

# An assessment of insurance company accessibility in rural Rajasthan

Dr. Mahesh kumar yadav

*Guest faculty, samrat prithviraj chauhan government college, Ajmer*

## Abstract

*The revenue village is the fundamental unit of rural regions and is divided into three groups: main workers, marginal workers, and not workers. Most rural populations are dependent on agriculture, and the allocation of land for agricultural use is asymmetrical. Rural insurance is a procedure or contract securing compensation for loss, damage, injury or death on payment of premium. Loans are given to marginal and small farmers for the acquisition of agricultural inputs, and activities to aid farmers include loans for well building and deepening, electrification, and the purchase of pump sets. Insurance firms in India offer services to rural residents, such as livestock, poultry, and fisheries as well as crop insurance for those crops where bank loans are allowed. Janshree Bima Yojana was started in 1988-89 to provide social security to weaker and vulnerable sections of society. This research study examines the need for and requirements for insurance coverage in Rajasthan's rural sector, with the National Insurance Company in particular. It is based on secondary and primary data collected from various sources, including published data of Insurance Acts enacted by the Government of India and amendments made for meeting the requirements. Inherent problems of rural areas of different climatic zones have been studied to assess the impact of natural disasters and man-made destructive activities. Agriculture Insurance Company of India Limited was established in 2002 to promote crop insurance to protect farmers against crop losses due to natural calamities. The Company is implementing the National Agriculture Insurance Scheme, Pilot Weather Based Crop Insurance Scheme, and a modified "National Agricultural Insurance" Plan.*

**Keyword:** - Risk, Business, Market, Rural, Agricultural, Insurance, etc.

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## Introduction

India has an agricultural economy because, despite ongoing urbanization, 68.84 percent of the population still lives in rural regions, according to census data from 2011. Agriculture, animal husbandry, and fishing are considered primary sector activities, while industry and the service sector are considered secondary activities. The rural population of the nation is dependent on land-based activities. Around 20% of the nation's gross domestic product is contributed by the primary sector. This summarizes the differences between the rural and urban economies. The rural economy is mostly unpredictable owing to the regular influence of climatic conditions like drought, flood, hailstorm, cold wave, etc., which have a considerable negative impact on rural livelihood activities. In summary, two thirds of the country's population may make up one fifth of the economy, whereas one third of the urban population can make up four fifths of all economic endeavours.

## Peculiarities of Rural Areas

The revenue village, which has delineated, surveyed borders, is the fundamental unit of rural regions. The revenue village may consist of one or more helmets, but for the sake of data display, the entire village is considered to be one unit. Each habitation area with locally acknowledged borders is classified as one village in unsurveyed regions, such as settlements in forest areas. Towns are classified as urban areas for census purposes, while villages are classified as rural areas. Urban areas are defined as (i) all locations with a municipality, corporation, cantonment board, or notified town area committee, and (ii) all locations satisfying all three criteria simultaneously, namely.

The population of any given area is divided into three groups: main workers, marginal workers, and not workers. Main workers are defined as those who have been employed for at least six months in the year prior to the census, while marginal workers are those who have been employed for between one day and six months during the same

period. Non-workers are those who have never worked a single day. This group includes children under the age of 14, individuals beyond the age of 65, and unemployed people. Participation in any economic activity, with or without reward, pay, or profit, is referred to as work. Physical or mental activity may be involved in such engagement. Work entails more than just doing the actual task; it also needs efficient work monitoring and guidance.

The revenue and consumption of commodities are significantly impacted by the unpredictability of rural economic activity. The livelihood resources in rural regions are disproportionately owned, which is to blame for the rural population's uneven access to income. Most rural populations are dependent on agriculture, and the allocation of land for agricultural use is very asymmetrical. In addition, one class is dependent on labour in the agricultural and non-agricultural sectors depending on the availability of job. A part of land used for agricultural activity is referred to as an operational holding in agricultural land-based population distribution, and the person who owns that property is referred to as an operational holder.

According to research on rural households engaged in land-based activities, marginal and small farmers make up 54.86 percent of all farmers and have 13.90 percent of cultivable land. These farmers are among the poorest households, and their chances of survival are precarious. With 86.10 prewar acres cultivable, semi-medium to big farmers make up 45.14 percent of all farmers and are able to make a living despite challenging weather. Agriculture is the primary economic activity in rural areas since around two-thirds of the working population owns land and is actively involved in farming during the growing season as well as other jobs that may be available. When a person is classified as part of the labour force, their primary job is indicated, and any additional tasks they complete are considered ancillary.

