



MICRO INSURANCE IN RURAL INDIA: AWARENESS AND PERCEPTION – A STUDY IN UDUPI DISTRICT

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Abstract: Micro Insurance initiatives have made remarkable impact all over the world, but their reach has been too narrow so far. Unfortunately, the delivery of insurance services to the people in lower level of pyramid has not been seen as an essential tool for their social protection by most of the conventional insurance companies. On the other hand, rural poor who need micro insurance are not educated and not aware about micro insurance. The Indian insurance sector is one of the two fastest growing insurance markets in the world, estimated to grow at an annual rate of 17 – 20%. Real India is a rural India, around 750 million populations in India spread over 7 lakh villages is far the largest potential insurance market in India. Around 70% of the population lives in rural India. The insurance industry sells more than 6 crore policies of which 1.5 crores were sold in rural areas. Penetration is only 28% in rural areas against around 50% in urban areas. The majority insurance companies in rural area are micro insurance providers. The researchers have taken a sample of 100 respondents from the study area. simple statistical tools like averages and percentages are applied for the analysis and interpretations of results. The present study highlights the perceptions and less or no awareness of micro insurance in rural areas of Udupi District and the factors leading spread of micro insurance in rural areas.

Index Terms - Micro insurance, Low income, rural area, Perception, and Awareness.

I. INTRODUCTION

Despite of growth, the insurance market in India has low penetration rates compared to many other countries in the world. Financial inclusion is one of the major concerns of policy makers in India. Financial inclusion is of particular relevance to a country like India where many crores are financially excluded. The Government of India has introduced various policies to enhance the goal of financial inclusion in 2014 and 2015. The foremost of these is the Pradhan Mantri Jan Dhan Yojana (PMJDY) that aims to provide basic banking services to more especially in rural areas. The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) introduced in 2015 aims at providing low cost life insurance and accident insurance respectively.

India is primarily rural country. Roughly 70% population (Naren N. Joshi) lives in rural areas in our country. Numbers of insurance companies have adapted strategies to capture rural markets. The lion's share of LIC new business is from rural and semi-rural market. As per the Max New York Life Insurance study, only around 20% of people covered in rural area by life insurance compared to 40% in urban areas. The reason why insurance companies are gambling big in rural market is literally clear; insurers in a vast opportunity in rural areas as penetration is very low when compare with urban areas, disposable income has been growing due to high growth rate of economy. But when it comes to implementation there are few practical problems. Life style and mind set of people in rural areas are changing very fast.

It is very complex to understand the necessity of farmers, casual labours, auto drivers, etc., by itself this study aims at understanding people awareness and perception about micro insurance in rural areas in general and Udupi District in particular. Micro insurance is a form of financial aid designed to suit the needs of rural people who do not have access to conventional forms of insurance. 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 risk involved.

II. Statement of Problem

Micro insurance refers to the provision of insurance products specifically targeted to individuals and households at the grassroots level of society. It is a key element in the financial services packages for people at the bottom of the pyramid. The poor face more risks than the well – off especially in rural areas, but more importantly, they are more vulnerable to the risks. The do pro –active risk management, like gain storage, saving, asset accumulation, loans from friends and relatives, etc. However, the prevalent forms which were appropriate earlier are no longer adequate. To combat with the intension of providing socio economic protection to rural poor government of India as well as Government of Karnataka has been taken initiatives to promote various micro insurance schemes. Large number of Insurance companies, MFIs, SHGS, NGOs tailored the micro insurance products to rural poor. However, there were very poor acceptance of these schemes and services by them especially in rural places. Further, the review of literature reveals that even in rural areas of our country, people are well aware and usually they consider micro insurance products/schemes are status symbol, but not as a tool for their economic protection. Thus, the study has been undertaken specially to investigate the reasons for poor acceptance of micro insurance in rural areas of India in general and Udupi District in particular.

III. Objectives of the Study

The ultimate objective present study is to understand the level of awareness among small farmers about micro insurance and their perceptions and other specific objectives are as follows:

1. To study the socio-economic profile of the rural people.
2. To assess the level of awareness of micro insurance schemes among rural people of Udupi District.
3. To evaluate the perceptual pattern of people in the study area about Micro Insurance Schemes/Products
4. To understand whether micro insurance provide socio – economic security to respondents of Udupi district.

