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MICRO INSURANCE IN MAJOR DEVELOPING COUNTRIES

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ABSTRACT Micro insurance, through its various delivery models has been implemented to popularize insurance for the people of the bottom of the society. In developing countries, it is a tool, which is designed for the lower income groups. Micro insurance gives protection to the poor against various risks like life, illness, death, health, disability, property and agriculture. It is being used as a strategy to lead the development of the countries. This paper is a light on the findings of the study on micro insurance in the developing countries in different aspects.

KEYWORDS : developing countries, micro insurance, economic growth, market prospect.

Introduction

Although micro-insurance exists on the platform of many micro insurance distributors, it has not worked its way around the world to truly penetrate the market. As of right now, only 5 % of the world's poor is covered by micro-insurance. It is believed that now is the perfect time to begin a strong push in selling these products to low-income individuals. Microfinance, in terms of savings products and micro-loans, has significantly made its way around the world. Millions of low-income individuals have access to micro credit, and utilize it to sustain or create a business and with it a source of income

Introduction

Micro-insurance refers to protection of assets and lives against insurable risks of target populations such as micro-entrepreneurs, small farmers, the landless, women and low-income people through formal, semiformal and informal institutions. Such products are often bundled with micro-savings and micro-credit, thereby allocating scarce resources to micro-investments. It is the most underdeveloped part of microfinance.

The poorest segments do not always benefit from the subsidy of government, while people who can afford insurance often find ways to access these benefits. Therefore governments have made little effort to shift the burden of risk-pooling to market-led schemes. In principle, micro-insurance works like any typical insurance business.

Micro Insurance in developing countries

Micro insurance scheme has been implemented throughout the world. However through this mechanism the government of the countries are trying to cover the poor groups of the society. However these groups are always skipped by the proper channel of government.

Micro insurance in India

In India, the study finds that this country currently has the most dynamic micro insurance sector in the world. 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. Even so, market penetration 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.

Overview of Literature on India

Mukherjee (2010) acknowledged that micro insurance in India has largely been driven by credit products of microfinance institutions (MFIs) and micro insurance has remained a secondary choice for financial inclusion. Recently many important developments have taken place in the Indian micro insurance sector. Through has experimented a lot with micro insurance, the sector still driven by supply-led interventions. Moreover, the insurance providers still seek government subsidies and donor finding in order to achieve financial viability in preference to designing market-led sustainable schemes. A strategic perspective towards micro insurance together with innovations in technology and assessment of client demand probably holds the key to the future of micro insurance in India.

Micro insurance in Bangladesh

The market for micro insurance in Bangladesh has been growing rapidly over the last 10 years, with over 25 million subscribers. Its first micro insurance product,BRAC initially started piloting Credit Shield Insurance in November 2014. After years of testing, we finally have a solution that is simple, accessible, affordable and, unlike most other micro insurance products on the market. This year Bangladesh became the largest microfinance institution, in terms of number of clients, to beSmart Certified, signifying to our country market and to the industry writ large that we treat our clients with adequate care.

The Asian Development Bank (ADB) has been providing loans, technical assistance, and grants to Bangladesh to address vulnerability and accelerate growth. In 2009, ADB approved a grant for Bangladesh to develop the micro insurance sector of the country. The grant helps the Government of Bangladesh to expand its insurance coverage to reach more vulnerable groups.

Overview of Literature on Bangladesh

Sadharan Bima Corporation (2007)Studied that the insurance system in Bangladesh consists of 2-owned corporations, 43 private sector general insurance companies, and 17 life insurance companies. The insurance sector has grown substantially and has deepened remarkably with additional number of insurance companies in both general and life insurance business. It is also notable that the insurance market has expanded and the volume of assets has increased substantially.

Micro insurance in Indonesia

In Indonesia, demand is strong for insurance to cover the risks that people are least prepared for and have insufficient means to manage. Such risks include serious illness, poor harvest, death in the family and social obligations. Education of children is a priority, and the potential micro insurance policy holders would like to ensure that an unforeseen shock or stress does not deprive their children. The number of insurers in Indonesia is significant, yet few have explored the low-income market. Consequently, there is a critical need for capacity development, primarily in the areas of agent training and market education. This could expand opportunities and lead to market-based tools to assist the poor in securing their lives.

