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MICRO INSURANCE: A MECHANISM FOR WOMEN EMPOWERMENT

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ABSTRACT

Microfinance is the process of forming organizations to provide financial assistance to persons who are unable to support themselves due to poverty without the use of collateral. Microfinance involves credit, insurance products, and savings accounts offered to low-income, unbanked individuals to improve their socioeconomic standing. Micro-insurance offers protection from low-income individuals' risks in exchange for a premium corresponding to the likelihood and expense of the risk involved. General or life insurance can be purchased through non-governmental organizations, self-help organizations, and microfinance institutions under a microinsurance policy. Three microinsurance options are offered by Life Insurance Corporation of India: Jeevan Madhu, Jeevan Mangal, and Jeevan Deep. This study's major goals are to determine whether unbanked individuals need microinsurance and whether this type of insurance enables unbanked individuals to improve their standard of living. A questionnaire is given to 150 respondents from the Kancheepuram District in order to gather primary data using simple random selection. With the aid of the SPSS application and statistical procedures like percentage analysis and the Chi-square test, the acquired data were examined. According to the respondents, joining a SHG-linked LIC leads to overall socioeconomic empowerment in each person's life. According to the study's findings, the LIC should raise unbanked people's understanding of the advantages of microinsurance in order to raise their level of living.

Keywords: Micro-insurance, women empowerment, Self Help Groups

OBJECTIVE OF STUDY:

To explain the role of micro insurance in women empowerment.

INTRODUCTION

In India, women suffer from a variety of socioeconomic and cultural problems. They play a crucial role in our economy. Rural women's empowerment is a must for the economic and social advancement of the country. SHG creation is a process of empowerment as well as a microcredit programme. In general, savings and credit are included in micro finance, but it can also refer to other financial services like insurance and payment services, according to Ledger Wood (1999). Therefore, micro finance entails offering poor people living in urban and rural settings who are unable to visit formal financial institutions financial services including savings, loans, and insurance. Microcredit and microfinance are terms that can be used interchangeably. However, the word "micro finance" has a broader definition than "micro credit," as it includes financial services like insurance, savings, etc. Micro credit solely refers to the distribution of loans in tiny amounts.

The provision of financial services through groups of people is a key aspect of microfinance. In this regard, self-help groups (SHGs) and microfinance play an important role in advancing women's emancipation. It is not just a powerful tool in the battle against poverty but also a way to support the empowerment of society's weaker groups. In India, a microfinance institution was founded in the 1980s using the SHGs model. On the other hand, several of the Micro Finance Institutions (MFIs) in our nation follow the Grameen Groups model, which Bangladesh Grameen Bank developed. Md. Yunus, an economist who won the Nobel Peace Prize in 2006, was the one who first presented this idea.

Microinsurance is crucial for defending vulnerable populations against dangers, hazards, and other risks. In India, non-governmental organizations (NGOs) and the Insurance Development and Regulatory Authority (IRDA) have dominated the microinsurance market; but, with the liberalization of the Indian economy, private sector entry into the market has gained traction. The public sector insurance companies have placed a strong emphasis on utilizing rural India's potential because it offers a wealth of opportunities in the age of globalization.

Small savings, credit, and insurance services are referred to as microfinance when they are provided to socially and economically disadvantaged groups in society. In India, it is becoming a potent weapon for eradicating poverty and promoting economic development. SHGs (Self Help Groups) - Banks Linkage Program has a monopoly on the microfinance market. Its main objective is to offer an affordable means of delivering financial services to the underprivileged. MFIs are the leading participants in India, and microcredit is their core offering. In addition to their primary businesses, other stakeholders in the microfinance market include banks, insurance companies, agricultural and dairy cooperatives, large corporations like fertilisers and handloom industries, and the postal system. In addition, there are specialised lenders known as apex MFIs that offer MFIs loans as well as assistance with capacity building.

Microinsurance is marketed to low-income individuals and enterprises that aren't covered by traditional social or commercial insurance and is characterised by low premiums and low coverage limitations. It is offered through normal risk-pooling and marketing strategies.

Microinsurance provides customized risk protection for low-income people in return for recurrent payments of premiums that are proportionate to the likelihood and expense of the relevant risks. By Churchill So, in addition to being created with the intention of protecting the poor, micro-insurance is also created with consideration for their surroundings, their needs, and their potential. The product must be created for those who are not catered to by conventional insurance marketplaces.

