

An Impact of Institutionalization on Micro Insurance At Hyderabad

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Abstract The paper aims at examining the impact of institutionalization of Micro Insurance with reference to Hyderabad City in Telangana State. Micro Insurance is for low income groups living with no or less knowledge of insurance, who tend to face risk and are prone to illness due to occupational hazardous or malnutrition with less or no experience in approaching with Financial Institutions. Micro Insurance has emerged as powerful tool in Financial Market especially in Insurance Industry. The concept of Micro Insurance is to lend a financial assistance to low income groups, very poor and self employed people through appropriate insurance coverage. It was successful in reaching to the areas where traditional banking could not reach over the past few decades. Indian government has enhanced measures in providing insurance coverage to the needy, poor and low income groups through government funded insurance schemes and other initiatives. The micro insurance market potential is vast as the substantial portion of poor and low income population who are surviving without proper insurance. The main objective of the paper is to review the outreach of the micro insurance schemes with respect to selected attributes. The researchers intend to collect the data through both sources i.e. primary and secondary. The collected data analyzed by using appropriate tools and the results so obtained revealed the impact of the institutionalization of Micro Insurance. The reader understands the perceptions of the beneficiaries.

Keywords: Institutionalization, Micro Insurance, Statistical Tools, Beneficiaries

Background & Purpose

In the present scenario of day-to-day life, it is very difficult for a layman under low-income groups to maintain a healthy standard life. In addition to the maintenance of regular affairs, it is nearly impossible to accept burden of additional financial obligations. Simultaneously there is a buoyance of risk for the life of the bread winner. As such a type of risks cannot be compensated by anyone in the whole universe, but a midway can be found for providing financial assistance during such situations. One of the best cost-effective tools is 'Micro Insurance'.

According to IRDA regulations Micro Insurance is defined as "General micro-insurance product" means any health insurance contract, any contract covering the belongings, such as, hut, livestock or tools or instruments or any personal accident contract, either on individual or group basis." Micro-insurance agent means.- (i) a Non-Government Organisation (NGO); or (ii) a Self Help Group (SHG); or (iii) a Micro-Finance Institution (MFI), who is appointed by an insurer to act as a micro-insurance agent for distribution of micro-insurance products.

Government and private intermediaries are providing various micro insurance schemes designed exclusively for low-income groups which are prepared based on general insurance principles and supported by a premium which also comprises the element of risk. Micro Finance contributes people improve living standards and supports them Micro-insurance which is different from insurance in general as it is involved with a low value scheme. Micro Insurance is a contemporary emerging strategy especially for the low-income people engaged in different ways of occupational activities and who remain exposed to varieties of risk without having cost-effective, risk hedging instruments for the protection from any of the unfortunate events.

Role of Government and Financial Institutions in Micro Insurance

After the institutionalization of micro insurance, the institutions involved in providing micro insurance face many challenges during marketing its schemes in spite of the potentially large market across the country. These challenges include high promotion costs, high upfront investments to reduce risk so that premiums are affordable, lack of reinsurers' interest in this market, literacy, awareness and technical know-how, all of which make commercial marketing become an illusion.

MFIs, Self-Help groups have well defined plans to deal with these challenges for scaling up micro insurance. They also act as agent and distribute the insurance product to its own clients and through its own distribution network. The insurance companies' acts as a partner providing actuarial, financial and claim processing expertise and absorbs the risk with their successful delivery mechanisms and cash management expertise.

Objectives

1. To study about the Micro Insurance market in Hyderabad City, Telangana State
2. To analyze the impact of Institutionalization of Micro Insurance.

Research Methodology

Analysis is done using appropriate tables and graphs through MS-Excel.

Sources of Data

The data is collected from both, Primary and Secondary sources. Primary Data is collected through survey of structured questionnaire. Secondary data is collected from books, printed and published material, journals, websites, etc.

