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A Study on Consumers Perception on Micro Insurance Schemes with Special Reference to Virudhunagar District

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A B S T R A C T

Micro insurance is a powerful tool in helping low income people by providing insurance coverage. It is an essential tool in improving the protection of low income persons against the financial exposure due to life cycle events, such as social, economic, environmental and political factors. In India more than 70 percent of the population are living in rural areas and they have not access to insurance policies. At present in India, only about 25% of the population is served by the life insurance industry (IRDA press information bureau, 2019) which means that the overall insurance industry in India is still at an early stage of development, in spite of its large population and the varied risks people face. This study aims to identify the consumer perception on Micro Insurance schemes.

Keywords: *MI (Micro Insurance), IRDAI, Regulation, Perception*

1. Introduction

India is a fast developing country with progress in all the sectors. Agriculture, Manufacturing, Infrastructure, Services, Transport and communication, education and healthcare sectors are growing significantly. The insurance industry plays a significant role in the financial service sector. The doors of insurance industry were opened up for private players in 2000. It has seen tremendous growth over the past decade with the entry of global insurance majors. India is fast emerging as one of the world's most dynamic insurance markets with significant untapped potential. The insurance sector plays a critical role in a country's economic development. It acts as a financial intermediary, a promoter of investment activities, a stabilizer of financial markets and a risk manager. The life insurance sector plays an important role in providing risk cover, investment and tax planning for individuals; the non-life insurance industry provides a risk cover for assets. Health insurance and pension systems are fundamental to protect individuals against the hazards of life. India, as the second-most populous nation in the world, offers significant potential for that type of insurance cover. Furthermore, fire and liability insurance are essential for corporations to safeguard infrastructure projects and investment risks. Private insurance systems complement social security systems and add value by matching risk with price.

Micro insurance, commonly called as insurance for the poor, has recently drawn the attention of practitioners in developing countries. In common parlance, micro insurance is the provision of insurance services to low-income households, which serves as an important tool to reduce risks for the already vulnerable population. There is no unanimously accepted definition of micro insurance despite its profound use and understanding across stakeholders and others. Historically, a few micro-insurance schemes were initiated in India, either by non-governmental organizations (NGO) or by the charitable trust hospitals. It gathered momentum partly due to the development of microfinance activity, and partly due to the regulation that makes it mandatory for all formal insurance companies to extend their activities to rural and well-identified social sector in the country.

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1.1 Significance of Micro Insurance in India

Micro insurance is the protection of low -income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Micro insurance policies are specifically designed for this market in terms of low premiums, terms, coverage, and delivery to manage their risks. Low-income clients often live in remote rural areas, requiring a different distribution channel to market insurance products; they are often illiterate and unfamiliar with the concept of insurance, requiring new approaches to both marketing and contracting, tend to face more risks than wealthier people. Micro insurance, like regular insurance, may be offered for a wide variety of risks. These include both health risks (illness, injury, or death) and property risks (damage or loss). A wide variety of micro insurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc.

1.2 Micro Insurance and Social Security in India

Social protection measure is often related with micro insurance for the poor and low income groups. Micro insurance can play a crucial role as a comprehensive tool to reduce poverty, inequality and vulnerability, particularly where public social protection measures are inadequate and unevenly distributed. Unfortunately, more than half of the world's total poor do not benefit from any form of social protection measures. Since micro insurance is designed for the protection of low-income people to cope with common risks, it can also strive to cover the excluded such as poor, women and workers in informal sector. In many developing countries like India, the proportion of informal workforce in total workforce is substantial and there is increasing tendency towards casual nature of labour. Under this situation, it becomes daunting task on the part of the government to provide social security to all.

1.3 Problem Statement

About 70% of the Indian population live in rural areas and don't have access to insurance coverage. Rural areas are inhabited by poor people whose vulnerability to risk is higher than their urban counterparts. These people are less educated and are not familiar with risk mitigation mechanisms. The main objective of Micro Insurance regulation 2005 is to protect people with low income by offering affordable insurance products. Unfortunately the overall performance of Micro Insurance in India has not been very promising. Identifying the consumer perception towards Micro Insurance schemes, will help in formulating new schemes and to bring more awareness about the existing schemes.

