

REVIEW OF LITERATURE

Literature reviews are a staple for research in nearly every academic field. This chapter deals with a brief review of the research done in the area of microinsurance. Microinsurance is a type of insurance designed for low-income society to protect them against all kinds of risk. Since it is aimed for low-income people, this insurance product has a very low premium. Microinsurance product has the purpose of protecting the poor society during and post-disaster periods. By providing guarantee over losses, microinsurance may help minimize the long-term impact of a disaster.

The study highlights the importance of microinsurance for the upliftment of rural poor and also focuses on the initiatives taken by private and public insurance companies in the growth of rural India and also helps to understand how microinsurance is helpful in alleviation of poverty. The section summarises the findings and major issues of some important studies and reports on microinsurance. The household risks and risk managing strategy paves the way for outreach of microinsurance products and their major policy regulation and constraints are considered for the study. It helps us to develop a framework for analysis of the present study which is presented in subsequent chapters. Available literature helps in evaluating the risk management and demand for microinsurance products among rural households.

The reviews of literature are collected and classified based on the objectives of the study:

2.1 Household Risk and Risk Management Strategies

2.2 Factors Determining the Demand for Microinsurance in Rural Areas

2.3 Potential and Effective Demand for Different Microinsurance Products.

2.1 Household Risk and Risk Management Strategies

Njuguna et al (2012) conducted a study entitled “Risk Management Practices: A Survey of Microinsurance Service Providers in Kenya”. The study revealed the documents of microinsurance risks, discusses the strategies that Kenyan insurance companies are using to mitigate the risks and discerns creative strategies to minimize them. Purposive sampling was used to select eight companies that offer microinsurance products in Kenya, from which forty Nine key informants responded to the survey. The study used visual binning approach to describe the data, statistical tests of correlation and association were carried out by use of Pearson Correlations and Chi-Square tests. The study concluded that regulators need to keenly address a myriad of risks which discourage microinsurance firms from serving the low-end consumer market segment. These risks include lack of demand for the insurance products (low penetration), limited distribution channels and regulations that limit distribution channels and capitalization. The study identifies the major risks facing microinsurance companies as low penetration of insurance services, constrained distribution channels, regulatory risks and correlation risks. Microinsurance risk management strategies is that insurance company should invest in research and development and actuarial services to help in pricing of products and risk mitigation.

Tadesse et al (2012) in the study analysed on risk, coping mechanisms, and factors in the demand for microinsurance in Ethiopia focused on the demand components of microinsurance and investigated two main research questions: Do low-income households in Ethiopia need insurance? If so, would be willing to buy it if it were made widely available? The study recommended the Ethiopian Government to take adequate consumer protection measures to ensure the healthy development of this infant industry. The methodology used in this study is primarily qualitative but, wherever possible, quantitative data and estimates are provided. The study involves several research methods including focus group discussions (FGDs), participatory rapid appraisal tools (PRA), in-depth interviews and key informant interviews. The study finds that Ethiopians do need microinsurance; whether or not they would purchase it, however, depends upon whether or not

the eventual supply of products is truly client-centred and to build the market, concerted effort among stakeholders on the supply side should prioritize increasing awareness through popular channels, making products accessible and building confidence in the market.

Rao et al (2012) examined the expansion of microinsurance into low income groups. The study showed that microinsurance is a key element in the financial services package for people at the bottom of the pyramid. The poor face more risks than the well-off, but more importantly they are more vulnerable to the same risk. Usually, the poor face two types of risks – idiosyncratic (specific to the household) and covariate (common, eg., drought, epidemic, etc.). To combat these risks, the poor do pro-active risk management – grain storage, savings, asset accumulation (specially bullocks), loans from friends and relatives. The study analysed the prevalent forms of risk management (in kind savings, self-insurance, mutual insurance) which were appropriate earlier are no longer adequate. Poverty is not just a state of deprivation but has latent vulnerability. Microinsurance should, therefore, provide greater economic and psychological security to the poor as it reduces exposure to multiple risks and cushions the impact of a disaster.

Bhargava (2011) conducted a study on risk profiling for microinsurance initiative in Rajasthan. A risk profiling study was carried out by Center for Micro Finance to analyze the major risks faced by poor. The study was carried out in five locations in Rajasthan with five organizations that had strong Self Help Group (SHG) base in the region. The major objectives of the study involved risk profiling of the community and risk prioritization according to their needs. The methodology used for the study was random survey. A sample size of 493 households was determined for this purpose. A semi structured questionnaire was used for the random survey. Amongst various risks identified, health was found to be a major risk to the rural and urban poor. 43% of the total respondents reported health risks in last three years. 90% of the health risk was due to hospitalization for chronic illnesses and rest was due to accidents. Apart from health, the rural poor also face significant loss to occupation due to risks of crop failure and livestock death and illness. As high

as 69 per cent of the rural households reported crop loss in last three years and 57.3 per cent reported animal death and 31.6 per cent animal illness.

Sahu (2010), in his research study on “Microinsurance in India: Outreach & Efficacy” through Bankers Institute of Rural Development (BIRD). The study aims to analyze outreach and efficacy of microinsurance under partner agent model. The objectives of the study is to examine different risks faced by the poor and low income groups, their current coping mechanisms, categorization and prioritization of risks by the client population, to understand perception of the target groups about microinsurance through direct interactions and to explore the market potential for microinsurance in India. The study is based on primary field survey covering 75 women micro credit clients randomly selected from 23 centres in 11 development blocks in three districts of two states (Trichy and Madurai in Tamil Nadu and Sambalpur in Orissa). The analysis of microinsurance has been made mainly on the basis of information collected from select MFIs and household data with focus on enterprise/occupation, groups and regions. The researcher is in the form of focused group discussions among the target population, complemented by in-depth interviews among selected stakeholders. The study intends to achieve its goal to the satisfactory level by examining and analyzing the process, products, observations and other aspects of microinsurance programme in select areas. The study concludes that in many contexts the existing microinsurance products are not demand driven in both high and low outreach areas. There is lack of understanding, awareness, extension services and development of insurance market that grossly affect wider use of insurance products and its uptake, particularly, among low-income groups. Findings of the study reveal that the usage of microinsurance was low and less effective. In many cases it was involuntary among low income microcredit clients of MFIs. Factors which influenced the demand for insurance were diverse at group, and regional level not adequately considered while designing the insurance product. Household having different activity or enterprise exhibited differently in prioritizing risks and risk coping and insurance uptake.

