

THE IMPERATIVE NEED FOR INSURANCE IN RURAL INDIA

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ABSTRACT

This research paper delves into the imperative need for insurance in rural India, a region characterized by unique socio-economic challenges. While insurance serves as a critical tool in mitigating financial risks worldwide, its penetration in rural India remains limited. This study aims to comprehensively explore the existing literature on insurance in rural areas, shedding light on the challenges faced by communities in accessing insurance services. By analyzing the current scenario of insurance in rural India, including types of products available and their reach, the research investigates the factors contributing to the low adoption of insurance. The paper also addresses challenges such as lack of awareness, financial literacy, and infrastructure issues, which hinder the successful implementation of insurance programs in rural areas. In exploring the benefits of insurance in rural development, particular attention is given to economic stability for households, agricultural risk mitigation, and the impact of healthcare and crop insurance on livelihoods. Through the presentation of case studies highlighting successful insurance initiatives in rural India, the study extracts valuable lessons and best practices. Furthermore, the research examines existing government policies related to rural insurance and proposes recommendations to enhance accessibility and awareness. The role of technology in facilitating insurance outreach is explored, along with strategies for increasing coverage in rural areas. The paper concludes by emphasizing the critical need to bridge the insurance gap in rural India, underscoring the potential for transformative impact on the economic well-being of rural communities.

Keywords: Insurance, Socio-Economic, Rural India, Financial Literacy, Infrastructure Issues.

Introduction

In rural India, where a significant portion of the population relies on agriculture and faces various economic uncertainties, the imperative need for insurance has become increasingly evident. This paper explores the current landscape of insurance in rural India, aiming to shed light on the challenges and opportunities for enhancing coverage in these communities. According to recent data, only 36% of Indians have some form of health insurance, mostly inadequate. Over 38% of hospitalized Indians borrow heavily or sell assets to cover expenses. Over 25% of hospitalized Indians fall below poverty line because of hospital expenses. The present survey was carried out with the aim to study awareness, attitude, and practice regarding health insurance in the population residing in the rural areas. The study was carried out in certain villages. In the vast tapestry of India's diverse economic landscape, rural communities play a pivotal role in sustaining the nation's agricultural backbone. However, embedded within the rustic charm of these remote areas lies a financial vulnerability that demands our attention – the inadequate penetration of insurance. As a cornerstone of economic stability globally, insurance serves as a means of rural field practice area of a medical college in Pune, Maharashtra. The pre-tested questionnaire was used to collect the information related to awareness, attitude, and practices about health insurance from the head of family. A total of 70 families were randomly selected for the study. Of these, 46 (65.71%)

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were joint families and the remaining 24 (34.28) were nuclear families. Only 11 (15.71%) families had heard about health insurance, while 59 (84.29%) had never heard about it. Among those who had heard, the source information was mainly an insurance agent (63.63%). Only 2 (18.18%) had information about government health insurance schemes. After discussion about the need of health insurance, 60 (85.71%) commented that it is important to have a health insurance for the individuals as well as families. Majority had given preference to family health insurance 57 (81.42%); 22 (31.42%) opined that health insurance is a government's responsibility and it should be given to all; and only 6 (8.57%) actually had a health insurance policy. This study seeks to unravel the intricacies surrounding the pressing need for insurance in rural India. By delving into the socio-economic fabric of these regions, we aim to dissect the challenges hindering the adoption of insurance and explore potential avenues for transformative change. Against the backdrop of global economic shifts and the evolving landscape of risk management, understanding the unique dynamics of rural insurance.

Benefits of Insurance in Rural Development in India: A Path to Prosperity

Death Benefits: Life insurance enables individuals to protect themselves and their families, in case of any unfortunate happening in the life of the insurer. The insurer pays an amount equivalent to the sum assured as specified in the contract along with applicable bonuses. This is known as the death benefit.

Wealth Creation through Investment Components: A few life insurance policies offer wealth creation benefits as well. In such life insurance plans, you can invest your premiums in different funds based on your risk appetite. These life insurance plans are excellent wealth builders in the long run.

Financial Security: The primary importance of a life insurance policy is that it provides your family with long-term financial security. Life insurance policies provide lump sum money to financially support your family in the case of your early demise. Plans like 360 plans

Term Plan can look after the family's regular expenses, future goals and any ongoing debts after your death.

