



A STUDY ON NEEDS AND PERCEPTIONS OF MICROINSURANCE AMONG LOW-INCOME GROUPS IN THE SPECIFIC TIER-2 DISTRICTS OF TAMILNADU.

¹Srinidhi R, ²Dr. Velavan .M

¹Student, ²Assistant Professor

¹SASTRA Deemed University, School of Management,

Tirumalaisamudram, Thanjavur, Tamilnadu – 613401, India.

Abstract: The insurance sector is a major player in the financial services industry and substantial contribution to the country's economic environment. India has a great deal of unexplored opportunity when evaluating market potential due to its lower insurance coverage and population when compared to peer nations. The study's primary goal is to identify the factors which influence the needs and perceptions of microinsurance among low-income demographics in the specific tier-2 districts of Tamil Nadu. In order to assess the hypotheses, primary data were gathered using a structured questionnaire. The study's conceptual framework was constructed on the independent variables of insurance literacy, risk, benefits claimed and trust worthiness. To figure out how these variables affected the needs and perceptions of microinsurance, an analysis was conducted. Purposive sampling methodology was employed in the process of gathering data. The percentage analysis, correlation, regression was performed in this research by utilizing the Statistical package for Social Science (SPSS) 20. The study found that trustworthiness and insurance literacy exhibit a stronger positive impact on the needs and perceptions of microinsurance.

Keywords: Microinsurance, low-income groups, Tamil Nadu, insurance literacy, trustworthiness, needs and perceptions

1. INTRODUCTION:

India is a fast-developing nation that is significant progress in the several areas including infrastructure, services, industry, transportation, healthcare, education and agriculture. The insurance industry is essential to the country's economy, as a key component of the country's financial services sector. Additionally, it has been said that microinsurance sector, anticipated to achieve a compound annual growth rate (CAGR) of 6.2% between 2023 and 2031. In India's rural areas, approximately 8 – 10% of people have life insurance, and less than 20% of people have health insurance of any type. In addition, 95% of Indian households do not have property insurance. Also, only 10% of farmers had crop insurance. Comparison to peer nations, India's insurance coverage and penetration still lag behind, despite the country's large market potential. An efficient way to reduce financial risks for vulnerable populations is through microinsurance, which is designed with low-income households in consideration. Microinsurance encompasses a broad range of risks and covers several categories such as property, health, life and livestock insurance. This coverage offers people, who are frequently vulnerable to unexpected events, risk management and financial protection. But, due to limited financial literacy and distrust among low-income groups constraints about subsidies prevent it from being widely adopted. Hence in this research, the main elements that affect the needs and perceptions of microinsurance are being studied.

2. LITERATURE REVIEW:

Boateng, C. (2016) examined the determinants of the demand for micro-insurance in Ghana. Data on 400 families in the Kumasi metropolitan were gathered by a cross-sectional survey that used a multistage sampling method. To analyse the collected data, both inductive and descriptive analytical approaches were applied. To identify the factors impacting families' desire for microinsurance programmes, both binary and multinomial logistic models were utilised. The variables associated are price, premium, trust, risk aversion, financial literacy, coverage, and peer influence. According to the results, 77% of the households have acquired subscriptions to different kinds of microinsurance products. **Cushny, E. W., Role, J., & Bwonda, D. (2018)** examine the perceptions of the influence of microinsurance policies on the household economic stability of low-income earners in Kibera. The variables associated are the level of insurance coverage, access to financial services, education, economic status of policyholders in microinsurance programs. A descriptive research design is employed in this study. 118 policyholders were chosen as a sample using

