Micro Insurance as Social Protection to the Rural Poor: An Empirical Study

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Introduction

India is one of the countries enjoying benefits of growth coupled with young population. Our country is blessed with a workforce that is competent, technologically savvy and their intelligence to adapt to situations and their grip on the English language even in technical areas like medical transcription has made India the home for many multinational corporates. Its middle class is growing rapidly but, still India is said to be largely agrarian and rural based. The landless rural population and urban unorganized sector form a large portion of the Indian Economy and they live a dreary existence, below the poverty line and handicapped by poor health services, and low literacy rates. If at all they gain employment, they are unable to sustain the same as they are afflicted with ills of malnutrition, starvation and sickness and ills that arise from their state. Insurance, health care and the capacity to fend against the malaise are not even thought of (ICAI, 2009).

In India, liberalization of the economy and the insurance sector has created new opportunities for insurance to reach the vast majority of the poor, including those working in the informal sector. Market penetration is largely driven by supply, not demand. Micro insurance in India has valuable lessons for rest of the world, particularly in the regulation of the industry. Unlike micro lending - the better-known side of micro finance; micro insurance has been a hard sell among the world's poor. The reasons include lack of understanding of how insurance products work, the poor population's general reticence to part with what little financial resources they have, badly designed products and a shortage of localized risk management knowledge among providers. Micro insurance, more than mainstream insurance, depends on innovative cooperation (Srijanani, D., 2013).

Concept of Micro Insurance

Insurance is a pool of resources developed by the contributions from many people and benefited by those who are at risk. There are various kinds of insurance services from life, health, cars, electronic equipment etc. Micro-insurance, relatively a new concept is aimed at poor sections of the population and designed to help them cover themselves collectively against risks. Micro-insurance, is also an insurance service provided to low-income people, designed and distributed in accordance to their needs and capacities (Allianz AG, GTZ and UNDP, 2006). According to ILO, it is an element of social protection. It is referred to as a tool in a collective toolbox to help provide social protection to the poor. It is a form of health, life or property insurance, which offers limited protection at a low contribution (ICAI, 2009). Simple products which are easily accessible through an efficient distribution process to keep the overall cost of products low are qualified under micro insurance (KPMG, 2013). Micro insurance is fast emerging as an important strategy for the low income people engaged in wide variety of income generation activities, and who remain exposed to variety of risks mainly because of absence of cost-effective risk hedging instrument (Mathur, Shweta, 2010) . Micro-insurance is a key element in the financial services package for people at the bottom of the pyramid. It is often believed that poverty and insurance do not go together, and insurance is totally beyond the affordability of the poor. In a developing country like India, this statement would hold good - to a certain extent (ICAI, 2009).

Micro insurance is developing at a breathtaking pace, with numerous innovations emerging to meet the challenge of providing insurance to low-income people. New products covering a variety of risks are being launched and distributed to poor households through an increasing diversity of channels. Millions more low-income households now have access to better insurance cover (Churchill, Craig and Michal Matul, 2012). The emerging opportunity of micro-insurance

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is not only to promote business perspective but also, social development and protection to the poor people. Micro-insurance provides opportunities for protection of the poor and their families against perils like weather, catastrophes, illness, death, etc. Micro-insurance is a highly diversified sector with the following components:

- *Stakeholders:* Micro-insurance is developed by commercial insurers, mutual funds, microfinance institutions, NGOs, governments or semi-public bodies.
- *Products:* Micro-insurance covers an extreme broad variety of services like-life insurance, health, invalidity, cattle breeding, crop and asset insurance.
- *Portfolio size:* A micro insurer may cover dozens as well as millions of policyholders (Srijanani, D., 2013).

