

ISSUES AND CHALLENGES OF MICRO INSURANCE

Dr. Devika Agarwal*

ABSTRACT

With the advent of globalization and industrial growth, India's middle, working class is growing rapidly but approximately 68.84 percent of the population is still rural, often very poor, and handicapped by poor health, health services, and low literacy rates. Economic, social and natural factors contribute to the risk level and their risk management capability is so low that it hinders all their efforts and struggle to come out of poverty. To facilitate the millennium development goal of financial inclusion, a relatively new concept of "Micro insurance" has been coined to promote financial stability, mobilize savings, enable risk mitigation, foster efficient capital allocation and act an instrument to substitute for and complement government security schemes. However, Micro insurance is at a preliminary stage and to improve its efficiency and outreach, different distribution channels should be tapped; innovative selling propositions along with simpler policy document may be generated. Immediate claim settlements and proper infrastructure facilities may help in its penetration.

KEYWORDS: IRDA, SHG, BPL, Micro Insurance, Non Government Organizations.

Introduction

Micro insurance, commonly called insurance for the poor, is the provision of insurance services to low-income households, which serves as an important tool to reduce risks for the already vulnerable population in exchange for regular premiums payments proportionate to the likelihood and cost of the risk involved. In 2002, IRDA made it mandatory for all the Insurance companies to sell a certain percentage of policies in the rural areas and the stipulated number of lives to be covered in the social sector and in 2005, Micro Insurance concept came into existence. Regulations of IRDA were made regarding the Product Policy and appointment of SHGs, Micro Finance Institutions and NGOs to act as Insurance agents. Various types of MI are being provided to the poor like Life, Health, Crop/ Weather, Property, Disability and Unemployment.

Methodology

- **Data Collection:** The study is based on the collection of internal as well as external secondary data like Journals, Government Gazettes, Insurance Act and Amendment bills, research papers, books project reports etc. and primary data collection through observations, interview and questionnaire.
- **Sample Size:** The study was conducted with unorganized workers in urban slums and BPL families in the rural areas of Rajasthan with special reference to Bharatpur, Ajmer, Churu and Jaipur. The sample size of 50 who not covered under any micro insurance schemes and 50 registered with some NGO working for micro finance and development of Self Help Groups from each location.

Hypothesis

H₀ : Micro Insurance schemes are not helping the target group in their Socio-economic upliftment and do help the target group in mitigation of risk.

* Assistant Professor, Biyani Group of Colleges, Jaipur, Rajasthan.