



# Micro Insurance in the context of Social Protection – A case study

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## Abstract

(Poor people are more vulnerable to risk and they know all the risks that they would to mitigate. But they are not insured themselves. They may be making harsh choice, such as reducing food consumption; withdrawing children from school, depleting productive assets to cover the expenses related to the risk event, when they exposed to financial shocked. They have no any protection against adverse event. They are not knocking on insurance company's door. Because, firstly, the absence of active sales agent in their midst. Secondly, the lack of affordable products offered by insurers. Thirdly, lack of information. Even small sums insured can ensure some protection and peace of mind for a poor person. Whether poor people want insurance, and if so, only micro insurance products are benefit able to the poor.)

Keywords: Micro insurance, premium, low-income, social protection,

## 1. Introduction:

Life insurance is one of the most important devices or planes as a part of our economy for providing us and our family security or a voluntary basis through individual. It is born out of a motive of self-preservation found in us. Risk bearing is an idea which helps to get safety, comfort and happiness. It is done by adjusting with environment. Environment is full of natural forces. They cannot be control but can be managed. We may not be able to stop death but can manage to stop the suffering of financial loss caused by death.

Life insurance undertakes to protect the insured's family, creditors or others, against financial loss growing out of the death of insured. Under a life insurance contract, a company agrees in consideration of the payment of a certain premium, to pay a stipulated sum or equivalent annuity upon the death of insured.

### Meaning and Definitions of Insurance:

According to Gosh and Agarwal, insurance may be defined as a co- operative form of distributing a certain risk over a group of persons who are expressed to it.

According to Allen Z. Mayerson define insurance as a “device for the transfer to an insurer of certain risks of economic loss that would otherwise come by insure”.

## 2. Need of study:

The IRDAI has framed and notified Micro-Insurance Regulations on November 10, 2005, under the powers vested on it vide Sections 114 A of the Insurance Act, 1938 and Section 26 of IRDA Act, 1999. The micro-insurance coverage targets the low-income groups with irregular and unstable income patterns. The concept behind the micro insurance would drive targeted the poor people. It is important to observe that what the main factors are considered by the poor people to purchase a micro insurance policy. The researcher intends to undertake a research programme on “Micro Insurance in the context of Social Protection – A case study”

## 3. Objectives of the study:

1. To identify the reasons of not taking insurance by the respondent.
2. To identify the respondent's view in relation to micro insurance as a social protection.

#### 4. Research Methodology:

The study is based on both primary and secondary sources of data. Primary data are collected through well-structured questionnaire and secondary sources are collected through selected literature from Journals, Books, Reports, Articles, Research reports, etc. Dibrugarh and Sivasagar district of Assam have been selected for the study considering as case covering villages and blocks of the districts being industrial and agricultural important districts of Assam.

#### 5. Sample Size:

The sample size is 200 BPL people from four gaon panchayat namely, Balimara Gaon Panchayat, Tipam Fakial Gaon Panchayat, Athabari Gaon Panchayat and Khorahat Gaon Panchayat and 100 selected respondents from Mrinaljyoti Rehabilitation Centre (NGO).

#### 6. Review of earlier studies

**Syed Abdul Hamid, Roberts & Paul Mosley, (2010)**, in the study on “Can micro health insurance reduce poverty: Evidence from Bangladesh” shows that there is a positive impact of micro health insurance in the reduction of poverty among rural households of Bangladesh. Micro health insurance has a significant beneficial effect on food sufficiency of poor’s and has a dynamic improvement in the health status of poor rural households.

**Forbes David J., (2012)**, in the study on “Healthcare provision in rural India: does micro health insurance help or hinder?” revealed that poor people hesitate in paying for some future events that might not happen; especially when they face problems in meeting their day to day needs. The concept of insurance is alien to them as they do not see any point in paying for something which may or may not give any financial return.

**Kumar Sushil, Mishra Niraj & Varshney Seema, (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.

**Thankom Arun, Mirko Bendig & Shoba Arun, (2012)**, in the study “Bequest Motives and Determinants of Micro life Insurance In Srilanka”, emphasizes bequest motives by evaluating participation patterns in micro life insurance against insurance demand and supply side factors. Based on household survey data from Sri Lanka, it presents evidence on the determinants of micro life insurance participation of low-income households. The results provide evidence that micro life insurance is positively correlated with measures of bequest motives such as the number of children or dependents. Better off households are also included like their poorer counterparts in micro (life) insurance markets. The study finds a convincing need for the micro insurance sector to be more responsive to the needs of the poor, with a key role in providing financial education to understand the need for micro insurance.

**Apostolakis George, Dijk Gert van, Drakos Periklis D, (2015)**, in the study “Micro insurance performance — A systematic narrative literature review”, summerised that Micro-insurance increases chances of economic growth for poor.

