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RESEARCH ARTICLE

Review of Progress and Potential of Micro Insurance in India.

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Abstract

In case of India, Micro Insurance policy is for low income clients living in rural areas with no knowledge of insurance; who tends to face more risk and are more prone to illness due to working in hazardous condition or malnutrition with little or no experience in dealing with financial institutions. Though there is a growth in the Micro Insurance but still India has very low Insurance penetration. The main objectives of the study are to study Micro Insurance market in India, regulations pertaining to Micro Insurance and analyse the initiatives taken and progress made so far by Micro Insurance in India.
Analysis is based on secondary resources and study is limited to growth in micro insurance sector post liberalization in India. The development of micro insurance is both a moral and an economic imperative, not only for achieving the inclusive financial systems but also for the equitable mitigation of risks.

Introduction:-

Micro Insurance is the guarantee against risk of low income people in exchange of regular premium in proportion to the value of risk involved. In case of India, Micro Insurance policy is for low income clients living in rural areas; who are illiterate or not familiar with insurance;who tends to face more risk compared to other class of society;more prone to illness due to working in hazardous condition or malnutrition with little or no experience in dealing with financial institutions.

Micro Insurance in India has made a steady progress with increase in Life Insurers, new products, strengthened infrastructure every year. After 44 years of public sector dominance, the life insurance industry in India was liberalised in 1999-2000. Since then, the industry has witnessed rapid growth of 15-20% (Year on Year). Initially the LIC has enjoyed the monopoly but with IRDA (Micro Insurance) regulations 2005, there is a consistent growth in the products catering to low income people.

Though there is a growth in the Micro Insurance but still India has very low Insurance penetration. Two third of world's poor are in India and hence there is a huge need to improvefinancial security for these low income people in the country. Micro Insurance can be one of such tool that can mitigate the risk for low income group.

Review of literature:-

Few studies (Wadhawan, 1987; Ellis, 2000; and Bhat and Mavalankar, 2001) have analyzed the causes for low penetration of health insurance in India Micro-insurance refers to community health insurance, denotes micro-health insurance is perceived to be more burdensome. Dror clarifies that micro refers to the small size of a group and also to the locus of operations at the lowest level.In India, more than 25 % of the hospitalized low income people are trapped into the vicious circle of poverty due to the high cost involved in health treatment(Dror, 2001). To meet these expensesmore than 40% people pledge/sell their assets (Peter et al., 2002). JenneferSebstad& Monique Cohen (2005) reveals that micro insurance is a must requirement for risk handling. However, for several years, insurance was never considered as an option for the low income people because they were unable to pay for insurance and therefore were assumed to be uninsurable. However, existing developments in the micro-insurance sector have portrayed that the helplesslow income people can also pitch in to the insurance products and be potential clients (Ahuja, 2005). The awareness on health-insurance plays a vital role in the decision on the purchase of insurance products (Bhat and Jain, 2006).If micro insurance is implemented by Insurer, MFI's, SHG's, NGO's, etc the poor population can have a peaceful and secure life. (Sarthak Gaurav, Ana Paola Gomez, Acosta and Luis Flores Ballesteros, 2007)Gunita Arun Chandhok (2009) indicates that there is a huge untouched market for micro health insurance and majority of population are aware of importance of micro health insurance. Syed Abdul Hamid Jennifer Roberts & Paul Mosley (2010) shows that there is a positive impact of micro health insurance in reducing the poverty. Micro health insurance has a significant positive effect on health status of poor rural households. The households having more sick members are more likely to purchase insurance. (Ito and Kono, 2010).. According to Kirti Singh, Vijay Kumar Gangal (2015), Micro Insurance is a Vehicle for Economic Development by alleviating Poverty and Vulnerability and Micro-insurance increases and has increased the chances of economic growth for poor (Apostolakis, 2015).

Need and objectives of the study:-

Micro insurance is must for poor people and it is the only way to ensure overall growth in a country. Insurance is an intangible product for the working poor having limited disposable income. It is hard for poor people to allocate funds to protect against an event that they hope won't even happen when they do not have funds for buying their basic needs. There is a strong need to make sure that that they have access to appropriate products, and have a positive experience with insurance. It is essential to study progress made by the micro insurance sector, the regulations followed by the sector and initiatives taken so far to promote this sector in India based on these, the main objectives of the study are:

- To study Micro Insurance market in India
- To study regulations pertaining to Micro Insurance
- To analyse the initiatives taken and progress made so far by Micro Insurance in India

Research methodology:-

Analysis is done using secondary resources collected from the authentic sources and regulatory bodies. The scope of study is limited to growth in micro insurance sector post liberalization and is mainly in context of India. Analysis is done by analysing various IRDA regulations and analysis is presented in the form of models.

