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EVOLUTION AND RISE IN THE GROWTH OF MICRO-INSURANCE

Rudrajit Sinha Roy Department Of Commerce Christ(Deemed To Be University)

Yugantar Singh Student, Department of Professional Studies

ABSTRACT Micro-insurance is not a financial instrument nor a exchange note unlike other money market or capital market instrument but it is a mechanism to eliminate the vicious cycle of poverty . The article highlights the concept of micro-insurance , the various problems in India with regard to micro-insurance schemes and highlights the various advantages of the schemes .This article will also help the readers know about the various obligations proposed by IRDAI and the involvement of the government bodies for the insurance policy holders.

KEYWORDS : Micro-insurance, Channel of funds, Economic Development, Financial system, IRDAI obligations, Marginalized society, Vicious cycle.

INTRODUCTION:

"The villagers want bread -not butter and disciplined work, some work that will supplement their agricultural avocations which do not go for all the 12 months". - M.K. GANDHI.

In a country like India where the degree of poverty reaches the sky-limit, as there is an unequal distribution of wealth the majority of people are struck into the vicious cycle of poverty. The government of India comes with many plans but they result into failure because of lack of management or either because of poor implementation of the plans. That is why, the independent authorities like IRDAI or private companies come formulate plans to set the equilibrium point between the poor and the rich. Therefore, it is the duty of such institution to formulate a instrument that can drive out poverty from India.

It is a colosseum task to bring the rich and poor on the same scale but such herculean task is possible when the private and the government institutions join each other hands to make this mission possible and therefore they should perform this task as a moral obligation nor as a statutory obligation. The most potential method of driving poverty from India is using insurance policies such as "Micro-insurance policy" which is based on the core idea of serving the masses of Indian population who are deprived of the opportunities from acquiring the benefits financial inclusion.

Micro-insurance is an insurance product that has been designed especially for the low profile workers who live below the poverty line. It is designed according to certain specifications and the premium is also economically feasible for people work as daily wage laborers, farmers, rickshaw pullers. The premium is designed after taking special care by looking at the economical background of such masses of the society as the contribution of the unorganized sector contributes to around 50.6% to GDP as per the report of NCEUS report in 2005.

Micro-insurance can be termed as a synonym to community based help including network financing and collect huge pool of funds and utilize it as reserves for shared wellbeing for those who indulge in same economic activities with an equal motive for the good of the society. Most people prefer group financing plans with regards to serious monetary imperatives, political flimsiness, and absence of good administration. The component of network financing is the dynamic association of the network in income accumulation, pooling, asset allotment and optimum utilization of the time and consolidating the resources for the motive of achieving equality in the social status of the Indian society.

In this world no one is protected against any financial damages as certain events are unpredicted but in developing countries like India where the majority of population is dependent on agriculture. The s disturbance caused due to the factors becomes critical as they are exposed to many financial risks and as they are not exposed to many formal banking solutions for financial help. Therefore; they are hugely dependent on micro-insurance facilities which are based on low premium to secure them against such financial damages.

The government of India is investing into such schemes for their upliftment by pooling huge amount of funds. Micro-insurance can be utilized as a financial instrument to offset the financial damages in the wake of any sort of adverse effects caused to the property, crops or to the cattle.

Objective OF THE STUDY:

- The main purpose of the study is to conduct an extensive research:
- To gain insights how various financial and regulatory bodies such as IRDAI are promoting micro-insurance in India.
- To understand the problems associated with the formation of micro-insurance bodies in India?
- To know about the involvement of government sectors for reforming the micro-insurance sector.

RESEARCH METHADOLOGY:

- The data is based on secondary data, no primary data has been used for study.
- This study is descriptive and qualitative.

REVIEW OF LITERATURE:

- P. Subramanyam (2016) in his research paper, "*Micro insurance and vulnerable section of society: analytical study*" talks about the conditions of the sections of the society who fall below the poverty line and live under filthy conditions and how micro-insurance is rescuing the vulnerable sections of the society to escape the vicious cycle of poverty.
- Paramasivan C (2016) in his research paper, "*Micro insurance –a conceptual analysis"* reflects on the benefits associated with the micro-insurance and how micro-insurance can play a vital role in the life of the people who are affected by extreme levels of poverty.