Part - I

Micro Insurance in India

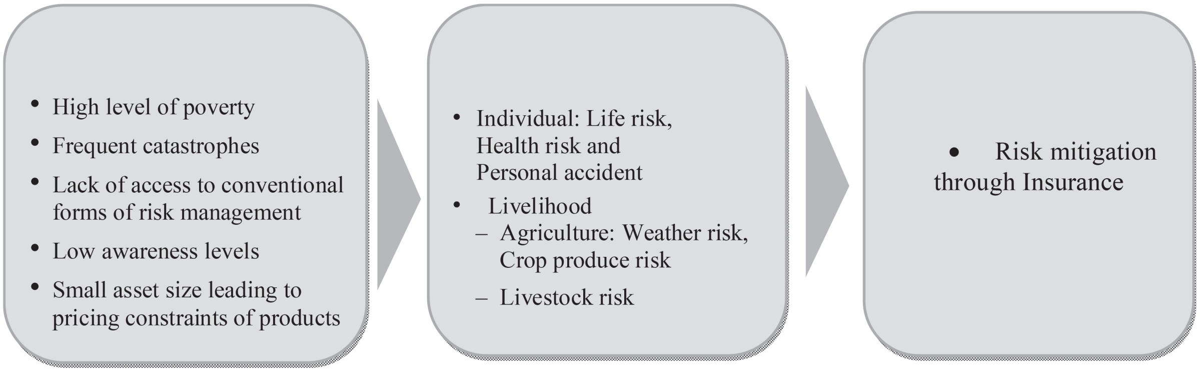
The micro-insurance business took its roots in India with a few schemes launched by non-government organizations (NGOs), micro finance institutions (MFIs), trade unions, hospitals and cooperatives to create an insurance fund against a specific peril. These schemes were outside the ambit of the regulations and operated more on good faith of these institutions. The micro-insurance landscape changed with the first set of regulations published in 2002. The regulations essentially promulgated a quota system to force new private sector insurers to sell a percentage of their insurance policies to de facto low-income clients. The Government of India formed a consultative group on micro insurance in 2003 to look into the issues faced by the micro insurance sector. The group highlighted the apathy of insurance companies towards micro insurance business, non-viability of standalone micro-insurance programmers and huge potential of alternative channels amongst others. The Reserve Bank of India allowed regional rural banks (RRBs), which have good distribution reach in rural areas, to sell insurance as 'corporate agents,' in 2004. In order to support the development and facilitate the growth of the sector, the insurance regulator Insurance Regulatory Development Authority (IRDA) came up with the micro-insurance regulation in 2005. It was a pioneering approach which put India among the few countries to draft and implement specific micro-insurance regulations. While the micro-insurance regulations had a relatively narrow scope, focusing only on the partner-agent model, it nonetheless relaxed some of the conditions to facilitate distribution efficiency and perpetrated the view to extend micro-insurance from a social perspective to a commercial business opportunity (KPMG, 2013).

Helping the rural poor systematically manage financial risks to their livelihoods and lives through micro-insurance offers innovative ways of combating poverty in India. Micro-insurance could, therefore, provide greater economic and psychological security to the poor as it reduces exposure to multiple risks and cushions the impact of a disaster. The rural masses, therefore, need a conviction that buying insurance is more worthwhile to them than being without it. Different players have a role to play in reducing the vulnerability of the poor including Government subsidizing micro-insurance products and regulator ensuring proper development of both social and rural sector (ICAI, 2009). Micro insurance is also taken as group insurance that can cover thousands of customers under one contract. It requires an intermediary between the customer and the insurance company. This intermediary role has been played mainly by non-governmental organization (NGO) and microfinance institutions (MFI). The role of intermediaries in growth of micro insurance in India is well documented (Sahu, Basanta K., 2011).

Rural India's Micro Insurance Need

To make micro insurance popular, demand has to be created for micro insurance products, the aspects needs to be considered are - adequacy of risk protection, accessibility by required person, appropriateness of timing, affordability and awareness of proponent education. There are several kinds of insurance products which can be offered as micro insurance to rural as well as urban poor. These products can be categorized in to - Health insurance, Long-term saving and insurance such as life insurance, Annuities, Credit linked insurance products such as credit- life product and Non-life product such as property insurance (ICAI, 2009). The social obligations

Chart 1: Rural India's Micro Insurance Need



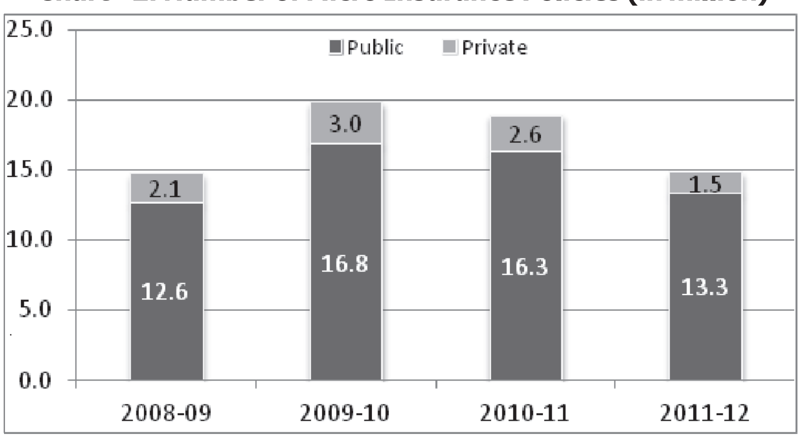
Source: KPMG (2013) – 'Insurance Industry- Road Ahead, Path for sustainable growth momentum and increasing profitability', The Bengal Chamber of Commerce and Industry, P-30.

are in terms of number of individuals to be covered by both life and non-life insurers in certain identified sections of the society. The rural obligations are in terms of certain minimum percentage of total polices written by life insurance companies and, for general insurance companies, these obligations are in terms of percentage of total gross premium collected (Ahuja, Rajeev & B. Guha-Khasnobis, 2005).