### **Rationale of Rural Insurance**

“According to Oxford dictionary” “Insurance is procedure or contract securing compensation for loss, damage, injury or death on payment of premium, where sum paid to effect insurance is essential feature. Insurance cover indemnification, indemnity, policy, protection and security, it affects insurance with respect to cover indemnity and protection.”

In order for people who want to insure their lives and property to have security against loss, damage, injury, or death by paying the required premium to any authority established under legal system and procedure, the general characteristics of insurance require some sort of legal regulatory body to function. The ability of the person intending to insure people under a clearly defined system to pay is correlated with the insurance of security of life and possessions.

Every individual in rural regions of the nation is fully aware of the risk factors and intends to take action to ensure their safety, but this element is undoubtedly linked to one's ability to pay and one's ability to obtain insurance coverage. Rural residents who want to use loans to buy assets are typically required to obtain insurance as a condition of the loan in order to protect the money of the lending institution. This is because rural living is full of hazards of all different kinds and intensities. When a person chooses to get insurance, a number of factors come into play, but the ability to pay or the desire to do so are the most important.

Loans are given to marginal and small farmers for the acquisition of agricultural inputs, which has greatly aided them in undertaking guaranteed agriculture operations. Activities to aid farmers include include loans for well building and deepening, electrification, and the purchase of pump sets at reduced prices. Rural residents can benefit from banking services that are reasonably close by when they want to insure items they have acquired. Via their agents, insurance firms offer services to rural residents that cover livestock, poultry, and fisheries as well as crop insurance for those crops where bank loans are allowed. Tractors are useful in providing the necessary level of assistance to the people, as are personal life and car insurance. Rural residents have access to a variety of package insurance options in the event of an accident death, old-age pension, etc.

### **Insurance Activities in India**

The Insurance Act 1938 was the beginning of insurance activities in India, and the entire general insurance business in India was nationalized by the General Insurance Business (Nationalization) Act, 1972.

### **Life Insurance Corporation of India**

The "Life Insurance Corporation" has 10,52,283 agents spread over the country and transacts business outside India with its offices in Fiji, Mauritius, United Kingdom, Bahrain, Nairobi, Kathmandu, Srilanka. In 2006-07, new business under individual assurances was Rs. 287,745.23 crores under 745.14 lakh policies, while group insurance business brought new business premium of Rs. 3919.01 crores under 11845 schemes covering 51.27 lakh people. Janshree Bima Yojana was started in 1988-89 to provide social security to weaker and vulnerable sections of society.

### **Agriculture Insurance Company of India**

The "Agriculture Insurance Company of India Ltd" is a separate organization for agriculture insurance with capital participation from "General Insurance Corporation of India", 4 public sector "General Insurance Companies", and "National Agricultural Bank for Rural Development". It has an authorized capital of Rs. 1475 crores and initial paid up capital of 196 crores, and will underwrite crop insurance and other allied rural agricultural risks.

### **National Agriculture Insurance Scheme**

To shield farmers from financial damages caused by natural disasters, the Indian government created the National Agriculture Insurance Program. It is accessible to all farmers, regardless of the size of their operating holdings, and it includes historical yield data for all food crops.

### **Farm Income Insurance Scheme**

The Department of Agriculture and Cooperation formulated a farm income insurance scheme to provide income protection to farmers by integrating production and market risks.

### **Rainfall Insurance**

During the South-West monsoon season of 2004, Agricultural Insurance Company of India Ltd created Varsha Bima, giving farmers five distinct options. 20 rain gauge locations in Andhra Pradesh, Karnataka, Rajasthan, and Uttar Pradesh participated in the scheme's pilot, and 1050 farmers were covered with premium income of Rs. 6.12 lakhs for a Rs. 2.62 crore total insured. 5.63 lakhs of rupees in claims were paid.

### **Review of literature**

Investments, which are made using individual and corporate savings, are a crucial component for a nation's economic development. Life insurance companies play a significant role in helping people, particularly those in the middle and lower income groups, mobilise their resources so they may insure their own and their family members' lives for improved risk management and future security. All reputable insurance firms amass enormous sums of money from individual premiums. This money is invested for the nation's economic growth. Insurance programmes assist people and their families both directly and indirectly. Banks, business and industry, as well as trade all of which depend on accumulated money for capital creation for production are additional benefits.

According to Monalisa Ghosal's (2012) essay, "Role of Insurance in Economic Growth of India," the Indian insurance market is the nineteenth-largest in the world and comes in fifth in Asia, after China, Taiwan, South Korea, and Japan. A little under 0.6 percent of global premiums, or US\$17.3 billion in total gross premiums, were collected in 2003. Life insurance business accounted for 78.5 percent of total gross premiums, which is consistent with the pattern seen in other regional markets and reflects the highest saving rate in the nation. Non-life insurance business was limited to 21.5 percent, which demonstrates people's interest in the security of their assets.