ANALYSIS & INTREPRETATION:

- The recent development in the micro-insurance sector has been possible due to the reforms of IRDAI on 2005 to cater the needs of the people who lives below the poverty line and INDIA is one of the countries to draft specific micro-insurance policy. Regional Rural Banks were allowed to act as corporate agents in the rural sector to ensure that there is proper channelization of funds.
- With the arrival of privatization in 90s there has been a significant development in the micro-insurance product and in the distribution channel of the insurance product. According to the reports, more than half of 83 MFIs operating in India from 2005 were offering life insurance coverage more than general

insurance as people in rural areas suffer from health disease and sudden death of cattle and they are not insured to such risk.

- The committee headed by Shri. Raghuram Rajan highlighted on the importance of micro-insurance and its growth. The SBLP has made it considerable progress since its inception in the early 1990 in terms of SHG credit linked with the banks as well amount of loan disbursed by the SHG.
- The cumulative number of SHGs credit linked with banks increased sharply from 33,000 in 1992-1999 to 2,64,000 in 2000-2001 and further to 2,239,000 in 2005-06. During the above period, the cumulative bank loans disbursed to SHGs also witnessed a sharp increase from Rs. 57 crores in 1992-99 to Rs. 481 crores in 2000-01 and further to Rs. 11,938 in 2005-06.
- Since, post 2005 and due to the entrance of the new government they have introduced various schemes such Pradhan Mantri Jan Dhan Yojana (PMJDY) was a step towards financial inclusion for the people who live below the poverty line initiating social protection by involving 27 public sector ,22 regional banks and 13 private sector banks providing insurance coverage of Rs. 1 lakh rupees and many other benefits.
- Micro-insurance agencies provide 4 types of insurance such as health insurance, life insurance, accidental death and disability and property insurance .64 million people are covered by life insurance, 41 million people by accidental death and disability, 36 million by property insurance and 35 million by health insurance.
- The report shows that life –insurance product is the mostly opted one as life insurance product is easy to price and it is resilient to fraud and moral hazard and health insurance is also a popular one as people in the rural areas are prone to infectious diseases but the actual availability is below 3% even in the best cases and in the case of property insurance less people opt for it because of the rise in the cost and the demand is less as compared to health and life insurance
- Micro-insurance or the insurance which is designed to serve low income segment of the society has become a popular strategy to eliminate poverty in the last ten years. The rural health delivery and micro-insurance scheme developed by CARE focuses mainly on training the local healthcare providers to use technological diagnostic devices.
- The project is facing a huge amount of challenges but is able to provide benefit to only about 3% population of low income segment in the world 100 poorest countries, leaving nearly around 2 billion people uncovered and to provide micro-insurance to these people the use of technology is very important.
- The major problem in regards to the micro-insurance is that the people do not have proper education regarding micro-insurance i.e. , how does it work and what are the benefits associated by taking insurance as there are communities in India that associate insurance with savings and are reluctant to pay the premiums for the services that can provide huge dividends.
- There are many private entities in India that provide schemes in micro-insurance like Aviva life insurance co.pvt ltd (Grameen suraksha), Bajaj Allianz Life Insurance Co.ltd(Bajaj Allianz Jana Vikas Yojana), Birla Sun life insurance Co. ltd(Birla Sun Life Insurance Bima Suraksha), IDBI Fortis Life Insurance Co ltd.(IDBI Fortis Group Micro-Insurance Plan).
- Along with private bodies the government is heavily investing into micro-insurance scheme and some of their schemes for different sectors whther in life,health or agriculture such as Aam Admi Bima Yojana, Janashree Bima Yojana , Rashtriya Swasthya Bima Yojana etc.
- In a Country like India certain section in the society especially people living in rural areas suffer from vulnerable diseases than the people who are well off and also from other extended promblems such as property loss, accident , cattle disease (A. Meenakshi, U. Jernabi 2015). Micro-insurance can act as a mechanism to curve them out of such extended risks that are creating obstacles for their economic purposes.