There are a number of formal and informal sector schemes that cover multiple risks faced by the rural Indian population. The lower strata of the Indian society not only face risks in the form of poverty, frequent natural catastrophes and less access to conventional forms of risk management, but also are least aware of the criticality to insure them against the same (Chart - 1).

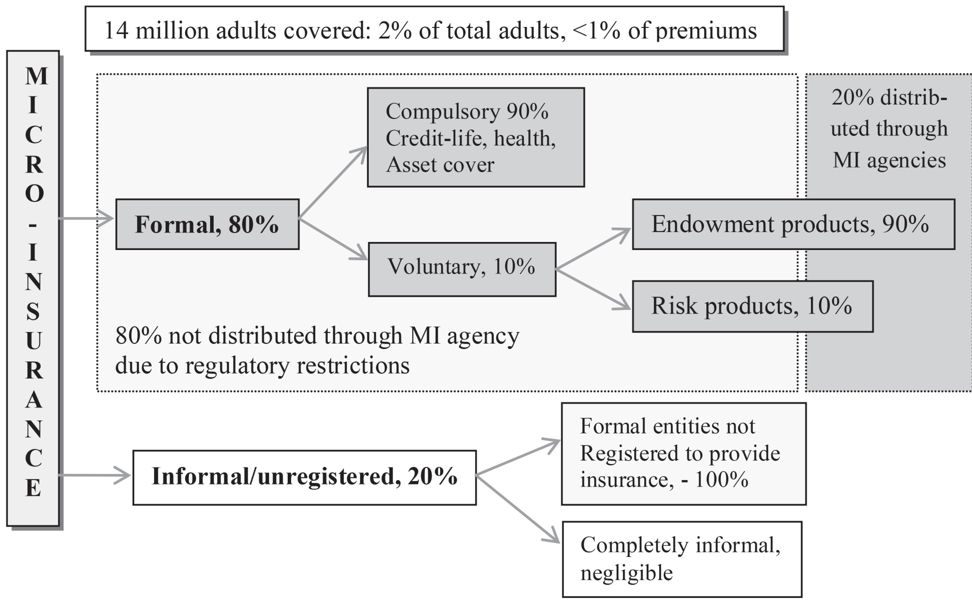
Many individual and group life micro insurance products are offered by insurers in the form of term and endowment, credit life cover (protection against outstanding principal and interest of loan if the borrower dies) has been a starting point for many insurance companies in India, driven mostly by push-based sales by MFIs e.g. *Janashree Bima Yojana* – a social security scheme of LIC. In India, health-care is funded mostly through out of pocket expenditure comprising 60 per cent of healthcare spending. In 2010 Health is unarguably a product most demanded by low income groups. A number of schemes exist; donor funded, subsidized, insurer and government schemes being the main formats, e.g. *Rashtriya Swasthya Bima Yojana (RSBY).* Agriculture (crop and weather risk): Mausam Bima Yojana and Barish Bima, Animal

Chart - 2: Number of Micro Insurance Policies (in million)



Source: KPMG (2013) – 'Insurance Industry- Road Ahead, Path for sustainable growth momentum and increasing profitability', The Bengal Chamber of Commerce and Industry, P-27.

Figure 1: Coverage of Micro Insurance in India



Source: M-CRIL (2008) –'Micro-Insurance regulation in the Indian financial landscape- Case study', Micro-Credit Ratings International Limited, March, P-4.

husbandry (risk of death of animal) e.g. Livestock Insurance Scheme, a central government sponsored scheme.

The Micro insurance Regulation (2005) has helped the growth of regulated micro insurance in India. According to the IRDA Annual Report, 2011-12, 14.8 million micro insurance policies were sold in India in the year 2011-12 covering lives of 18.9 million people (Chart-2). The cumulative premium collected from micro insurance was Rs.2.86 billion. Hence, micro insurance constituted 4.59 per cent of the total lives covered, 7.6 per cent of total number of policies and 0.23 per cent of premium collected by the insurance industry of India. After half a decade of micro insurance regulation, there are clear trends in the way business is conducted.

Micro insurance is regarded by some as a risk management mechanism that the poor can use to compensate for the lack of appropriate state-sponsored social protection programmes (Wipf, J & D Garand, 2010). The picture of the micro-insurance market in India presented in Figure -1. It is estimated that 14 million adults are covered by life micro-insurance in India. In a country with some 120 million families living on less than $2 a day, this is a very small proportion of the potential micro-insurance market. An overwhelming proportion of micro insurance in India is provided as compulsory credit-life insurance through aggregators such as MFIs, rural banks and cooperative banks. A significant amount of health cover is provided through MFIs and cooperative health insurers also but much of this cover occurs by default – by virtue of an individual being a member of, borrower from or other service user of the aggregator.