IV. Hypotheses

1. **H₁₀**: No significant association between socio-economic profile of rural poor and their awareness level about micro insurance in the study area.
2. **H₂₀**: People in the rural areas of Udupi district are not fully aware of various micro insurance providers and products.
3. **H₃₀**: Micro insurance is not a suitable tool for the social and economic protection of poor people in Udupi District.

V. Methodology of the Study

The research design is empirical and analytical in nature. The data required for the study have been collected from primary and secondary sources. The primary data have been collected through a structured questionnaire. The researchers have selected a sample size of 100 respondents for the study from rural areas of Udupi District, who are the small and marginal farmers, dairy farmers, labourers, auto drivers, etc. The secondary data required for the study was collected from the official records of insurance companies and government departments, books, journals, annual reports, newspapers, and web portals. Simple statistical tools such as averages and percentages are applied for analysis and interpreting the data and Chi square test and Sample t test are used for testing hypotheses.

VI. Review of Literature

Kotler (2010) expressed that attitude of a person defines his/her favourable or unfavourable appraisals, expressive feelings and various actions predisposition towards some objects or ideas. An Attitude is a learned predisposition acts in a reliably favourable or unfavourable way concerning a given target. **Raju and Gurupandi (2009)** opined that the attitude of the policy holders and their socioeconomic background creates a significant influence. **Ahuja & Khasnobis (2005)** the study reveals that the current reach of micro insurance in India is limited. **Rao (2008)** the study reveals that micro insurance is not an opportunity but a responsibility and to serve this responsibility good awareness campaign is needed. Micro insurance is offering real solutions to the billions of rural poor that raises the awareness of micro insurance as a key issue in coming future. **Arvind. M & Kumar (2008)** the study discusses that micro insurance is just an emerging field of insurance and it has numerous challenges at insurance company level, Rural household level and MFI's level. Further research into the insurance companies, their attitude and willingness to serve rural population should be studies to improve the system as whole.

Arora (2009) the study shows the awareness of insurance products available among the low income groups is very low. As well they have the assumption that insurance is a status symbol and it can only be afforded by the rich people. This can be done only by overcoming the obstacles and increasing the awareness about micro insurance which is a boon for low income people.

Chandhok (2009) the result of study indicates that there is a huge untapped market for micro health insurance and majority of population are aware and understand the importance of micro health insurance. Thus, micro insurance will go a long way in eradicating poverty. If the various micro insurance models are implemented effectively by Insurer, MFI's, SHG's, NGO's, Health institutions, Donors and Co-operatives the BPL population will lead a peaceful and secure life. **Ratna Kishore (2013)** in his article, "Micro Insurance in India – Protecting the poor" has pointed out that the market for micro-insurance in India is enormous and remains untapped.

Paramsivan and Rajaram (2016) concluded that micro insurance is affordable to poor people. It mitigates the risk caused by nature or any other events. There is a need to create more awareness so that is more accessible to unreached. **Bakhshi (2016)** concluded that in developing countries like India, micro insurance is an efficient route to eradicate poverty. Still many things need to be done in the micro insurance to reach its full potential.

VII. Study Results and Discussion

Analysis of Field Study: The data collected was analyzed and presented in tabular form and hypotheses are tested with suitable measures. Finally, findings of the study have been enumerated. Accordingly, suggestions are given for greater penetration of micro insurance in rural areas and conclusions arrived at.

Table -1 - Socio economic profile of sample respondents.