Limitations

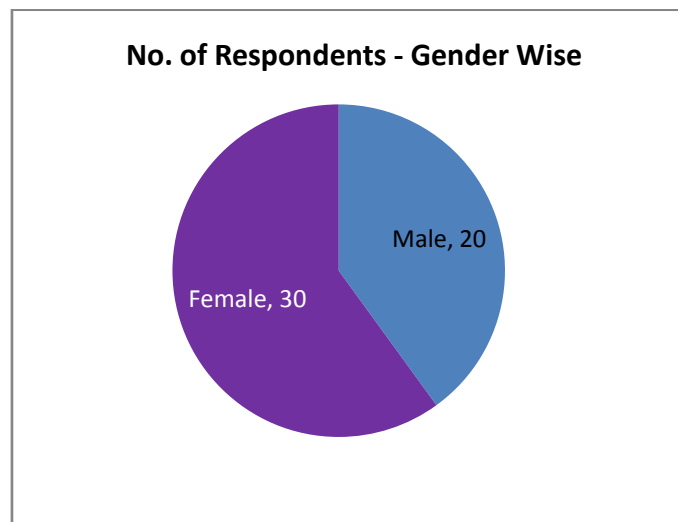
- The study confines only Hyderabad, based on data collected and Time zone

Data Analysis

1. Tables showing respondents profile (Sample Size = 50 Respondents)

a. Table showing size of respondents (%) Gender wise

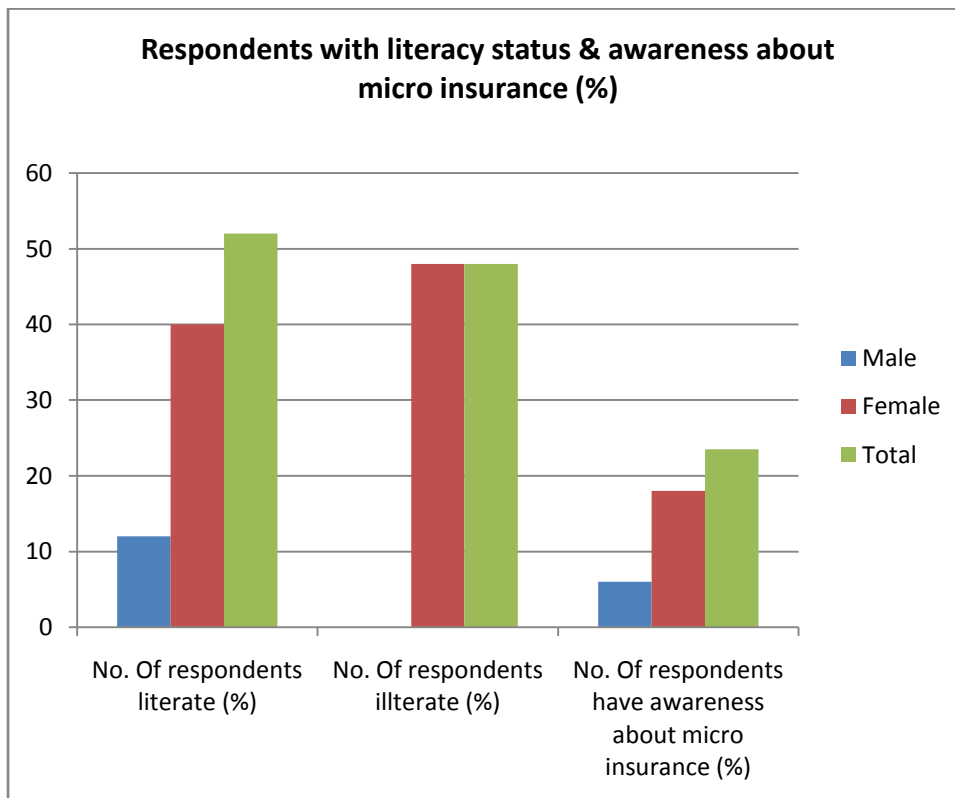
Gender	No. of respondents	No. of respondents (%)
Male	20	40
Female	30	60
Total	50	100



b. Table showing the no. of respondents in terms of literacy and awareness about the micro insurance

Gender	No. of respondents literate	No. of respondents illiterate	No. of respondents have awareness about micro insurance
Male	6	0	3
Female	20	24	9
Total	26	24	12

Gender	No. of respondents literate (%)	No. of respondents illiterate (%)	No. of respondents have awareness about micro insurance (%)
Male	12	0	6
Female	40	48	18
Total	52	48	24