Administration of India (2010) The Ministry of Information and Broadcasting's annual publication for 2010 includes performance data on the insurance industry in India. Four commercial businesses that operate in general insurance as well as the "Life Insurance Corporation of India" and the "General Insurance Corporation of India" supply the insurance coverage. Moreover, the Indian government has allowed up to 26% of foreign direct investment, which is used by a number of foreign insurance firms operating there. The rural sector has very little coverage, and the "National Bank for Agriculture and Rural Development" additionally supports Agricultural Insurance Company of India Ltd financially so that it may offer limited crop insurance services in a few national districts.

According to Dr. Tripathy (2007) in *Insurance: Theory and Practice*, the Indian insurance market is expanding quickly as a result of the arrival of several international firms and partnerships between Indian financial corporations and multinational insurance companies, It offers a behind-the-scenes look at the operational policies, methods, and problems linked to the insurance industry with the most recent developments. It looks at the insurance industry's present state of development and potential for the future in India. Together with gratuity and bank assurance, the author also discussed features of rural social and health insurance. It has been emphasized that despite crop insurance being necessary and being tested in some locations, even wealthy farmers show little interest in the industry.

Gupta, P.K. (2006) noted that while rural India still lacks access to a variety of financial products, particularly risk products like life and non-life insurance, urban India has contributed about 80% of the nation's gross domestic product in the industry and service sectors. It is enlightening that despite the 1999 privatization of the insurance business, figures on insurance penetration and density in rural areas still show very low levels of both. In rural India, where protecting human life and assets that generate revenue is a top priority, there is a wealth of opportunity for insurers. Moreover, regulators have attempted to mandate rural insurance requirements for different insurance providers.

In the Indian Financial system- that cares, Desai, Vasant (2004) describes the socialistic pattern of institutions, whose ultimate purpose is to serve those who cannot use such services. Children receive free services and a variety of incentives in the education and health sectors for taking use of the advantages made accessible by the government through various programmes. The development rate obtained with this method was still remarkable on a worldwide scale, but these practices were unsustainable due to both internal and external issues. In addition, a number of programmes were launched, but the intended beneficiaries were not able to get the advantages.

### **Objectives of the Study**

- Insurance providers are aware of the need for and requirements for insurance coverage in Rajasthan's rural sector, with the National Insurance Company in particular.
- Rajasthan rural residents are aware of the need of insurance for their well-being and the efforts made by insurance firms to raise awareness of these issues.
- Several insurance programmes are being implemented nationwide and in each state for life and non-life insurance, and rural residents are responding by taking advantage of these programmes.
- Several insurance firms' reluctance to cover Rajasthan's rural areas and actions made by the federal and state governments to give the necessary support for the benefit of the populace.
- Insurance firms in general, and National Insurance Company in particular, are having difficulties providing guaranteed coverage for the whole state's rural areas through life and non-life insurance.

### **Methodology**

The research study is based on secondary and primary data collected from various sources, including published data of Insurance Acts enacted by the Government of India and amendments made for meeting the requirements. Annual reports of companies have been collected and studied for assessment of fulfillment of legal and social objectives. Insurance Regulatory and Development Authority of India governs activities of all insurance companies, Ministry of Finance administers financial aspects, and Reserve Bank of India keeps vigilance over investment in various sectors. The study of rural insurance companies in Rajasthan is based on data collected from secondary and primary sources and interaction with people. Information about Rajasthan has been collected from census publications, state government departments related to revenue and development structure, working population and proportion of working population in different activities. Inherent problems of rural areas of different climatic zones have been studied to assess the impact of natural disasters and man-made destructive activities. Compilation, application of statistical methods has been done to present the information in its original form and comparative trends of development and facilitation support.

### **Impact of insurance on Rural economy**

The process of economic development needs a variety of booster dosages, and insurance is one of these initiatives. The unique characteristic of the insurance industry is risk coverage for insured individuals and institutions that own

their own lives, properties, businesses, and sources of income. Losses and damages frequently lead to major issues for individuals, corporate organisations, and industries, and the danger of natural disasters and other causes continues to be a concern for life support and non-life support systems. A thriving and expanding insurance industry is crucial to the contemporary economy. People's savings are a necessity for the banking and insurance industries, and when those savings are turned into investments, the money becomes productive.