Akter et al (2010) analysed the role of microcredit and microinsurance in coping with natural hazard risks. The study investigates the role of post disaster credit market access in determining micro-crop insurance demand in the rural floodplains of Bangladesh. In a double bounded contingent valuation study, 566 flood stricken farmers were asked for their preferences to pay premium to protect themselves against crop damage risks. The main objective of the study was to empirically examine the influence of post disaster credit availability on crop insurance take-up rate in a flood prone developing country. The study shows that microinsurance solution is to protect poor households from weather, related livelihood shocks and the recent trend of offering bundled insurance contracts by microfinance institutions to increase insurance take-up rate. The finding was consistent across institutional characteristics of the rural credit market. The study results show a negative relationship between farmers' access to post disaster microcredit and their willingness to pay premium for a crop insurance contract.

Mogos et al (2009), in their study observed that "Risk management strategies of cattle farmers in Namibia". The study shows that insurance awareness enables farmers to realise the need for livestock insurance, therefore insure their livestock, which can then be considered as a way of risk management and management skills. Risk assessment and risk reduction strategies need to be considered by Namibian livestock farmers regardless of the size of the property. The main objectives of the study are to examine factors that influence livestock insurance adoption by livestock farmers in Namibia's Omaheke and Otjozondjupa regions and draw some policy implications from the results. A structured questionnaire was used to identify factors that affect the use of insurance. Semi-structured interviews were conducted with farmers at their respective farms. Information on livestock production characteristics in the smallholder farming systems was obtained from communal and commercial farms in Omaheke and Otjozondjupa. A total of 269 questionnaires were distributed to the farmers in these regions. From this 42 of questionnaires were collected from commercial farmers and about 163 were collected from communal farmers. The study implies that the insurers need to increase campaign on increasing awareness on the role of

livestock insurance to farmers. It requires the combined efforts of all stakeholders namely, Governments, civic society organisations and the private sector. The study states that the statistically significant and negative estimated coefficient of the household characteristics at the specified significance level (such as family size, educational qualification, age, and off farm-income) implies that Namibian livestock industry growth was achieved with improved education, experience and support from other income as a strategy for diversifying risk. Therefore, farmers need to follow effective risk management systems to achieve the required profit rate.

Mosley (2009), in his study assessed the success of microinsurance programmes in meeting the insurance needs of the poor. The study reviews, attempts to provide insurance against risks afflicting the poorest. The study presents empirical evidence on the impact of different types of microinsurance 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 suggested that microinsurance 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.

Gaurav et al (2007) carried out the study entitled “Innovating at the Bottom of the Pyramid (BoP): Delivering Microinsurance in Kalahandi, and beyond”. The study discusses around the issues of financial inclusion and the challenges in delivering an array of products, processes and solutions to attain multi-dimensional financial inclusion. The study attempts to assess the effectiveness of formal and informal risk-response mechanisms and analyzes the issues in provision of market based risk management solutions and microinsurance in backward rural communities and resource poor geographies. It analytically explores the landscape of risk management and hypothesizes about the products that can be channelled into effective delivery mechanisms for robust risk management solutions in similar contexts, at the BoP (Bottom of the Pyramid). The study used primary data from a survey conducted in Kalahandi district (Orissa, India) has been used to accentuate

our understanding of different strands of the microinsurance story which is all set to take center stage at national and international development agenda. An attempt has been made at assessing the risk management strategy of people in such backward communities. Available secondary data have also been analyzed to substantiate the dissection of the issues in context, and based on these results it was proposed to design the microinsurance and effective risk management solutions. The study concluded that Microinsurance is an important constituent of a broader overall poverty reduction strategy to address the risk-vulnerability paradox, given, the inherent link between livelihood risks and vulnerability to spells of transient poverty as well as forms of chronic poverty.

Otieno et al (2006) presented a paper on “Risk management in smallholder cattle farming: A hypothetical insurance approach in Western Kenya”. Smallholder cattle farming is an important livelihood strategy in most developing countries like Kenya. The main purpose of the study was to analyze farmers’ willingness to manage disease risks through participation in a cattle insurance scheme. The specific objectives include investigating the vulnerability of different cattle breeds to disease risks; to analyze smallholder farmers’ willingness to pay for cattle insurance and to determine factors that influence farmers’ willingness to participate in cattle insurance scheme. The study is based on data from a survey conducted on a purposive sample of 300 smallholder cattle farmers in Kakamega and Siaya districts of Western Kenya. Descriptive measures and a regression model were used in the analysis. Results of the study showed that most farmers (91.3%) were willing to participate in the cattle insurance scheme. Also, the farmers observed that the scheme would enable them to increase their herd sizes and change their breed composition. The farmer’s mean willingness to pay (WTP) for the scheme would be determined by their gender, income, cultural norms, cattle breed and economic value / price of the animal kept. This study recommended establishment of a formal cattle insurance scheme; and economic empowerment of both male and female farmers to encourage adoption of the scheme, as well as educating the farmers on how to integrate the scheme within their cultural norms to ensure its sustainability.

ILO / STEP – GTZ (2006) conducted the role of microinsurance as a tool to face risks in the context of social protection. The need for protection against risk and enumerate the various mechanism or option to deal with risk. One of these mechanisms namely microinsurance may be useful to face risks. Microinsurance is a technical notion that encompasses a large diversity of organisation, mutual benefit organisation in western Africa, microinsurance schemes set up and operated by health care provider, NGO's, MFI providing an insurance services. The microinsurance schemes are not only risk management instrument, but have the potential to actively contribute to the extension of social protection. This will be for the low financial and institutional capacity of the state (low income group). Microinsurance schemes may raise supplementary resources that benefit to the social protection sector as a whole and contribute to facilitate and improve the governance of the social protection sector. Finally, it should be considered in a different way from other microinsurance schemes, regarding in particular use of public subsidies, design of the benefit package and regulation.