Research analysis:-

Insurance market in india:-

In India Insurers are regulated by Insurance Regulatory and Development Authority (IRDA). There are 24 Life Insurers including 1 state owned and 28 General Insurers including 4 State owned. The micro insurance business in India has made a continuous progress in both the sectors whether it is public sector companies or private sector companies.During the year, many life and group operations and new policies have been launched.Significantly,these policies of the distribution system have also been reinforced. Also, the micro insurance business has shown a satisfactory growth even though the corpus is still very low and indicates that there is a vast scope for Micro Insurance sector in India:

- As per the 2015 release of the Ministry of Finance, around 42% households in India are devoid of banking facilities.
- Around 45% of the rural households and 33% of urban households do not have accounts in banks.
- In the market the insurance infiltration in urban areas is around 65% but is less in the low-income areas where there is no banking segment.
- In the banking segment in rural areas, the life insurance dispersion is valued at 40%, and is on the edge in the non-banking segment.

The social security lies in: Who pays the premium: Govt. or Subscriber? Who underwrites the risk: Govt. or Insurer? Based on this classification, the model of India predicting the differences between commercial/ conventional insurance and social insurance is as follows:

Social Security Schemes	Social Insurance Schemes	Micro Insurance
• Risk is insured by the Government • like Mahatma Gandhi National Rural Employment Guarantee Act	• Insurer is the Underwriter and Government Subsidises the premium • like Aam Admi Bima Yojna	• Entire contribution is by Insurer with limited direct Subsidy • like Pradhan Mantri Suraksha Bima Yojna

Micro insurance regulations in india:-

Some of the measures taken by **Insurance Regulatory development of India (IRDA) along with government are as:-**

- Mandate: 'Rural areas and the social sector' obligations for the private insurance industry
- During the nationalised insurance phase approximate 48% of LIC's customers were from rural and semi-urban areas. After liberalisation, the industry regulator were concerned about inclusive insurance growth and rural exposure for insurance companies. IRDA, therefore, mandated the insurance companies through rural and social sector obligation 2002 to safeguard certain percentage of polices to be sold in rural areas and certain number of lives are covered in the social sector.
- Permitting self-help groups (SHGs), NGOs, and MFIs as new micro insurance delivery channels.
- Entering into various Private Public Partnerships (PPP) agreements between the Indian government and the insurance Companies.

Microinsurance Regulations, 2005:-

Micro Insurance Regulations 2005 clearly conveys the clarity on:

- Product guidelines for Distribution, Design and Issuance of policy contracts
- Guidelines for Agents Appointment, Remuneration, Code of conduct, Capacity Building etc
- Guidelines for Life & non -life tie-ups: A life insurer may offer general microinsurance products & vice versa
- Mandate on covering Rural and Social sectors

Changes in Microinsurance Regulations (2015):-

The main highlights are:

- Capacity building exercises are expanded by introducing additional 25 hours of training for micro agents licensed to distribute general insurance MSME policies with mandatory refresher training in every three years.
- Appointment of Micro agents is expanded through tie ups with AIC and other health insurers is also permitted now.
- Minimum 5 person from earlier cap of 20 is allowed for group policies
- Definition of micro-agents is expanded with inclusion of Regional Rural banks, Primary agricultural and other co-operative Societies, Bank correspondents of scheduled commercial banks etc.
- Rural and Social Sector Obligation:Life Insurers are required to cover a certain % of the total number of policies in rural areas and to insure a given number of lives in the social sector.

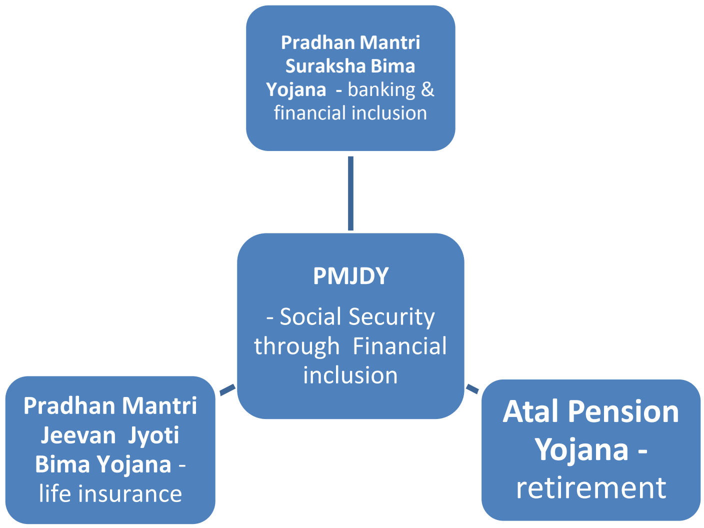
Weather Based Crop Insurance Scheme (WBCIS):-

Some of the key features of WBCIS are:

- Was launched initially by the private sector but gradually is adopted by the State and was subsidized in 2007.
- From 2009-2010, private sector firms were allowed to compete with the public insurer AIC to offer subsidized WBCIS products at a state level.
- As on May 2015, 34,136,419 farmers were covered and 46 million hectares insured.