a basic random sampling approach. Data were analysed using variables like frequency, percentages, mean, and standard deviation. The study found that microinsurance has improved low-income households' financial situation, encouraged equity and access to services like healthcare, education, had psychological benefits by offering policyholders peace of mind because of their financial independence. **Turner, G., Said, F., & Afzal, U. (2014)** Evaluate the microinsurance demand after a rare flood event: evidence from a field experiment in Pakistan. The study encompasses variables like Household beliefs about insurance being non-Islamic, pre-flood mitigation measures, information sources. Information were gathered from 384 individuals (192 in flood-affected and 192 non-affected villages matched using pre-flood propensity data). Personal losses and the observation of other losses have a substantial impact on this requirement. **Bulti, A. (2018) Examine the variables affecting Ethiopia's microinsurance market penetration.** Some of the variables associated are client awareness, income, price, regulation, and trust. The research study used a cross-sectional quantitative approach with a descriptive and analytical design based on primary data sampled from 110 senior managements of five insurance firms that provide microinsurance using non-probability sampling, as well as 9 years of data from the same companies. According to the study's findings, microinsurance penetration is influenced by several factors, including income levels, product price, and customer knowledge. Also, one of the main -facts impacting the spread of microinsurance is confidence in the insurance firms' ability to settle claims. **Giesbert, L., & Steiner, S. (2011)** investigates how low-income individuals in southern Ghana understand and perceive microinsurance, considering information from four focus group discussions. It examines the participants' perspectives on several insurance products, including micro-life insurance, and how their favourable or unfavourable evaluations have developed. The variables incorporated are risk management and perception. The research suggests that focus group members generally had a good perception of microinsurance. It is also discovered that a lot of people's perceptions of insurance are based on instinct or insufficient, sometimes inaccurate, information. **Asmare, A., & Worku, A. (2018)** evaluate the factors influencing Jimma's need for microinsurance. The cross-sectional data utilised in this study was gathered from households using structured questionnaires and in-depth interviews with representatives of insurance companies that offer microinsurance products. Regression analysis was performed on the gathered data. The study's conclusions indicate that the demand for microinsurance products is significantly influenced by size of the household, employment, education, delivery channel, premium, monthly income, insurable assets, financial literacy, trust, and risk aversion. In contrast, the demand for microinsurance products is not significantly influenced by age, gender, moral hazard and adverse selection, religion, or peer pressure. **Saquare, A. N. (2012)** investigated the demand perspectives of microinsurance in Tanzania. The study analyses data from focus groups and from VIBINDO society members living in informal sector homes in three Dar es Salaam districts: Ilala, Kinondoni, and Temeke. The following explanatory variables has an influence on the demand for microinsurance: age, education, job status, risk exposure, marital status, and economic and financial variables (accounting for income, owning a home, assets, and using financial services). The results suggest methods for growing micro-insurance in the unorganised sector, which is beneficial for the growth of financial services. **Jaisa, M. J. S., & Buddika, H. J. R. (2021)** reported the factors determining the demand for microinsurance among low-income households in the Galle district. The variables applied in this study are demographic factors and insurance schemes. Using a random sampling technique, regression analysis is used in the quantitative investigation to examine the associations between variables in a sample of 250 houses with low incomes in the Galle district. SPSS 23 software is used for data analysis on well-crafted online and paper questionnaires. The study concludes that low-income householders have microinsurance on a certain level but the majority are not aware. **Kajwang, B. (2022)** examined the impact of microinsurance access on poverty alleviation. A desk-study method is adopted for research methodology. Data used for analysis was secondary. The Findings of this research were categorised into several types of research gaps, such as knowledge gaps and methodological gaps. It has been concluded that micro-insurance is an effective tool for safeguarding poor people and their possessions from damaging external shocks, mitigating the effects of Associated factor disruptions (such as natural disasters), addressing gender-specific risks, and setting up household capital for investments in small businesses. **Ajemunigbohun, S., Oreshile, A., & Iyun, A. (2015)** investigated an exploratory study of the awareness and accessibility of microinsurance products in selected insurance companies in Lagos, Nigeria. This study examines the accessibility and knowledge of microinsurance products, using a specific group of insurance companies as the empirical research site. Samples were gathered from 60 respondents by the interview method. For data analysis, the Kolmogorov-Smirnov technique was used. The study's conclusions showed that although insurance firms have promoted the development of knowledge regarding microinsurance products. **Young, P., Mukwana, P., & Kiyaga, E. (2006)** conducted a study on exploring ways to evaluate the Influence of microinsurance. This study aims in find out and improve indicators that may be applied to evaluate the effects of microinsurance on poor people. Focus groups with members of FINCA Uganda, Save for Health Uganda, and two non-member groups comprised the study methodologies. The results concludes that the methods of evaluation and metrics used to analyse the effects of microinsurance must account for the diversity of accessible insurance products.

3. OBJECTIVES:

The following are the study's major objectives:

1. To study the demographic profile of the microinsurance policyholders.
2. To find out the usage duration of microinsurance schemes by the policyholders.
3. To analyse the factors influencing the needs and perceptions of microinsurance.
4. To provide policy recommendations that enhance adoption of microinsurance among low-income groups

4. RESEARCH METHODOLOGY:

The populace of the research consists of all the individuals who insured under microinsurance in the specific tier-2 districts of Tamil Nadu. A standardised questionnaire was employed to collect data from the microinsurance policyholders. Purposive sampling was therefore utilised, and a total of 350 responses were collected from microinsurance policyholders. The questionnaire obtained information on: demographic characteristics, schemes approached by the policyholders, usage duration and lastly framework questions from each variable being adopted for this study.

