

A STUDY ON PERFORMANCE OF LIFE MICRO INSURANCE IN MYSORE CITY

Mrs. Amrutha Varshini V, JRF-UGC,

DOS in Commerce,
Manasagangotri, University of Mysore,
Karnataka, India

Prof. B. H. Suresh, M.Com, Ph.D.

Dean, Faculty of Commerce and Management,
Manasagangotri, University of Mysore,
Karnataka, India.

ABSTRACT

Micro insurance is a relatively recent phenomenon. The spread of micro insurance is very limited. In the recent past, there has been a growing interest in micro insurance in emerging markets as a tool for financial inclusion and poverty alleviation. From last few years micro insurance is promoted as an important financial service for low income people in developing countries offering protection in the event of death, illness or natural catastrophes. Micro insurance is distinguished from other types of insurance by virtue of its low premiums, focus of risk protection, easy understandability and affordability to lower income population. Generally, life insurance is the most prevalent type of insurance in the micro insurance business because it is simple and easier to provide than any other type of insurance. In addition, life micro insurance is typically one of the most demanded forms of coverage. Against this backdrop, the present study aims at analyzing performance of life micro insurance product namely Janashree Bima Yojana provided by Life Insurance Corporation of India. The study finds positive influence of life micro insurance on policy holders.

Keywords: *financial service, low income households, life micro insurance, Janashree Bima Yojana, Micro insurance.*

Introduction:

In everyday life, people are exposed to several risks that threaten their lives, health and property. Although everyone is affected by these risks, low-income people are the most vulnerable as they do not have adequate means to manage or minimize their exposure to risk. For many of the poor, microfinance has provided a lifeline for poverty alleviation. It is increasingly acknowledged that households, especially poor households need some level of protection against risk. A common form of risk protection is insurance. Insurance, however, is not always accessible or affordable to everyone. In many countries it is generally the salaried income earners, middle class and wealthy who are insured. The poor, rural dwellers, small businessmen and irregular wage earners often do not get covered by any kind of insurance. The reason may be lack of education, awareness and high premium. That's where "micro insurance" comes in. Micro insurance is recognized as an important financial service providing some protection to the poor in the event of personal and natural disasters.

What is Micro Insurance?

Micro insurance is a form of health, life or property insurance, which offers limited protection at a low contribution (hence "micro"). It is aimed at poor sections of the population and designed to help them cover themselves

collectively against risks (hence "insurance"). Micro insurance has been seen as one of the major risk managing tools for the poor and low income groups and a potential markets for business. Micro insurance mainly covers insurance products specifically designed to meet the challenges and needs of the poor.

International Association of Insurance Supervision (2007) defines Micro insurance as "Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices. Importantly this means that the risk insured under a micro insurance policy is managed based on insurance principles".

Micro Insurance Innovation Facility (2008) defines Micro insurance as "a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters and so on) in exchange for insurance premium payments tailored to their needs, income and level of risk".

Thus, one can say that micro insurance acts as a safety net for millions of poor people. Micro insurance is a new means of alleviating the burden on the poor who suffer unexpected loss to their financial situation. Micro insurance has emerged as a means of providing insurance to vulnerable low income segment.

An Overview of Life Micro Insurance:

The term life micro insurance is new. It was developed in the 90's when micro finance institutions started offering insurance products primarily credit life to protect their loan portfolios. Some of these policies were eventually underwritten by commercial insurers and thus micro insurance began. Since then life micro insurance has gained tremendous momentum. Generally, life insurance is the most prevalent type of insurance in the micro insurance business because it is simple and easier to provide than any other type of insurance. In addition, life micro insurance is typically one of the most demanded forms of coverage. Life micro insurance is still a very young financial product. Life micro insurance often just covers the loan amount, but can also include funeral benefits for the policyholder. Few insurers offer products that assist in covering the period after the death of a breadwinner. In some cases, life insurance is tied to a long-term savings product such as an endowment. These products help policyholders build for future expenses such as school fees, weddings, and old age investments. Returns are sometimes vague, and lapses, inflation, high expense levels and insufficient investment options can limit the value of these instruments, especially for low-income policyholders. Credit unions and other micro insurers offer life policies based on a savings account with a multiple of the savings balance as the death benefit.