Barbin et al (2002) conducted a field study on microinsurance in Philippines. The study attempted to quantify the risks and vulnerabilities of persons operating micro and small enterprises. The three risks that emerge as the greatest concerns for MSE operators are: 1) illness or accident of the entrepreneur or a family member; 2) natural calamities such as typhoons; 3) basic business risks such as high competition and low demand. While insurance may be an appropriate tool to manage the first two risks, the third is probably best addressed through training and other business support services. The study shows that entrepreneurs had a positive attitude about insurance and its potential to reduce their vulnerability, perhaps because of their familiarity with *damayan* schemes. The study objectives are to map the microinsurance landscape and establish knowledge on the regulatory framework for the insurance industry in Philippines, identify the details of microfinance operations for the provision of insurance, with specific interest in what difficulties they have faced and to examine the demand of micro and small enterprises for insurance. Primary data was gathered through key informant interviews, a survey of MSEs, and case studies. The study

concluded that MFIs have unique capabilities to cost-effectively deliver microinsurance to the informal sector. Microinsurance complements the MFIs' other interventions with MSEs because it reduces their vulnerability to business and personal risks. Microinsurance is a new technology, and innovations are emerging rapidly. Such lessons need to be documented and disseminated to help the microfinance sector effectively address the need of the informal sector for microinsurance. MFIs are currently in the best position to provide microinsurance to the informal sector and should actively experiment and innovate to make the mainstreaming of microinsurance a reality.

Siegel et al (2001) carried out microinsurance as a social risk management instrument in social protection. The objectives of this study are to highlight some of the potential and limitations of microinsurance in the context of Social Risk Management (SRM) framework to stimulate further discussion. The study concluded that there is potential for efficient and equitable risk management through microinsurance, but also limitations. Microinsurance may be an acceptable means of managing a few limited forms of risk, but not all. SRM practitioners need to recognize that effectiveness of any risk management instrument depends on the nature of risks, household and group characteristics and dynamics, and the availability of alternative risk management options. SRM options should strike a balance between household risk management activities and the multiple instruments available at different institutional levels, including informal, market-based, and publicly provided mechanisms. Microinsurance is a potential part of the SRM toolbox, but risk management can be enhanced through different mechanisms or combinations of them.

2.2 Factors Determining the Demand for Microinsurance in Rural Areas

In a literature review, many studies focused on households factors determining the demand for microinsurance in rural areas, the focuses have been either on analysing the demand or supply side factors or both of them. The authors used different variables and methods to analyse demand for microinsurance plans.

The findings from various studies had revealed that household's characteristics like age, head of household, gender and income were among the factors determining households' membership in the microinsurance schemes in rural areas. Other characteristics were education level of the household members, household size and religious denomination belonging. The same factors are expected to influence household demand for microinsurance plans in rural areas in Coimbatore District.

Aftaab-ul-Marooif (2014) in his study "Demand for Microinsurance: An assessment of driving factors". The objectives of the study are to throw a light on the risk management needs of the poor and microinsurance as a risk management alternative, to critically review the factors responsible for the uptake of demand for microinsurance, to suggest the future research direction. The research study needs to explore the risks to which low-income people are vulnerable. Poor are more vulnerable to shocks because they have fewer resources not only to meet the immediate costs of the shock, but also the secondary expenses incurred in getting back on their feet. The study concluded that there is an increase in the demand for microinsurance products. It is the essence to take into consideration the factors determining demand and the price of the products that should be set after carefully assessing the wealth and income of the poor. Insurers should try to increase the trust among the poor. Steps should be taken to increase the financial literacy of the people. Besides this, successful microinsurance products need to give careful attention to clients' demand and satisfaction. Increased demand through well-informed choices of individuals is a prerequisite for scaling up microinsurance products to reach large number of poor people.

Srijanani (2013) conducted a study on microinsurance in India: A safety net for the poor. The objectives of the study is to explore the history of microinsurance in India, to study the opportunities and challenges of microinsurance in India, to examine the three regulated distribution models of microinsurance in India. The study indicates the availability of credit and insurance to the poor in rural India not only helps them but also allows the financial intermediaries to increase their business. The research study identified that if companies want to grow, they need to harness technology to

leverage the under-explored rural market. The development of microinsurance cannot take place independently of economic development, improved healthcare and education, and political stability. The study suggested that linking the micro credit with microinsurance and IRDA should take initiatives in widening outreach to microinsurance products to the rural poor as providing microinsurance is necessary and essential adjunct in the inclusive process.

Christen et al (2013) in his study analysed segmentation of smallholder households: meeting the range of financial needs in agricultural families. The study estimated that 500 million smallholder farmers in low and middle-income countries, despite some improvement in their access to general financial services, relatively little progress has been made in financial services specific to their agricultural activities. The study examines the challenge of providing financial services that support the multiple goals of rural households, including those related to their more universal, general household needs and those linked to their agricultural activities. Three segments of services are non-commercial small holders, commercial holders in loose value chain and commercial small holders in tight value chains are differentiated by what they grow, how they grow, how they engage with market as buyers, sellers and how those market are organised. The study results indicate that the different kinds of households have different kinds of financial needs, and that this variety in demand cannot be met by the same suite of financial products, terms of service, or even formal financial service providers. General household finance and specific agricultural finance do not exist in isolation. Money is fungible, and many existing financial services can meet a range of household goals, including some related to agriculture. The study influences that most farming families need a portfolio of general finance all the time, and specific agricultural finance only, as they engage more heavily in higher-value crops. As their production includes more and more higher-value crops for sale on contract or other linked arrangements through tight value chains, their need for specialized financial tools would increase, and most of the financial tools needed for their agricultural activities would be embedded in the value chain itself.

Kishor (2013) conducted a study on “Microinsurance in India-protecting the poor”, the study identified that microinsurance is a tool for investment, savings and as a measure of social security. It increases the livelihood of the poor where they can eat well, have good health since they wouldn't have to save as much for emergencies. The researcher explains the microinsurance for social protection consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, enhancing their capacity to protect themselves against hazards and interruption / loss of income.

Pham et al (2012) in his research paper “Does microinsurance help the poor? It's Evidence from the targeted health microinsurance program in Vietnam”. The study evaluated a targeted health microinsurance program, namely the health care fund for the poor. The objective of the study was to increase access to health care for the poor including people officially designated as poor, ethnic minority residents of poor communes and from disadvantaged areas. Data used for the study are from a series of the Vietnam Households Living Standard Surveys (VHLSS, henceforth) conducted in 2004, 2006 and 2008 by the General Statistical Office of Vietnam (GSO) with technical support from the World Bank. Each round of the VHLSSs covers a sample of 9,189 households, of which some were revisited in the following years on a rotation basis. The methodology used for the study is stratified random cluster sampling; the sample is representative at the regional level for both rural and urban areas. The study concluded that analysis distinguishes two groups of beneficiaries: the entire sample of participants, and the group of eligible participants. Since health insurance participation can be a non-random process, the possible endogeneity of insurance participation can bias the estimate of the impact of the program. It is the positive impact of the HCFP insurance on preventive care behaviour and an impact of reducing the incidence of catastrophic health spending, even though the results are not consistent across specification.