SI No.	Socio-economic characteristics Rural People		No. of People	Percentage (%)
1	GENDER	Male	57	57
		Female	43	43
2	MARITAL STATUS	Unmarried	26	20
		Married	65	71
		Widow	9	9
3	AGE	Less than 30 years	18	18
		31 – 40 years	25	25
		41 – 50 years	30	30
		51 – 60 years	19	19
		Above 60 years	8	8
4	EDUCATION LEVEL	Illiterate	21	21
		Primary	37	37
		Secondary	25	25
		Graduate	12	12

		Post graduate	5	5
5	ANNUAL INCOME	UptoRs. 50000	10	10
		Rs.50001 – 100000	15	15
		Rs. 100001 - 150000	33	33
		Rs. 150001 – 200000	27	27
		Above Rs. 200000	15	14
6	FAMILY SIZE	1 – 2	11	11
		3 – 4	48	48
		5 – 6	34	34
		More than 7	7	7
7	LOAN BORROWED	No	38	38
		Yes: Short term	21	21
		Medium term	22	22
		Long term	19	19
Total			100	

Source: Field Survey-May 2022

From the above table 1, it is pinpointed that the majority (57 percent) of the respondents are male, most of them (65 percent) are married, majority (30 percent) of the respondents are between 40-50 years of age. Most of them (37 percent) are having primary education. The greater portion of respondents in the study area is earning between Rs. 100001- 150000 per annum. Further size of most of the families is 3-4 members and 62 percent of rural people have taken up loan.

Table- 2: Multi choice responses of rural people regarding type of insurance purchased

Sl. No.	Types	No. of Farmers	Percentage	Rank
1	Life insurance	42	35	I
2	Vehicle insurance	12	10	IV
3	Health insurance	32	27	II
4	Property insurance	8	7	VI
5	Live Stock/Animal insurance	10	8	V
6	Crop insurance	16	13	III
Total		120	100	

Source: Field Survey-May 2022

From Table 2, it is clear that, multi choice responses of respondents indicating that majority (35 percent) have purchased life insurance, and it has been given I rank. Health insurance is the second most (27 percent) purchased insurance and it has been ranked II, 13 percent of multi choice responses state that people in rural area are having crop insurance, which stands III ranked. Only 10 percent of respondents have subscribed vehicle insurance and it ranks IV. Followed by livestock insurance and property insurance respectively ranks V and VI.

Table -3: Multi choice responses of respondents about technique adopted for risk coverage.

Sl. No.	Types	No. of Farmers	Percentage (%)	Rank
1	Sale of assets	40	13	V
2	Borrowings from friends & relatives	50	17	III
3	Bank loan	70	22	I
4	Borrowings from money lenders	10	3	VII
5	Government relief	64	21	II
6	Insurance policies	42	14	IV
7	Others, (charities, fund raising, etc)	24	8	VI
Total		300		

Source: Field Survey-May 2022

Table 3 above represents multi choice responses of rural people that how they management risk in their life. Majority (22 percent) borrow loan from cooperative banks and commercial banks, which rank I, 21 percent of respondents manage risks with government relief and it stand II, Sometimes, they borrow even from friends and relatives to manage (17 percent), which rank III, 14 percent of respondents depend on insurance for risk management stands IV rank, 13 percent of respondents sale their assets for managing risk, which rank V and only 8 percent respondents say that they manage risk through charity and donations and just 3 percent of them borrow from money lenders for risk management which are ranking VI and VII respectively.

Table -4 : Awareness level among rural people about micro insurance.

Sl. No	Particulars	No. of People	Percentage (%)
1	Aware	84	84
2	Not aware	16	16
Total		100	100

Source: Field Survey-May 2022

The awareness among rural people about micro insurance and measures of risk coverage available was very high, awareness was more among rural people, it is about 84 percent in study area.

Table -5: Micro insurance taken by rural people

Sl. No	Particulars	No. of people	Percentage (%)
1	Insured	42	42
2	Not insured	58	58
Total		100	100

Source: Field Survey-May 2022

Table 5 above shows that, below 50 percent of the people in study area though aware, are to take micro insurance. Out of 100 respondents, only 42 have taken micro insurance policies in the survey area.

Table No- 6: Source of information about the micro insurance

Sl. No	Sources	No. of People	Percentage (%)
1	Media	24	24
2	Govt. Departments	12	12
3	NGOs& MFIs, etc.	26	26
4	Neighbors & friends	18	18
5	Other institutions	20	20
Total		100	100

Source: Field Survey-May 2022

It is clear from the above table 6 that the majority (26 percent) of the people in rural areas are depending upon NGOs to know about micro insurance schemes and about 24 percent of them uses media like Newspaper, Radio, Television and Social media to know about the availability and accessibility of micro insurance.