Since aggregators are mainly institutions that are ineligible to become MI agents, only a small proportion (20%) of micro-insurance in India is estimated to be distributed through agents with the remaining amount being sold through aggregators that earn service fees rather than commissions. The commission structure being controlled, even well-known NGOs eligible to become MI agents often decline to do so, preferring instead to negotiate (higher) service fees for enabling the sales of the insurer (M-CRIL, 2008).

Key features of the micro-insurance market in India

- *Product characteristics*- Micro-insurance products in the market have short policy contract terms and are overwhelmingly (but no longer exclusively) underwritten on a group basis.

- *Demarcation*- Formal insurers are required either to provide life or non-life insurance exclusively though health insurance may be provided by either category of insurer.
- *Health prominence*- Health insurance is prominent in community-based systems because health risk is generally seen as potentially the most devastating type of systemic risk likely to upset the lives and economic livelihoods of the low-income population.
- *Low outreach of community-based insurance*- Community-based health insurance systems managed by NGOs are available but, except in a couple of cases, has minuscule outreach.
- *Dominance of loan linked products*- This is the largest product in the market driven by the compulsion of borrowers to purchase insurance schemes mainly to provide protective cover to the MFIs
- *Micro-insurance category*- The advent of separate micro-insurance guidelines provided by the insurance regulator has seen the launch of new micro-insurance products in the formal market.
- *New distribution models*- Rural and social sector obligations imposed on formal insurers by the market regulator have compelled insurance companies to experiment with new distribution models through NGOs, MFIs and the rural banking network.
- *Advice less selling*- Micro-insurance is sold overwhelmingly without advice while the higher and of the insurance market is served by brokers providing advice (M-CRIL, 2008).

Part - II

Setting of the Problem

There are many studies conducted in India on the performance of micro insurance, few of them have been reviewed to find out the research gap. Ahuja, R., & Guha-Khasnobis, B. (2005)-Micro-Insurance in India: Trends and strategies for further extension, paper provides an overview of the prospects of micro insurance in India, and suggests strategies for its further extension. Analyzing the early evidence on micro-insurance, the paper also highlights the current initiatives being contemplated to strengthen micro-insurance activity in the country. Allianz Group (2010) - Learning to insure the poor: Micro insurance report. This report draws from case studies of existing Allianz micro-insurance products and experts in the field to examine products for low-income people and how to achieve scale and profitability. Bester, H., Chamberlain, D., & Hougaard, C. (2009) - Making insurance markets work for the poor: Micro-insurance policy, regulation, and supervision. This document presents the synthesis of five country case studies on the role of regulation in the development of micro-insurance markets. Biener, C., & Eling, M. (2009) the performance of micro-insurance programs: A frontier efficiency analysis. This study is the first to apply the statistical technique of frontier efficiency analysis to measure the performance of micro-insurance programs. The authors of the study use detailed data of 21 micro-insurance programs provided by the Performance Indicators Working Group of the Micro-insurance Network. Brown, W. (2001) - Micro-insurance - The Risks, Perils and Opportunities, the article argues that vulnerability does not translate directly into demand for micro-insurance and MFIs lack the skills and resources to develop or manage all but the most basic products. Wipf, J., & Garand, D. (2010) - Performance indicators for micro-insurance: A handbook for micro-insurance practitioners, this document identifies nine principles that are integral to management of a micro-insurance program and ten key performance indicators (KPIs) for micro-insurers.

Objectives and Methodology

The major objective of the present study is to understand the role of insurance in humans' life. The specific objectives are to know the level of risk has been reduced by having micro insurance, to know the benefits received by in insurer by having micro insurance, to study the services and other facilities provided to the customers by the companies, to understand the perceptions of the customers towards the policies, to know the satisfaction level of the of the policy holders after having the policy and to offer suitable suggestions for the further improvement of micro insurance policies. The study is based on both primary and secondary data. The primary data was collected through structured questioners canvassed among the selected respondents. The secondary data was collected from various books, journals, records of agencies. The study is based on purposive sampling method with a total sample size of 100 respondents. The field survey was conducted in the month of May

2013. The study area is Kadur Taluk of Chikmagalure district. For analysis of data, simple statistical tools like averages mean and cross tabulation are used to come to the viable conclusions. The limitation of the study is that, it confined only to Kadur Taluk of Chikmagalur district.

Part - III

Results and Analysis

Social Profile of the Respondents: The social profile of the respondents helps us to understand the background the people involved in the micro insurance and gives their eligibility for the micro insurance. In the study area 12 per cent of the respondents are illiterate; around 43 per cent of them are studied up to secondary education, 26 per cent of them had education up to graduation and 11 per cent of them had technical and other education. The education of the respondents in the study area has a national trend. It is clear from Table-1.