WHAT IS WOMEN EMPOWERMENT?

- Women's empowerment can be characterized as the advancement of women's feeling of self-worth, their capacity for making their own decisions, and their right to have an impact on societal change for both themselves and other people.
- It directly relates to women's empowerment, a basic human right that is essential to establishing a more peaceful, affluent society.

THE WOMEN'S EMPOWERMENT PRINCIPLES

The Women's Empowerment Principles, developed in partnership with UN Women and the UN Global Compact, are used to empower women in the community, the workplace, and the market.

THE SEVEN PRINCIPLES ARE:

Principle 1: Create high-level corporate leadership for gender equality

Principle 2: Treat all people fairly at work, respecting and supporting non-discrimination and human rights

Principle 3: Ensure the health, wellbeing and safety of all workers, whether male or female

Principle 4: Promote education, training and professional development for women

Principle 5: Implement supply chain, marketing practices and enterprise development that empower women

Principle 6: Champion equality through community initiatives and advocacy

Principle 7: Measure and report publicly on progress to create gender equality

WHY IS EMPOWERING GIRLS AND WOMEN SO IMPORTANT?

- The wellbeing and socioeconomic advancement of families, communities, and nations depend on the empowerment of women.
- Women can realize their greatest potential when they lead secure, contented, and fruitful lives. raising happier, healthier children and contributing their skills to the workforce. They can also support healthy economies, advance societies, and benefit all of humanity.

HISTORY OF INSURANCE IN INDIA

General insurance has roots in the western Industrial Revolution and the ensuing expansion of maritime trade and commerce in the 17th century. It was left behind by the British occupation in India. Indian general insurance dates back to the British creation of Triton Insurance Company Ltd. in Calcutta in 1850. The Indian Mercantile Insurance Ltd. was founded in 1907. This business handled all general insurance business classes for the first time.

The General Insurance Council, a division of the Insurance Association of India, was established in 1957. For the purpose of assuring ethical behavior and sound business procedures, the General Insurance Council drafted a code of conduct.

WHAT IS MICRO INSURANCE?

In India, a micro insurance policy is frequently mistaken with a low-premium insurance policy. That is untrue. There are numerous additional crucial considerations. Poor clients frequently:

- Reside in rurally isolated places that necessitate a distinct distribution method for urban insurance goods;
- Require innovative ways to both marketing and contracting because they are frequently illiterate and ignorant of the notion of insurance;
- Because they cannot afford the same defences, they tend to encounter higher hazards than affluent people. For instance, because they generally eat less healthfully, work in dangerous environments, and don't have regular checkups, they are more likely to get sick;
- possess limited experience working with official financial institutions, with the exception of the Linkage Banking Program run by the National Bank of Agriculture and Rural Development (NABARD);

DEVELOPMENT OF MICRO-INSURANCE IN INDIA

Rare micro-insurance programmes were traditionally developed in India by trust hospitals or non-governmental organisations (NGO) in response to a perceived need in the communities in where these organisations were active. These programmes have gained steam recently in part because of the growth of microfinance activity and in part because of a rule requiring all formal insurance companies to expand their operations to the rural and well-known social sector in the nation (IRDA 2000). As a result, micro-finance institutions (MFIs) and non-governmental organisations (NGOs) are increasingly negotiating with for-profit insurers for the purchase of specialised group or basic individual insurance plans for the underprivileged. Even while these programmes only reach anywhere from 5 to 10 million people, their potential is seen to be significant. By 2008, the whole market is anticipated to reach Rs. 250 billion (ILO 2004). According to the Insurance Regulatory and Development Authority (IRDA), the following are included in the rural sector:

- A population density of less than 400 people per square kilometre and fewer than 5,000 people
- Among working men, agriculture accounts for more than 25% of their workdays.

Those who work in agricultural pursuits come into the groups of cultivators, agricultural labourers, and people who work with livestock, forestry, fishing, hunting, plantations, orchards, and related industries.