Table-7: Type of risks mostly faced by people in rural areas.

Sl. No	Type of Risks	No. of People	Percentage (%)
1	Natural calamities	24	24
2	Death of income earners	15	15
3	Health issues	30	30
4	Loss of Properties	15	15
5	Crop loss	09	09
6	Others	07	07
Total		100	100

Source: Field Survey-May 2022

Table 7 above indicates that risk arising due to health issues (30 percent) is the major problem facing by people in the study area. Risk due to natural calamities (24 percent) is next greater problem faced by them. Death of income earner and loss of properties (15 percent) are other major risks facing by rural people. Crop loss is another forms risk facing by people in the rural areas.

Table No-8: Responses regarding benefits of micro insurance to rural people

S No	Benefits	Yes	No	Total
1	Provide insurance coverage to life, health, properties, etc.,	68	32	100
2	Provide insurance coverage to crop loss and livestock loss	39	61	100
3	Provide relief during disasters and calamities	35	65	100
4	Provide credit, technology, inputs, etc.	43	57	100
5	Measures to eliminate losses due to death of income earners	24	76	100
6	Measure to solve farmers depression/debts	33	67	100

Source: Field Survey -May 2022

The table 9 shows that the majority (68 percent) of rural poor believe micro insurance will provide insurance coverage to Life, health and properties loss. Whereas, 61 percent say it does not provide proper insurance coverage to live stock loss and crop loss, 65 percent say it does not provide enough relief during disasters, 57 percent them believe that the scheme does not provide proper credit, technology and inputs. 76 percent of respondents opined the micro insurance does not eliminate losses due to the death of income earners in their families and even the micro insurance is not a proper measure to solve farmers' depression, debts, etc.

Table No: 9 - Level of Satisfaction of Farmers towards Micro insurance.

S No	Perceptions towards GST	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	Proper communication of information	52	27	05	10	06	100
2	Easy registration	12	45	11	23	09	100
3	Optimum risk coverage	17	33	06	30	14	100
4	All risks covered	05	15	17	47	16	100
5	Premium amount is minimum	44	21	15	17	03	100
6	Amount of claim is very fair	22	21	16	30	11	100
7	Speedy settlement of claim	13	26	10	39	12	100

Source: Field Survey-May 2022

It is clear from the above table that the perception of people in the rural area towards micro insurance is positive due to the fact that proper communication of information, easy registration and premium amount is minimum is positive but their perceptions towards micro insurance is negative due to the fact that optimum risk coverage, fair amount of claim and speedy settlement claim.

VIII. Testing of Hypotheses

Hypotheses: 1

H₁₀: No significant association between socio-economic profile of rural poor and their awareness level about micro insurance in the study area.

H₁₁: There is significant association between socio-economic profile of rural poor and their awareness level about micro insurance in the study area.

Table-11: Socio-economic profile rural people and their awareness level about micro insurance.

Variables	Farmers		
	Chi square (calculated value)	Table value*	Ho
Gender	1.328	3.518	Accepted
Marital Status	2.11	4.774	Accepted
Age	11.093	6.365	Rejected
Income	8.044	14.307	Accepted
Family size	8.526	7.815	Rejected

Source: Field Survey-May 2022

*Significant at 5% level

Result: With regard to the awareness of rural poor about micro insurance schemes, age and family size of the respondents were resulted highly significant (H_0 rejected and H_1 accepted). The gender of the respondents, marital status, and income of them were resulted in not significant (H_0 accepted).

Hypotheses: 2

H₂₀: People in the rural areas of Udipi district are not fully aware of various micro insurance providers and products.

H₂₁: People in the rural areas of Udipi district are fully aware of various micro insurance providers and products.

Table 8 - Calculation of Chi Square for

O	E	(O - E) ²	(O - E) ² /E
84	50	1156	23.12
16	50	1156	23.12
16	50	1156	23.12
84	50	1156	23.12
Σ			92.48

$$x^2 = \sum \left[\frac{(O - E)^2}{E} \right] = 92.48 \quad V = (r-1) \times (c-1) = (2-1) \times (2-1) = 1$$

For V = 1: Table value of Chi Square = 3.84

Level of significance = 1%

Result: From the above statistical analysis, it can be inferred that the calculated value is 92.48 which is more than the table value 3.84 at 1% level of significance. The null hypothesis (**H₀**) is rejected and alternate (**H₁**) is accepted. Hence, it is concluded that people in the study area fully aware of various micro insurance providers and products.