Age and socio-economic activities are inter-related and it has close relation with the micro insurance. Among total respondents 56 per cent of them are male and 44 per cent of them are females. The young and middle age group people constitute the working population has potential of more earnings. In study area the age composition is dominated by young and middle age up to 60 years with more than 62 per cent, followed by above 60 age groups. India is known as youngistan due the composition of the young population. Thus, in study area majority of the respondents are in young age. Most of them (59 per cent) are married and 7 per cent are widow. This shows that the micro insurance is helping the married people on whom the responsibilities are more. In the study area 55 per cent of the respondents are from Hindu religion, 29 per cent from Muslim and 16 per cent are Christian. 63 per cent of the respondents are belonging to upper caste and remaining members are from Scheduled caste and scheduled tribes. Thus, social profile of the respondents is on par of national trend.

Table 1: Social Profile of the Respondents

Particulars	Details	Education Qualification							Total
		Illiterate	**Primary**	**Secondary**	**College**	**PG**	**Technical**	**Other**	
Sex	Male	7	13	11	13	5	5	2	56
	Female	5	11	8	13	3	2	2	44
Age	< 18	5	0	3	7	2	1	0	18
	19-35	5	4	10	7	2	2	2	32
	36-60	2	9	5	9	2	2	1	30
	> 60	0	11	1	3	2	2	1	20
Marital Status	Unmarried	3	2	5	6	0	1	3	20
	Married	5	12	12	10	5	5	0	49
	Divorced	2	4	1	4	1	1	1	14
	Separated	2	4	0	2	2	0	0	10
	Widow	0	2	1	4	0	0	0	7
Religion	Hindu	11	16	2	16	0	6	4	55
	Muslim	1	8	9	6	4	1	0	29
	Christian	0	0	8	4	4	0	0	16
Caste	SC	8	5	0	2	0	5	1	21
	ST	3	8	0	1	0	1	3	16
	OBC	1	7	11	9	7	1	0	36
	GM	0	4	8	14	1	0	0	27
	Total	**12**	**24**	**19**	**26**	**8**	**7**	**4**	**100**

Source: Primary data

Economic Profile of the Respondents: Education, Occupation, income, dependency and asset possession has great impact on the possession of micro insurance; these variables have vital impact on the micro insurance policy. As far as occupation of the respondents is concerned 52 per cent of them are engaged in agriculture, 15 per cent of them are doing business, 17 per cent of them are government employees and others constitute 24 per cent. Occupation has positive relation with their education as 33 per cent of agriculturists are from lower education background. Occupation and monthly income has close relationship, almost 62 per cent of them are getting income below Rs. 25,000/- per month and only 19 per cent of them are getting income in between Rs. 25,000/- to Rs. 1 lakh. This clearly indicates that occupation and income have close relationship (Table-2).

57 per cent of the respondents have nuclear families with 4 members in it, whereas 34 per cent of them have 4-8 members in family. Almost 50 per cent of the respondents have television in their house, as it is common mode of entertainment and communication in the rural area. Other assets like washing machine, two Wheeler, four Wheeler etc., very few of them have owned. Economic profile of the respondents indicates that, majority of them are engaged in agriculture, most of them have low monthly income, nuclear families are common and most of them own television. All these are the major indicators for the micro insurance, as it is meant for poor people from rural areas.

Information about Micro Insurance: Micro insurance is recently originated and people needs to get information from various sources like friends, advertisement and agents. 34 per cent of the respondents have got the information from friends, 31 per cent from advertisement and 24 per cent from agents. Thus, friends and advertisement has provided information to the respondents (Table -3).

Minimum three years policy holders are taken as the respondents to study the impact of micro insurance. In initial years of its inception the purchase of policies was less, but 71 per cent of the policies were purchased in between 2007-08 and 2009-10. The most preferred company to purchase the micro insurance policy is public sector company Life insurance Corporation of India (LIC) 37 per cent, while other private companies like Bajaj Allianz, Star Insurance, TATA AIA MetLife and ICICI Prudential are also preferred. Thus, friends are major source of information, majority of policies are old and most preferred company is LIC.

Table 2: Economic Profile of the Respondents

Particulars	Details	Education Qualification							Total
		Illiterate	Primary	Secondary	College	P G	Technical	Other	
Occupation	Agriculture	11	22	9	3	4	3	0	52
	Business	1	1	2	4	1	4	2	15
	Govt. Employee	0	0	7	6	3	0	1	17
	Others	0	1	1	20	0	0	1	24
Monthly Income	< 5,000	11	15	1	9	3	3	0	42
	5,000-25,000	0	3	5	8	3	2	1	22
	25,001-50,000	1	2	3	6	1	2	2	17
	50,001-1,00,000	0	4	10	3	1	0	1	19
Dependence Details	< 4 Members	12	12	6	15	7	1	4	57
	4-8 Members	0	12	7	9	0	6	0	34
	8-12 Members	0	0	6	2	1	0	0	9
Asset Details	TV	11	23	9	2	1	2	2	50
	Fridge	1	1	8	3	2	2	2	19
	Washing Machine	0	0	2	6	2	2	0	12
	Two Wheeler	0	0	0	10	2	1	0	13
	Four Wheeler	0	0	0	5	1	0	0	6
	Total	**12**	**24**	**19**	**26**	**8**	**7**	**4**	**100**

