Micro Insurance opportunity for Growth.
A Study with Reference to Kollam District, Kerala

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Abstract

Insurance is a primarily a social device adopted by civilized society for mitigating the incidence of loss of income to families by unforeseen contingencies. Risk and uncertainty are incidental to life. Man may meet and untimely death. He may suffer from accident and become disabling to earn in their old age also. The trinity, Viz., death, disability and old age lead to the economical death of an individual. Indian insurance industry has begun a new phase with liberalization of the sector. The awareness on insurance in rural India is low. There is a pressing need for increased awareness, suitable rural insurance product, effective distribution system and importantly, orientation of insurance product towards financial risk protection. The concept of micro insurance bridges the gap and goes a long way to provide for workable and sustainable solution to protect the poor from the aforesaid risks. Micro-insurance has the lowest premium and low coverage insurance policies for people with low income. The objectives of micro insurance are providing economic security to low income people.

Key words: *Micro Insurance, E-Insurance & risk shearing.*

I. INTRODUCTION

Micro-insurance, the term used to refer to insurance to the low-income people, is different from insurance in general as it is a low value product (involving modest premium and benefit package) which requires different design and distribution strategies such as premium based on community risk rating (as opposed to individual risk rating), active involvement of an intermediate agency representing the target community, and so forth.

Although the type of risks faced by the poor such as that of death, illness, injury and accident, are no different from those faced by others, they are more vulnerable to such risks because of their economic circumstance. In the context of health contingency, for example, a World Bank study (Peters et al. 2002), reports that about one-fourth of hospitalized Indians fall below the poverty line as a result of their stay in hospitals.

A. Enabling Environment for Micro-Insurance in the Indian Context

The timing of the UNDP study is strategic as policy interest has been renewed in energizing the rural insurance market in India. The following factors could provide the needed impetus to push micro-insurance to the "next level" in terms of growth and outreach:

• The widening, deepening and up scaling of microfinance interventions has provided the institutional precincts on which the edifice of micro-insurance could be built in rural areas.

• There are a wide range of developmental programmes being supported by the Government like the Mahatma Gandhi Rural Employment Guarantee programme, the NREGP, etc., which have facilitated the improvement of income levels of many rural households. The GoI-package of "Doubling Flow of Agricultural Credit" has also enabled greater institutional credit flow for agriculture and allied activities. . At present, the Personal Accident Insurance Scheme (PAIS) which is being provided as a bundled offering along with the *Kisan* Credit Card (KCC) Scheme and the *Rashtriya Krishi Bima Yojana* (RKBY) for insuring crops, are, probably, the only borrowal-linked riskmitigation mechanisms available to rural households. Further, many State Governments are offering health insurance facilities to the rural poor (eg.,*Yeshaswini* Scheme of the Government of Karnataka) which have also generated considerable acceptance and awareness about insurance products in the rural areas.

• Though the 2005 IRDA regulations on micro-insurance have some restrictive aspects, they have also a number of positive features. Its most innovative feature is legally recognizing NGOs, MFIs and SHGs as "micro-insurance agents." This has the potential of significantly increasing rural insurance penetration.

• Many commercial banks have partnered foreign insurance companies for providing life insurance policies.

II. STAEMENT OF THE PROBLEM

The basic question arising from the scenario are: What are the main factors that have attracted the investors to invest micro insurance ? whether investment decisions are related to the investors' educational qualification ? the motivation , therefore, for embarking on this research is to answer the above questions, as well as and the fact that there have been limited studies that investigated the factors influencing individual investors' decision making in micro insurance.

III. OBJECTIVES OF THE STUDY

The objectives of the study are

❖ To study the customers' expectation of Micro Insurance Plan
❖ To examine the factors influencing investment decisions of investors.

A. Hypotheses

Ho: There is no significant difference in the ranks provided by investors to the five aspects involved in micro insurance plan.

Hoa : There is no significant difference in factors investors decision making before micro insurance investment with their years of experience in insurance.

IV. METODOLOGY

A. Sources of data

The study has depends on primary of data.

B. Questionaire

Primary data were collected by administering well conceived questionnaire to the
sample investors. A sample survey of investors was conducted during March 2015.

FINDINGS AND INTERPRETAION

a) Demographic Profile
The demographic characteristics of the investors' in Micro Insurance Policies presented **TABLE 1.** below

C. Staistical tools

Relevant statistical tool such as percentage analysis, ANOVA and Friedman's test, were used for the analysis and interpretation of survey data.

D. Sampling design

a) Sampling frame : 2790 active policy holders in Kollam Dist.
b) Sampling size : 150 policy holder
c) Sample method : Simple random sampling.

E. Reserch design

The research design adopted in the present study is a 'Descriptive Design" of conclusive one.

F. Literature review

Neelam C. Gulati (2007)[57] in his book on "Principles of Insurance Management" gives an insight into the basics of insurance, types of insurance, claims management, role of technology in the insurance sector and also the history and future expectations of Indian life insurance industry.
Narayanan, A.G.V. (2008)[78] in his thesis on "Rural Marketing Strategies for Life Insurance Products in Coimbatore District" expresses that all insurers recognize the vast potential in the rural areas wherein a large percentage of our population lives.He states that rural market for insurance is a challenge to insurers. The existing marketing strategies are discussed and suitable marketing strategies for tapping insurance market in Coimbatore District are suggested at relevant places.

