



International Journal of Advanced Research in Arts,
Science, Engineering & Management (IJARASEM)

Volume 11, Issue 2, March 2024



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

IMPACT FACTOR: 7.583



Importance of Micro Insurance in Low Income Group

Anshi Singh, Dr. Azra Ishrat

Scholar, Amity Business School, Amity University Lucknow Campus, India

Professor, Amity Business School, Amity University Lucknow Campus, India

ABSTRACT: This study proposes a comprehensive micro-insurance program tailored specifically for low-income individuals and communities. The primary objective is to bridge the insurance gap and enhance financial inclusion among economically disadvantaged populations. The program incorporates innovative strategies to address the unique challenges faced by this demographic, including affordability, accessibility, and understanding of insurance products. Micro insurance helps the poor avoid different risks. Microinsurance offers different products for life, health, property and natural disasters. Previous research has not focused on people's perceptions of microinsurance. If the poor are unaware of microinsurance products and benefits, proper distribution and implementation of microinsurance programs will not be possible.

KEY WORDS: Micro-Insurance, Financial Inclusion, Low-Income Communities, Product Design, Distribution Channels, Financial Literacy, Risk Management, Impact Assessment.

I. INTRODUCTION

The word "microinsurance" first appeared in the field of microfinance as a new financial service, later it developed into an independent business line. Microinsurance helps poor and low-income groups against different risks. Insurance; premiums are one of the most important factors related to growth, additional liability and people's longevity (Paramasivan and Rajaram, 2016). Low-income people face many risks in their daily lives that threaten their lives, health and property. Although many people are affected by these risks, low-income groups are the most vulnerable as they do not have adequate support to manage or prevent risks (Varshini and Suresh, 2013). In this context, microfinance was born to improve the lives of the poor, rural residents, small businesses and those earning informal income. However, insurance protects the lives, health, and property of high-income earners, middle-income earners, and middle-income earners. Class and the rich. However, in the past such insurance was not possible for people below the poverty line and in financial difficulties.

In insurance, there is discrimination between low-income people who cannot get insurance and high-income people who can ensure the security of life, health and private property. Several researchers have studied and developed "micro-insurance process" for the betterment of poor people to protect risks from themselves (Achampong-Kyei, 2004; Ahuja and Guha-Khasnobis, 2005; Churchill, 2006; 2007; Rao, 2009; Giesbert, 2010; Giesbert and Steiner, 2011; Giesbert et al., 2011; Manjunath and Rao, 2012; Varshini and Suresh, 2013; Cole, 2015; Paramasivan and Rajaram, 2015; 2016; Adhana and Saxena, 2017; Devarakonda, 2018).

Microinsurance (MI) is a new concept that appeals to the poor and aims to help them share different risks. Microinsurance is a method of providing low-income people with insurance services designed and distributed according to their needs and abilities (Allianz, GTZ and UNDP, 2006). According to the International Labor Organization (ILO), it is part of social protection. It is said to be a tool in the social security system designed to help poor people access social protection. It is a type of health, life or property insurance that provides limited protection through occasional payments (ICAI, 2009). According to KPMG (2013), products that are easy to obtain from the financial department and have low assets are suitable for microinsurance. Microinsurance in general has rapidly emerged as a very important concept for low-income people who are involved in various profitable businesses and face various risks to property, especially due to the lack of good results (Mathur, 2010). In 2005, IRDA notified the rules for formation of micro-insurance operators, responsibilities of insurance companies, grievance issues and details of micro-insurance products. The regulations provide for the appointment of microinsurance agents to distribute MI products. For this purpose, the term "microinsurance operator" refers to a non-governmental organization (NGO); or self-help group (SHG); or a microfinance institution (MFI) selected by the insurance company as a small division of Insurance agents.



II. LITRETURE REVIEW

Many studies by foreign and Indian researchers on "Role/impact of microinsurance on low-income groups" and other industries can be cited.

"Fetterman et al (1996) stated that motivation is achieved through the achievement of individual and group/community goals".

