

CHAPTER II

REVIEW OF LITERATURE

The survey of literature plays an important role in establishing the backup drop for any research work. It is felt that the justification of the present study can be clarified by reviewing the available literature on the subject to find out gaps in research before finally selecting the objectives of topic for the study.

This section presents a review of literature on the Micro Insurance Providers, distribution channels and policy holder's behavior towards MI.

2.1 Studies relevant to MI policy holders awareness, perception and behaviour towards micro insurance

Ajemunigbohun et al. (2014), the study attempts to explore awareness and accessibility of micro insurance products among selected insurance companies in Lagos, Nigeria. The study made use of an interview survey method of gathering data. The interview method involves questioning and discussing issues with insurance practitioners with respect to micro insurance practices. This study chooses 15 insurance companies within which 4 officers were interviewed per company bringing the respondents to 60. The non parametric testing technique was used to test the formulated hypotheses was a Kolmogorov-Smirnov. The findings of the study states that, the vast population of Nigeria, that MI presents viable market that is yet untapped by nation's insurance service providers. It also found that aggressive awareness drive towards MI products has been genuinely encouraged among insurance companies in Nigeria and the accessibility of MI products created by insurance companies in Nigeria has not significantly reflected in the lives of many insuring populace

Ramalakshmi and Ramlingam (2014) study is to analyse the awareness of policyholders about micro insurance products in respect to source of information, period of awareness, influencer for micro-insurance policy, payment mode, grace period and its utilization. The sample size of the study comprised of 370 micro

insurance policy holders of Madurai district. The data was collected through personal interviews both from urban and rural areas of the district. The Chi-square test has been applied to ascertain whether there is any significant relationship between the socio-economic variables and the period of awareness about micro-insurance products of LIC. The study found that there was a vast majority of the respondents are aware about micro-insurance products of LIC and particularly about Jeevan Madhur product. Agents played a major role in creating awareness and they are the major influencer for taking micro-insurance policy.

Sandeep (2013) stated that the poor are much more exposed to the dangers from their surroundings in his study entitled “a study of buying behavior of Micro Insurance”. They live in unhealthy environment where even proper sanitation is not available. Natural calamities like floods, drought, earth quake etc. hit them the hardest. An unfortunate event like illness or death in the family can change the living standard of the poor for the worse. Cost of medical care being prohibitive, s/he consumes lots of (already diminished) resources from the family. Since they do not have adequate savings, such an episode drives them to either sell their assets or borrow money from local money lenders at high interest rates. According to World Health Organization report (2006), out of total health expenditure in India, 73% spend out of their pocket.

Yao (2013) derived implications for the viable provision of products for emerging micro insurers by investigating the degree of sustainability of a micro health insurance programme. In its early years of development it also analysed how claim rates evolved as households. Renewed households have significantly lower claim frequency and total claim amounts. He suggested that there are forces affecting insurance demand for renewed households that may lead to an improved risk portfolio.

Deliya et al. (2012) studied the awareness of micro insurance product in Patan district, Gujarat, India. The sample size of the study comprised of 100 respondents who were the MI policy holders in Patan in March 2011. The study found that the majority of the people are not aware of micro insurance products and

majority have micro insurance policy of public sector company (LIC). In addition the study identified that most of the respondents got the information about insurance from watching Television and majority are paying their premium semi annually. The study recommended that the insurers need to utilize existing government organizations, banks, MFIs, NGO's and SHG's to increase the outreach of micro insurance to the poor and it also recommends the linking of micro credit with micro finance makes good business.

Darl and Dar (2012) in their research study "Initiatives taken by private and public insurance companies for the growth of rural population of India" highlights the role of micro insurance for the up liftment of rural, poor population and also focuses on the initiatives taken by private and public insurance companies in the growth of rural sectors and also helps to understand how micro insurance is helpful in alleviation of poverty. He suggested that IRDA should look into the matter that all the insurers develop their own micro insurance products and fulfil the rural obligations.

