



## A Study on Customers Perception Towards the Micro Insurance Products: A Study With Special Reference to Erode District.

**SHENBAGAM  
KANNAPPAN**

Research Scholar, Research and Development, Centre, Bharathiyar University Coimbatore.

### ABSTRACT

The International Association of Insurance Supervisors (IAIS) defines micro insurance as “protection of low income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. “Micro insurance, with the promise of profits and welfare gains in markets of billions of clients, therefore, deserves a place in both business strategies and development agendas. These schemes have now gathered momentum partly due to the development of micro – finance activity, and partly due to the regulation that makes it mandatory for all formal insurance companies to extend their activities to rural and well – identified social sector in the country (IRDA 2000). As a result, Micro – Finance institutions (MFIs) and NGOs are negotiating with the for – profit insurers for the purchase of customized group or identical separate insurance structures for the low-income people. India's Micro insurance Industry is going for quick growth in the coming days. The UNDP study estimates the potential market size for micro insurance in India to be between Rs. 62000 and Rs. 84000 million.

### KEYWORDS

Micro insurance, Low income people, Insurance structures, Business strategies.,

### INTRODUCTION

Today, the promise of providing Social Security to all is not being fulfilled in India. Only 20% of the world population enjoy adequate social Protection. Inappropriately the poor, who are the most in need of social protection, are the excluded ones. Rural Population has to face many risks and hardships. The simple existence of risks inhibits their development initiatives. (Source: Micro-Insurance in the Indian Market., Shri Anabil Bhat-tacharya Manager, M.B.R.O. - II, National Insurance Co. Ltd., Mumbai.) In 1956, the Government of India brought together over 240 private life insurers and provident societies under one nationalised monopoly corporation and the Life Insurance Corporation of India (LIC) was born with the enactment of the Life Insurance Corporation Act, 1956. Till 1993, through its network of 2,000 branches than 1 million commission agents, LIC reached to 60-70 million customers, conducted business worth INR900 billion and contributed 5.95% to the GDP. In 1993, insurance reform was conceived, however, it took another seven years for the government to liberalise the market, and allow private insurance companies to conduct life insurance business in India. In 1999, private insurers were allowed with a maximum of 26% Foreign Direct investment (FDI). Since then 41 private companies have entered the market, of these, 23 are life insurance companies. The Bombay Mutual Life Insurance Society, the first Indian owned life insurance company, was established in 1870. The Oriental Assurance Company came into being in 1880. According to research carried out by Swiss Re in 2007, most growth in the insurance industry over the past decade has come from the earthy and middle income markets in emerging economies. Premiums grew by 3.3% globally and by 11.8% in the emerging markets in that year. The potential market for insurance in developing economies is estimated to be between 1.5 and 3 billion policies. Micro insurance already covers around 135 million people, or around 5% of the potential market. In many countries, annual growth rates are 10% or higher.

### OBJECTIVES OF THE STUDY

- To examine the awareness of micro insurance products in Erode District.
- To study the consumer perception towards the micro insurance product in Erode District.

### RESEARCH METHODOLOGY

The present study's ultimate objective is to find out the Customers Perception towards the Micro Insurance Products: A

Study with Special Reference to Erode District. The data required for the study have been collected both from primary and secondary sources. The primary data have been collected through a well-designed interview schedule constructed for the purpose of the study. The data was collected both from rural and urban areas of Erode District through personal interviews covering a total sample of 100 Life insurance policyholders. The secondary data needed for the study was collected from the official records of LIC, books, national and international journals, annual reports of IRDA, Newspapers, magazines and web portals. The period of study covered 01/12/2014 to 31/03/2015.

### LIMITATIONS OF THIS STUDY

This report covers the considerations and regulations governing the design and intermediation of micro-insurance in detail and describes nascent social security schemes for the very low income segments of the population, essentially in passing. The aim is to fill out the picture in relation to financial services for risk mitigation for the poor in India. The regulator in India – the IRDA – has expressed an active interest in learning more about the effects of its guidelines and regulations on the provision of micro-insurance services and this has added to the importance and potential utility of this exercise. Since this report is devoted to considerations that determine micro-insurance regulation, a more detailed coverage of social security schemes has not been attempted.

### REVIEW OF THE LITERATURE

To begin with, the researcher found a number of papers that looked at the effects of natural disasters and other weather related events on those in the developing world.

Gunita Arun Chandhok (2009) The result of study indicates that there is a huge untapped market for micro health insurance and majority of population are aware and understand the importance of micro health insurance. Thus, micro insurance will go a long way in eradicating poverty. If the various micro insurance models are implemented effectively by Insurer, MFI's, SHG's, NGO's, Health institutions, Donors and Co-operatives the BPL population will lead a peaceful and secure life.