Mohammed et al (2012) examined that the prospects of microinsurance in the rural areas of Nigeria. The study investigated the prospects of microinsurance in the rural areas of Kebbi State. The data used in the study is

cross sectional and was collected from a sample of 190 respondents, who were contacted through a structured questionnaire. The data collected was analyzed using logit regression model and the study revealed that income level, educational attainment and property ownership as well as availability of infrastructural facilities in the rural areas determinants, the prospects of microinsurance in the rural areas of Nigeria. The study concluded that the acceptability of microinsurance in rural areas will depend on the level of income, types of assets owned, level of education of the rural dwellers and the availability of infrastructural facilities in the area. The study recommended that income level of the rural dwellers should be taken into consideration while setting premium. Efforts to provide, at least basic education in the areas, should be intensified. It is also suggested that serious mobilization and sensitization should precede the introduction of microinsurance. Microinsurance in rural areas should place more emphasis on farming, being the major occupation in the rural areas.

Virginia Tan (2012) conducted a study on microinsurance from advocates for International Development 2012. Microinsurance is an arrangement that offers financial protection to individuals and groups with a low-income against specific risks in exchange for premium payments. Microinsurance is aimed at a broad range of clients including individuals, households and whole communities in both rural and urban areas. Features of a majority of these products include innovation, technology, and alternative channels of distribution, enabling them to reach and appeal to as many members of their unusual target population as possible. Insurers entering into the microinsurance market are likely to have to adopt a long-term view of profit-making, but costs can be reduced and trust can be gained through public-private partnerships (PPPs) with Governments, using their expertise to assist and to increase awareness of the benefits of microinsurance in low-income communities.

Morsink et al (2011) underline the study on Informal trust building factors and the demand for microinsurance. The study explains the demand for microinsurance and factors like financial literacy, household characteristics and also risk perception. The study tested the hypothesis with a sample of

171 households from 11 rural communities in typhoon-prone regions of the Philippines. All insured households and a disproportionately stratified random sample of non-insured households were included. The study suggests that especially age, education, sickness, membership of loan from the insurance provider, financial status and credit constraints, risk aversion and location dummies are important explanatory factors for demand. For microinsurance demand this may imply that increases in demand take a longer time to arise than would be expected in developing countries. However, involving peers with claims in marketing of microinsurance will increase the speed of take up. This study implies that the demand for microinsurance is likely to increase at a slower rate in developing countries than would be expected in developed countries.

Singh et al (2011) explains the significance of Microinsurance- A tool for upliftment of rural India. The research objective of the study is the importance of microinsurance for the upliftment of rural poor and also focuses on the initiatives taken by private and public insurance companies in the growth of rural India and also helps to understand how microinsurance is helpful in alleviation of poverty. The study concluded that microinsurance has the potential to be a game changer, as it can help address many of the worlds across the country. Microinsurance can result in a “win-win” situation, joining the double bottom line of commercial profit with social benefits of fighting poverty through systematic risk management among the rural poor. Insurers will have to pay special attention to the characteristics of the rural labour force, like the prevalence of irregular income streams and liking for simple products, before they can successfully penetrate this sector.

Rajendran (2012) conducted a study on “Level of participation of rural women in microinsurance: Evidences from the field”. The researcher analysed the level of participation of clients of microfinance in microinsurance. The sample size a total of 180 women respondents from 90 SHGs were selected for the study. The random sampling technique was used in the selection of samples. The study concluded that the level of participation in microinsurance is very low and the main reason is the lack of awareness. Mostly life related products are common among rural women and they consider investments in

life insurance products as saving instruments for future. Even though microinsurance is treated as a part of micro finance programme the reality is poor participation in microinsurance programme among the participants micro finance.

Viverita et al (2010) conducted a study on demand for microinsurance for low-income households in disaster-prone areas of Indonesia who lives in the disaster-prone areas. The study examines the opportunity of insurance firms to offer such products as well as what can be done by the government as a regulator. The study carried through empirical survey was conducted to 500 low-income residents in hazard-prone areas, ie. Padang, Yogyakarta, and Jakarta. The questionnaires were designed to give a complete picture of each of households' economic conditions, risk awareness and attitudes towards insurance products, and their willingness to pay for insurance premium, as well as to range demographic and background data. The results indicate that although most of the respondents were unaware of the insurance products, there is a quite huge demand on the micro-disaster insurance in the hardly hit disaster-prone areas in Indonesia. The study also found that they are willing to pay for the insurance premium, if such product is offered.

Butt (2010) carried out a study through CARE International. The study was to create a database of CARE International's projects that deal with elements of microinsurance in order to build knowledge and understanding of this vital sector. For the study of microinsurance were gathered from both Asia and Africa. It is apparent that the magnitude of work is carried out in microinsurance is in Asia. The study shows that the partnership between Bajaj Allianz and CARE India developed a three-year scheme to provide microinsurance to over 100,000 people in the southern Indian state of Tamil Nadu, one of the most severely affected states by the Tsunami. CARE's carried out pilot study in India to provide insurance to small scale salt farmers in order to protect them from untimely rainfall. The project developed an index based microinsurance product with the support of weather risk management services and partnered with two insurance companies to offer the product. The study concerned that organisations truly helping the poor to manage their risks, should assess whether the provision of microinsurance is the most

appropriate response. The study summarise that those involved in microinsurance including interested governments and donors should begin by training and educating key players in the idea of index insurance; and private insurers should begin developing relationships with existing delivery channels.

Giesbert (2008) have attempted to study “The demand for microinsurance in rural Ghana”. The study aims to examine the risk management strategies of low-income households and the conditions under which they demanded microinsurance in Ghana. A total of 351 households were interviewed, including three groups of households holding the Anidaso policy of Gemini Life Insurance Company (87), households holding other insurances (110) and non-insured households (154). Households within each stratum were chosen by random sampling for the study. Quantitative household survey and focus group discussions were used to analyse the determining factors of the demand for microinsurance of low-income households. The result of the study showed that, most of the potential clients are interested in buying health insurance. Life or other types of insurances provided by the private sector are not very well known. Among the Anidaso policyholders, the majority of people seem to be aware of the concept behind life insurance. The potential demand for insurance in the survey area seems to be very high, with 95% of the non-insured survey households showing a general interest to buy insurance. The study recommended that providers of microinsurance would be able to reach much more potential clients by expanding advertisement through public channels and also by going out into the field and do advertisement and insurance education programmes directly where the people live.