Harsh Arora (2007)[52] in his article on "Ethical Aspect of Life Insurance Industry of India – Its Relevance in the Real Indian Market Scenario?" opines that to get good insurance business, long-term customer relationship is necessary and it should possess certain ethical aspects. These aspects are to be considered in the training given to their agents and frontline managers by the potential companies to hone the company's objective of getting the maximum market share in the near future.

Variable	Policy holder Grouping	Frequency	Percentage
Gender	Male	42	28

	Female	108	72
	Total	**150**	**100**

	Below 25	1	1
	25-35	24	16
Age	35-45	36	24
	46-55	59	39
	Above 56	30	20
	Total	**150**	**100**

	Below S.S.L.C	24	16
	S.S.L.C	30	20
Educational Qualification	Diploma	39	26
	Graduation	57	38
	Total	**150**	**100**

Source: Primary data

As shown in Table 1, 72% of the investors who participated in the study were Females, while 28% were male policy holders. The result of the age distribution show that most of the policy holders in micro insurance were in the age category of 46-55 years, which incidentally coincides with the productive age of the people. Interestingly, the results show that most of the respondents are highly educated , and hence well informed about activities in the Micro insurance. For instance, 38 % are Graduation , 26 % are Diploma and only16% have less than High school education..

b) Investors ranking of aspects involved in Micro insurance- Friedman's test.

The Friedman's test is a non parametric statistical test similar to the parametric repeated measures ANOVA; it is used to detect differences in treatments across multiple test attempts. The procedure involves ranking each row (*or block*) together, then considering the values of ranks by columns. Here this test is used to test investors' ranking of five different aspects of Micro insurance investment.

H_o: There is no significant difference in the ranks provided by investors to the five aspects / motives involved in micro insurance investment.

H_1: There is significant difference in the ranks provided by investors to the five different aspects involved in micro insurance investment.

TABLE 2

ASPECT	MEAN RANK	CHI-SQUARE VALUE	p Value
Future Savings	**2.84**		
Insurance Coverage	**3.42**		
Growth/ Profit	**2.83**	**45.723**	**0.000**
Income Tax	**2.55**		
Child Education/ Marriage	**3.36**		

Source : Primary data, SPSS Output

From the above table 2 , it is clear that mean rank for the feature insurance coverage is very high of 3.42 and mean rank for the feature income tax benefit is very low (2.55). thus , investors' ranking is that insurance coverage is the main aspect to be consider in micro insurance policy.

As the computed p Value, 0.000 is less than the assumed value of 0.05, the above null hypothesis is rejected. Hence there is significant difference in the rank assigned by policy holder to the five different aspects involved in micro insurance policy.

c) Education Qualification and factors influencing investor's investment decision- One way

ANOVAIn the present study, one-way ANOVA was performed to analyze the relationship between education qualification of policy holders in micro insurance and factors influencing policy holders invest decision on Micro Insurance.

H_{0a}: There is no significant difference in variable influencing policy holders decision making on micro insurance investment with their years of experience in micro insurance.

H1a: there is significant difference in factors influencing policy holder's decision making on micro insurance investment with their years of experience in micro insurance.

TABLE 3 : Summarized ANOVA

Factors influencing investor's decision making

Investment Decisions based on	Mean Square	F Value	p Value	Significance
Past performance of the company.	4.865	5.737	0.000	Significance
Claim settlement	3.126	3.114	0.012	Significance
Flexibility of Premium payment	4.342	4.765	0.001	Significance
Value added Service	3.781	4.381	0.003	Significance
Documentation Process	3.214	3.612	0.007	Significance

Source: primary data, SPSS Output

The above ANOVA Table 3 shows the summarized result of analysis of variance including mean squares and F value for the factors influencing investor's decision making and their years of experience in micro insurance policy. At 5% level of significance (95% level of confidence), this analysis does not support the null hypothesis of no difference in factors influencing investors making on micro insurance policy with their years of experience in micro insurance.

The above analysis clearly shows that years of experience of investors in micro insurance policy have great influence over considering the all the five variables like past performance of a company, claim settlement, flexibility of premium payment value added service and documentation process.

V. SUGGESTIONS

- The five variables taken in the present study, namely past performance of a company, claim settlement, flexibility of premium payment value added service, Documentation process of policy

holders have significant influence on investors before their investment in Micro Insurance .

- One of the most important socio-economic characteristics of investors education qualification have statistically significant influence on the investment decisions if investors in micro insurance.

The most influencing attributes were identified and ranked based on the rating given by the investors. Thus agents, NGEOs, small scale companies have to identify the factors that appeal to different groups and segments of investors in an attempt to make the investment climate and the market environment friendly and attractive to the investors.

VI. CONCLUSION

Micro insurance policy need to be protect in order to infuse confidence in the minds of the policy holders. The present paper, by identifying the most and the least influencing factors, provides guidelines for the

formation of policies that would enhance the social security by identifying the socio-economic characteristics of investors that impact on their investment decision.. The Govt. and also insurance company have to create the awareness program among to the public.

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