Statement of the Problem

Micro Insurance becomes very relevant in the present day Indian context where around 800 million populations is below the poverty line and have no access to the primary health facilities. The problem is more evident from the fact that primary health centres are very less in number and lack basic infrastructure required. The schemes floated by the government to cover loss of crop are reaching very few people and most of the time the bearcats and middlemen eat away the insurance amount. The present day statuses where the low income category of people are to be covered under micro insurance and the segment needs to be dealt with more diligence and care.

1.8 Need and Relevance of the Study

The Government needs to take precautionary measures to cover and protect the deprived sections of the society to reduce the negative externalities from the severe disasters. Today we see lot of farmers committing suicides. So, it is the responsibility

of the government to bring this section under insurance cover through Micro Insurance. People have to be educated about the insurance schemes floated by the government and the effectiveness of such schemes can only be realised if it reaches the needy.

1.9 Objectives of the Study

1. To know about the Micro Insurance industry.
2. To know the latest Micro Insurance schemes launched by the government.

2. Sample Size

For the study, a questionnaire was administered to 20 bank officials working in various public sector banks and 20 low income category people who have availed the facility of Micro Insurance in the rural Bengaluru are considered.

2.1 Literature Review

1. John Hui (2013) propounds that, there have been many factors contributing to the growth of micro insurance in the past five years. Urbanization and economic growth in countries with large, low-income populations has increased the purchasing power of this market segment. Another factor driving the rise of micro insurance is government involvement. Another cause for the expansion is the rise in technology, namely the widespread use of mobile phones.
2. Moses Walugembe (2013) finds the need for understanding Micro Insurance in East Africa. Micro Insurance has been crafted and targeted for low-income people to protect themselves from tragedies. But the concept doesn't seem to have caught on with many East Africans. To some the loopholes in the traditional insurance schemes such as the bureaucracies involved and lack of repayment for lost properties are what push them away from believing in it.
3. Craig Churchill (2013) explores the status of Micro Insurance, in that he finds the rapid growth of Micro Insurance worldwide and its impact on economic development and poverty reduction. He describes how the ILO Facility will work over the coming years to stimulate market development and expand access to Micro Insurance.

2.2 Data Analysis and Interpretation

Table 1: Characteristics Important In Micro Insurance

Particulars	SA	A	N	DA	SDA	Total
Relevant to the risks of low income household	25 (62.5)	4 (10.0)	8 (20.0)	2 (5.0)	1 (2.5)	40 (100.0)
Affordable premiums	20 (50.0)	10 (25.0)	8 (20.0)	1 (2.5)	1 (2.5)	40 (100.0)
Clearly defined & simple rules & regulations	25 (62.5)	10 (25.0)	2 (5.0)	2 (5.0)	1 (2.5)	40 (100.0)
Easily accessible claims documentation required	15 (37.5)	12 (30.0)	5 (12.5)	6 (15.0)	2 (5.0)	40 (100.0)

(Source: Primary Data)

About 5/8th of the respondents strongly feel that Micro Insurance must be related to the risks of low income household and that must be clearly define with simple rules and

regulations. More than 2/3rd of the respondents contend that Micro Insurance must feature easily accessible claims documents.

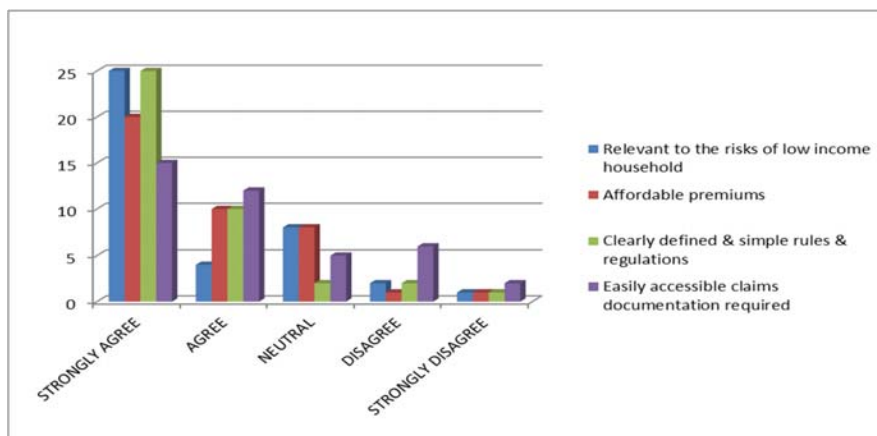


Fig 1: Characteristics Important In Micro Insurance

Micro Insurance is a must for the low income household to address their risks. Micro Insurance must have affordable premiums. The documentation has to facilitate easily accessible claims.