#### 7. Data Analysis

##### a) Holder of Micro Insurance Policy:

Table No.1

Table showing the respondents having Micro Insurance Policy

Response	Frequency	Valid Percent	Cumulative Percent
Yes	208	69.3	69.3
No	92	30.7	100.0
Total	300	100.0	

Source: Survey Data

**Interpretation:** The table shows that only 69.3% respondent has micro insurance policy and other 30.7% respondent does not hold any kind insurance policy.

b) **Reasons of not taking insurance by the respondent:**

Table No.2

Reasons of not taking insurance by the respondent

Reasons	Frequency	Valid Percent	Cumulative Percent
Financial	27	29.3	29.3
Lack of Information	43	46.7	76.1
Accessibility	18	19.6	95.7
Don't know	4	4.3	100.0
Total	92	100.0	

Source: Survey Data

**Interpretation:** The majority of respondent excluded from micro insurance because of lack of information, which is 46.7% and 29.3% respondent excluded from micro insurance because of financial problem, 19.6% respondent having the problem of lack of accessibility and 4% of respondent cannot decide their problem.

c) **Decision of taking micro insurance in near future:**

Table No.3

Respondents Decision of taking Micro insurance in near future

Response	Frequency	Valid Percent	Cumulative Percent
Yes	80	87.0	87.0
No	12	13.0	100.0
Total	92	100.0	

Source: Survey Data

**Interpretation:** There are 80 respondents out of 92 decided to take micro insurance in near future i.e. 87% and only 13% respondent have no any plan to taking micro insurance.

d) **View of respondent in relation to micro insurance as need for social protection:**

Table No.4

View of respondent in relation to micro insurance as need for social protection

Response	Frequency	Valid Percent	Cumulative Percent
Yes	293	97.7	97.7
No	7	2.3	100.0
Total	300	100.0	

Source: Survey Data

**Interpretation:** 97.7% respondent thinks that micro-insurance is need for security in future and only 2.3% respondent doesn't think as it will helpful in future.

## e) Rank factors in purchasing micro insurance policy:

Table No.5

Rank factors in purchasing micro insurance policy

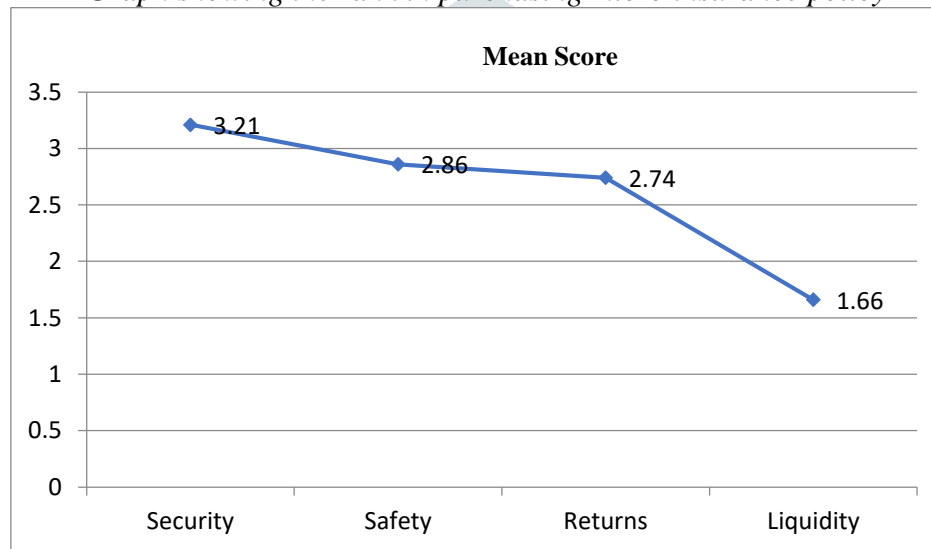
(Rank: 4-most important, 3- important, 2-less important, 1-not important)

Factors	Not important (1)	Less important (2)	Important (3)	Very important (4)	Total Score	Mean Score
Safety	-	35(70)	95(285)	78(312)	667/208	3.21
Security	26(26)	43(86)	73(219)	66(264)	595/208	2.86
Returns	17(17)	94(188)	23(69)	74(296)	570/208	2.74
Liquidity	104(104)	71(142)	33(99)	-	345/208	1.66

**Interpretation:** While purchasing the policy majority respondent have give importance on security factor (risk factor) of policy and second factor of importance in purchasing a micro insurance is safety (company's reputation), followed by return and liquidity.

Figure No. 1

Graph showing the rank in purchasing micro insurance policy



## 8. Major findings:

1. The table no.1 shows that only 69.3% respondent has micro insurance policy and other 30.7% respondent does not hold any kind insurance policy.
2. The majority of respondent excluded from micro insurance because of lack of information, which is 46.7% and 29.3% respondent excluded from micro insurance because of financial problem, 19.6% respondent having the problem of lack of accessibility and 4% of respondent cannot decide their problem.
3. There are 80 respondents out of 92 decided to take micro insurance in near future i.e. 87% and only 13% respondent have no any plan to taking micro insurance.
4. 97.7% respondent thinks that micro-insurance is need for security in future and only 2.3% respondent doesn't think as it will helpful in future.
5. While purchasing the policy majority respondent have given importance on security factor (risk factor) of policy and second factor of importance in purchasing a micro insurance is safety (company's reputation), followed by return and liquidity.

## 9. Conclusion:

After going through all the analysis of the study, it is found that in spite of various drawbacks; Micro insurance can be considered as one element of a broader social protection framework. Its ultimate goal is to reduce poverty and vulnerability to low-income household by providing support in their risk management efforts. Micro insurance can play an important role in enhancing social protection to informal sector employees and low-income population groups. To unleash this potential, insurers will need to display long-term obligation to the sector, design products that are appropriate for the rural population and proceed towards a new horizon with their head held high.

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