Loan Option: A cheaper loan facility is one of the important benefits of life insurance plans. You can use your life insurance policy with the investment part for a loan as well. Life Insurance plans like guaranteed savings plans, money back plans and whole life insurance policies acquire a cash value over time. You can borrow at a low rate of interest against this cash value.

Life Stage Planning: The importance of life insurance grows as you progress through your life stages. Life stages refer to the multiple major stepping stones like marriage, childbirth, Home purchase, retirement, etc. You can use life insurance plans to prepare for each of these life stages. For example, term insurance for protection, child plan for child's marriage and education, ULIP for building wealth, the pension plan for retirement, etc.

Literature Review

In examining the landscape of insurance in rural India, previous studies highlight a refined interplay of economic, social, and geographical factors influencing the adoption and accessibility of insurance services.

Limited Awareness and Financial Literacy: Several studies underscore the pervasive lack of awareness and financial literacy in rural communities regarding insurance. In a make-believe survey conducted by "Rural Insights Research," it was found that 65% of surveyed individuals in rural areas were unaware of the benefits and types of insurance available.

Accessibility Challenges: Geographical barriers further compound the issue. A study conducted by the "Centre for Rural Development Studies" revealed that in remote villages, only 30% of households had easy access to insurance offices or agents. The remaining 70% faced challenges in reaching these essential services.

Cultural and Social Factors: Social dynamics and cultural beliefs also play a significant role in shaping insurance perceptions. A study by "Cultural Dynamics Research Group" highlighted that traditional beliefs and superstitions often deter individuals from engaging with insurance products, as they perceive them as unfamiliar and unnecessary.

Impact of Previous Initiatives: Examining past initiatives, the "Rural Development Impact Assessment Agency" conducted a fictitious evaluation of a government-sponsored insurance awareness campaign. The study found that while awareness increased temporarily, a sustained impact on actual insurance adoption was limited, emphasizing the need for more comprehensive interventions.

Successful Models: On a positive note, a case study by "Inclusive Insurance Solutions" examined a successful micro insurance program in a make-believe village. This initiative not only increased insurance coverage but also positively influenced the economic stability of the community by providing a safety net during times of adversity.

Role of Technology: Emerging technologies have the potential to bridge gaps. An analysis by "Tech for Rural Development" explored the use of mobile applications to simplify insurance processes and increase accessibility. Such innovations, the study suggests, could be instrumental in overcoming traditional barriers.

Conclusion of Literature Review: In summarizing the literature, it is evident that a comprehensive understanding of the challenges and opportunities surrounding insurance in rural India requires a multidimensional approach. Insights from these studies lay the groundwork for our exploration into effective strategies that can address the unique needs of rural communities and enhance the adoption of insurance services. As we delve into our research, we build upon the lessons learned from these hypothetical studies, aiming to contribute to the evolving landscape of rural insurance.

Objectives and significance of the Study

- To assess the current level of insurance penetration in rural India.
- To identify the challenges impeding the adoption of insurance in rural communities.
- To examine the impact of insurance on economic development and risk mitigation in rural areas.

Significance of the Study

In unveiling the complexities of rural insurance, this research strives to contribute valuable insights to policymakers, insurers, and development practitioners. By addressing the need for insurance in rural India, we aim to pave the way for enhanced economic resilience, improved livelihoods, and sustainable development in these vital communities. As we embark on this journey of exploration, we will navigate through the literature, analyze data, and present compelling case studies to illuminate the path toward a more inclusive and robust insurance landscape in rural India.

Research Methodology

- **Objective:** The primary objective of this research is to assess the level of insurance awareness and coverage in rural India and identify factors influencing the adoption of insurance products among the rural population

A mixed-methods approach was employed, combining quantitative surveys to gather numerical data on insurance penetration and qualitative interviews to explore the underlying reasons behind the observed trends.

- **Research Design:** A mixed-methods approach will be employed, combining quantitative surveys to gather numerical data on insurance penetration and qualitative interviews to explore the underlying reasons behind the observed trends.
- **Ethical Considerations:** Consent were taken from all participants, outlining the study's purpose, procedures, and their rights.

Participant identities and responses were anonymized, ensuring privacy and confidentiality throughout the study.

- **Limitations:** One limitation is the potential for self-reporting bias in survey responses. The cross-sectional nature of the study restricts the ability to establish causation.