Source: Primary data

Table 3: Information about Micro Insurance Policy

Particulars	Details	Education Qualification							Total
		Illiterate	**Primary**	**Secondary**	**College**	**P G**	**Technical**	**Other**	
Awareness about Insurance	Friends	10	5	2	9	5	1	2	34
	Advertisement	2	7	6	9	2	3	2	31
	Agents	0	7	8	7	1	1	0	24
	Other	0	5	3	1	0	2	0	11
Year of Inception Policy	2006 - 2007	4	6	1	0	1	0	0	12
	2007 - 2008	7	9	3	3	0	0	0	22
	2008 - 2009	0	7	6	1	0	7	4	25
	2009 - 2010	1	1	7	8	7	0	0	24
	2010 - 2011	0	1	2	14	0	0	0	17
Name of the Company	LIC	9	12	2	11	3	0	0	37
	TATA AIA	2	5	0	1	5	0	0	13
	Bajaj Allianz	0	3	1	8	0	4	0	16
	MetLife	0	3	1	4	0	3	1	12
	Star Insurance	1	1	7	2	0	0	3	14
	ICICI Prudent	0	0	8	0	0	0	0	8
	Total	**12**	**24**	**19**	**26**	**8**	**7**	**4**	**100**

Source: Primary data

Details of Micro Insurance Policy: After having basic information about the micro insurance policy like awareness, year of inception and company, now the reasons behind the purchase of policy, duration of policy and intention of having policy has to be studied (Table-4).

Table - 4 gives the details of micro insurance policy. The insurance is always purchased to mitigate the risks and uncertainties of the future, 67 per cent of the respondents have taken the micro insurance policy for the reason of accident and uncertain death, children birth is the another reason for purchase of policy and for vehicle protection very few have purchased the policy. Period of policy has a vital role to play in mitigating the risks of the people and it has linkage with income of the people. Most of the respondents have preferred the medium duration policies over the long term policy. 85 per cent of the respondents have taken the policy for the period of 15 years and less. This indicates the people want the benefit of the policies should be enjoyed in their lifetime. 65 per cent of the respondents had intension of saving and future plan, whereas very few had an intention of deposit and investment as an intention for having the insurance policy.

Payment and nature of Micro Insurance Policy: Amount of insurance, mode of payment, type of micro insurance, kind of policy and attraction towards policy have greater impact on the respondents. Amount of insurance per annum is varying from Rs. 500/- to Rs. 5,000/-. Amount of insurance and income has positive relation with each other. Lower income group respondents are paying fewer amounts towards the policy. Mode of payment ease out the burden of amount, 36 per cent of the respondents are paying the premium monthly, 26 per cent of them are paying the premium yearly and very few of them are paying the premium quarterly and half yearly (Table-5).

Type of policy has a relation with the benefit to be received by the respondents, majority of the respondents have taken endowment policy (36 per cent), followed by whole life (26 per cent) and money back is preferred by very few. 75 per cent of them have covered own life along with the children plan. It shows that the respondents are more cautious about their own life and children's life. Major reason for attraction towards the micro insurance policy is more risk coverage and lower premium (63 per cent).

Table 4: Details of Micro Insurance Policy

Particulars	Details	Monthly Income				Total
		< 5,000	5,000-25,000	25,001-50,000	50,001-1,00,000	
Reason for Policies	Accident	21	5	6	5	37
	Child Birth	6	6	3	7	22
	Vehicle	0	7	4	0	11
	Death	8	5	10	7	30
Period of policy	< 5 Years	11	3	4	3	21
	5 - 10 Years	14	4	11	2	31
	10 - 15 Years	10	6	7	10	33
	15 - 20 Years	0	5	1	4	10
	> 20 Years	0	5	0	0	5
Intention of Insurance Policy	Saving	13	3	11	8	35
	Deposit	3	4	1	9	17
	Investment	4	11	3	0	18
	Future Plan	15	5	8	2	30
	Total	**35**	**23**	**23**	**19**	**100**