An Overview of Janashree Bima Yojana:

Janashree Bima Yojana (JBY) was launched on 10th August 2000. The Scheme has replaced Social Security Group Insurance Scheme (SSGIS) and Rural Group Life Insurance Scheme (RGLIS). 45 occupational groups have been covered under this scheme. Some of them are Beedi workers, Carpenters, Cobblers, Fishermen, Street Hawkers, Agriculturist, women associated with SHG's. It provides life insurance protection to people who are below poverty line or marginally above poverty line. Persons between aged 18 years and 59 years and who are the members of the identified 45 occupational groups are eligible to be covered under the Scheme.

Benefits:

1. On natural death-Rs.30,000
 2. On Death/Total permanent disability due to accident-Rs.75,000
 3. On partial permanent disability due o accident-Rs.37,500
- The premium for the scheme is Rs. 200/- annually per member, 50 % (Rs.100) premium under the scheme is met out of Social Security Fund set up in the year 1988-89 which is maintained by LIC. The balance 50% (Rs.100) premium is borne by the member and/ or Nodal Agency.

Eligibility:

- A person who is
- *Aged between 18 and 59 years.
 - *Below or marginally above poverty line
 - *A member of any of the approved vocation/occupation groups

Nodal Agency:

A State Government Department which is concerned with the welfare of any such vocation/occupation group, a Welfare Fund/ Society, Village Panchayat, NGO,Self-Help Group,etc.

Review of Literature:

Achampong-Kyei, K. (2004). "Gemini Life Insurance - Micro insurance in Ghana".

This study discussed the various features of the micro life insurance policy i.e., Anidaso policy provided by The Gemini Life Insurance Company (GLICO) in Ghana. Further it discussed its method of implementation, its areas of success and its future prospects. The study found that ANIDASO policy is succeeding in alleviating poverty of low income people by making intensive marketing efforts, easy processing of claims and also with the support of media in reaching every corner of the country. Further the study also found that GLICO wanted to provide more insurance products which can be affordable by the low income population of Ghana.

Lena Giesbert (2010). "Uptake of Micro-Life Insurance in Rural Ghana".

In this paper the author evaluated the determining factors under which households decide to take up micro life insurance. He used a simple neoclassical benchmark model, which argues that life insurance take up increases with risk aversion, the prospect variability of risk, initial wealth, and with the intensity for bequests. The study also tested for the impact of trust and social networks and the existence of other risk management strategies, for the probability of purchasing micro life insurance. The results revealed that there was a strong indication of motivation to bequest, which outweighs the potential saving for retirement motive. This underlined the recognition of the long term and short term consequences of the death of a major bread winner with regard to permanent losses in total household income and the immediate need funds to cover funeral costs. The results also showed the outstanding role of trust and social networks for the probability of purchasing micro life insurance.

Lena Giesbert et al., (2011). "Participation in Micro Life Insurance and the use of other Financial Services in Ghana".

This article investigated household's decisions to take up micro life insurance and the use of other financial services in Ghana. The authors surveyed the respondents who had Anidaso Policy ("Anidaso" meaning "hope" in Twi) which is provided by the Commercial Gemini Life insurance Company (GLICO). The results from the study revealed a mutually reinforcing relationship between the use of micro insurance and the use of other financial services. The study also revealed that households seem to consider the Anidaso policy to be risky because they did not fully understand micro insurance and all its terms and conditions. As a result there

was a life cycle effect in the uptake of micro insurance and also adverse selection in the uptake of Anidaso Policy.

Lena Giesbert et al., (2011). “Perceptions of (Micro) Insurance in Southern Ghana. The Role of Information and Peer Effects”.

The authors investigated the understanding and perception towards micro insurance among life micro insurance policy holders in Southern Ghana. They assessed and evaluated life micro insurance policy provided by the Ghanaian Life Insurance Company (GLICO). They analyzed whether people have a positive or negative impression of micro insurance and also what they mean when they characterize micro insurance. Further they also examined attitude towards insurance in general. The study concluded by indicating that micro insurance was positively perceived by the respondents. Further it was found that many people’s image of insurance was based on complete information.

Objectives of the Study:

The main objectives of the present study are as follows:

1. To examine the demographic factors influencing selection of life micro insurance.
2. To study the various sources that created awareness about life micro insurance.
3. To study the major reasons for buying life micro insurance.
4. To find out the satisfaction level among insured clients with regard to life micro insurance product provided to them.