5.DATA ANALYSIS:

5.1 Percentage analysis:

Table 5.1.1 Demographic profile

Characteristics		No. of respondents	% of respondents
Gender	Male	168	48
	Female	182	52
Age	21-30	43	12.3
	31-40	84	24
	41-50	108	30.9
	Above 50	115	32.9
Education qualification	School level	107	30.6
	UG	138	39.4
	PG	50	14.3
	Others	55	15.7
Marital status	Married	307	87.7
	Unmarried	43	12.3
Occupation	Private employee	142	30.6
	Public employee	28	8
	Self-employed	57	16.3
	Retired	20	5.7
	Others	103	29.4
Family Income monthly	Below Rs.10000	93	26.6
	Rs.10000-Rs.20000	143	40.9
	Rs.20000-Rs.30000	76	21.7
	Above Rs.30000	38	10.9
Place of living	Urban	125	35.7
	Semi-Urban	124	35.4
	Rural	101	28.9
Total		350	100

Source: Primary data. Processes by SPSS 20

Table 5.1.1, out of 350 respondents, 52% of the microinsurance policyholders belongs to the age category of above 50 (f=115) followed by the people below the age category of 41-50. Out of 350 respondents 52% were female (f=182) and 48% (f=168) were male. 39.4% (f=138) of the policyholders have completed UG followed by 30.6% (f=107) were completed their Schooling. The findings reveal that microinsurance schemes are mostly used by employed people in the private sectors and other categories includes homemakers, students or unemployed individuals of 30.6%(f=142) and 29.3% (f=103). 40.9% (f=143) of the policyholders belongs to the monthly income of the family between Rs.10000-Rs.20000. Out of 350 respondents, 35.7% (f=125) reside in Urban areas while 35.4%(f=124) are from semi-urban areas.

Usage duration:

Table 5.1.2 Usage duration of the respondents

Particular	Frequency	Percent	Cumulative Percent
less than 1 year	82	23.4	23.4
1-3 years	89	25.4	48.9
3-5 years	60	17.1	66
more than 5 years	119	34	100
Total	350	100	

Source: Primary data. Processes by SPSS 16

From the above table, it shows that 34% of the respondents are insured in microinsurance schemes over five years which shows that usage level of micro insurance is high among the respondents.

5.2 Correlation analysis:**Table 5.2.1 Correlation**

Needs and perception		Insurance literacy	Risk	Benefits claimed	Trust worthiness
	Pearson Correlation	.679**	.782**	.773**	.725**
	Sig.(2tailed)	0	0	0	0

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data. Processes by SPSS 16

Table 5.2.1, represents the correlation results where the significant value of Insurance literacy, risk, benefits claimed and trust worthiness are 0. Here all the significant value is less than 0. Therefore, the null hypothesis is rejected. Hence, there is a relationship between insurance literacy, risk, benefits claimed and trust worthiness towards needs and perceptions.

5.3 Regression analysis:**Table 5.3.1 Regression analysis**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.082	.107		.761	.447
Performance Expectancy	.275	.028	.310	9.836	.000
Effort Expectancy	.337	.043	.341	7.835	.000
Facilitating condition	.255	.042	.275	6.137	.000
Social influence	.115	.047	.105	2.418	.016

Source: Primary data. Processes by SPSS 20

Table 5.3.2 Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
a. Predictors: (Constant), trust worthiness, insurance literacy, risk, benefits claimed	.875	.766	.764	.48770

Source: Primary data. Processes by SPSS 20

Table 5.3.2 represents the findings of regression, where the significant value is fewer than 0. Hence, the null hypothesis is rejected. Hence, the independent variable which includes the trust worthiness, insurance literacy, risk and benefits claimed influence

the needs and perceptions (dependent variable). The R square value is 0.766 which shows the 76.6% variation for the dependent variable that could be done by the independent variables.

CONCLUSION:

The study highlights that microinsurance has a notable impact on the financial well-being of low-income groups. Usage of microinsurance schemes is wider in urban, semi-urban and the rural areas but only 34% of the policyholders has long tenure of holding microinsurance. Efforts can also be made to build trust worthiness and literacy in microinsurance industry. The outcome of the study reveals that 67.5% of respondents of the income level below Rs.20000 are enrolled in microinsurance, indicating a strong need for microinsurance among low-income groups. Therefore, in order to improve the uptake of microinsurance, government can take more control of this market. This also facilitates policyholders trust and protection which enables large-scale adoption of microinsurance along with positive user experience.

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