Source: Primary data

Table 5: Payment Details and Nature of Micro Insurance Policy

Particulars	Details	Monthly Income				Total
		< 5,000	5,000-25,000	25,001-50,000	50,001-1,00,000	
Amount of Insurance	500 - 1000	10	2	3	2	**17**
	1,000 - 2,000	13	3	8	1	**25**
	2,000 - 3,000	6	5	2	4	**17**
	3,000 - 4,000	0	1	7	8	**16**
	4,000 - 5,000	6	12	3	4	**25**
Mode of Payment	Monthly	2	16	16	4	**38**
	Quarterly	9	3	2	5	**19**
	Half Yearly	0	3	5	9	**17**
	Yearly	24	1	0	1	**26**
Type of Micro insurance Policy	Endowment	9	12	6	9	**36**
	Money Back	11	9	6	1	**27**
	Whole life	13	1	11	1	**26**
	Any Other	2	1	0	8	**11**
Kind of Micro insurance Policy	Own Life	24	9	5	4	**42**
	Family	1	9	1	8	**19**
	Children	10	4	13	6	**33**
	Unit Linked	0	1	4	1	**6**
Attraction towards Policy	Low premium	9	6	4	2	**21**
	More risk coverage	21	6	13	2	**42**
	Money back guarantee	3	3	4	7	**17**
	Reputation of company	2	8	2	8	**20**
	Total	**35**	**23**	**23**	**19**	**100**

Source: Primary data

Investment options for the respondents: Apart from purchase of micro insurance policy opinions are also collected to find out what are the other options preferred by them to invest or keep their money. The responses for the safest mode of recurring deposit option is 37 per cent prefer banks, 27 per cent prefer post office and only 19 per cent opined for micro insurance. This indicates that micro insurance has to have many other options rather a security tool (Table-6).

Table - 6 gives the details of investment options for the respondents. Majority (36 per cent) of the respondents have opined that children's policies are taken with objective of their education, followed by risk coverage of the children (32 per cent). Marriage of the children and medical assistance are also the reasons for children's policy. There is clear cut indication that the parents want to make the future of their children brighter and they should not face the hardship of their parents. To get the overview of to whom the policy has meant and benefited, 45 per cent of them said that micro insurance policy is meant for lower income group people and 34 per cent of them said that it is meant for middle income group people. Some of them said that it is also meant for the higher income group people. This indicates that people are aware of the micro insurance policy. Other facilities like crop loan, education loan and other loans are provided to the policy holders, crop loan is service opined by the respondents that is useful for them. The respondents are asked to give their opinion on form of investment; they opined that bank deposits and jwellery are the best form of investment. Fixed assets and securities are preferred by very few members. Thus, banks are preferred for recurring deposits, children's policy are preferred for education, lower income group has got the opportunity from micro insurance, crop loan service is availed by the policy holders and bank deposits are the best option for investment.

Table 6: Investment Options for the Respondents

Particulars	Details	Monthly Income				Total
		< 5,000	5,000-25,000	25,001-50,000	50,001-1,00,000	
Interest in Recurring Deposit	Bank	17	5	12	3	**37**
	Post Office	14	4	2	7	**27**
	Micro Insurance	1	7	3	8	**19**
	Others	3	7	6	1	**17**
Policy for Children	Education	18	3	13	2	**36**
	Marriage	3	2	3	6	**14**
	Risk Coverage	14	6	3	9	**32**
	Medical	0	12	4	2	**18**
Opportunity to all by Micro Insurance	Low Income group	31	9	2	3	**45**
	Middle Income Group	1	3	14	16	**34**
	High income group	3	11	7	0	**21**
Other Services of Micro insurance	Crop Loans	11	2	13	5	**31**
	Housing, Land Loans	16	5	5	2	**28**
	Vehicle Loans	6	11	3	10	**30**
	Education Loan	2	5	2	2	**11**
Best form of Investment	Fixed Assets	7	5	5	2	**19**
	Bank Deposits	23	11	3	4	**41**
	Jewellary	5	6	10	13	**34**
	Securities	0	1	5	0	**6**
	Total	**35**	**23**	**23**	**19**	**100**

Source: Primary data

Opinion about Micro Insurance: Finally, the respondents were asked to give their opinion about the changes required in the present form of micro insurance, 32 per cent of them opined that there is need of changes in policy as it should be user friendly and every one should understand it clearly and 33 per cent of them opined that micro insurance has to provide more facilities (Table - 7).

As far as, the satisfaction derived from the policy are concerned 24 per cent of them said fully satisfied, whereas 37 per cent of them said they are moderately satisfied which indicates the need for the changes in the policy. Most of them opined that the insurance are the tax saving devices and few of them said that it is assert for life. High premium, low risk coverage and low returns are the major weaknesses of the existing micro insurance policy. Majority of the respondents said that they need changes in the existing policy, they are moderately satisfied, it is tax saving tool and high premium, low risk coverage and low returns are major weaknesses.

Part - IV

Main Findings

The education of the respondents in the study area has a national trend. Majority of the respondents are in young age. Micro insurance is helping the married people on whom the responsibilities are more. Majority of them are from Hindu religion and belongs to upper castes. 52 per cent of them are engaged in agriculture and occupation has positive relation with their education. 62 per cent of them are getting income below Rs. 25,000/- per month. 57 per cent of the respondents have nuclear families with 4 members and 50 per cent of the respondents have television in their house. Friends and advertisement has provided information to the respondents. 71 per cent of the policies were purchased in between 2007-08 and 2009-10. The most preferred company to purchase the micro insurance policy is public sector company Life insurance Corporation of India (LIC) 37 per cent. 67 per cent of the respondents have taken the micro insurance policy for the reason of accident and uncertain death. 85 per cent of the respondents have taken the policy for the period of 15 years and less. 65 per cent of the respondents had intension of saving and future plan.