Table 2: Principles to Be Exhibited By Micro Insurance

Particular	LE	ME	SE	NAL	Total
Universality	15 (37.5)	10 (25.0)	10 (25.0)	5 (12.5)	40 (100.0)
Equity	17 (42.5)	12 (30.0)	5 (12.5)	6 (15.0)	40 (100.0)
Solidarity	16 (40.0)	13 (32.5)	5 (12.5)	6 (15.0)	40 (100.0)
Access	20 (50.0)	6 (15.0)	6 (15.0)	8 (20.0)	40 (100.0)

(Source: Primary Data)

3/8th of the respondents feel that universality principle should be exhibited by Micro Insurance. Half of the respondents

Table 4: Marketing Techniques Which Can Popularize Micro Insurance

Particulars	SA	A	N	DA	SDA	Total
Raise awareness	20 (50.0)	9 (22.5)	5 (12.5)	5 (12.5)	1 (2.5)	40 (100.0)
Cultivate an understanding of micro insurance	12 (30.0)	10 (25.0)	10 (25.0)	5 (12.5)	3 (7.5)	40 (100.0)
Activate the market	19 (47.5)	8 (20.0)	8 (20.0)	3 (7.5)	2 (5.0)	40 (100.0)

(Source: Primary Data)

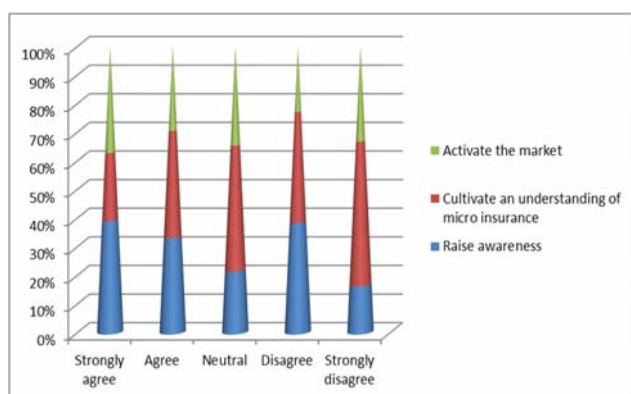


Fig 2: Marketing Techniques Which Can Popularize Micro Insurance

contend access to be a principle in Micro Insurance. 20% of the respondents strongly deny it.

Table 3: Problems to Be Addressed By Micro Insurance Strategy

Particulars	Always	Sometimes	Never	Total
Social protection gaps	20 (50.0)	10 (25.0)	10 (25.0)	40 (100.0)
Enhanced coordination among the relevant ministries	22 (55.0)	10 (25.0)	8 (20.0)	40 (100.0)
Efficient delivery of the social protection	25 (62.5)	10 (25.0)	5 (12.5)	40 (100.0)

(Source: Primary Data)

Social protection gaps have to be addressed by Micro Insurance. Relevant ministries must be effectively coordinated by Micro Insurance.

Micro Insurance can be popularized by raising the awareness about schemes. Activating the market can go a long way to make it more accessible by the people. An understanding of Micro Insurance is necessary to be accepted by more people.

2.3 Findings

Micro Insurance is no doubt very beneficial to the low income strata of the society. It is effective in risk reduction. Risk emerges from natural calamities, health and other issues. The risk mitigation can be done through Micro Insurance.

Government through launching of various schemes is helping the poor and needy. Awareness about various schemes among the public can effectively help the schemes to be successful in reaching the downtrodden section of the society.

3. Conclusion

The role of Micro Insurance in India is growing day by day. It is the tool which will help the poor and the needy people in future uncertainties. Government and micro financial institutions are promoting insurance among the low-income people who form a sizeable sector of the population and who are mostly without any social security cover. Although the current reach of Micro Insurance is limited, the early trend in this respect suggests that the insurance companies, both public and private, operating with commercial considerations, can insure a significant percentage of the poor. Serving low-income people who can pay the premium certainly makes a sound commercial sense to the insurance providers.

3.1 Suggestions

Micro Insurance can be popularized at various levels by increasing its awareness. The reluctance of people towards Micro Insurance is because of their irregular incomes and the timely premiums. The understanding of the nominal premium amount and the accrued benefits from Micro Insurance can help the poor people to face the risk in a systematic way.

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