Rashtriya Swasthya Bima Yojana (National Health Insurance Scheme):-
The key points of this scheme are:
- Implemented by different insurers in different districts.
- Governments can shift contracts between commercial insurers and thus, competition allows the government to drive the programme at low cost.
- As of 19th October, 2015, Around 50% of BPL Population is covered.

Pradhan Mantri Jan Dhan Yojana (PMJDY):-
is a step towards Financial Inclusion. This scheme is for promoting Micro insurance in India's Social Protection by involving 27 Public Sector, 22 Regional Rural Banks and 13 Private Sector Banks as the participating banks. The beneficiaries would get RuPay Debit card having built-in accident insurance cover of Rupees one lakh and approximate 188.6 million accounts were opened up to 19th October, 2015 under this scheme.

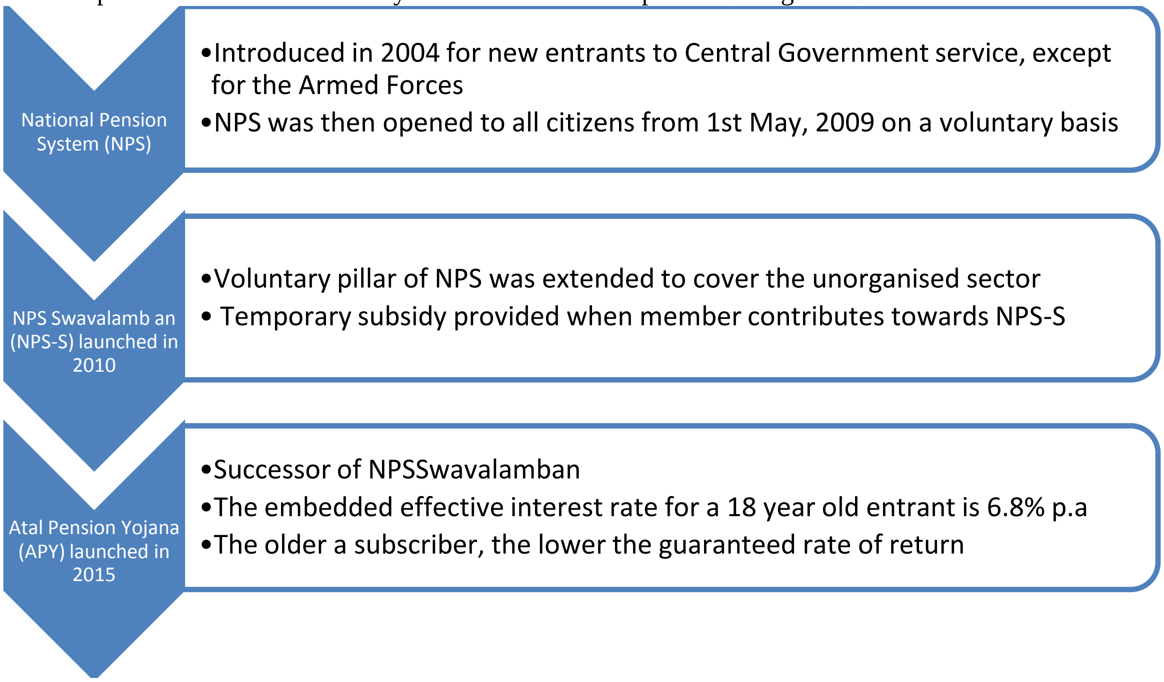


Status of the above mentioned schemes based on Enrolment under APY, PMJJBY and PMSBY as on March 21, 2016 is as:

Scheme Name	Rural_Male	Rural_Female	Urban_Male	Urban_Female	Grand Total
APY	7,07,475	3,77,295	7,13,172	4,52,727	**22,50,669**
PMJJBY	91,34,052	56,49,707	94,17,101	53,33,187	**295,34,047**
PMSBY	296,02,859	199,01,811	280,92,347	163,68,331	**939,65,348**
Grand Total	**394,44,386**	**259,28,813**	**382,22,620**	**221,54,245**	**1257,50,064**

Background of APY: New Universal Pension Scheme:-

The new pension scheme can be analysed better with the help of following chart:



Conclusion:-

The study highlights the importance of insurance in supporting the sustainable development of the poor and reducing the inequality in developing countries like India. Micro insurance is like a magic treatment for the main disease (poverty) prevailing in the economy. There are still many things which are to be done in the micro insurance space as there is a huge potential. The development of micro insurance is both a moral and an economic imperative, not only for achieving the inclusive financial systems but also for the equitable mitigation of risks.

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