

# Identify the Purposes and Awareness Related With Using Of Micro-Insurance Plans

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## Abstract

Micro-insurance protects the impoverished from a variety of threats. Life, health, property, and natural disasters are all covered under microinsurance. Life cycle events, which are more predictable and less hazardous, are less likely to be affected by disasters and unusual occurrences such as diseases and war because they are more predictable and less risky. For the most part, micro-insurance serves the needs of those in the informal sector who are less well off financially than their more affluent counterparts. Until recently, little attention was paid to raising public awareness of micro-insurance. The distribution and execution of micro-insurance schemes are impossible unless the poor are educated about the benefits of micro-insurance products.

**Keywords:** - Risk, Life, Insurance, Products, Schemes.

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## I. INTRODUCTION

Since its inception as a new monetary service within the microfinance umbrella, "Micro-insurance" has grown into a distinct industry in its own right. The micro-insurance protects low-income individuals and families from a variety of dangers. Premium, maturity, add-on and life expectancy are only some of the components that go into the insurance system, which is a complex structure. People with limited financial resources face several dangers that endanger their lives, health, and property on a daily basis. These dangers impact many people, but low-income populations are the most vulnerable because they lack appropriate resources to control or avoid their exposure. It is for these people, the rural poor, small company owners, and those who work irregular hours that microfinance was developed. Those who are employed, in the middle class, or extremely rich have their lives, health, and possessions protected by insurance. However, in the past, this type of insurance was out of reach for individuals in financial difficulty who were living below the poverty line. The ability to insure one's life, health, and property was shown to be unequally distributed between those with lower incomes and those with greater incomes. For the benefit of the impoverished, a number of academics have explored and created a "micro-insurance procedure."

For the benefit of the poorest parts of the community and aimed to aid themselves against various hazards, micro-insurance (MI) is a relatively new idea. Because it caters to the needs of the poor, microinsurance is a form of direct insurance offered to those who can least afford it. Part of social protection, in accordance with the International Labor Organization (ILO). It is referred to as a part of a large collection of tools that aid in the protection of the poor. An insurance policy that provides limited coverage at a low cost is known as a supplemental insurance policy. According to KPMG (2013), micro-insurance is only applicable to items that are easily available via an inexpensive distribution channel and whose value is minimal. Because low-income persons participate in a wide range of financial gain-generating activities, they are exposed to a wide range of hazards due to the lack of value-effective risk-hedging instruments.

## II. HISTORY AND VISION OF MICRO- INSURANCE

An extensive microfinance network inspired by Jesus Christ's mission to help the needy gave birth to the Micro

Insurance Agency in its first years. Founded in 1971, Opportunity International is a network of 47 microfinance banks servicing the entrepreneurial poor. When we began working with Opportunity's microfinance institutions, we began working together in 2002 to build a wide variety of insurance products to protect Opportunity's loan borrowers from the dangers they encounter.

Employees of the Micro Insurance Agency found out that the dangers that the poor confront can put them back months and years in terms of where their loans and savings products given by Opportunity had brought them. Family members who die of HIV/AIDS — a "pre-condition" that most insurance companies would not cover — will likely face high funeral costs and the loss of their primary income, putting them at even greater risk of financial ruin. As a result, Micro Insurance Agency employees came up with a cheap burial benefit plan that did not exclude any pre-conditions, such as HIV/AIDS. These non-exclusive products were produced as a result of the new competitive climate, which shifted the perspective of the country's retail insurance carriers.

A completely owned subsidiary of Opportunity International, the Micro Insurance Agency, was established in 2005 to provide insurance products and services to a wide variety of consumers.

Insuring the poor against financial risk and its effects is at the heart of our purpose. It is our mission to create a safety net for the economically engaged poor in emerging nations, especially those who earn no more than \$4 per day.

### **III. BENEFITS OF MICRO-INSURANCE**

#### **Individual Advantages**

- **Health Risks:** It is important to consider health risks, such as the expense of medical care and the loss of income, while making a decision on whether or not to travel.
- **Lifecycle Risks:** With no or restricted sources of income after the death of the family's primary breadwinner, it is possible for the family to fall into true poverty. Many low-income families are also ill-equipped to deal with life's inevitable milestones, such as retirement and old age.
- **Financial Risks:** Poor households' incomes can be negatively affected by financial risks, such as crop deterioration, reduced revenue from the harvest or the death of livestock.
- **Disaster Risk:** A natural disaster, such a flood, tidal wave, or earthquake, can have devastating effects on the economy and the way of life of the world's poorest people.