Ferguson et al (2008) in his study entitled “Assessment of demand for microinsurance: a report of survey in Thanh Tri District, Vietnam”. The study concerns with market research activities for microinsurance. Qualitative research study is used to complement current knowledge on the need for microinsurance services among low-income households in the Vietnamese market. The study aimed to determine the major risks that the low-income market faces in order to establish how these groups are currently coping with risks, and identify gaps in their risk-management strategies. The study

identified the opportunities for insurance where coping mechanisms currently used by poor households to overcome economic shocks fell short. The FGDs and PRAs consisted of 112 participants, and individual interviews were conducted with 8 individuals for the study. The researcher explained top four insurable risks uncovered by the research were sickness, transportation / labour accidents, funerals, and crop/livestock failures. The results revealed that many different risks/stressors in the life cycles and livelihood activities of these households are major constraint. Coping with risk is a high priority for most farmer households in the studied areas, and they express interest in participating in appropriate insurance schemes. They recommended that product development must focus on the area of illness, accident, funerals, and crop/ livelihood failure and improve the existing area on quality of service, convenience of service and clearly – explained benefits.

Renukumar et al (2008) in their study entitled “Low income households and microinsurance: understanding the need and management challenges”. The researcher aimed to understand the needs for insurance and current coping mechanism at the people’s level. It also examined their attitude towards microinsurance programmes designed and delivered through Micro Finance Institution (MFI). They studied the microinsurance products currently offered in the central Tamil Nadu region and the management and implementation challenges faced by the Micro Finance Institution in delivering microinsurance. Ninety households were surveyed across the three districts in Trichy, Perambaloor and Tanjore. The research study accounted for clients of two MFIs namely SHEPHERD and ASA. Micro Finance Institution activities on the client’s attitude towards insurance, management challenges insurance experts and insurance providers. The findings of the study were that households had an access to and had taken regular insurance policies through the insurance agency network. In the insurance level, they understand the basic issues in expanding into the rural sector like the necessity to associate with a trusted institution. The study revealed that requirement for more education about microinsurance at the people’s level, the necessity for more bargaining power and insurance training at the Micro

Finance Institution's level and the need for a social perspective at the insurance company level.

Bhat et al (2006) studied the factors affecting the demand for health insurance in microinsurance schemes. The study directed on that micro health insurance schemes are assuming significant importance in reaching large number of people. The objective of this study is to analyse factors determining the demand for private health insurance in a microinsurance scheme setting. The study used two – stage model to examine this study. First, determine the factors which affect the insurance purchase decision and second level focus on studying factors which affect the amount of insurance purchase using Heckman two stage estimation procedures. The data collected based on survey and primary data from the Anand district of Gujarat where Charotar ArogyaMandal is offering a health insurance scheme. The results of the study indicated that income and health care expenditure are significant determinate of health insurance purchase. Age, coverage of illness and knowledge about insurance were also found to be affecting health insurance purchase decision positively, for decision regarding the amount of health insurance purchase income was found to be having significant but non – linear relationship. Finally the study concludes that, number of children in the family, age and perception regarding future healthcare expenditure was also found to be significant.

NeerajKumar (2005) in his study entitled “Perception and need of low income group”. The objective of the study is that to find the awareness of microinsurance among the poorest group of people in Indore, to find the client need of microinsurance, to find the preference of various products in microinsurance of clients and to explain the various difficulties of insurers to produce market and distribute different microinsurance products. The study used judgemental sampling and size of the sample taken was 100 residents of Indore. The finding of the study was that most of the respondents have heard about insurance but they are totally unaware of microinsurance, they believe depositing their money in bank or post office is more profitable than putting money in insurance, also ease of withdrawing money from bank and post office makes their investment more liquid. The study concluded that most

of respondents are completely unaware of microinsurance products but many of them are aware of insurance products. Given irregular and uncertain income stream of the poor, flexibility in premium collection is needed to extend the microinsurance net far and wide.

Allianz et al (2006) the group report by microinsurance opportunities for microinsurance demand and market prospects India. The study showed that India has perhaps the most exciting and dynamic microinsurance sector in the world. The study provided an existing knowledge on the demand and supply of microinsurance in India, as a basis for reducing the vulnerability of poor and low-income people while developing new market opportunities. Microinsurance is a low-price, high-volume business, and in any such business keeping distribution costs down is the road to success. The study explores the pros and cons of three regulated distribution models: the partnership model, the agency model and the micro-agent model. It assesses a variety of possible partners, including Non Governmental Organizations (NGOs), Micro Finance Institutions (MFIs) and banks. NGOs and most MFIs are often dependent on variable aid flows, making them potentially less reliable over the long term. The study finds that banks have a great deal of unexplored potential as partners. The most successful insurance distribution infrastructure is low-income neighbourhoods.

Matul et al (2006) in the study explored the needs of low-income households' for microinsurance as well as opportunities and challenges to providing microinsurance in order to expand the development of the microinsurance market in Azerbaijan. The study identified three segments that are distinct in terms of their knowledge of and attitude towards insurance, which will determine outreach and marketing strategies to be used to deliver new risk-management tools to the low-income population. The study analyzed the needs for microinsurance to take into consideration objective factors (frequency and severity of risks) as well as subjective perception of households of the financial pressure related to specific risks. The study used an Access frontier methodology developed by David Porteous, an underpinning conceptual framework. The model crises like serious illnesses, unexpected death of family member, loss of job and accidents leading to

disability put a significant financial pressure on low-income households. It is due to relatively high costs associated with these risks and a very limited range of available good coping mechanisms, nature of insurance concept needs to be taken into account – it is usually an insurance against severe, unpredictable losses as it is hard to insure against frequent and repetitive events.