Arun et al (2012) in the study entitled "Bequest Motives and Determinants of micro Life Insurance in Srilanka" emphasized bequest motives by evaluating participation patterns in micro life insurance against insurance demand and supply side factors. Based on household survey data from Sri Lanka, it presents evidence on the determinants of micro life insurance participation of low-income households.

Giesbert and Steiner (2012) in their study on "Perceptions of (Micro) Insurance in Southern Ghana : The Role of Information and Peer Effects" investigated people's understandings and perceptions of (micro) insurance. Specifically, the study is relating to the assessment and the evaluation of a particular micro insurance policy, as well as attitudes to insurance in general among groups of both insured and non-insured individuals in southern Ghana. The analysis is based on qualitative data obtained from focus group discussions conducted in two small towns namely, Brakwa and Nyakrom, Ghana.

2.2 Studies relevant to MI providers, Distribution channels and MI growth

Farooqui (2013) in his study “Role of Micro Finance Institutions in Micro insurance” studied the role of MFI’s in promoting and distributing micro insurance products. The study area is in Allahabad district of India and the sample size of 140 respondents were selected from two leading MFI i.e. Sonata and Utkarsh. The study found that awareness about micro insurance products is very less, female respondents were less aware than the male respondents and the role of MFIs is ineffective in creating awareness among respondents

Akter (2012) stated that in the study “The Role of Micro insurance as a Safety Net Against Environmental Risks in Bangladesh” poorest people are the most vulnerable, as they do not have sufficient means to cope with environmental risks. In the absence of effective safety nets, poor people become trapped in chronic poverty due to the recurrent damage caused by natural disasters. She sheds light on this issue by synthesizing the findings of half a decade of research on the prospects of weather micro insurance in Bangladesh. Three key conclusions are drawn from the synthesis.

Woldie et al. (2012) in their study on “challenges of micro finance accessibility by SMEs In tanzania’, explored the challenges of microfinance accessibility by SMEs (Small Medium Enterprise) in Tanzania. A survey research methodology is adopted utilizing primary and secondary data from a purposively selected sample of SME operators. The study concludes that where default-risk is perceived to be high, micro insurance must be taken by applicants as collateral. The article recommends initiation of intervention policies, which will uphold sustainability of SMEs and streamline accessibility to microfinance. Finally, the authors look at action-focused solutions to support and build on the potential of public equity markets to help SMEs access microfinance as an area for further studies.

Srijanani (2012) the study “micro insurance in India: a safety net for the poor” focuses on the opportunities and challenges of micro insurance in India and studies the three regulated distribution models of micro insurance in India. The

study concludes with two facts, they are that urban insurance markets are already saturated and micro-insurance in rural India hasn't really taken off. It means that if companies want to grow, they need to harness technology to leverage the under-explored rural market.

Biener and Eling (2011) in the study "The performance of Micro insurance programs : A data envelopement analysis" enhanced the understanding of impediments to the facilitators of micro insurance from an economic perspective and outline potential solutions. The motivation for conducting this analysis arises from two important aspects. (1) Despite strong growth of micro insurance markets in recent years, more than 90 per cent of the poor population in developing countries have limited or no access to insurance. (2) Industry practitioners frequently highlight problems in the insurability of risks that hinder the development of micro insurance.

Hochrainer et al. (2010) in their study "micro insurance against drought risk in a changing climate: assessing demand and supply considerations" found that micro-insurance instruments may help low-income farming households to manage better drought risk by smoothing livelihoods and reducing debts, thus avoiding poverty traps. Yet many obstacles to optimal design, viability and affordability of these schemes, are encountered. One of those is climate change and the authors find that changing drought risk under climate change would pose a threat to the viability of micro-insurance, as well as the livelihoods of people requesting such contracts.

Hermanto (2010) described in the study "family Income, Saving and Potential Demand for Micro Insurance policy in the jakarta area, Jabodetabek, Indonesia", that the gap between Micro Insurance supply and demand mechanisms has impeded the prosperity improvement for low income people in informal sectors in Indonesia. From the supply side, which is driven by insurance companies, there is an urgency to find the best scheme, both technically and professionally. On the other hand, from the demand side, the willingness and purchase ability of urban people for risk protection by having insurance products should be improved.