#### **Growth in the Social and Economic Sectors**

Every day, governments and non-profits are working to better the lives of the poor by establishing new social-security programmes. However, their advantages either do not reach or are insufficient for these individuals. They do not reach people. As a result, low-income families now have a new option for disaster insurance: micro-insurance. Micro-insurance can lower rates for a variety of risks, including those relating to health, natural catastrophes, and the loss of personal property. The primary goal of micro-insurance is to provide low-income individuals with access to insurance products. It improves the country's macroeconomic growth and reduces the impact of shocks by lowering the poverty of low-income households through microinsurance. It also reduces the risk of families slipping into extreme poverty by limiting the amount of money they earn. As a result, these families can now put their energy towards bettering their own lives and the communities in which they live, including their children's education, health, and entrepreneurship. To ensure a wide range of economic growth, it is critical to have access to financial services for everyone in the country.

#### **Growth Opportunity for Insurers**

The insurance industry's long-term growth can be attributed to micro-insurance. With factors such as rising personal and household income, improving economic conditions, and intensified efforts to reduce poverty, it is projected that a large proportion of the current low-income group will soon move into the middle-income group. The financial services industry will benefit from this social and economic change as well. Insurance companies, in particular, may expect an increase in the number of customers who want traditional insurance with more coverage, even if the premiums are relatively costly. Insurance firms that focus on low-income groups are doing more than just protecting society from current risks; they are building a strong brand, expanding their customer

base, building goodwill in the marketplace, and earning recognition for their long-term growth.

#### IV. RESEARCH METHODOLOGY

The study is exploratory in nature, with 50 participants from each hamlet, Bhojpur and Masoori, selected for participation. The primary goal of this study was to determine whether or why not people are aware of MI goods, hence the convenience sample approach was employed. Personal questionnaires conducted in May 2016 provided the basis for the data collection. One-way ANOVA (Analysis of Variance) was used to obtain the descriptive statistics and analyse the findings.

#### V. FINDINGS AND DISCUSSION

Table 1 shows the summary measures. In spite of the fact that both communities around the National Capital Region have low levels of insurance and microinsurance knowledge, it is clear that this is a widespread problem.

This shows that family and friends are a significant reference group, indicating that they should be contacted to spread the word about the dangers. Despite the government's efforts, MI agents are unable to contact individuals in need.

**Table 1-Profile of Respondents**

Variable	Village	Summary Measure	
Occupation	Bhojpur	Service -8% Farmer -55%	Self-employed-25% Others- 12%
	Patna	Service -22% Farmer -47%	Self-employed-17% Others- 14%
Awareness of Insurance	Bhojpur	Yes-33%	No-67%
	Patna	Yes-37%	No-63%
Awareness of Micro Insurance	Bhojpur	Yes-21%	No-79%
	Patna	Yes-27%	No-73%
Government supports MI	Bhojpur	Yes-07%	No-93%
	Patna	Yes-12%	No-88%
Availed MI	Bhojpur	Yes-11%	No-89%
	Patna	Yes-21%	No-79%
Influencers MI for	Bhojpur	Family -23% Agents - 15%	Friends-30% Others -32%
	Patna	Family -31% Agents - 22%	Friends-18% Others -29%

An aggregate analysis of the reasons for not utilizing MI was conducted out using one-way ANOVA to classify the factors. Tables 2 present the findings. The theory is laid forth as follows:

**Table 2- ANOVA**

		Sum of Squares	Df	Mean Square	F	Sig.
Not having awareness	Between Groups	1.234	1	1.234	3.354	.03

	Within Groups	24.900	98	.254		
	Total	26.134	99			
Affordability	Between Groups	3.231	1	3.231	5.358	.01
	Within Groups	24.660	98	.252		
	Total	27.891	99			
Did not feel like purchasing it	Between Groups	.956	1	.956	2.373	.04
	Within Groups	23.646	98	.252		
	Total	24.602	99			
No proper channel	Between Groups	3.113	1	3.113	5.159	.01
	Within Groups	24.600	98	.251		
	Total	27.713	99			
No proper information about product	Between Groups	3.321	1	3.321	5.960	.01
	Within Groups	24.500	98	.250		
	Total	27.821	99			
No proper agent	Between Groups	2.213	1	2.213	4.521	.02
	Within Groups	23.200	98	.237		
	Total	25.413	99			

According to the table, none of the variables had a significance value more than or equal to .05 (at 95 percent level confidence). It is clear that the reasons for not using MI are distinct from one another.

The ANOVA's results are suspect when there is a wide disparity in the variances among the groups. These statistics' distributions tend to converge to a F distribution as the sample size grows. Small significance levels (.05) suggest differences across groups.

## V. CONCLUSION

It is clear from this study that MI is hindered by a lack of knowledge and education. Many people have doubts about MI, and it's hard to believe that it's getting the information out there at all. Because the demands and purposes of MI differ from village to village, government-appointed agents must be more customer-focused. Experimentation sheds light on the issues that must be addressed in order for MI awareness and penetration to grow. Because of the limited sample size, this research cannot be generalised.

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