Tounytsky (2006) conducted the study on the demand for microinsurance in Pakistan. The demand study is one element of a larger microinsurance product development process that Pakistan Microfinance Network (PMN) of Islamabad PMN is undertaking. The study is to obtain market research that its members could use to design and deliver microinsurance products for low-income microentrepreneurs throughout Pakistan. Using a set of practical tools, the study obtained information about key financially-stressful events and risks, and the respective coping mechanisms used by microfinance clients in Pakistan. The sample group consisted of clients from the two largest microfinance organizations in Pakistan – the National Rural Support Program (NRSP), based in Islamabad, and Kashf, based in Lahore. A total of 44 focus group discussions and 15 in-depth interviews were conducted, with a total of over 350 participants were considered for study. The study evaluated the effectiveness of available coping mechanisms and examined the range of formal and informal insurance options available to the poor. Based on this information, it then formulated and tested several microinsurance product concepts as part of PMN's comprehensive microinsurance product development. The study finally recommends other risk-managing products such as savings and emergency loans were appropriate.

Rengarajan (2006) observed that the study on demand side perspectives of microinsurance. The main objectives of the study is to find depth in the perspectives of vulnerability from the demand side in poverty sector and suggest some strategies for microinsurance outreach in poverty sector. The study diversified nature of vulnerability and degree of risk faced by the poor, 'one size fits for all' solution is to be eschewed. The need arose for microinsurance as these poor people are to be protected against two vital

factors – vulnerability and risk at micro level. Vulnerability indicates highly susceptibility to risk of getting affected or attacked in the absence of protection leading to either loss of life or loss in their livelihood or both. Taking cognizance of demand side realities, as observed in the study, three urgent tasks namely 1) Designing appropriate microinsurance product and services matching the needs of demand side 2) linking them with pro poor welfare programmes like The National Rural Employment Guarantee Act (NREGA) and 3) making microinsurance as integral component of micro finance activities and merit the attention of the policy makers

Roth et al (2005) explains the significance of microinsurance from the perspective of Micro Finance Institutions, which are important microinsurance delivery channels. The researcher analysed by taking three Indian MFIs, there are SPANDANA in Andhra Pradesh and Self-Help Promotion for Health and Rural Development (SHEPHERD) and Activists for Social Alternatives (ASA) in Tamil Nadu. The primary focus for most insurance authorities is on consumer protection, and their efforts to protect consumers may have the unintentional side effect of excluding the low-income market from appropriate insurance services. In India, the IRDA tries to strike a balance between its consumer protection responsibilities and its development agenda.

Ahuja et al (2005) conducted their study on Microinsurance in India: Trends and strategies for further extension. The study showed that microfinance phenomenon is one of the most remarkable socio-economic developments. The study explained “micro-credit phenomenon” has shown that the poor can be made creditworthy if they are organized in small groups. Policy-induced and institutional innovations are promoting insurance among the low-income people who form a sizable sector of the population and who are mostly without any social security cover. It serve low-income people who can pay the premium certainly makes a sound commercial sense to insurance providers. To that extent imposing social and rural obligations by insurance regulator (IRDA) is helping all insurance companies appreciate the vast untapped potential in serving the lower end of the market. Microinsurance needs a further guidance from regulator as well as the Government and also has two areas in which explicit provisions would aid the development of

microinsurance: one, flexibility in premium collection, and two, encourage microinsurance among micro-finance institutions (MFIs).

Cohen et al (2003) examined the reducing vulnerability on the demand for microinsurance. The study showed that there is a slow process of increasing income and building assets characterizes the road out of poverty. In the precarious world of the poor, a shock such as illness, death, fire or theft can rapidly erase and make the escape from poverty harder to achieve. Vulnerability for the poor is an everyday reality. To cope with shocks, poor people use much different risk management. The objective of the three field studies is to assess the demand for microinsurance by poor urban and rural households in Kenya, Tanzania and Uganda. The field research focused on the most common crises / risks / vulnerabilities facing a sample of these households and the effectiveness of existing coping strategies. The research involved primarily qualitative research methods. These included focus group discussions on risks and risk management strategies with microfinance clients; in-depth interviews with key informants who are members of indigenous, informal group-based insurance schemes; focus group discussions with people who are clients of existing insurance programmes for poor households; and individual interviews to explore demand side issues related to affordability. The study draws on informal group-based and self-insurance mechanisms such as borrowing, saving, and drawing down productive and non-productive assets. Sickness, death of an income earner or family member, and property loss as a result of theft and fire were respectively the most frequent and stressful risks experienced by the study participants in all three countries. The conclusions of the study is that private insurance sector have to design and deliver such products based on a market analysis of the potential customers' preferences, their existing insurance landscapes as well as the structure of the insurance industry at the country level.

Brown et al (1999) carried out the study on providing insurance to low-income households. The study explained the increase in maturation and sophistication of the microfinance industry. The study analysed the risks faced by the low income households, techniques that low income households use to

manage these risk and risk management techniques. The first is to develop ways to assist poor households to cope with this uncertainty is to understand the range of risk that they face. A household can cope more easily with an individual life-cycle need than a mass-covariant risk because they can plan for the event and because it generally involves a smaller cost. Second, low-income households have a need for more complete protection than can be provided through informal means or through other financial services such as credit or savings. Risk-pooling insurance products have the potential to meet this need. And finally, low-income households have a need for risk-pooling protection; market demand is just one factor influencing the design and delivery of an insurance product. To accept that insurance is an appropriate response to households' needs, a provider must be comfortable with the amount of risk that they will take on in offering an insurance product. The study reveals things MFIs are hearing is that loans for micro entrepreneurs only meet a small part of the demand for financial services in low-income communities. A microloan may help a household to increase its income, and may even help build some assets, but it does not reduce the household's vulnerability or exposure to risks. The trend is to drive for sustainability or profitability, again perhaps in the face of increasing competition, which is leading MFIs to diversify their line of financial products. Insurance as a new financial product has the potential to improve profitability by reducing loan losses and replacing clients' need to draw down savings for emergencies. The institution offers insurance independently, it can also benefit from an additional source of capital for lending; if it provides insurance in partnership with a traditional insurer, it can generate fee-based income.

2.3 Potential and Effective Demand of Different Microinsurance Products

Varshini et al (2014) in their study analysed "Microinsurance: An emerging financial instruments in the Indian insurance sector". The researcher analyse whether people have a positive or negative impression of microinsurance, i.e., what they mean when they characterize microinsurance. The researcher also analysed the awareness on microinsurance and its contribution towards risk coverage and savings of future investment. The

objectives of the study are to understand the concept of microinsurance, to know the various models of microinsurance, to analyze the factors leading to the development of microinsurance in India and to suggest some implementable suggestions for facilitation of desired growth and outcome of the microinsurance sector. The study concluded that microinsurance in India is a new concept and is to be tested for conduciveness to the needs of the target segment. The most important constraint is the lack of base line data on potential claims that can help the insurers to design the products. The consumption and saving patterns are also a critical aid to assess the insurance needs. The issue of moral hazard and adverse selection is a matter of concern for the insurer. Finally, spreading awareness among this segment of insurable population and capacity building of the delivery organizations are major challenges.

