

Factors Determining Demand for Micro Insurance in Coimbatore District

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Abstract

Micro-insurance is considered by low premium and low coverage limits and sold as typical risk-pooling and marketing arrangements and designed for low income people and businesses not served by typical social or commercial insurance. “Micro-insurance is the protection for the low -income population against specific dangers in exchange for regular payments of proportional premiums to the probability and costs of the involved risks”. With higher economic growth and expansion of income earning prospect more intensive pro-poor policy can created with good environment for microinsurance sector in India. Increased policy attention towards rural and agricultural credit and financial services progressive growths of micro finance are the potential factors for achieving the growth of microinsurance sector.

Keywords: Micro-insurance, risk pooling and low income people

Introduction

Micro-insurance is considered by low premium and low coverage limits and sold as typical risk-pooling and marketing arrangements and designed for low income people and businesses not served by typical social or commercial insurance. “Micro-insurance is the protection for the low -income population against specific dangers in exchange for regular payments of proportional premiums to the probability and costs of the involved risks”.

The definition of ‘Microinsurance’ can be understood in two parts. First, the ‘micro’ portion of the definition refers to the subset of a product that is designed to be beneficial and affordable for low-income individuals or groups. Second, the ‘insurance’ component refers to a financial service that uses *risk-pooling* to provide compensation to individuals or groups that are adversely affected by a specified risk or event (Brown, 2000). *Risk-pooling* means that a large group or pool of individuals or groups contributes to share the losses resulting from the adverse situation or occurrence of a risky event. Persons affected by an adverse situation and negative event enjoy benefits from the contributions of many others that are not affected and due to risk sharing the affected persons receive compensation that is greater than the amount they have invested in the insurance policy. Products that allow an affected individual to receive only up to the amount they have contributed are considered savings products, and not insurance products. So insurance is different from savings as well as other financial products.

Statement of the Problem

With higher economic growth and expansion of income earning prospect more intensive pro-poor policy can created with good environment for microinsurance sector in India. Increased policy attention towards rural and agricultural credit and financial services progressive growths of micro finance are the potential factors for achieving the growth of microinsurance sector.

Demand research can explore what poor people know about insurance, how they find out, and whether it is correct or incorrect. It can reveal whether their attitudes are open and positive, or negative and mistrusting and also the microinsurance product offered by the institution and the demand for the same. Hence a study on “Factors determining demand for Microinsurance in Coimbatore district” is proposed.

Objectives of the Study

The objectives of the study are to analyse the factors determining the demand for microinsurance.

Methodology of the Study

A systematic and careful analysis of information is inevitable in any research. In order to obtain reliable results, it is essential to evolve scientific method of data collection and apply appropriate and reliable techniques for the analysis of information. Coimbatore District has been chosen purposively as the locale for this study. The present study was confined to the selected group of rural households in Coimbatore districts of Tamil Nadu. As the sampling is carried out in different stages, the sampling considered for the study is multi stage sampling. For this study, three blocks were selected to represent different rural areas of each block. All the three blocks put together has 28 villages. 50 percent of the villages were selected for the study. In this stage, from each village 10 households were selected to arrive at 280 respondents for the study. The primary data was collected from 280 respondents through a detail interview schedule, personally administered and observed from surveying the locality and from personal interviews.

Tools for Analysis of Data

The statistical tools and techniques used in the analysis were Percentage analysis and Chi square analysis

Socio economic factors of the rural households

- 61.7 percent of the male were intended to buy the microinsurance products.
- Most of the respondents (33.6 per cent) are in the age group of more than 45 years who are the households involved in the income earning members.
- Majority 63 per cent of the rural households selected for the study are married.
- 33.4 per cent of the rural households were from high school level of educations.
- Majority of the rural households (51.4 per cent) were from nuclear type of family.
- Majority of the rural household's (46.1 per cent) revealed that they were employed in private or government organisation.
- 26.2 per cent of the respondents selected for the study were their monthly income of above Rs. 9,000.
- 28.5 per cent of the respondents selected for the study were spending more than Rs. 6000 for monthly expenses.

Financial behaviour of the rural households

- 37 per cent of the respondents were saving the less than Rs.500 per month.
- Majority of the rural households (55.3 per cent) stated that own temptation is the main constraint affecting the ability to save.
- 69.0 per cent of the respondents selected for the study are having bank account due to the basic needs they want to full fill.
- Maximum of the respondents (47.6 per cent) selected for the study had more trust on bank.
- There is an association existing between trust on bank with the socio economic factors namely age, education, marital status and occupation status.
- Majority of the respondents are borrowed several times from the Friends, Relatives and Neighbour because they are easily approachable.
- Majority of the respondents are having debt more than their capacity and also there are earning less than Rs.3,000 per month.

Socio Economic factors and investment in different types of microinsurance products

- Majority of the respondents (63.7 per cent) were Male, and majority 31.3 per cent of the respondents were invested in Life insurance.
- Maximum of the respondents (30.2 per cent) were invested in the age group between of 36 and 45 years, out of this 31.6 of the respondents were invested in life insurance.

- 38.4 per cent of the respondents were education of High school, out of this 32.9 per cent of the respondents were invested in Life insurance.
- 63.6 per cent of the respondents were married to buy different microinsurance products, out of this 31.7 per cent of the respondents were invested in life insurance.
- Majority of the respondents (50.9 per cent) were joint family to take microinsurance products, out of these 33.4 per cent of them were invested in Life insurance.
- 45.8 per cent of the respondents were four members in the family invested in microinsurance products, 34.2 per cent of them were invested in life insurance.
- Maximum of the respondents (49.1 per cent) were employed in institution, organisation, etc. out of this 31.5 per cent of the respondents were invested in life insurance.
- 32.5 per cent of the respondent whose monthly income of more than Rs. 9,000 were invested in microinsurance products, out of this 31.1 per cent of them was invested in life insurance.

Conclusion

In summary, micro-insurance is a tool for the country's poor people to protect themselves from adversities. It will reduce financial risks and provide optimism to policy holders, helping them cope with financial emergencies. As microinsurance evolves, there will be increasingly higher standards for quality products tailored to meet client needs. The foundation of the sector is expanding quickly with key stakeholders joining forces and unparalleled resources, making this a pivotal time in the development of Microinsurance. Microinsurance providers must improve their communication with customers and expressly strive to serve the needs of poor people. Government must take necessary steps in initiating microinsurance only then can microinsurance become the success story hoped for by so many.

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