Hypotheses of the Study:

The following are the hypotheses of the study:

1. H_0 : Women are not inclined towards micro insurance.
 H_1 : Women are more inclined towards micro insurance than men.
2. H_0 : Age of the respondents does not influence the purchase of life micro insurance policy.
 H_1 : Age of the respondents influence the purchase of life micro insurance policy.
3. H_0 : Literacy does not play any role in choosing life micro insurance policy.
 H_1 : Literacy plays very important role in choosing life micro insurance.
4. H_0 : Unmarried people are more likely to purchase micro insurance.
 H_1 : Married people are more likely to purchase life micro insurance.
5. H_0 : Policy holders are not satisfied with the life micro insurance product features.
 H_1 : Policy holders are satisfied with the life micro insurance product features.

Research Methodology:

The following methodology is applied for the purpose of the study:

- a) Sample Size: Total of 97 respondents
- b) Sample Area: Mysore city
- c) Data Collection Method: Structured Questionnaire

- d) Sampling Technique: Convenient Sampling
- e) Sampling Methodology: Percentage analysis, Mean and Karl Pearson’s Chi-Squared Test.

Data Analysis and Interpretation:

1. H_0 : Women are not inclined towards micro insurance.
 H_1 : Women are more inclined towards micro insurance than men.

Table 1: Gender wise classification

Gender	No. of respondents	Percentage
Male	47	46.5%
female	50	49.5%
Total	97	96%

Source: Field Survey

From the above table it can be inferred that (46.5%) of micro insurance policy holders are male and (49.5%) of micro insurance policy holders are female. This figure reflects the fact that females have out rated the male size. By this we can infer that a good percentage (49.5%) of women is aware and possessing life micro insurance. Hence the research hypothesis is accepted.

2. H_0 : Age of the respondents do not influence the purchase of life micro insurance policy.
 H_1 : Age of the respondents influence the purchase of life micro insurance policy.

Table 2: Age of the respondents

Age of the respondents	No. of Respondents	Percentage
Below 25	11	11.3%
26-40	49	50.5%
41-55	37	38.1%
Total		

Source: Field Survey

X^2	df	P value
2.700	2	0.259

The above table depicts the age group divided into three categories below 25, 26-40 and 41-55. The policy holders of age between 26-40 (50.5%) seem to show more impulse purchase behavior while the consumers of age between 41-55 (38.1%) also expressed high purchase behavior. The very younger group of consumers below 25 years (11.3%) showed the low impulse purchase behavior. Thus, the younger group and middle aged group are more impulse in their purchase behavior than the older group of policy holders. The obtained p value (0.259) shows that age of the respondents influence the purchase of life micro insurance policy. Hence, the hypothesis is accepted.

3. H_0 : Literacy do not play any role in choosing life micro insurance policy.
 H_1 : Literacy plays very important role in choosing life micro insurance.

Table 3: Literacy level of the respondents

Education	No.of respondents	Percentage
No education	14	14.3%
Below SSLC	48	49.5%
SSLC	31	32%
Diploma	2	2.1%
Post Graduate	2	2.1%
Total	97	100%

Source: Field Survey

X ²	df	P Value
4.313	4	0.365

Educational qualifications of the respondents are enumerated in Table No.3. From the table 3, it is observed (14.3%) are illiterate. 49.5% are with the education level of Below SSLC. 32% have completed high school. It is observed that most of the policy holders are literates. This fact reveals the correlation between educational status, and higher percentage of insurance awareness i.e., higher the percentage of literacy reflected on increasing the insurance awareness among policy holders. The p value (0.365) indicates that literacy contributes in possessing life micro insurance policy; hence the alternative hypothesis is accepted

Table 4: Occupation of the respondents

Occupation	No. of respondents	Percentage
Tailor	10	10.3%
House wife	6	6.25
Beedi maker	8	8.2%
Street Hawkers	9	9.3%
Weaving	4	4.1%
Agriculture Wage labour activity	3	3.1%
Dairy based activity	12	12.4%
Mechanic	12	12.4%
Driver	4	4.1%
Small Business	13	13.4%
Teacher	1	1%
Coolie	17	17.5%
Total	97	100%

Source: Field Survey

Table 4 depicts the nature of occupational background of the respondents. 10.3% of the respondents are engaged in tailoring, 17.5% are the coolie workers and 13.4% having small business or self-employed. From the data it can be interpreted that the respondent's major source of income is generated from working as coolie. Only less number of respondents is engaged in other activities like dairy based activity, agriculture wage labour activity.