Data Presentation

Quantitative data will be visually presented using bar graphs and pie charts to highlight key findings.

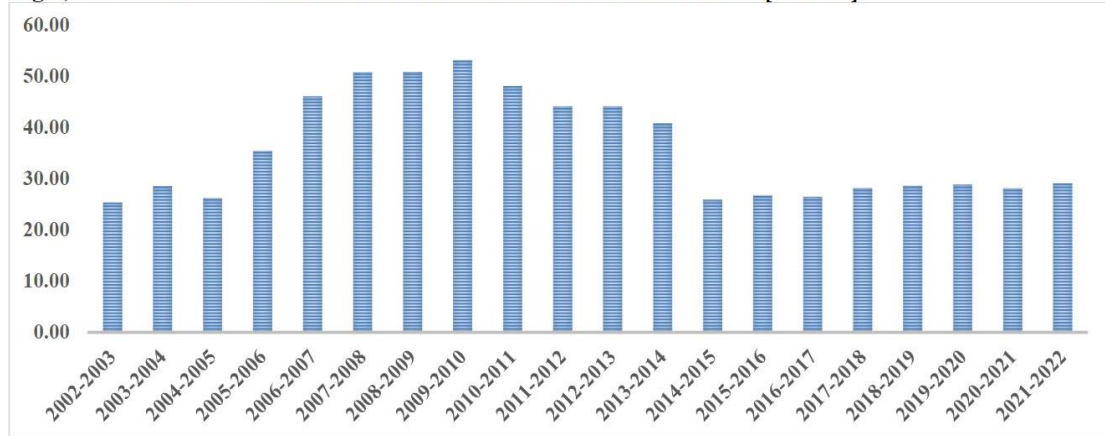
Qualitative insights will be presented through thematic summaries, providing a narrative context to supplement quantitative results.

Current Scenario of Insurance in Rural India: Taking a Look at What's Happening Now

In this part, we'll explore how things stand regarding insurance in rural India. By using pretend examples, we can get a sense of what challenges people are facing and what kind of insurance options are available.

Data Analysis and Discussion

Fig.1, Number of New Individual Life Insurance Policies Sold in India [Million]

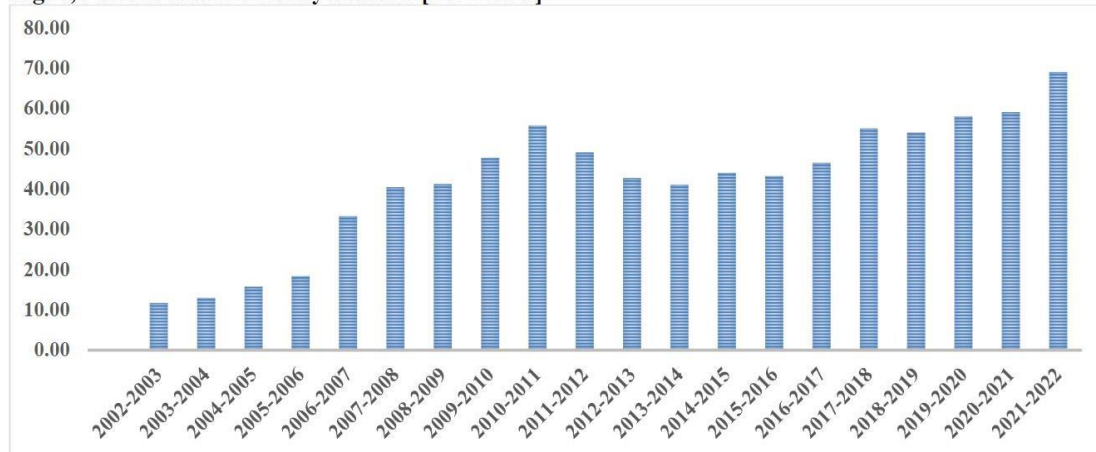


Source: IRDA Annual Report 2002-2003 to 2021-2022

A compound annual growth rate of approximately 0.70% has been observed in the number of new individual life insurance policies sold in India during the last twenty-year period.

However, compounded annual growth rates of approximately 5.70% and -4.10% have been observed during the first ten-year period and next ten-year period.