Chakrabarty (2012) in his study conducted on micro credit increase child labour in absence of microinsurance. The study aims to discover whether access to microinsurance might make any difference to the microcredit receivers in terms of reducing their use of child labour. The researcher decomposes households into three broad groups: microcredit participants with microinsurance, microcredit participants without microinsurance and non-participants of microcredit and microinsurance. The study is based on primary data collected from two out of five administrative districts of greater Rangpur. A total of 384 households are selected: 223 from Gaibandha and 161 from Kurigram. Logistic regression is one of the most popular statistical methods used for assessing the influence of independent variables on a dichotomous or polytomous dependent variable. The study concluded that research generally supports that, access to microcredit decreases child labour, however, the relationship between access to microcredit and child labour is not unequivocally negative. The negative effect of microcredit on child labour is explained by the combination of an appropriate microinsurance scheme.

Cole et al (2012) in their study of evaluating effectiveness of index-based microinsurance in helping smallholders manage weather-related risks. The study showed that several non-price factors, including financial literacy,

trust and liquidity, appear to affect demand for index-based microinsurance products. The objectives of the study is to review investigates the effectiveness of weather insurance and area yield based crop insurance in helping smallholders manage weather-related risk in low and middle-income countries. It summaries that approximately 55 percent of people in developing countries live in rural areas (IFAD 2010), and most rely on agricultural activities for their livelihood. In the absence of formal risk management mechanisms, households self-insure against catastrophic events, such as drought, by employing informal risk management methods, many of which diminish the expected returns of agricultural activities and provide only limited coverage. Index-based insurance overcomes some of the challenges faced by crop insurance programmes by delinking indemnification from individual production. It showed that several non-price factors including financial literacy, trust and liquidity appear to affect demand for index-based microinsurance products, and there is some evidence that access to index-based insurance increases the use of agricultural inputs, such as fertiliser.

Job Harms (2011) conducted a study on microinsurance product design and consumer preferences in Kenya. The study presented a survey on preferences for microinsurance products in rural Kenya. It examines preferences for deductibles and rebates. The study revealed that the majority of the respondents have a preference for policies without deductibles and for policies with rebates. Risk aversion, financial literacy, health shocks, economic activities and prior experience with insurance affect these preferences. The study suggested that higher uptake of microinsurance might be achieved by taking these preferences and their determinants into account in the design of microinsurance products. The study significantly said that the share of the respondents exposed irrational preference patterns that cannot be explained by time preference or risk aversion. These high rates of irrational preferences patterns underscore the relevance of ongoing financial education programs. The no-deductibles policies were also preferred by a large group of people who did not experience a recent case of hospitalization in their household.

Bendig et al (2011) found that the enrolment in micro life and health insurance: Evidences from Sri Lanka. The study revealed that microinsurance is an emerging concept protecting households from the potentially catastrophic expenditures associated with family related shocks. In Sri Lanka, the study covered 30 villages in all 14 districts of all regions. The survey sampling frame is a census of households randomly selected from the client bases of the five MFIs and allocated among the districts in which the MFIs are operating. The data collection based on household characteristics questionnaires. The survey questionnaire contained detailed sections on demographic and socioeconomic household characteristics, household assets, the occurrence of shocks, risk management strategies, evaluation of household's risk self-assessment and situation. It showed the evidence on the determinants of insurance participation using probit models on household survey data from Sri Lanka, conditional on household's microfinance institution enrolment. The study used multivariate probit regressions to analyse factors affecting the participation in different types of insurance. The study finds that the household's experience of a family related shock is positively associated with the participation in micro health insurance schemes and education of the household head is a strong determinant of microinsurance participation.

Chantararat et al (2011) carried out the study on designing index based livestock insurance for managing asset risk in Northern Kenya. The study described a novel Index Based Livestock Insurance (IBLI) product piloted among pastoralists in Northern Kenya, where insurance markets are effectively absent and uninsured risk exposure is a main cause of poverty. The study describe the methodology used to design the contract and its underlying index of predicted area-average livestock mortality, established statistically using longitudinal observations of household-level herd mortality fit to remotely sensed vegetation data. The study concluded that household-level performance analysis based on simulated data finds that IBLI removes 25-40 percentage of total livestock mortality risk. The study described the contract pricing and the potential risk exposure of the underwriter to establish IBLI's re-insurability on international markets.

Heenkenda (2011), the study conducted on index-based microinsurance for paddy sector in Sri Lanka: An evaluation of demand behaviour, The objective of the study is to support the making of a more efficient and realistic pricing policy for Index-Based Microinsurance Scheme (IBMS) by analyzing, using the contingent valuation method, the insurance demands (i.e. willingness to pay) of the paddy farmers in Sri Lanka. The selection of study area was carried out through a multi-stage screening process based on multi hazard risk and paddy production. The face to face interview method with structured questionnaire schedule for data collection is used. The data analyses by farmer characteristic to preference on bid scenarios using multinomial logit regression. The results of the study showed that farmer's demand is substantially high and determinants are highly location specific; hence indicating a potential discriminating and flexible policy in the insurance scheme. It means that insurance policy concerning crop insurance product should be designed and implemented with synergies of different approach in microinsurance rather than a uniform structure.

Rota et al (2009) carried out the study on livestock and rural finance through International Fund for Agricultural Developments (IFAD's) mandate focuses on small rural producers engaged in both agricultural and non-agricultural activities and living in areas of widely varying potential, where direct access to financial services can affect productivity, asset formation, income and food security. The assumption is that financial services, where effectively developed and delivered, can offer substantial benefits to livestock owners and play a significant role in rural development and risk management and mitigation strategies. The study analysed insurance products, loans and financial-support livestock-related microenterprises. It shows that effective, sustainable and accessible rural financial services are critical to the long-term development of livestock production. The long-term presence of strong, sustainable rural financial institutions can have a significant effect on rural poverty alleviation. The success of rural financial services included the targeting households based on their capacity to utilize the financial services to raise the productivity of their livestock and generate household cash flow so that they can repay the loans.