Hypotheses: 3

H₃₀: Micro insurance is not a suitable tool for the social and economic protection of poor people in Udipi District.

H₃₁: Micro insurance is a suitable tool for the social and economic protection of poor people in Udipi District.

Table-12: One-Sample t test that micro insurance is not a suitable tool for the social and economic protection of poor people in Udipi District

One - Sample Statistics						
	Rural People	N	Mean	SD	T Value	P Value **
Micro insurance is not a suitable tool for the social and economic protection of poor people in Udipi District	Insured	42	12.06	1.48	2.92	0.008
	Not insured	58	8.11	2.49		

Source: Field Survey-May 2022

** represents 1% level of significance

Result: It is noted from the above that, t value is 2.92 and corresponding p value is 0.00841, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significance. Hence it is concluded that micro insurance is a suitable tool for socio – economic protection of poor people in the study area.

IX. Findings of the Study

- Micro insurance penetration is very low in rural areas in India in general and Udupi district is particular.
- Majority (57 percent) of the respondents were male farmers and majority of respondents are above 40 years of age.
- Educational level of majority (58 percent) of the respondents is either primary education or illiterates.
- Majority (48 percent) respondents, annual income is ranging between Rs. 50,000 to 1,50,000.
- Majority (82 percent) of family in rural areas are consists of 3 -6 members and they borrow from Banks and MFIs for managing risks.
- Majority of non - insured people in rural areas of Udupi district (73 percent) largely depend on either bank or government relief for managing the risks
- Majority (84 percent) of people in rural area are fully aware about the accessibility and availability of micro insurance and the benefits of various schemes.
- Though people in rural areas of Udupi districts are well aware, only 42 percent of them micro insurance.
- Almost all who were purchased insurance are subscribed to life micro insurance and health micro insurance in rural areas of Udupi districts.
- Majority (26 percent) of respondents know about micro insurance through NGOs, and SHGs and MFIs. About 24 percent of people in rural areas of Udupi could know about micro insurance through media.
- The major risks faced by people in rural areas of Udupi are either from health issues (30 percent) or due to natural calamities (26 percent).
- Level awareness of people in rural areas of Udupi does not resulted in purchasing micro insurance products.
- With regard to the awareness of rural poor about micro insurance schemes, age and family size of the respondents were resulted highly significant and the gender of the respondents, marital status, and income of them were resulted in not significant.
- From the result of hypothesis testing it is concluded that micro insurance is a suitable tool for socio – economic protection of poor people in the rural areas.

X. Conclusion and Suggestions

Insurance is a tool to protect a small probability of a large unexpected loss. It occupies a significant position in the modern world. 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 must for poor people and it is the only way to ensure overall growth in a country. In spite of low penetration, micro insurance in India has spread widely to cover large number of non-conventional areas and excluded people with innovative products. The NGOs, SHGs and MFIs are mostly providing health insurance coverage in rural areas where now people show keen interest. Recently, central government has floated few new micro insurance schemes mainly to cover the life of poor like, PMJJBY, PMSBY, PMPBY, etc., but their acceptability is slow and yet to pick up.

The findings of the study revealed that all the insured farmers and majority of non-insured people in rural area were aware about micro insurance schemes and their benefits, but only few of non-insured were aware about the micro insurance. However, the poor people in rural areas are having the negative perception about the benefits of micro insurance; hence they were reluctant to take insurance products. Further, the poor largely depend on governmental relief in case of risks and they borrow loans from co -operative banks and commercial banks. As they are fully aware about the availability and accessibility of these micro insurance schemes and products with some effort to convince them for subscribing insurance by government and other NGOs the rate of insurance penetration can be increased. Furthermore, the micro insurance will be a suitable tool to save the rural poor from depression and death and th uplift their social status and economic conditions.

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