"Canon (1993) discussed various factors that influence the disadvantage of individuals or groups; As he said disadvantage varies depending on who they are" More or less different paths The country is divided into influential individuals and groups. This is a complex feature that is a combination of things that occur primarily (but not exclusively) by class, gender or race - (canon 1993) canon divides the negative into three types of actions.

Aysan (1993) identifies various types of conflict such as: - Access to resources (physical/economic) - Conflict, social fragility - Lack of strong national and regional structures (weakness) Lack of access to information and knowledge (foreign) Lack of public awareness (weak attitudes and motivations) Poor access to policy and representation (negative culture) Some beliefs and practices are poor (bad culture).

Ayala (2002) Vulnerability is divided into natural fragility and human fragility. Natural fragility is divided into natural fragility and humorous fragility. While natural disasters are caused by natural disasters such as floods and earthquakes, humanitarian disasters are based on different factors, including political, economic and cultural.

Vulnerability in this group is defined as "a disaster that has a large number of loss or damage effects due to any natural disaster, depending on its specific social benefit, economic, cultural and political." This problem occurs in one place. For example, the concept of natural disasters and vulnerability to disasters often focuses on and refers to events such as the frequency and severity of natural disasters. In other words, the negative way of socializing means that people repeat ideas and business models. The new definition of vulnerability is a combination of the first two approaches laid out in the Hyogo Framework for Action and adopted by the United Nations in 2005. In this approach, it is said that vulnerability is defined as follows: "The conditions determined by physical, social, economic and environmental factors or processes that contribute to the influence of society on the effects of the hazard" (yamin, Rahman and Huq, 2005).

Cohen and Sebstad (2005) conducted research in three countries: Tanzania, Uganda and Kenya to investigate the demand for microinsurance. In this article, vulnerability is defined as "the ability of families and individuals to cope with risks" (Cohen and Sebstad, 2005). The poor are more vulnerable than others because they do not have adequate resources to fall back on; disadvantage is a fact of daily life for low-income people. According to Cohen & Sebstad, microinsurance can reduce individual risk and poverty.

"Another definition of vulnerability is "the inability to cope with losses or costs resulting from hazardous events" (Brown and Churchill 1999). They believe that insurance voluntarily reduces the vulnerability of families because it replaces the uncertain risk of natural disasters with some premium. Without insurance, low-income families are at high risk they will not be able to participate in activities, earn good profits, use new resources to increase their income, and remain in poverty. Therefore, according to the discussion in this article, Insurance is a business that gives certainty to low-income people, encouraging them to participate with more risks, earn more profits, hence It can be concluded that it is a risk transfer tool that improves and reduces financial levels of poverty.

Cohen & Sebstad (2005) and Sharma, Hochrainer & Mechler (2011) touch on the relationship between frailty and gender. In both documents, it is stated that due to social and cultural barriers, women cannot receive warnings and dangers quickly, some women will be more harmed, caring for children at home, Women who are pregnant or have children are at greater risk. Another reason is that after natural disasters, most women have fewer resources and less control than men.

Beppu (OITA Japan, 2012) tried to find the micro and macro effects of disaster microinsurance in his study. The micro impact is on the poor and the macro impact is on the weak part of the country. Research has shown that microinsurance products have many positive effects on how people and countries respond to and prevent disasters. Natural disasters are natural disasters.

Sreemayee Guha Roy in his study "Part of Micro Insurance in Rural Areas: - A Case Study of Purulia District: West Bengal" concluded that "Microinsurance has achieved exceptional satisfaction from existing and potential customers. - From his survey, most



We have seen that the customer is willing to pay a higher rate again to pay more interest and benefits, and People have expressed interest in life microinsurance as a form of investment.

III. OBJECTIVE

The main objectives of this research project are:

- To identify and examine microinsurance knowledge among low-income people in India.
- Research conducted to examine the perception of microinsurance in lower income groups was divided into different sections.

IV. METHODOLOY

The research is based on primary data collected through surveys. This survey was designed to facilitate the collection of detailed and sufficient information from participants. The research study is divided into the following sections:

- Demographic profile
- Socioeconomic profile
- Microinsurance product information
- Microinsurance Insurance providers

All comparative information is presented with statistical interpretations, charts and bar charts, pie charts.