Table 5: Annual Income of the respondents

Annual Income	No.of Respondents	Percentage
Below 50,000	83	90.2%
50,000-1,00,000	9	9.8%
Total	92	100%

Source: Field Survey

The figure from the table 5 indicates that more the 75% of the total respondents belong to income group of below 50,000. Only 9.8% of the respondents belong to income group between 50,001-1, 00,000. This implies that lower income group is inclining towards micro insurance to mould better future for their dependant's life.

4. H₀ : Unmarried policy holders are more than married

policy holders

H₁ : Married policy holders are more than unmarried policy holders

Table 6: Marital Status

Marital Status	No.of respondents	Percentage
Single	7	7.2%
Married	67	69.1%
Widow	17	17.5%
Widower	6	6.2%
Total	97	100%

Source: Field Survey

X ²	df	P value
26.024	3	0.000

The above table shows that out of the total respondents, majority (69.1%) belong to married category. 7.2% of the policy holders are single and 17.5% belong to the category of widow. 6.2% of them are widower. It is found that married people are more responsible, and hence they are inclined to take more life micro insurance cover than the unmarried. P Value (0.000) also indicates that married policy holders are inclined towards life micro insurance than men. Thus, the research hypothesis is accepted.

Table 7: Residential Status

Residing in	No.of respondents	Percentage
Rented	22	22.7%
Leased	11	11.35
owned	64	66%
Total	97	100%

Source: Field Survey

From the above table it can be seen that among the policy holders, 66% of policy holders are having own houses and 22.7% are residing in rented houses. 11.3% of the respondents stay in leased houses. Thus, we can infer that majority of the policy holders possess own house.

Table 8: Sources of awareness creation

Awareness through	No. of respondents	Percentage
Micro Finance Institutions	22	22.7%
Self Help Groups	20	20.6%
Television	24	24.7%
News paper	12	12.4%
Advertisement	2	2.1%
Friends	9	9.35
Relatives	8	8.2%
Total	97	100%

Source: Field Survey

From the above table, it is interesting to note that television has played a greater role in creating awareness about life micro insurance to the extent of 24.7% of the respondents.

Similarly, micro finance institutions and self help groups are the other sources in the order of their ranks that have created awareness about life micro insurance to the extent of 22.7% and 20.6% respectively. In total television has turned out to be the major source of creating awareness.

Table 9: Reasons for buying life micro insurance

Reasons	No. of respondents	Mean
To receive money when my business suffers from an unforeseen events (animal dies, drought and fire theft)	95	1.93
To receive a regular pension when retired	97	1.93
To have access to quality medical treatment in case I am sick	97	2.28
To receive money in case of natural disaster	87	2.52
To receive money in case of death of family member	97	4.90
To receive money in case of accident of family member	97	4.47
To save money for education of children	96	2.56
To save money for marriage of daughter	93	2.25
To gain good return on maturity	93	2.33
To avail loan when needed	95	2.41

Source: Field Survey

From the above table it can be seen that major reason for possessing life micro insurance is to receive the death benefit (Mean Value=4.90) in case the policy holder dies. Another reason for purchasing micro insurance is to receive money in case of accident of family member (mean value=4.47). The other reasons for possessing life micro insurance shows the minimum mean value. By this we can infer that an individual takes life micro insurance policy mainly for the survival of policy holders dependants because death benefit is given only in the case the policy holder dies.

- 5. H₀ : Policy holders are not satisfied with the life micro insurance product features.
- H₁ : Policy holders are satisfied with the life micro insurance product features.

Table 10: Level of satisfaction towards the product features

Product features	No. of respondents	Mean
Illness benefit	65	3.00
Accident Benefit	97	4.08
Benefit(the level of fixed amount)	97	3.81
Claim Processing	97	4.35
Provider	97	4.39

Price (premium)	97	4.49
Frequency of Premium Payment	97	4.42
Duration of the premium payment	97	4.51
Mode of premium payment	97	4.49

Source: Field Survey

The above analysis shows that duration of the premium payment (4.51) has more influence on policy holder followed by premium payment (4.49) and mode of premium payment (4.49). The factors like frequency of premium payment (4.42), provider (4.39) and claim processing (4.35) also have significant influence on customer satisfaction towards the product. Other factors also have significantly influenced the policy holders. Thus, overall it can be said that policy holders are satisfied with the life micro insurance product provided to them. Hence, accept the research hypothesis.