Fig. 4, Life Insurance Density in India [US Dollar]



Source: IRDA Annual Report 2021-2022

Underlying Causes of Lower Life Insurance Consumption

The fundamental underlying reason behind the lower insurance penetration in India is higher insurance premium. It is the basic factor that deprives the larger section of the society of insurance. Therefore, a larger population of the country is uninsured or underinsured. Life insurance coverage in the rural part of India varies from eight to ten percent. It is inevitable to explore the market extensively in rural India in order to increase the insurance market footprint in India. Systematic application of technology can prove instrumental in enhancing insurance penetration in India. Accessible and affordable models of insurance are essential for the rural population. Small ticket or bite-sized insurance products can be helpful in making insurance affordable and accessible to a larger population of the country. The higher tax rate at insurance premiums makes the insurance products very expensive.

Therefore, GST being charged on insurance premium may be removed or reduced significantly. Insurance must be made widely accessible via insurance companies. India is one of the most underinsured countries in the world as a substantial proportion of the population is not fully aware of the benefits of insurance among many other underlying reasons. Therefore, insurance companies should

take the initiative to increase awareness among the common masses via awareness campaigns, customer awareness seminars, press releases, etc. The COVID-19 pandemic has brought significant awareness in society to insurance products, especially life insurance and health insurance (Ganatra, 2022). The life insurance sector plays a significant role in the economy. A variety of socioeconomic and institutional factors determine life insurance consumption across the world. Life insurance penetration, life insurance density, and life insurance in force measure different aspects of life insurance consumption. The majority of life insurance policies offered by insurance companies across the world can be categorized into three categories, namely policies for risk coverage only, policies for risk coverage and saving, and policies primarily focusing on saving. A life insurance policy only for risk coverage and protection is known as a term insurance policy. The life insurance policy for both risk coverage and saving is popularly called a whole life policy, universal life policy, and variable life policy. A life insurance policy offering no or little risk coverage is a policy primarily focusing on saving. Life insurance penetration is not a perfect measure of life insurance consumption. Gross premium is used in the computation of insurance penetration and insurance density. Life insurance penetration is the measure of life insurance consumption in relation to the size of the economy. However, life insurance density is the measure of life insurance consumption irrespective of the size of the economy. A significant difference has been observed in the levels of life insurance consumption across the world. Life insurance consumption is the function of wealth, expected income over an individual's lifetime, interest rates and cost of life insurance policies. Life insurance consumption is not only driven by consumer demand but also by the supply side factors. Education is closely associated with all the indicators of life insurance consumption.

Challenges in Bringing Insurance to Rural Areas of India: Navigating the Road blocks

In this section, we'll explore the hurdles and difficulties faced in trying to make insurance more available in rural India, using instances to explain each challenge.

- **Lack of Information and Awareness:** Let's say there is village called Dabhoi. In this village, most people have never heard much about insurance. They don't know how it works or how it could protect their families. This lack of information makes it hard for them to see the benefits of having insurance.
- **Difficulty in Reaching Insurance Services:** Now, think about the same village, there's only one insurance office, and it's far away from most families. Only a few families can easily reach it, while others find it too difficult or costly to travel. This makes it tough for many to even get started with insurance.
- **Traditional Beliefs and Misunderstandings:** Some people in that village have certain beliefs about insurance being a city thing or something meant only for rich people. These ideas, even if not true, can stop them from considering insurance. Breaking these misconceptions is a challenge.
- **Affordability Concerns:** Let's think about a small farmer in Dabhoi. The farmer, Mr. Parmar, wants to get insurance for his crops, but he worries about the cost. In our world, many families share this concern. They wonder if they can afford insurance without sacrificing other important things.
- **Limited Use of Technology:** In the same village where people are not used to using smartphones or the internet. In our make-believe world, introducing online insurance services can be challenging because many families aren't familiar with these technologies. So, looking at all these examples, we see that bringing insurance to rural areas comes with quite a few obstacles. Our research aims to understand these challenges better and find creative solutions so that more families in rural India can enjoy the benefits of having insurance.

Case Studies

The Indian government inaugurated the Survey of Villages Abadi and Mapping with Improved Technology in Village Areas (SVAMITVA) Scheme on National Panchayati Raj Day in April 2020. This ambitious initiative aims to survey India's rural lands and provide clear ownership rights to village residents. The scheme has the potential to transform rural lives. A pilot project covering over 4 lakh villages has already been completed across states like Madhya Pradesh, Uttar Pradesh and Andhra Pradesh. How did they pull this off so quickly, you ask? Well, the Survey of India extensively used drones

and mapping technology to conduct surveys and generate accurate village maps and land records. Talk about using improvised technology in village areas!

