



MICRO INSURANCE IN INDIA WITH PERSPECTIVE OF RURAL MARKET BUSINESS

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ABSTRACT

Rural insurance market business is compulsion for the private and public sector insurance company of India as per the government rules and guidelines. It is regulated by the Insurance Regulatory and Development Authority (IRDA). The study is an experiment of the current situation of market business, lives coverage and premium collection by the public and private sector insurance company. However public sector performance is better than private sector insurance company. As there are two types of micro insurance products, i.e., individual and group micro insurance in which individual micro insurance is more in demand than group micro insurance.

KEYWORDS : Micro Insurance, Scenario, Technology, Rural poor.

1. INTRODUCTION

In 1991 India accepted the new pattern of economic growth i.e., 'Liberalization', 'Privatisation' and 'Globalisation'. This growth pattern demands new techniques and innovation but as the Indian population especially the rural and deprived section of society are far from all this, they are incapable with new technology due to lack of financial assistance, poor education, health and infrastructure etc. As growth of an economy is an outcome of optimum use of human resources which can be formed with all the above available facilities.

Here micro insurance is being considered as an essential tool implemented by the government for the rural or poor categories of people of the country. It is specially designed for the economically untouched market of the economy to cover their undesired risks and it would be the suitable way for their strategy to overcome this problem.

1.1.1 Statement of the problem

Micro insurance policy is provided by the Government but generally its proper implementation ensured by mainstream commercial and social insurance companies is very less, as to sell micro level insurance products to a person who has neither access to appropriate income nor the understanding about the benefit of this scheme. It means there is a big deal to sell micro insurance to a person working in the informal economy. Since it is easier to offer this scheme to person with predictable income with regular cash flow. With this perspective the study deals the current micro insurance market business and its scenario.

1.1.2. Micro Insurance

The IAIS (2007) defines micro insurance as "insurance that is accessed by the low-income population, provided by a variety of different providers but run in accordance with generally accepted insurance practices (including the IAIS insurance core principles). It differs from traditional insurance in that it is adapted to the circumstances of the poor: premiums are low, products have simple designs, it is offered through well-trusted and innovative channels, premium payment is flexible, and claims are settled promptly".

The draft paper prepared by the CGAP (2003) working group on micro-insurance defines micro-insurance as "the protection of low income households against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved." The working group also agrees that the cost of such cover should be affordable. "Micro insurance typically refers to insurance products designed for the low income individuals. The word 'micro' represents the relatively small transaction size or lower premiums, a concept similar to microfinance with small ticket loans.

The (IRDA) (2005) have created a special category of insurance policies called micro-insurance policies to promote insurance coverage among economically vulnerable sections of society. The

IRDA Micro-insurance Regulations, 2005 defines and enables micro-insurance. A micro-insurance policy is: A general or life insurance policy with a sum

1.1.3 Overview of Literature

There are many evidence available regarding micro insurance market which implies that micro insurance business is still at low stage. Therefore there is a need of improvement.

The one study by **Mc Cord** and **Liber, D.** (2007) found in a recent global survey of micro-insurance estimates that 78.5 million lives are covered by micro-insurance, and 6.5 million lives are covered in Bangladesh, leaving 90–94% of the poor without micro-insurance coverage.

Another study done by **ILO** (2003) states that micro insurance product regarding coverage type and area is very limited, as health only covers a limited number of districts in Bangladesh. The micro-insurance schemes for health targets women and the poor, both microcredit members and others living in the areas covered by the schemes assured of Rs 50,000 or less.

1.2 Objectives of the study

1. To find out the situation of rural insurance market coverage by micro insurance companies.
2. To get the trend and scenario of rural insurance market.

1.3 Research Question

1. With the above objectives, study formulated a research question: Do the rural micro insurance business performance of public sector Insurance company better than that of private sector insurance companies?

2. What is the scenario of micro insurance business in coming years?

1.4 Methodology of the study

This study is based on descriptive statistics and used secondary data, collected from website of Insurance Regulatory and Development Authority (IRDA) and relevant online sources. Secondary data is used to show the business performance of public and private sector insurance companies in rural insurance market with descriptive analysis. To answer the first research question calculation of Quartile Deviation is used and for the answer of second question a Trend Value calculation and trend line is formulated to get the scenario of micro insurance business in coming years in India.