The social sector as defined by the insurance regulator consists of:

- Unorganized sector
- Informal sector

All insurance providers have created products for low-income people and members of the lower sections of society in order to meet these needs. Both public and commercial insurance providers are using comparable tactics to build relationships with various civil society organisations. In order to provide insurance coverage to the underprivileged, the presence of these associations as a mediating agency—or what we refer to as a nodal agency—that represents and acts on behalf of the target group is crucial. In order to provide insurance to low-income people, the formal insurance providers must overcome both informational disadvantage and high transaction costs. This is where the nodal agency comes in. Microinsurance does this by combining the advantages of both formal insurance (pre-paid, scientifically organised programme) and informal insurance (by using local information and resources that helps in designing appropriate schemes delivered in a cost-effective way). The affordability problem arises from the low resource base of the poor combined with high transaction costs (compared to the volume of transactions) in the absence of a nodal agency. Because they are unaffordable, their latent demand is not able to manifest itself in the market. Therefore, the nodal organisations that unite the poor, provide training, and promote the welfare of those with low incomes play a crucial role in creating both the demand for insurance and the supply of insurance that is affordable.

IMPACT OF MICRO-INSURANCE ON WOMEN

Statements in Micro-insurance	Place of residence			
	Rural		Urban	
	Mean	SD	Mean	SD
Joining microfinance improved your quality of life	3.670	0.849	3.978	0.899
Organization benefited from risk management	4.209	0.891	4.704	0.583
Credit policy makes easy repayment	4.170	0.826	4.696	0.608
Experienced any losses from errors or fraud	3.691	1.084	3.922	1.016
There is Flexibility in payment of loan in off season/crisis	3.900	0.563	4.026	0.667
When economic problems arise, handle them pretty well	3.848	0.692	4.474	0.740
Alternate ways to compensate my losses instead of selling productive assets	3.670	0.564	4.200	0.637

Based on the Mean score, organization benefitting from risk management is the important factor among women living in Rural (4.209) and women living in Urban (4.704) areas, followed by understanding that credit policy makes easy repayment for women living in Rural (4.107) and women living in Urban (4.696) areas and so on. The least factor is experiencing losses from errors or fraud for women in Rural (3.691) and women in Urban (3.922) areas. It can be observed that for women living in Urban areas, Micro insurance is more useful compared to women living in Rural areas.

FEATURES OF THE MICRO-INSURANCE MARKET IN INDIA

- The market's microinsurance products are characterised by brief policy contract lengths and extensive (but no longer exclusive) group underwriting. Even when compared to the modest overall reach of micro-insurance, some of the new products offered by formal insurers may be individually underwritten, but the number of such policies is still quite tiny.
- Line of demarcation: Formal insurers must only offer life or non-life insurance; nevertheless, either type of insurer may offer health insurance. Community-based insurance programmes often only provide health coverage.
- Health prominence: Health risk is typically seen as the potentially most severe sort of systemic risk that is likely to upend the lives and economic livelihoods of the low-income population, making health insurance prominent in community-based systems. Due to the challenges of insuring service delivery and the risks of moral hazard in a very informal network of health service providers, formal micro-insurance plans have yet to significantly cover health.
- Community-based insurance systems have a limited reach, with the exception of a few rare instances. These systems are available and are maintained by NGOs. The regulator has not yet shown a substantial interest in these payments because there is little prudential risk associated with payments made by the covered population.
- Dominance of loan-related products: This is the biggest product on the market, driven by the requirement that borrowers buy insurance plans primarily to safeguard MFIs.
- Micro-insurance category: With the introduction of specific micro-insurance standards from the insurance regulation, new micro-insurance products have been introduced in the formal market.

CONCLUSION

When people are aware that micro insurance products are available, efforts can be made to increase their understanding of the terms and ideas associated with micro insurance, the particular product, as well as the abilities required to assess risk management tools. Education and financial literacy of individuals have an impact on knowledge, skills, and demand. Microhealth insurance has a positive effect on lowering poverty among rural households. Micro health insurance significantly improves the food security of the poor and has a positive impact on the health of low-income rural households. Health insurance for women will aid in lowering baby and maternal mortality rates, and life insurance for the family's primary breadwinner serves as a safety net in the event of any misfortune. Government and concerned organisations must therefore offer microinsurance services widely and raise public knowledge of them. It would not only empower rural women but also help to solve problems like poverty eradication and rural health difficulties.

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