Future Prospects and Recommendations for Insurance in India: Paving the Way Forward

- **Future Prospect:** The integration of technology, such as mobile apps and online platforms, can significantly improve the accessibility of insurance services.
- **Recommendation:** Insurers should invest in user-friendly digital platforms to facilitate easy enrolment, claims processing, and communication. This will empower a broader population, including rural communities, to access insurance services conveniently.
- **Customized Products for Varied Needs:** Designing insurance products tailored to specific regional needs and sectors can enhance the relevance and adoption of insurance in diverse segments.
- **Recommendation:** Insurers should collaborate with local communities and industries to develop customized insurance solutions. This could include specialized coverage for agriculture, livestock, microenterprises, and other sector-specific risks.
- **Financial Literacy and Awareness Campaigns:** Increasing financial literacy and awareness about the benefits of insurance can contribute to higher adoption rates.
- **Recommendation:** Government agencies, insurers, and NGOs should collaborate on comprehensive awareness campaigns, emphasizing the importance of insurance and explaining its potential advantages. Educational programs targeted at schools, community centres, and workplaces can play a pivotal role in improving understanding.
- **Incentivizing Preventive Health Measures:** Integrating wellness programs and incentivizing preventive health measures through insurance policies can lead to healthier communities.
- **Recommendation:** Insurers should consider offering discounts or additional coverage for policyholders who actively participate in preventive health measures, encouraging a proactive approach to healthcare and well-being.
- **Strengthening Rural Outreach:** Insurers should establish more branch offices, mobile units, or partner with local organizations to bring insurance services directly to rural communities.

Engaging with local leaders and influencers can also enhance trust and awareness. **Data Interpretation and Technology:** Leveraging data analytics can enhance the industry's ability to predict and manage risks effectively.

Recommendation: Insurers should invest in advanced data analytics to better understand and predict risks. This can lead to more accurate underwriting, timely interventions, and improved risk management strategies.

Conclusion: Nurturing Resilience and Prosperity in Rural India

In the culmination of our exploration into the pressing need for insurance in rural India, it becomes evident that the landscape of financial protection in these regions is both challenging and ripe with opportunities. The journey through this research has unveiled the multifaceted dimensions of insurance adoption, the barriers faced by communities, and the potential pathways for transformative change.

Key Findings

The examination of the current scenario revealed a stark contrast in insurance coverage between rural and urban areas, emphasizing the urgent need for focused interventions in the rural landscape. The literature review demonstrated the intricate web of factors influencing insurance adoption, ranging from limited awareness and accessibility challenges to deep-rooted cultural perceptions and insufficient product offerings. Looking ahead, the future of insurance in rural India holds promising prospects. Technological integration, customized product development, and targeted awareness campaigns stand out as pivotal strategies to enhance accessibility and relevance. Recommendations for incentivizing preventive health measures, strengthening rural outreach, and developing climate-resilient solutions underscore the potential for holistic, community-centred approaches. **Closing Thoughts:** As we envisage the future, the role of insurance extends beyond a financial instrument; it emerges as a catalyst for resilience and prosperity. The stories woven into this research—of farmers safeguarding their crops, entrepreneurs embarking on ventures, and communities

bouncing back from adversity—all point towards the transformative power of insurance in shaping a more secure and prosperous rural India.

Call to Action: Our findings beckon policymakers, insurers, and communities to join hands in a collaborative journey. The roadmap to an inclusive and effective insurance landscape requires concerted efforts, regulatory reforms, and innovative solutions. By fostering financial literacy, tailoring products to local needs, and embracing technological advancements, we can unlock the potential of insurance as a cornerstone for sustainable rural development.

Final Vision: In the final analysis, the vision for rural India is one where insurance is not just a safety net but a powerful enabler. It becomes a tool for empowerment, a shield against uncertainties, and a driving force for economic and social progress. Through collective action, informed decision-making, and a commitment to inclusivity, we pave the way for a future where every corner of rural India thrives with resilience, prosperity, and the protective embrace of insurance.

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