1.4 Objectives of the Study

Primary Objective:

- To identify the consumers perception towards Micro Insurance schemes.

Secondary Objectives:

- To study consumers awareness towards Micro Insurance schemes.

- To identify the ability of the consumers to distinguish MI policy from other conventional policies.

- To find out whether socio-economic factors have significant impact on consumer perception towards MI

2. Literature Review

Renuka A. (2020), study is to analyse the Expectation and satisfaction of policyholders towards life Micro Insurance plans in Salem district. The term micro insurance is used to refer to a low cost insurance product designed for low income earners. Thus, availability of micro insurance would in some ways provide the poor with protection, peace of mind and dignity. Based on the recommendations of the Consultative Group, IRDA notified micro insurance regulations on 10th November 2005 to promote and regulate micro insurance products.

Karthikeyan S. (2020), study is to explore Financial services of Micro Insurance to Small Scale Entrepreneurs in India. Micro insurance is an economic activity based doing the entrepreneurs the financial resources help and support for unexpected events claims financial empowerment. Insurance company contributes several cores of capital resources through various plan and schemes on financial empowerment of claims.

Vijayalakshmi S. (2016), study is to analyze the Perception towards LIC's Micro Insurance policies among policy holders. Insurance is emerging as a necessity for the low income people also. Recent developments in India, as elsewhere, have shown that not only can the poor make small periodic contributions that can go towards insuring them against risks but also that the risks they face are eminently insurable as these risks are mostly independent or idiosyncratic.

Ajemunigbohun et al. (2014), the study attempts to explore awareness and accessibility of micro insurance products among selected insurance companies in Lagos, Nigeria. The study made use of an interview survey method of gathering data.. This study chooses 15 insurance companies within which 4 officers were interviewed per company bringing the respondents to 60. The non parametric testing technique was used to test the formulated hypotheses was a Kolmogorov-Smirnov. The findings ofthe study states that, the vast population of Nigeria, that MI presents viable market that is yet untapped by nation's insurance service providers. It also found that aggressive awareness drive towards MI products has been genuinely encouraged among insurance companies in Nigeria and the accessibility of MI products created by insurance companies in Nigeria has not significantly reflected in the lives of many insuring populace.

Ramalakshmi and Ramlingam (2014), study is to analyse the awareness of policyholders about micro insurance products in respect to source of information, period of awareness, influencer for micro-insurance policy, payment mode, grace period and its utilization. The sample size of the study comprised of 370 micro insurance policy holders of Madurai district. The data was collected through personal interviews both from urban and rural areas of the district. The Chi-square test has been applied to ascertain whether there is any significant relationship between the socioeconomic variables and the period of awareness about micro- insurance products of LIC. The study found that there was a vast majority of the respondents are aware about micro-insurance products of LIC and particularly about Jeevan Madhur product. Agents played a major role in creating awareness and they are the major influencer for taking microinsurance policy.

Yao (2013) derived implications for the viable provision of products for emerging micro insurers by investigating the degree of sustainability of a micro health insurance programme. In its early years of development it also analysed how claim rates evolved as households. Renewed households have significantly lower claim frequency and total claim amounts. He suggested that there are forces affecting insurance demand for renewed households that may lead to an improved risk portfolio.

Arun et al (2012) in the study entitled "Bequest Motives and Determinants of micro Life Insurance in Srilanka"emphasized 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

3. Research Methodology

Research design

The research design is Descriptive in nature.

Sample size

The sample size for this project is 120 (120 respondents from Virudhunagar District).

Sampling method

Convenience sampling method of random sampling technique.