Overview of Literature on Indonesia

McCord, et.al.(2005) studied that with 173 insurers in Indonesia, it was surprising that so few had seen the opportunities in the low-income market. Indeed, these insurers have hardly moved into this market at all. In 2003, the insurance density was $15 per capita, and the insurance penetration was a mere 1.49 percent of gross domestic product (GDP). The Asia averages are $180 and 7.5 percent, respectively. In Indonesia, there is much room for expansion. It was estimated that there should be an effective market of at least 12 million active policyholders plus their families in ten years. The growth is likely to be relatively slow at the start, increasing rapidly as insurers push out to new markets and develop more and better products. At the same time, market education and the demonstration effect will enhance the Micro insurance: Demand and Market Prospects – Indonesia demand. To assess demand for micro insurance, the team applied various methods and consulted several knowledgeable experts

Micro insurance in Lao PDR

In Lao PDR, the country study finds that the social security system is nascent (and practically absent for the informal economy) and microfinance institutions are conspicuously inadequate. The analysis confirms a commitment by the Government in several relevant areas: support for reforms, support for pensions and a social security fund for public employees, support for compulsory social protection for the private sector, and support for a community -based health scheme for people working in the informal sector. The study concludes that the potential for commercial micro insurance is in the future at least a few years away. Meanwhile, for micro insurance to become viable, the Government will need to strengthen the financial infrastructure, develop capacity for potential insurance providers and build knowledge of micro insurance mechanism and products among potential policyholders.

Overview of Literature on Lao PDR

Kashyap, Anthony and Krech.(2006) studied that the financial systems in Lao PDR are in initial stage and microfinance is still weak in terms of best practices. The infrastructure of intermediaries is not available, and much capacity-building is necessary. Finally, the demand remains rather weak. It is not likely that commercial micro insurance would be profitable at this time. Virtually every official visited in the country considered micro insurance as premature in this market. The time for micro insurance will come when the financial systems are stronger and there are healthy intermediate organizations with relatively large client bases and control over their portfolios. Such a level of preparedness is likely to be at least a year or more in the future. The one area that offers significant potential at this time is linkage of a commercial insurer with the CBHI efforts.

Micro insurance in Africa

The micro insurance sector in Africa is as diverse as the continent itself: in some countries, micro insurance providers have moved far ahead and achieved impressive outreach numbers, while on the other end of the spectrum there are countries in which potential providers have only started looking at the low-income segment. Across all product categories, the identified number of covered lives has tripled over the last three years, and now almost 4.4% of the African population covered by micro insurance. For micro insurance, Africa is a very dynamic market with ample room still for expansion.

Micro insurance in Southern, East and West Africa has grown significantly, while micro insurance in Central and North Africa still has to gain real traction. Without any doubt, the African micro insurance sector has experienced a tremendous boost from increased outreach in life micro insurance products. Regrettably, health micro insurance has not developed significantly over the last few years, while outreach in crop and livestock micro insurance products is growing from a very small start. Credit life products are no longer a strong driver of increased outreach, yet the product remains important across the region. With only one out of eight policies covering more than the outstanding loan, the potential for offering more comprehensive products through credit life is still significant.

Overview of Literature on Africa

Cohen, McCord, and Jennefer. (2003) research findings reveal a huge opportunity for micro insurance in the low-income markets of these countries. Formal insurers cover only the top five to ten percent of the population and the rest are left to fend for themselves. The institutions included in this study are all trying to service this market, learning important lessons along the way. The cases show that meeting the demand for micro insurance in a responsible, professional manner will take much effort. The paper includes practical lessons for designing and delivering insurance products drawing on the views and experiences of clients, potential clients, and the institutions that aim to serve them.

CONCLUSION

Micro insurance has made a significant difference in many countries and states of India By evaluating the result of the different country's study, It is found that in India demand of micro insurance is very poor than the supply side and here there is a need to develop insurance culture among the poor family. While in Bangladesh micro insurance market it has been developed supply and demand sector. However in Indonesia demand side is very strong but the supply side needs improved market based tools to assist the poor in securing their lives. In Lao PDR the potential for commercial micro insurance is in the future at least a few years away. Meanwhile, for micro insurance to become viable, the Government will need to strengthen the financial infrastructure, develop capacity for potential insurance providers and build knowledge of micro insurance mechanism and products among potential policyholders. The African micro insurance sector has experienced a tremendous boost from increased outreach in life micro insurance products. Regrettably, health micro insurance has not developed significantly over the last few years. Therefore African micro insurance need upgrading of product designing.

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