Pierro (2008) the study explains an overview of interest in crop or weather microinsurance as well as partners' involvement in microinsurance-related products and services. It found that majority of people interviewed (85 per cent) believe that crop / weather insurance would help poor farmers in managing weather risks and this percentage rises to 100 percentage for interviewees in the field. For most of the respondents, conditions for successful microinsurance would be the presence for empowered communities and the absence of conflict, while protection to different categories of poor (not only farmers but also landless and marginalized pastoralist communities) makes insurance more appealing than traditional crop insurance.

Raju et al (2008) analysed the study on agricultural insurance in India problems and prospects. The study revealed that agricultural insurance is one method by which farmers can stabilize farm income and investment and guard against disastrous effect of losses due to natural hazards or low market prices. Crop insurance not only stabilizes the farm income but also helps the farmers to initiate production activity after a bad agricultural year. The objectives of the study is to estimate price / yield risk involved in different crops at national level and at disaggregate level, to examine the performance of the existing and earlier national agricultural insurance schemes implemented in India, to discuss and explore the problems and prospects of agriculture insurance in the country, to look into the role of government in implementing various agricultural insurance schemes and to suggest effective agriculture insurance programme in India. The study estimated the risk associated with crop production at national level and at disaggregate level. The state of Andhra Pradesh was selected to represent disaggregate level. Risk associated with agriculture and various crops was estimated by using instability index as an indicator of risk. The study concluded that the progress of irrigation and improvement in infrastructure and communication, the risk in agriculture production has increased in the country. The risk is much higher for farm income than production, as is evident from lower risk in area and higher risk in production. State wise results show that only in the states where irrigation is very reliable, it helped in reducing the risk. Those states where

irrigation is not very dependable continue to face high risk. In some states farmers face twin problem of very low productivity accompanied by high risk of production. As, with the passage of time, neither technology nor any other variable helped in reducing production risk, particularly in low productivity states, there is strong need to devise and extend insurance products to agricultural production.

Hasan (2007) in his study entitled “Reducing vulnerability of the poor through social security products - A market survey on microinsurance in Bangladesh”. In the study, Bangladesh has been considered a pioneer in microcredit, yet diversification of financial products and services for the poor. Many MFIs/NGOs are offering microinsurance products to protect their loan as well as provide social security to their clients through reducing risks and vulnerabilities, product diversification and professional. The objectives of the study is to explore the existing microinsurance products and the target clients of MFIs/NGOs as well as mainstream insurance companies in Bangladesh, to develop a database of MFIs/NGOs and insurance companies offering microinsurance products, to promote the successes of INAFI member organisations as well as other MFIs/NGOs and mainstream insurance companies offering diversified insurance products that ensures the social security of the poor clients, To learn the prerequisites to launch microinsurance products by MFIs/NGOs and advocate for financially and operationally sustainable products and to explore the possibility of building alliance of MFIs/NGOs with mainstream insurance companies. The data were collected through a structured questionnaire by using both English and Bengali language. The questionnaire was sent to the identified NGOs/MFIs. Among the 92 NGOs/MFIs 61 organisations completed the questionnaire correctly. The result of the study is that it is worldwide recognized that Bangladesh has been considered as pioneer in microcredit with diversified products. Many NGOs/MFIs in Bangladesh are striving to offer demand driven and diversified financial products and services to the poor people. But still a significant number of poor people are vulnerable to adverse situation in their life cycle and untapped with social security products like insurance that can be a social safety net for them.

Dror (2007) conducted a survey on “Social capital and microinsurance – insights from field evidence in India”. The data from a 2005 household survey in four locations in India, namely Maharashtra rural, Maharashtra urban, Karnataka and Bihar are used. The study examined whether there is an association between insurance status and indicators of social capital, and whether their association is a general phenomenon or rather, dependent on attributes of the community or of the local micro health insurance units. The study revealed that majority of the insured respondents mentioned that quality of healthcare and financial protection were a reason for joining the Microinsurance Units (MIU). The respondents viewed the insurance as offering access to better health care than they could afford without insurance. The overwhelming reason cited for not joining a local insurance scheme across all locations was lack of trust. The results of the study show that there are some unexpected findings that justify further study in order to enable practitioners and policy makers to understand the social dynamics underlying the design and implementation of microinsurance schemes.

Nyambane (2005) conducted a study on “The dynamics of agricultural insurance and consumption smoothing” to examine the interaction between credit, insurance, and liquidity constraints using a simple dynamic model for a risk averse farmer who uses revenue insurance to manage risk and also borrows and lends subject to a credit constraint. The main objective of the study were to derive optimal revenue insurance choices for a farmer operating in a dynamic environment who can also borrow and save subject to a liquidity constraint and to examine the sensitivity of the optimal insurance choices for the farmer under a variety of alternative insurance instrument designs and features. This study had concluded that (a) as long as complete credit markets exist and the farmer can borrow and save freely, consumption smoothing has no effect on insurance decisions if insurance is moderately priced and there is no residual uninsurable risk; (b) if residual uninsurable risk and/or a liquidity constraint exist then consumption smoothing can have a significant impact on the optimal insurance decision and, in some cases, self-insurance will be preferred over formal insurance.

Adhikari (2002) in his study conducted on “Microinsurance business in Nepal”. The study in Nepal, the microinsurance sector, the insurance products provide protection against major risks, such as life and non-life (Non-life includes sickness, loss of property/asset risks). The study reveals that the welfare implications of microinsurance are more obvious, as it provides social protection, reduces social exclusion and the vulnerability of the poor. The objectives of the study are to review the policy and practices of microinsurance in Nepal, analyze the microinsurance products and services delivered by the concerned institutions. Assess the need of micro finance institutions in enabling them to design and implement insurance services to their clients. The data collected through primary data will be collected from the focus group discussion and questionnaire and checklist. Descriptive methods are used for the analysis of data. The study concluded that most of the micro finance institution in Nepal, limited their services on credit and saving mobilization. But, some institutions are ahead than this and just started remittance and microinsurance service. These two services are found very effective to the rural poor people.

2.4 Summary

Microinsurance is designed especially for the low income category. In India, three – fourth of the low income people are in rural areas. It is observed from the earlier studies that, to understand the demand and risk management with access frontier approach, only few studies have been available. Hence this research gap motivated the researcher to study the risk management and demand for microinsurance among rural households.