Data collection method

The data is collected through survey of 120 respondents of different areas of Virudhunagar district. A structured questionnaire was prepared to record responses.
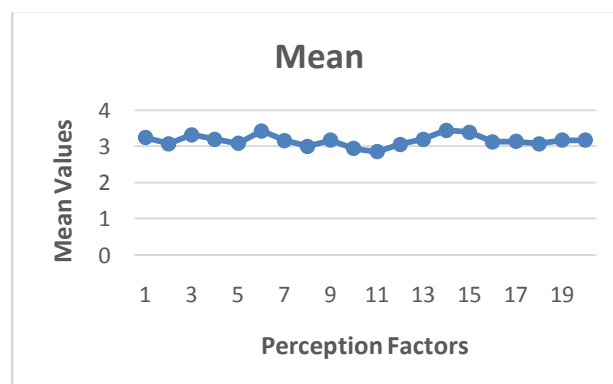
Data analysis

Collected data was analyzed through SPSS. ANOVA and Chi-Square test was used for analysis.

4. Data Analysis

4.1 Mean Score Analysis – Perception on Micro Insurance

The mean score analysis was applied to 20 perception statements for a likert scale of 5 points namely Strongly agree, Agree, Neutral, Disagree and Strongly disagree.The mean score of majority of the statements fall between 2 and 4. So Majority of the statement lies between the category Disagree and agree. Highest mean score is 3.45, is given for the statement states that Micro Insurance policies will encourage the small savings among the low income people. The least score 2.86 is to the statement, The sum assured amount is low in Micro Insurance, so it will not be beneficial to me.

From the above analysis it is inferred that there is a strong perception on the statement which states that Micro Insurance policies will encourage the small savings among the low income people. The respondents have a poor perception on the low sum assured amount in Micro Insurance.

4.2 T-Test Analysis

Relationship between Gender, Marital Status and Perception on MI

T-Test tool is applied to make a comparison between :

- Gender and Perception on MI
- Marital Status and Perception on MI

H0 : There is no significant relationship between genders, Marital status and the average perception scores on MI insurance.

H1 : There is a significant relationship between type of Gender, Marital Status and the average perception scores on MI insurance.

Variables	T	Df	Sig.
Gender	2.512	118	0.013
Marital Status	-0.349	118	0.728

The t-test was applied to find out whether there is any significant relationship between Gender and perception on Micro Insurance. From the table it is inferred that, the significance value of 0.013 is less than the Significant level (5%). Hence null hypothesis (H0) is rejected. Alternative hypothesis is accepted. There is a significant relationship between Gender and perception on MI.

The t-test was applied to find out whether there is any significant relationship between Marital status and perception on Micro Insurance. From the table it is inferred that, the significance value of 0.728 is higher than the Significant level (5%). Hence null hypothesis (H0) is accepted. Alternative hypothesis is rejected. There is no significant relationship between Marital Status and perception on MI.

It is concluded from the above analysis that there is no significant relationship between Marital Status and the perception towards MI policies. But there is a significant relationship between gender and perception towards MI.

4.3 CHI - Square Analysis

Relationship between socio economic factors and ability to distinguish MI policies from conventional policies.

In order to examine the relationship between socio economic factors (Gender, Age, Education, Occupation, Annual income, marital status and Savings) and the ability to distinguish MI policies from conventional policies of the respondents, Pearson's Chi-square test was executed. The Null hypothesis framed was

H0 : There is no significant relationship between socio economic factors and ability to distinguish MI policies from conventional policies

H1 : There is a significant relationship between socio economic factors and ability to distinguish MI policies from conventional policies

The calculated chi-square values are shown in the following table.

Factors	Chi-square value	DF	P - Value	Significance Level	H0
Gender	5.215	1	0.022	S at 5% level	Rejected
Age	33.202	2	0.000	S at 5% level	Rejected
Education	9.426	3	0.024	S at 5% level	Rejected
Annual Income	12.058	3	0.007	S at 5% level	Rejected
Savings	14.332	5	0.014	S at 5% level	Rejected
Occupation	27.631	3	0.000	S at 5% level	Rejected
Marital Status	38.000	1	0.000	S at 5% level	Rejected

The results interpreted from the above table is that the p-value is less than the level of significance at 5%. Hence, the null hypothesis is rejected and alternate hypothesis is accepted. Gender, age, education, annual income, savings, occupation and marital status factors have a significant relationship with the ability to distinguish MI policies from conventional policies at 5% level of significance. From the analysis, it is concluded that the respondents' socio economic factors definitely influence the ability to distinguish MI policies from conventional policies.