Findings:

Major findings of the study are given below:

1. Majority of the policy holders are women. They are more aware of life micro insurance than men. The reason is the establishment of Self Help Groups which constitutes only women. Micro insurance, one of the risk management services is provided through these groups.
2. Income is not a barrier in paying premium because 50% (Rs.100) of the premium is borne by the Nodal Agency.
3. Married people are more responsible than unmarried. Hence, they are inclined to take up life micro insurance policy than unmarried.
4. The major reason for buying life micro insurance is to avail death benefit.
5. Majority of the respondents are satisfied with the quality of life micro insurance product.

Suggestions:

- 1) Awareness should be created about the benefits of life micro insurance to poor people.
- 2) The level of fixed amount must be increased.
- 3) The categories or the types of schemes under life micro insurance must be increased so that poor people can reap more benefits out of the facilities provided by the insurance providers.
- 4) More governmental agencies should be formed which can make a statistical analysis of the conditions of the poor and should provide them with adequate funds in time of the necessity.
- 5) Advertisements campaigns must be made in the local languages to reach all over the country.
- 6) Many of the non government and non profit organizations are working in the field of micro insurance. These organizations must form a cartel and government backing should be provided to the cartel so that they can work together with the support of the government for the upliftment of the poor and the weaker sections
- 7) The insurance companies feel that the less money is available with the poor while the labour class feels that

there is less investment opportunity for them to have a secure future. As such the gap between the thinking of the two can be bridged with the help of government intervention.

Conclusion:

To sum up, micro insurance is a valuable vehicle to reduce the vulnerability of the poor and protect them against specific insurable risks. No doubt, micro insurance is a specialized risk protection solution for the low income markets in relation to its cost, terms, coverage and delivery mechanisms but the sector is facing many challenges in providing micro insurance to the target segment. Innovations in technology, designing products for different types of risks, client level distribution, understanding the requirements of the low income households, maximizing member benefits, huge volumes, efficiency, creating relationship and trust, brand awareness and making policy holders familiar with the insurance schemes will hold the key to success in micro insurance sector in India.

References:

- [1] Achampong-Kyei, K. (2004) "Gemini Life Insurance - Microinsurance in Ghana" Presentation, Kreditanstalt für Wiederaufbau (KfW).
- [2] Lena Giesbert (2010). "Uptake of Micro-Life Insurance in rural Ghana". *Draft Paper, Chronic Poverty Research Centre 2010 Conference*, pp 1-28.
- [3] Lena Giesbert and Susan Steiner (2011). "Perceptions of (Micro) Insurance in Southern Ghana: The Role of Information and Peer Effects". *GIGA Working Papers No.83*, pp. 1-35.
- [4] Lena Giesbert, Susan Steiner, Mirko Bendig (2011). "Participation in Micro Life Insurance and The Use of Other Financial Services in Ghana". *The Journal of Risk and Insurance*, Vol.78, No.1, pp. 7-35.
- [5] Gundupagi Manjunath, Dr.ch.Rama Prasada Rao (2012). "Micro insurance is now a macro business. *The International Journal's Research Journal of Economics & Business Studies*, Vol.1, No.7, pp .39-43.
- [6] Christian Biener and Martin Eling (2011). The Performance of Microinsurance Programs: A Data Envelopment Analysis". *The Journal of Risk and Insurance*, Vol.78, No.1, pp 83-115.
- [7] Rajeev Ahuja, Basudeb Guha-Khasnobis (2005), "Micro-insurance In India: Trends and Strategies for Further Extension". *ICRIER Working Paper No.162*, pp 1-22.
- [8] Shweta Mathur (2010). "Micro Insurance-A Powerful Tool To Empower Poor". *SMS Varnasi*, Vol.6, No.2, pp.88-91.
- [9] www.lic.ac.in
- [10] www.irdajournals.com
- [11] www.ilo.org.in