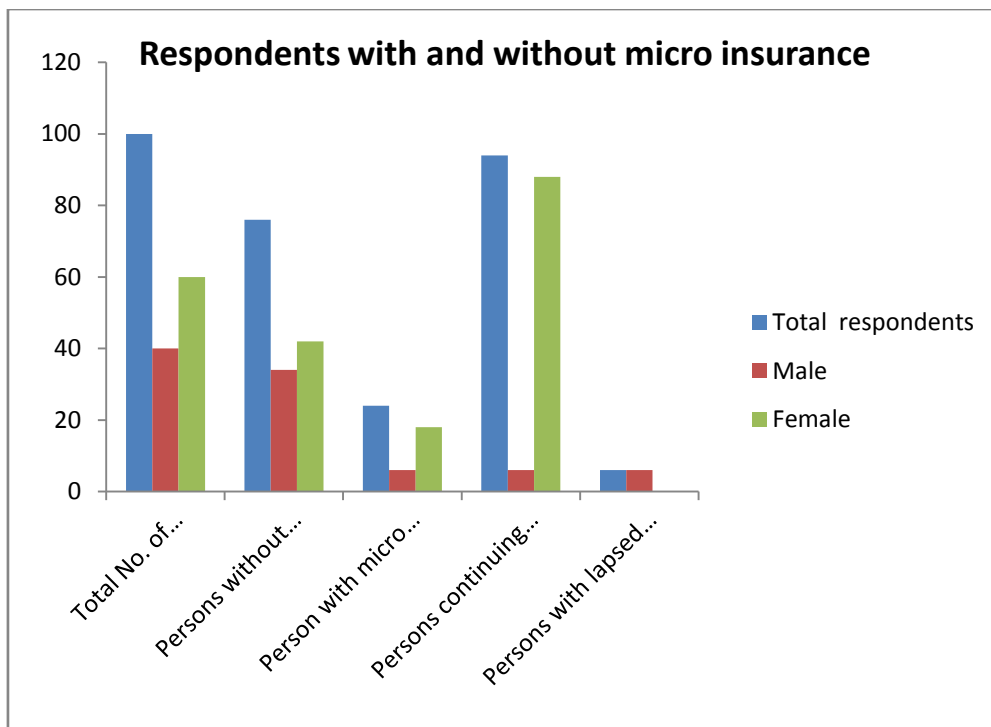
Interpretations

- During the survey it was found that respondents belonging to Female gender were more compared to male respondents
- Male literacy rate is more than female
- It was observed that female respondents are more aware about the micro insurance

2. Table showing no. of respondents with and without insurance schemes

Category	Total No. of Respondents	Persons without having insurance	Person having micro insurance	Persons continuing the schemes	Persons with lapsed schemes
Male	20	17	3	3	3
Female	30	21	9	44	0
Total respondents	50	38	12	47	3

Category	Total No. of Respondents	Persons without having insurance (%)	Person with micro insurance (%)	Persons continuing the schemes (%)	Persons with lapsed schemes (%)
Male	40	34	6	6	6
Female	60	42	18	88	0
Total respondents	100	76	24	94	6



Interpretations

- Out of total respondents only 18% are aware about the micro insurance
- Among the total respondents female

Findings

- From the collected data through primary source, it was found that the rate of awareness about micro insurance is very less.
- It was observed that out of total respondents with insurance is only 24%
- Among 24% of respondents with insurance, the percentage of female respondents is more (about 18%) when compared to male respondents
- It was found that the respondents with lapsed schemes only in male respondents
- From the above analysis, the results indicating that the initiated promotional aids could not reach the population of low-income groups.

Conclusion

In the global context today people 24/7 talk about the developments, technological advancements and adapted to smart phone culture, but still it was found that the literacy percentage as per our study in Hyderabad city is only 52% on the whole, out of which female literacy is absolutely less. It is concluded that the government and other market players have introduced various micro insurance products or schemes designed for low-income groups that have not reached them. The percentage of respondents without awareness about the micro insurance schemes is more and indicates that the promotional tools used for facilitating awareness to low-income groups are not designed as per the size and also not effectively used.

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