1.5 Significance of the study

This study signifies to show the present situation of micro insurance business. As the study deals with the seven years of market business by the public and private sector micro insurance companies; so through the seven years data the trend and scenario of market

business can be easily predicted. Therefore it will be useful to the government that what strategies should be adopted for the better performance.

1.6 Analysis of the study

With the two research question, two types of insurance sectors are taken out i.e., public sector and private sector. Both the sectors are providing Individual and Group micro insurance product. In both products, business performance of public sector is better than that of private sector and it is shown in below table 1.6.1 .

1.6.1 Situation of public and private sector micro insurance business in India (Research Question 1):

Micro insurance companies are providing two types of policy, Individual and group micro insurance. Here table shows the calculation of Quartile deviation as an tool to compare the performance of public sector insurance company and private sector insurance company. Calculation has taken out seven years business performance by the micro insurance companies from 2008-2014..

Table-6.1.1: Lives Coverage by Group and Individual Micro Insurance Products.

Company	Mean		Std. Deviation		Coefficient of Variation	
	Group	Individual	Group	Individual	Group	Individual
Public	14	295	1.88	121.29	14.31	41
Private	2	63	1.52	0.42	103.40	42

The result shows that lives coverage by group micro insurance company of public sector insurance company is better and more consistent than private sector insurance company; as the mean (13.14>1.47) and coefficient of variation is (14.31< 103.40).

In above table it is very clear that in terms of individual micro insurance product performance regarding lives coverage of public sector is better and more consistent than private sector; as mean(295>63) and coefficient of variation is (41<42).

So in conclusion as per the table 6.1.1 Public Sector Insurance Companies are performing well with comparison to Private Sector Insurance Companies in case of Individual Micro Insurance products and the Group Micro Insurance products both.

1.6.2 Formulation of Trends and Scenario of micro insurance market business (Research Question 2):

To gather the second research question “what are the scenario of micro insurance business in India” a trend value calculation is done. These values are shown in the table 1.7

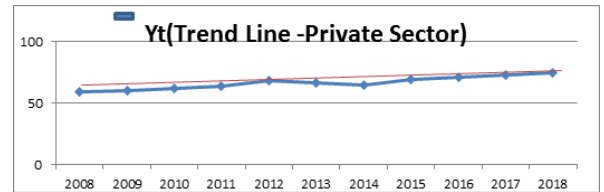
Table- 1.6.2: Trend value calculated by the equation $Y=a+bx$, Where for public sector $a= 305.27, b=6.25, x= -3, -2,-1, 0,1,2,3,4,5,6,7$ and for private sector $a= 63.74, b=1.57, x= -3,-2,-1,0,1,2,3,4,5,6,7$

Year	Trend Values $Eq^n_{-Y=a+bx}$	
	Public sector	Private sector
2008	286.52	58.9
2009	292.77	60.33
2010	299.02	61.9
2011	305	63.47
2012	324.02	68.04
2013	317.77	66.61
2014	311.52	65.04
2015**	330.27	69.75
2016**	336.52	71.32
2017**	342.77	72.89
2018**	349.02	74.46

Expected values for market business)

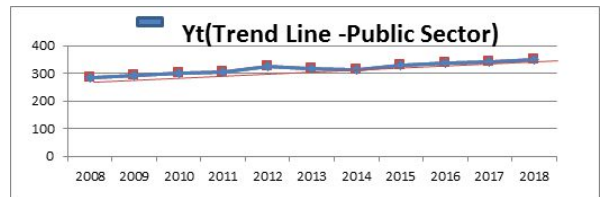
On the basis of equation “ $Y=a+bx$ ” trend values are calculated and it is found that in India micro insurance business is increasing rapidly per year. This increasing value shows upward trend of coverage of lives in Indian rural insurance market.

Graph-1.7.1:Trend line for private sector micro insurance lives coverage.



Source-Based on Table- 1.7

Graph-1.7.2:Trend Line for public sector micro insurance lives coverage



Source-Based on Table-1.7.

Conclusion

In conclusion lives coverage by **group micro insurance products** of public sector insurance company is better and more consistent than private sector insurance company. Also through analysis of first research question it is very clear that in terms of **individual micro insurance product** performance regarding lives coverage of public sector is better and more consistent than private sector.

With the calculation of trend value it is found that the scenario of micro insurance business is moving forward. As per analysis part, per year lives coverage are increasing for both sectors private and public. Although the increasing ratio is not much better, there is a need of taking more attention by the IRDA and the Government.

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