Shweta Mathur (2010) in their article “Micro Insurance - A Powerful Tool to Empower Poor” describes the development of micro insurance in India and the challenges faced by the companies offering microinsurance products. They opined that

policy induced and institutional innovations are promoting insurance among the low income people who form a sizeable sector of the population and who are mostly without any social security cover. Although the current reach of micro insurance is limited, the early trend in this respect suggests that the insurance companies both public and private, operating with commercial consideration can insure a significant percentage of the poor.

Sushil Kumar, Niray Mishra and SeemaVarshney (2012) in their article “Globalization and Growth of Indian Life Insurance Industry” highlights the post globalization period of the Indian life insurance industry. And concluded that the objectives of globalizing this industry is being fulfilled in terms of safety to rural and urban population, encouraging savings and utilizing the funds in creating long term funds for infrastructure developments.

Ratna Kishore (2013) in his article “Micro Insurance in India – Protecting the Poor” has pointed out that the market for micro-insurance in India is enormous and remains untapped. The potential market size for micro insurance in India is estimated to be between Rs.62,000 and Rs.84,000 million. He has given a micro insurance business model for the existing insurers. He explains micro insurance as social security cover for the poor and brought out the problems and challenges in micro insurance.

DATA ANALYSIS AND DISCUSSION ON AWARENESS OF MICRO-INSURANCE PRODUCTS AMONG THE RESPONDENTS IN ERODE DISTRICT

Table 1  
Demographic profile of the Respondents

S.No.	Profile		Frequency	Percent
1	Gender	Male	70	70%
		Female	30	30%
2	Age	Up to 20 years	30	30%
		21-30 Years	40	40%
		31-40 Years	20	20%
		Above 40 Years	10	10%
3	Monthly Income	Up to Rs.10,000	42	42%
		Rs.10,001-Rs.15,000	38	38%
		Rs.15,001-Rs.20,000	20	20%
4	Marital status	Single	32	32%
		Married	68	68%

Source: Primary data

The above table represents that Demographic profile of the Respondents. It is observed from the above table, Out of 100 respondents, 70(70%) of respondents were male whereas 30(30%) of respondents were female. In connection with age wise distribution of respondents, Majority 40% of respondents were in the age group of 21-30 years, followed by 30% of the respondents were in the age group of up to 20 years, 20% of respondents were in the age group of 31-40 years

and only 10% of respondents were in the age group of above 40 years. It is noted from the above, majority 40% of respondents were in the income group of less than Rs.10, 000, followed by 38% of respondents were in the income group of Rs.10,001 –Rs.15,000 and 20% of respondents were in the income group of Rs.15,001 –Rs.20,000. Regarding marital status, Majority 68% of respondents were married and 32% of respondents were single.

Null Hypothesis 1  
There is no awareness of micro insurance products among the respondents in Erode district.

Table 2  
One-sample t test for whether there is any awareness of micro insurance products among the respondents in Erode district.

One-Sample Statistics						
	N	Mean	Std. Deviation	Std. Error Mean	t value	P value
Awareness of Micro Insurance products	100	3.56	1.351	0.135	4.146	0.000**

Source: Primary data

\*\*represents 1% level of significant

The above table shows that One-sample t test for whether there is any awareness of micro insurance products among the respondents in Erode district. It is noted from the above, t value is 4.146 and corresponding p value is 0.000, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is well aware about the micro insurance products among the respondents in Erode district.

Null Hypothesis 2  
There is no satisfaction towards the micro insurance products offered by the both public and private sector life insurance companies in Erode district.

Table 3  
One-sample t test for whether there is any satisfaction towards the micro insurance products offered by the both public and private sector life insurance companies in Erode district.

One-Sample Statistics						
	N	Mean	Std. Deviation	Std. Error Mean	t value	P value
Satisfaction towards the micro insurance products	100	3.50	1.367	.137	3.658	0.000**

Source: Primary data

\*\*represents 1% level of significant

One-sample t test for whether there is any satisfaction towards the micro insurance products offered by the both public and private sector life insurance companies in Erode district highlighted the above table. Since the t value is 3.658 and p value is 0.000, which is less than 0.01. The null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is well satisfaction among the respondents towards the micro insurance products offered by the both public and private sector life insurance companies in Erode district.

## CONCLUSIONS

Micro insurance can also be instrument to spread communal security in the environment of providing safety to people in developing countries and paying to shortage improvement. The study found that well aware towards the micro – insurance products among the urban and rural respondents. Agents played a main in creating alertness as well as the major influencer for attractive micro – insurance policy. As micro insurance making carry on upward and developing through the world, it is important that investors have current and reliable data. The micro insurance background revisions provide valuable significances that recognize key trends and yardsticks at both a district and country level. Both the national and multinational insurers set the price for products, carry the risks and pay claims. The micro insurance policy holders are satisfied towards the micro insurance products offered by both public and private sector life insurers in Erode district.

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