

Role of Micro Insurance Schemes among the Rural People in India- It's Challenges

Sumi Susan Philip, Dr. Biju T George

Research Scholar, Bishop Abraham Memorial College Thuruthicad -689597
Pathanamthitta, Kerala

Research Guide and Principal, Bishop Abraham Memorial College Thuruthicad -689597 Pathanamthitta,
Kerala

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ABSTRACT: Insurance Regulatory and Development Authority (IRDA) has created a special category of insurance policies called micro insurance. Micro insurance tries to promote insurance coverage among economically vulnerable sections of the society. Micro insurance raises the standard of living of the people in the country. This paper presents the importance, types and challenges of micro insurance

Keywords: Micro insurance, micro insurance products, poor people

I. INTRODUCTION

In India, most of the people are living in rural areas and earning their income through agriculture and allied activities. Rural people face deprivation of life such as failure of income, lower standard of living, lack of education and illiteracy to a great extent. So there is a need to increase the ability of the poor people to handle these situations efficiently and effectively. Here comes the role of 'Micro Insurance'. Micro insurance provides protection to the poor families including middle and lower class of the society against perils by a small amount of premium. Micro insurance allows protection to be offered to economically vulnerable populations against risk of death, accident, illness, damage to asset or even catastrophic risk coverage and cost suited to their economic circumstances. Micro insurance is a useful tool for economic development. Micro insurance can try to improve the living conditions of the low income groups and it is a critical tool for the eradication of poverty.

Objectives of the study

- To analyze the importance of micro insurance schemes among the rural people in India.
- To study the different types of micro insurance products in India.
- To identify the challenges of micro insurance in India.

Methodology

The present study is based on descriptive nature. This study is based on secondary data which are collected from insurance related articles, journals and thesis.

Needs of the study

Micro insurance is one of the fastest growing insurance industries, which offers many kind of insurance. Micro insurance designed for the protection of poor people with affordable insurance products to help the people cope with recover from common risks. Micro insurance helps the people to reduce poverty and increase the standard of living of the people. This paper is an attempt to analyze the importance, types and challenges of micro insurance.

Importance of micro insurance

- Micro insurance is intended to address life and non-life risk faced by the people at the bottom of the socio-economic pyramid. These products are affordable for the prospective clients.
- Micro insurance can be offered for a variety of risks faced by the rural people.
- Micro insurance policies having low levels of premium, priced within low income person's ability to pay.
- It is considered as a useful tool in economic development because it helps people to take more risks.
- Micro insurance is designed to protect low-income people from common risks, which will try to protect the excluded poor, women and workers in the informal sectors.
- Micro insurance helps to increase the welfare of the rural people by minimizing their material risk through market of insurance. It minimizes the material risk of rural clients so it

is affordable and appropriate to low income market.

Types of micro insurance

Different types of micro insurance are as follows:

- Life Micro Insurance

It covers the policyholder's family against financial consequence resulting on death and disability. It is a measure of financial security for low income people. A wide range of life micro insurance products are available but in rural areas penetration is really limited.

- Health Insurance

It offers coverage against illness and accidents occurring from physical injuries. It tries to provide services to the customers and covering direct medical and non-medical cost of the customers.

- Disability Insurance

It tries to cover permanent, temporary, partial and total disability of customer. It helps to provides protection to the insured and their family

- Property insurance

It covers coverage against loss or damage of assets. It is difficult to have such protection because of the need to variety the extent of damage and determine whether loss has actually occurred.

- Crop insurance

It is an agricultural insurance policy provides compensation to policyholders in the

- Poor market penetration of service providers and inability to understand the insurancetechniques and policy terms of the rural people.

- Micro insurance players do not ensure optimal quality of services.

- The sum assured is lower compared to actual indemnity experience of the consumer; it makes the product unattractive to the clients.

- Financial illiteracy is high in India with greatest micro insurance potential, a challenge that needs dedicated efforts in financial inclusion.

- Lack of significant value proposition.

- Employment will be volatile in some areas leading to income instability for the family.

- Uncertainty of income due to catastrophic, market fluctuations which causes a hazard to rural people.

- Poor people with limited and irregular income are not able to purchase micro insurance.

II. CONCLUSION AND SUGGESTIONS

Micro insurance is a supporting tool for the low income policyholders. Micro insurance mainly focusing on the poor people whose income

event their crops are destroyed by natural calamities.

- Unemployment insurance

It is generally offered by public sector. Unemployment insurance offers cash relief to people who involuntarily become unemployed and who meet certain government criteria. It helps unemployed workers to find out jobs. Unemployment insurance makes an attempt to prop up the economy by allowing people to maintain their purchasing power.

- Reinsurance

It means the shifting of part or all the insurance initially written by one insurer to another. Reinsurance can be used to stabilize profit, rather than having large variation in financial outcomes year to year.

Problems and challenges of micro insurance

The problems and challenges of micro insurance are as follows:

- Highly cost micro insurance products and limited geographical average, which is a barrier to reducing the targeted areas.

- Marginalized people are unaware about the micro insurance products and their benefits and they do not trust the service providers.

- The delivery system is poor enough to meet the rising needs of insurance business.

level is very low. India is one of the country wants to boost the development of micro insurance as a coverage tool for low-income people. Micro insurance provides a low-premium-low claim insurance plan for the low income groups targeted at rural or social sectors in the society. Premium of micro insurance has got to be low by design as it is targeting the low income people. Micro insurance is a tool that helps to protect the economically vulnerable people, small businesses and farmers from unforeseen expenses due to the occurrence of an event where they can interact with each other through insurance techniques. IRDA should launch a mass campaign to educate rural and low-income people in urban areas about the need of insurance. Women Self Help Groups in the country should be encouraged the people to take micro insurance. The micro insurance agents should be trained properly to understand the needs of people living at the bottom of economic pyramid of the society so as to motivate the people to take life insurance policies. The life insurance companies should also enhance their network in rural and semi-urban areas in the country to facilitate micro insurance service.

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