V. LIMITATIONS

- The total number of samples is limited to 100.
- Answers are subject to change.
- Current findings will vary from time to time and will not be the same for other villages in India.
- Therefore, the findings may not be confirmed in other rural areas of India.

VI. FINDINGS

Most of the respondents are temporary workers, and their income fluctuates seasonally. During the peak season, the daily wage is 200-300 per day, and during holidays, income is greatly reduced; The average salary of an interviewer is 3,000-5,000 per month.

Most of the people respondent are married and have one or two children. 34% of the respondents have 5 people in their families, 27% and 28% have 4 and 6 people in their families. Families have five or more members; Most of them live in joint families with a monthly income of over ₹ 5,000. 34 percent of the respondents have 5 families, 28 percent and 27 percent have 6 families.

Most of the people respondents have heard of insurance but do not know much about microinsurance. Withdraw money from the bank and send it. It also makes your investment more liquid.

Only 7 respondents have invested in insurance and all of them have income above Rs 90,000. Every year, 2 of them invest for 1 year, 3 of them invest for 3 years, and due to some problems, they do not pay premium and invest the entire amount in the LIC policy.

After explaining the necessity and benefits of insurance, 56% of the participants want to invest in insurance, but lack of insurance knowledge affects their investments. Many people say they do not need insurance because the risk of accidents is low. Although they are riskier; Carelessness and ignorance of health or life risks also deter them from investing in insurance.

VII. CONCLUSION

From the above results, it can be seen that the poor people in the low-income group in India face many dangerous hazards. It has been observed that the risk management models they can use are diverse but often inadequate. Microinsurance is designed to meet the specific needs of the poor. It can provide good results for its business purpose and help lift people out of poverty. Micro insurance is the insurance of the poor and covers many risks at low cost.



Also, microinsurance provides insurance to the poor at low costs, which requires a link between the poor and the insurance provider. Based on existing research results, we analyzed the relationship between microinsurance knowledge and gender, age, education, employment and monthly income in India. This study revealed that there are significant differences between high and low age groups, high and low education groups, professional and non-professional group jobs, high income groups and low income groups in the study area. . Also, men are more emotional than women.

Micro insurance policies in India enable other institutions such as MFIs, 9SHGs and NGOs to play an important role in MI representation. In some parts of India, many NGOs and small financial institutions are doing commendable work to improve the lives of the poor in villages. These organizations can be considered as agencies and can be used by insurance companies whose processes are audited by IRDA. Many insurance companies provide assistance to the lives of rural poor people through trust and shared responsibility. However, very few banks sell microinsurance products through rural branches. The state government has also come up with various schemes to increase income and protect the poor from natural disasters. According to researchers, microinsurance

Products have significant potential in reducing poverty in rural India (Guha Roy, 2014; 2015). Completing the pilot project is of great importance in terms of spreading the microinsurance concept to the grassroots.

Microinsurance, if implemented correctly, can make a huge difference to people's lives health conditions of people living in rural areas below the poverty line. Product customization can meet customers' needs and requirements, which can influence the demand for microinsurance products. In addition, the development of micro insurance is important both ethically and economically in terms of ensuring financial inclusion and reducing the risk balance. According to the current study, there is still a lack of understanding and knowledge about the insurance sector, continuity of services and development, especially among low-income working groups, which affects the increased use, respect and uptake of disposable products.

REFERENCES

1. Weidmaier Martina-Pfister (August 2004) , “ Regulation and supervision of Micro insurance”.
2. Bhat Ramesh and Jain Nishant (July 2006)“Factor Affecting the Demand for Health Insurance in a Micro Insurance sector”.
3. Ganesan Dr. S. and Jayaprakash Dr. S. (July 2007),”Micro Bane assurance Model for India”.
4. Rajivan Anuradha (April 2007), “Engaging the private sector to insure the poor”.



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



International Journal of Advanced Research in Arts, Science, Engineering & Management (IJARASEM)

| Mobile No: +91-9940572462 | Whatsapp: +91-9940572462 | ijarasem@gmail.com |

www.ijarasem.com