4.4 ANOVA Analysis

Relationship among socio economic factors (age, education, savings, occupation and annual income) and perception score on MI

H0 : There is no significant relationship among socio economic factors (age, education, Savings, occupation and Annual income) and perception score on MI.

H1 : There is a significant relationship among socio economic factors (age, education, Savings, occupation and Annual income) and perception score on MI.

Variables	Sources	Sum of Squares	Df	Mean Square	F	F-critical value	Sig
AGE	Between Groups	.090	2	.045	.084	Ns (3.074)	0.829
	Within Groups	62.603	117	.535			
	Total	62.693	119				
EDUCATION	Between Groups	.474	3	.158	.294	Ns(2.683)	0.829
	Within Groups	62.219	116	.536			
	Total	62.693	119				
SAVINGS	Between Groups	6.459	5	1.292	2.619	S (2.294)	0.028
	Within Groups	56.234	114	.493			
	Total	62.693	119				
OCCUPATION	Between Groups	1.459	3	.486	.921	Ns(2.683)	0.433
	Within Groups	61.235	116	.528			
	Total	62.693	119				
ANNUAL INCOME	Between Groups	6.459	3	2.153	4.441	S(2.683)	0.005
	Within Groups	56.234	116	.485			
	Total	62.693	119				

One way ANOVA was applied to find whether there is any significant relationship among socio economic factor (age, education, Savings, occupation and Annual income) and perception score on MI. The ANOVA result show that the calculated F-ratio value is 0.084 (Age), 0.294 (Education), and 0.921 (Occupation) which is less than the table values. Since the calculated value is less than the table value it is inferred that there is no significant relationship among socio economic factors (age, education and occupation) and perception score on MI. Hence the null hypothesis (H0) is accepted. Alternate hypothesis (H1) is rejected. Whereas calculated F-ratio value for Savings (2.619) and Annual Income (4.441) is greater than the table value. It is inferred that annual income and savings have a significant relationship with perception. Hence the null hypothesis (H0) is rejected. Alternate hypothesis (H1) is accepted. Savings and Annual income have significant relationship with perception on MI policies.

It is concluded from the above results that whatever may be the socio economic factors like age, education and Occupation, the perception on MI policies do not differ at all. But the difference among people having different level of savings and annual income have different perception values on MI.

5. Suggestions

In the light of findings of the study the following suggestions are offered for the improvement of micro insurance market. To tap the potential market of insurable population and also to increase the MI services among low income people the following suggestions would be beneficial.

Creating awareness about Micro Insurance throughout the country by special MI campaign. The study reveals that most of the customers are still not aware of the MI policies and its features. Raising awareness is the most important thing. People in rural regions are not familiar with the concept of MI insurance. IRDAI has to take suitable steps to give wide publicity about the MI policies to reach rural people. For this purpose it can use the media like FM radio, newspapers, posters, village banners, and assistance of local authority like panchayats, etc especially in the rural areas.

Design and supply of wider variety of MI products. It is also recommended that IRDAI should follow the restructuring of its marketing policies vigorously to tap the market potentials of uninsured low income population in order to keep pace with the competition

6. Conclusion

The study suggests that it is very important and appropriate that IRDAI should necessary take steps to spread awareness about MI products through latest communication devices (Internet, Television, Radio) and it should allow the users to open a policy through online and also it will be easy if it use mobile phones to collect the MI premiums. It need not consider the initial cost, which spent on creating awareness about MI among low income people. The study has also identified the fact that the current distribution channels are not good enough to understand the needs and behavior of rural and urban poor. They need to develop new skills, attitudes and strategy to explain the concept and benefits of insurance, to the rural and urban low income mass.

Micro insurance provides the opportunity to enhance insurance penetration and insurance density amongst the low income population. MI offers a good platform in creating additional employments .i.e. agents, specialists etc.

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