Lower income group respondents are paying fewer amounts towards the policy. Mode of payment is monthly and 36 per cent of the respondents have taken

Table 7: Consumers' Opinions about Micro Insurance

Particulars	Details	Monthly Income				Total
		< 5,000	5,000-25,000	25,001-50,000	50,001-1,00,000	
Need of changes in MI	It is fully developed	6	10	1	7	**24**
	Need changes	11	4	6	11	**32**
	Need other policies	0	4	7	0	**11**
	Need more facilities	18	5	9	1	**33**
Satisfaction from MI	Fully satisfied	17	3	2	2	**24**
	Moderate	14	6	14	3	**37**
	Not satisfied	2	5	5	8	**20**
	Can't say	2	9	2	6	**19**
Opinion about MI	Saving tool	7	2	6	1	**16**
	Tax saving devise	9	10	11	8	**38**
	Asset for Life	14	8	1	3	**26**
	Product for Future	5	3	5	7	**20**
Major weaknesses of policy	High premium	11	3	13	5	**32**
	Low risk coverage	8	8	7	12	**35**
	Low returns	16	12	3	2	**33**
	Total	**35**	**23**	**23**	**19**	**100**

Source: Primary data

endowment policy. Major reason for attraction towards the micro insurance policy is more risk coverage and lower premium. The safest mode of recurring deposit option is 37 per cent prefer banks, 27 per cent prefer post office and only 19 per cent opined for micro insurance. Majorities (36 per cent) of the respondents are opined that children's policies are taken with objective of their education, followed by risk coverage of the children. 45 per cent of them said that micro insurance policy is meant for lower income group people; crop loan service is used by the respondents. They opined that bank deposits and jwellery are the best form of investment. Banks are preferred for recurring deposits, children's policy are preferred for education, lower income group has got the opportunity from micro insurance, crop loan service is availed by the policy holders and bank deposits are the best option for investment. Majority of the respondents said that they need changes, in existing policy, they are moderately satisfied, it is a tax saving tool and high premium, low risk coverage and low returns are major weaknesses.

Suggestions for Future Action

Based on the empirical evidence and with the support of the observation made by CII and Ernst & Young, 2008 [14] following suggestions are made for further development in the micro insurance policy:

- *Better product design* - There is a need to introduce new products micro insurance according to the need of the people.
- *Reducing distribution cost* – by reducing the intermediaries involved in the delivery of the policy, the cost can be reduced.
- *Focus more on risk than premiums*- As the micro insurance is meant for the poor, the premium amount has to be reduced and focus should be on risk coverage.
- *Aim at relationship building, mutual trust and after sales service*- the follow up has to be done after the purchase of policy.
- *Improve premium payment mechanism*- At present premium are paid directly, but there is a need for the improvement of this mechanism further.
- *Encouraging customer awareness and knowledge* – As most of the rural people are illiterate proper awareness about the policy are must.
- *Reinsurance issue*- Lapsed policies should be considered for reinsurance.
- *Loan on policy*-At present the amount of loan on micro is Rs. 30, 000/- it needs to be enhanced to at least 50 to 60 thousand.
- *Salary deduction*- There must be salary deduction facility for government employee.

Conclusion

For India to reach its rightful place as a developed nation, it must financially empower its entire population. A key element of this empowerment is a base risk cover that covers elements of life, disability and health. This empowerment can only be achieved through the collaborative efforts of the government, regulators and private enterprises; they must be able to build commercially viable and scalable models for financial inclusion. The key issues and challenges impending growth of micro insurance in India from the perspective of the key stakeholders - the un-insured customer, the distribution intermediary and the insurance company, can be addressed by way of structural regulatory and policy changes coupled with extensive leverage of emerging technologies. Micro insurance is has the good reputation and providing the good services to the policy holder. It provides all the types of policies for all types of people such as low income, middle or higher income people. The premium amount and mode of payment is also suitable to all the types of people. But still policy holders needs some changes or benefits in the policies. It can be concluded that micro insurance is a good policy for poor people as it provides loan facility and other benefits.

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Rural Banking

Rural banking has a crucial role to play in the Indian economy, whatever may be the shape of overall financial sector. In the changing context, the rural branches of gramin banks should acquire skills required to undertake all types of banking transactions, which their counter parts in urban areas do. The over-riding emphasis on small loans and directions for lending to target groups has to be toned down, if not totally avoided. They can become more efficient micro finance institutions in the Indian context than the existing micro finance institutions…

\- ***N. K. Thingalaya (2013)***