Kwon (2010) investigated in his study titled “an analysis of organizational, market and socio-cultural factors affecting the supply of insurance and other financial services by microfinance institutions in developing economies”, the micro insurance-market at the global level and the business structure of over 600 microfinance institutions (MFIs) in 83 countries that were in operation during 1998–2007. It then empirically examines the impact of organizational, market and socio-cultural factors on the supply of insurance, lending and saving services by MFIs in developing countries. It seems MFIs focus on lending service in Muslim populous countries. Finally, he found no evidence that presence of insurance affects availability of saving service, and vice versa, in the micro insurance market.

Mosley (2009) attempted in his research study entitled “assessing the success of micro insurance programmes in meeting the insurance needs of the poor” to find out a proper insurance against risks afflicting the poorest. It presents empirical evidence on the impact of different types of Micro Insurance, and recommends the idea of ‘quasi-insurance’—the provision of insurance functions through a non-insurance route—where institutional or regulatory constraints prevent insurance proper from being offered. The study argues that Micro Insurance so far has been somewhat supply-driven rather than driven by effective demand, especially from the poorest, and thus the insurance products which would benefit the poorest are still at a limited stage of development. Institutional innovations and new insurance products therefore deserve promotion.

Chandhok (2009) the result of his research study entitled “Insurance – A Tool to Eradicate and a Vehicle to Economic Development” indicates that there is a huge untapped market for micro health insurance and majority of the population is aware of 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 an Insurer, MFI□s, SHG□s, NGO□s, Health institutions, Donors and Co-operatives the population below poverty line will lead a peaceful and secure life.

Roth and McCord (2008) in their research study “Agricultural Micro Insurance Global Practices and Prospects” stated that agricultural insurance could play a role in improving the livelihoods of the rural poor. It will be useful for development agents such as donors, development banks and development workers in NGOs, co-operatives, credit unions and Microfinance Institutions (MFIs). They also analyzed the successes, failures and challenges of providing agricultural micro-insurance in practice.

Lakshmikutty et al. (2008) in their research study “Insurance Distribution in India : A Perspective, Marketing of Insurance Services in India” discussed insurance distribution channels from the perspective of the socio – cultural ethos of the market and how these channels fit into it. With the present scenario of insurance industry, building faith about the company and credibility of intermediaries among clients becomes the prime challenge.

Arun (2008), in their study “Micro-Insurance in the Context of Social Protection” outlined the current status of micro-insurance provision in Ghana and Sri Lanka, two countries with very different socio-cultural backgrounds. It concludes that both countries are unlikely to extend their social security systems to the entire population in the short to medium term, making private micro-insurance initiatives essential mechanisms to help people reduce their vulnerability.

Chari (2008) in the study “Insurance—A relook at the distribution strategy” stated that the insurance industries marketing efforts being focused more on the urban middle class and affluent section. IRDA, the insurance regulator has made it mandatory for the insurance companies to increase their business coverage to rural and social sectors as well. The cost effectiveness and conversion efficiency of different distribution strategies is crucial in ensuring the success of insurance business. Independent property and casualty agents are commissioned agents whose primary business is the sale of property and casualty insurance for several insurers.

Micro- Insurance Regulation in the Indian Financial Landscape (2008) a report of M- CRIL (Micro credit rating international limited) says that IRDA is conscious of the relatively recent experience of insurance regulation and the lack of its own capacity to implement a strong regulatory regime. The regulator – the Insurance Regulatory and Development Authority (IRDA) – has limited the scope within which micro-insurance may be offered.

These studies throw light on the emerging research gap clearly. Therefore the present research study is undertaken to fill the research gap. It is an attempt to study the LIC's MI policy holder's awareness, perception, satisfaction and role of intermediaries in distribution of MI policies of LIC in Coimbatore district. The district holds the LIC's MI divisional office at the head quarters.