The term "productive" used to describe people is pertinent because a productive person is cognizant of saving, and when saving is allocated as investment, the nation is qualified for rapid development. In this respect, banking and insurance are complementary, but insurance has the capacity to cover risks and can maintain the current rate of development. The savings that were created and long-term invested continue to be beneficial for the nation's infrastructure development. By defending businesses against risks like fire and natural catastrophes, the insurance sector contributes significantly to the growth of the economy. People also need insurance services for their life, health, property, and pension. To enable ongoing economic change, social security, and advantages from an established insurance business, insurance development is required.

Similar goals for the rural sector and socially disadvantaged groups in society are provided to general insurance businesses in the private and public sectors by India's Insurance Regulation and Development Authority. These issues are related to the cost of travelling to rural places for insurance coverage as well as the distance factor. Comparable difficulties are encountered by socially excluded groups when trying to arrange premium payments, which they make at the expense of basic needs. In the rural sector, insurance coverage is often restricted to mandatory programmers where the loan and subsidy programmers include insurance coverage requirements. Such programmers are frequently ignored due to the rural population's disinterest.

### **Problems in coverage of rural areas**

Despite the fact that the country as a whole has 68.84 percent of its people living in rural areas, Rajasthan state has 75.11 percent of its population living in rural areas according to the 2011 census. General insurance businesses often have offices in metropolitan locations, usually at the district level. Agents handle insurance work, filling out forms with the insured person's signature and depositing funds at the company's branch office. The firm mails the person the policy for the appropriate insurance plan. Once the money is deposited at the branch office, the insurance agent's role is considered to be over.

The general insurance firms agree to insure just a small number of people from rural regions when they travel to the village, and their duty is profitable if at least 10 policies can be issued in a single visit. converse spheres Companies are also aware of the problem, and insurance plans are implemented when rural residents buy cars in cities, where insurance is required before giving the car to the owner. Similar circumstances apply to other activities for which a government programme mandates insurance coverage.

According to the guidelines of the Insurance Regulation and Development Authority, rural insurance coverage can be classified as such since motorcyclists frequently live in rural areas and are obliged to provide their village's address. It is uncommon for any type of personal insurance to provide coverage for rural locations, thus anybody interested in obtaining such insurance must go to a metropolis. Rural residents are fully aware of the issues with insurance application preparation and surveyor and agent claim filling. Seldom do businesses employ agents in remote areas, but when they do, they complete all the necessary paperwork before forwarding the policy to the firm after payment has been received.

### **Benefits of insurance in agriculture sector**

“Agriculture Insurance Company of India Limited” was established in December 2002 to promote crop insurance to protect farmers against crop losses occurred due to natural calamities. “**The General Insurance Corporation of India, National Bank for Agriculture and Rural Development**” and 4 public sector insurance companies have contributed Rs. 197 crores towards the paid up share capital out of the authorized capital of Rs. 1674 crores. The Company has received approval from “Insurance Regulatory and Development Authority of India” to commence business from April 2003. Total number employees in March 2011 were 196 all over the country with head office at New Delhi and 11 regional offices in various state capitals. The Company is implementing “National Agriculture Insurance” Scheme; the Government of India is running a central sector crop insurance programmer and implementing the Pilot Weather Based Crop Insurance Scheme throughout the nation in addition to its other

commercial crop insurance products. A modified “National Agricultural Insurance” Plan that will cover 50 districts nationwide has also been launched as a test programme. In order to safeguard farmers against crop failure losses due to all on-preventable natural disasters and to improve the credit reliability of loaned farmers, the Government of India implemented the National Agricultural Insurance Program beginning with the Rabi 1999–2000 seasons. Farmers who do not have loans are also eligible for the programme. Now, the programme covers 73 different crops annually, including food crops like grains, millets, pulses, and oilseeds.

Rajasthan's situation is made worse by the state's hard climate, extreme temperature swings, lack of precipitation, etc. The timing of the arrival and departure of the monsoon, the interval between rainy spells, and the intensity of any given day's deluge are some of the elements that influence its conditions. Crop damage is a result of a variety of meteorological circumstances, and crop loss is imminent in the event of a single weather-related deviation. Agriculture is unquestionably the foundation of the Indian economy, and farmers are the ones that supply the populace with agricultural products. Although the weather is equally challenging in wealthy countries, they are able to manage the situation well without sacrificing the interests of the farmers.

### Conclusion

This study is an assessment of insurance company accessibility in rural Rajasthan. The study has fulfilled all the objectives. It has revealed that there is no significant difference between risks among insurance companies in rural Rajasthan especially. The focus should be on certain measures to mitigate the risk and improve the rural sector through key policy initiatives taken by government of India. In the changing scenario, it is necessary to reframe and restructure the policies and every effort is being made to protect the insurance companies in rural Rajasthan from the adverse other unexpected events.

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