ROLE OF GOVERNMENT IN DEVELOPING RURAL SECTOR:

It is debatable that there has been non-involvement of government in reforming the micro-insurance in rural areas but in reality the government has been shown its involvement in this sector with subsidized micro-insurance programme of various kinds targeting the low income people residing in the rural areas. In such traditional programme the government pays full or a part of a premium and the risk is underwritten by the insurance companies.

In light of the suggestions of an investigation by World Bank and GFDRR in April 2011, the Indian Government changed the NAIS and called it mNAIS (altered NAIS). Under the mNAIS program, the administration gives just premium endowment, and the guarantor needs to hold up under the obligation regarding claims. Since the endorsing hazard is currently conveyed by the safety net provider, they take additional consideration in estimating and the executives of the plan. The administration's job additionally helps the plan non-fiscally, as it has now commanded all beneficiaries of sponsored trim advance to benefit the mNAIS office.

Government index is also extended to indexed based agricultural based insurance scheme of India where the settlement of the claim is based on certain natural factors such as temperature, rainfall, humidity etc and under this scheme the farmers pay one third of the premium and the government pay two –third of the premium which is less burdensome from the part of the farmers and makes it necessity to buy the insurance product.

SUMMARY AND CHALLENGES:

- Even though Micro-insurance can provide rich dividends in the near future but still micro- insurance is at its infancy state and need to undergo through various progressive stages for further development and certain challenges infront of micro-insurance are:
- Lack of knowledge : The people at the grass-root level do not have awareness regarding insurance as there are no educational institutes in rural areas to infuse knowledge regarding the benefits by taking insurance that can provide long term dividends.
- Unavailability of branches : At rural areas there are no nearby branches of micro-insurance firms and the people need to go in cities which further increase the costs.
- Delivery channels: The licensing of the organizations take huge amount of time and therefore the government should intervene and reduce the time limits.
- Capacity developments: Micro-insurance requires diverse skill to microcredit, and specialized micro-insurance information is as yet inadequate. Therefore, companies need to hire competent agents who are specialized in microcredit and micro-insurance.
- Regulation: In order to become an micro-insurance agent or a micro-insurance firm the companies need to follow certain conditions which are stringent in nature as the agents need to go certain training programs for about 50-100 hours which should be relaxed to a certain extent.

Solutions to Problems:

- The micro-insurance agencies should train their agents to acquire the skills needed to deal with the clients in order to achieve the targets.
- The government should come with institutions that educate the people living in rural areas and bring awareness regarding the benefits of having micro-insuranc.
- The government should involve more number of schemes of micro-insurance in cities as well as rural areas so that people can acquire rich dividends of insurance .
- Involvement of private sector banking agencies to improve the competition in the micro-insurance sector and sell micro-insurance schemes along with their regular loan schemes.

CONCLUSIONS:

Since the micro-insurance is designed exclusive for the poor people who survive on agricultural products or their livelihood is dependent on menial jobs such as rickshaw drivers, small scale troders ,cottage house industry workers the structure of the premium is designed after taking care the needs of such people and it has emerged as a source of a financial tool for supporting the marginalised section of the society.

The recommendations of IRDA and the influence of the state as well as the central government has boasted the performance of the micro-nsurance sector which can understand from the above studies. Based on the improved business prospective of the micro-insurance sector the IRDA has laid recommendations in inspecting the miniaturized scale protection controls, 2005. In this association, the specialist has just discharged draft alterations of the controls on 31st Jan, 2014.

Additionally, the Authority has issued a roundabout on third April, 2013 allowing a few additional substances in to miniaturized scale protection exercises like locale co-operative banks, district cooperative banks, regional rural banks, rural banks, etc., and so on in to standard of showcasing of smaller scale protection items who are managing an account reporters to be designated as smaller scale protection operators encouraging better entrance of miniaturized scale protection business in India.

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